

DEPARTMENT FOR EDUCATION AND SKILLS
RESEARCH ON THE COSTS OF INVESTORS IN PEOPLE
AND RELATED ACTIVITIES

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EXECUTIVE SUMMARY

1. As part of the preparations for the transition of Investors in People to the Learning and Skill Council (LSC) and DTI Small Business Service (SBS), the Department for Education and Employment¹ (DfEE) wished to undertake an analysis of the costs and unit costs of obtaining Investors in People recognition.
2. The focus of the research is the support provided by TECs to organisations participating in the Investors process. While the study does not take into account the level of internal resources that employers use to achieve Investors recognition, consideration is given to the extent and range of the total funding that supports delivery of Investors; and to elements of deadweight and displacement associated with public funding of the Investors initiative.
3. The study is based around case studies with 14 TECs selected to represent a range of delivery models and performance.

Overview of Costs

4. The overall size of TEC Investors in People expenditure across the case studies varies enormously, ranging from £288,000 to £2.3m in 1999-00, with the number of achieved recognitions for each TEC varying from 36 to 144.
5. The analysis is based on a generic model of the Investors process, the model supporting a series of unit cost descriptors relating to the different stages of the process (from pre-commitment to post-recognition). The key unit cost descriptor the analysis sought to estimate is that relating to expenditure on Investors activities during the commitment to recognition stage, estimated as costs per recognition achieved.
6. Based on the generic model, the average (mean) unit cost for this key descriptor across the case studies is an estimated £6,058², with a median cost of £5,422. The mean unit costs of the other elements of the Investors process are estimated as £951 for pre-Investors support; £507 for post-recognition support; and £2,689 of overheads per recognition per year. This amounts to a total average annual unit cost of £10,205 for the delivery of the whole Investors process.
7. Case study TECs with the highest unit costs tend to be those that have significantly re-focused their Investors support, often developing larger internal teams or boosting marketing activities. These TECs have often experienced improved performance as a result of these developments. The data suggest that above-average costs can be justified if they are linked to improving performance and represent a short-term increase in development costs.

¹ Now the Department for Education and Skills (DfES)

² Based on detailed costs data supplied by 11 of the 14 TECs.

However, the evidence from the case studies suggests that effective models of delivery can be achieved at or below the average unit cost identified.

8. A 'bottom-up' method was used to calculate the overall costs of supporting employers of different sizes. Using this approach, the average costs of delivering Investors to employers of different size are estimated at £4,300 for small firms (10-49), £5,400 for medium sized firms and £5,250 for larger firms. The variance around this mean is considerable, with some TECs estimating that the costs of supporting small employers is higher than those needed on average for medium to large employers.
9. Characteristics other than size are felt to have at least an equal impact on the level of support required, with the employers' 'baseline position' i.e. the extent to which the principles of Investors are in place before they get involved with Investors, and capacity to manage change being critical factors.

Funding

10. Data from the case studies show that Local Competitiveness Budget (LCB) Block 3 funding represents 82% of the total budget used to support Investors. Approximately 2% of total budget is funded from TEC reserves, 11% from employer charges, 3% from European funding and 2% from other sources.
11. The proportion of income recovered through charges for the commitment to recognition stage varies substantially, ranging from 100% to less than 6%. This is an indication of the difference in the extent to which TECs approach the promotion and delivery of Investors. The average net unit cost of support from commitment to recognition is estimated at £4,216.

Deadweight

12. Consultation with employers suggests that there is approximately 30% deadweight associated with the process in that 70% of employers would have been unlikely to have made the improvements made under Investors without the support from the TEC i.e. they would have been unwilling or unable to finance the changes made under Investors themselves or they would not have made the same (or similar) improvements independently of Investors.
13. However, it is clear from the responses given that the samples of employers include a large number of Investors champions who are likely to have a positive experience of Investors - perhaps not surprisingly as it only includes those that have achieved recognition. To identify deadweight and displacement more accurately, a larger and more representative sample of recognised and 'non-completers' would be required.

Investors Delivery Models

14. The activities and types of support offered to employers to reach recognition across the case study TECs are broadly similar. There is however more variance in the support offered 'pre-commitment' and 'post-recognition'. Half of the TECs undertake 'pre-Investors' activities that support small employers to a position where they are ready to commit to working towards the Investors standard.
15. There is evidence of different approaches to the way in which TEC Investors advisors work with employers to support them to recognition. Subsidy and charging policies also vary considerably. In most TEC areas SMEs, schools and the voluntary sector pay little or no costs. Overall, Investors support can be characterised as belonging to one of three models:
 - Free 'unlimited' assistance: Mostly free services and 'hands-on' support given to help achieve the standard. Investors advisors' time is given free;
 - Costed Assistance: Mostly free TEC support given to a costed ceiling and employers are aware of the value of any services received;
 - Charged Services: Some charges made for most elements of support including Investors advisors' time.

Cost Drivers

16. The main elements likely to have an impact on costs over the next few years are:
 - the market for Investors: The LSC/SBS will need to consider the balance of priorities between achieving and maintaining Investors recognitions, especially in TEC areas with high levels of penetration amongst 50+ employers. With high penetration in market segments there is a need to access new and 'harder' areas of the market. This implies additional marketing costs to raise awareness amongst small and micro-businesses which in turn requires sustained marketing activity;
 - the creation of the LSC. This potentially has mixed implications for costs. It is expected that economies of scale will be achieved from reducing marketing overheads and in the delivery of group activities such as sector specific workshop support;

- the split of responsibilities between the LSC and SBS. This may increase unit costs, particularly for the support of smaller firms in harder to reach market segments, where more sustained marketing and advisor input is felt to be required. The split of responsibilities may limit the potential for cross-subsidy from larger to smaller employers and may reduce the level of support given to smaller organisations from larger businesses that champion Investors, and in some areas, mentor smaller organisations working towards Investors;
- where TECs have improved Investors performance in recent years. Many TECs have increased the size of their internal Investors teams. This has resulted in tighter performance management and a greater degree of flexibility in the service offered to employers than that delivered through sub-contracted consultants;
- increasing staff development. The impact on costs has been seen in increased staff development costs to improve the level of skills where those previously operating primarily as an account manager need to develop into the role of an advisor/consultant. In addition, there are pressures to increase the salary costs of those in the advisory role as some TECs have found it difficult to recruit at the level of salary offered. To balance costs, several TECs have restructured their teams to increase the amount of marketing and administration support within the team;
- future uncertainty. There is some concern amongst TECs that the lack of certainty of the future of Investors at TEC level might have a negative impact on relationships with new employers. Case study TECs did not report any anticipated problems with achieving targets this year, but felt that this issue might be reflected in poorer performance, in terms of achievement of recognitions, in the next 18 months to two years.

Implications and Issues for Consideration

17. The current level of LCB Block 3 (excluding the funding for non-Investors activities) funding does not cover the full cost of Investors support currently delivered by TECs. The structure of the funding model will need to be reviewed in the transition period if the current level of activity is to be sustained. Currently TEC reserves make up 2% of total funding, with sales making up a further 11%.
18. The current management information on Investors does not enable an analysis of the cost base. More comprehensive management systems for the LSC and SBS are needed to monitor data on expenditure/unit costs.
19. The employer survey suggests that there is some deadweight associated with the delivery of Investors. However, the vast majority of employers value all of the elements of support offered to help achieve Investors status.

20. To help strengthen the information available for management and funding of Investors support, there is a need for a more comprehensive review of expenditure, past Investors performance and cost drivers at the local level in the next 18 months to two years. A standardised approach to this data analysis is required to enable local comparison and national level analysis. This will help to target Investors resources more effectively, ensure that Investors performance is more consistent nationally and that National Learning targets are met.

1 BACKGROUND AND AIMS

Background

- 1.1 Investors in People (referred to simply as “Investors”), was launched in the late 1980s and is the national employer standard and framework for workforce development. It is the DfES flagship initiative to promote employer good practice and investment in training and employee development.
- 1.2 The standard is maintained and promoted nationally by Investors in People UK and delivered locally through the network of TECs/CCTEs. From April 2001 responsibility for Investors in People will rest with Learning and Skills Councils working alongside the DTI’s Small Business Service. This is likely to have both funding and operational delivery implications.
- 1.3 The importance and priority accorded to Investors in People is reflected in the fact that two of the National Learning Targets for 2002 relate to the standard:
 - 45% of medium-sized or large organisations (i.e. employing 50+) to be recognised as Investors in People;
 - 10,000 smaller organisations (i.e. 10-49 employees) to be recognised as Investors in People.
- 1.4 These national targets are translated to local targets for individual TECs/CCTEs. Primary funding for TECs/CCTEs in delivering Investors in People and associate business support activity is drawn from the Local Competitiveness Budget (LCB). Additional funding is drawn in from a variety of other sources including European Social Fund (ESF), Single Regeneration Budget (SRB), Union Learning fund (ULF), and TEC/CCTE surplus and reserves etc. TECs/CCTEs have substantial flexibility in how they achieve local Investors in People targets. This has resulted in a variety of strategies, funding packages and delivery models. The net result is a highly individualistic but holistic range of activity funded through a range of budget lines.

Aims

- 1.5 The DfEE wished to establish the costs/range of costs associated with obtaining Investors in People recognitions and related development activities that support this process. The specific aims of the study were to:
- establish the costs of delivering Investors in People recognitions and the sources of funding used to meet these costs;
 - assess the costs of any other support associated with Investors (including pre-Investors activities with small firms, post recognition maintenance);
 - assess the level of employer contributions levered in by the use of DfEE funding; and
 - assess the amount of deadweight involved in government funding of the activities.
- 1.6 The study does not take into account the level of internal resources that employers use to achieve Investors recognition. The focus of the research is the support provided by TECs to participating organisations and the sources of funding used to finance that support.

Methodology

- 1.7 The methodology developed to meet the aims of the evaluation involved five key elements:
- literature review;
 - selection of case studies;
 - three pilot case studies, refining a generic cost model;
 - an additional eleven case studies; and
 - 57 telephone consultations with Investors recognised employers to assess deadweight and displacement issues.
- 1.8 In order for a unit cost of like-for-like activities to be calculated, a generic model was developed. TECs were asked to apportion the costs associated with their Investors activities across four cost headings (overheads, pre-Investors support, commitment to recognition support and post-recognition support). The model also required TECs to provide details of the funding streams used to finance their Investors support, any income generated, as well as key performance data. A more detailed description of the generic model can be found in Section 3.

1.9 The case study approach adopted enabled the cost analysis to go beyond the level of detail available to DfEE through the Investors management and Local Competitiveness Budget information, to report on how TECs deliver Investors outcomes using a range of funding sources and delivery models.

1.10 The primary factors determining case study selection were:

- the range of 'proxy' unit costs. TECs were selected from across the range of 'proxy' costs, as measured by the level of DfEE Block 3 funding per recognition achieved in a year; and
- the range of Investors performance, as measured by the rate of penetration of Investors into the 50+ employer base.

1.11 The final case study sample was selected in consultation with the project steering group. Membership of the group involved DfEE, Investors in People UK and TECs represented at the TEC National Investors good practice network. Discussion with this group ensured that other key factors were used in determining the selection and the inclusion of TEC case studies, for example:

- ensuring a good regional spread;
- Investors delivered by an internal TEC team, delivering services that are integrated with other employer support and workforce development services;
- Investors support services delivered mainly by a team of external consultants;
- consistently good performance with small organisations.

1.12 Data was collected from TECs through face-to-face meetings and correspondence. Annex A shows the discussion proforma used in the Case Study consultations. The purpose of the TEC case study visits was to:

- collect data on Investors budgets, expenditure and performance for the financial years 1998-99 and 1999-00;
- understand in detail the Investors service delivery model and principles upon which this is based so that expenditure could be apportioned across the generic cost model;
- understand how, if at all, the Investors delivery model, charging or marketing strategies had changed in the last two-three years;
- if there had been significant changes to the Investors support activities, what the impact had been on the cost base.

Report Structure

1.13 The remainder of this report is structured as follows:

- Section 2 provides an overview of the cost data, unit cost calculations and estimates of deadweight and displacement;
- Section 3 describes the 'generic model' that has been used to record the cost information provided by the TECs and the basis upon which unit cost calculations have been made, reporting on the quality and type of data used and key assumptions made in developing the unit cost calculations;
- Section 4 gives further details of the range of Investors support models that the case study TECs have developed, including the specific services offered, marketing strategies and the charging policies. In addition, the cost base in terms of team structures and functions is investigated;
- Section 5 outlines the feedback from employers and assesses deadweight and displacement;
- the case study consultations with TECs covered a range of themes that formed the context and background to the detail on costs. Section 6 reports on the key drivers that impact on unit costs;
- Section 7 sets out conclusions and issues for consideration from the analysis of unit costs, delivery models and performance.

2 OVERVIEW ASSESSMENT

Introduction

- 2.1 This section provides an overview of the cost data, unit cost calculations and estimates of deadweight and displacement arising from the analysis of data from the case study TECs and employer interviews.
- 2.2 Sections 3 and 4 set out data on the generic model developed to estimate unit costs and the details of the Investors delivery models of case study TECs. The key findings from the cost analysis are summarised here.

Costs

- 2.3 TEC support for Investors typically comprises a range of activities including the marketing of Investors and TEC services; supporting employers 'pre-commitment'; implementation support to help progress towards achieving the Investors standard; and 'post-recognition' support helping to encourage employers to maintain their Investors status once it has been achieved. In order to assess the costs associated with achieving an Investors recognition, the analysis identifies which elements of support are included in the following discrete areas of activity: overheads, 'pre-commitment' support, support from 'commitment to recognition' and support 'post-recognition'.
- 2.4 The total costs of delivering Investors support activities in 1999-00 are shown for each case study TEC (where cost data has been agreed with the TEC) in Table 2.1. This table gives an indication of the relative size of each TEC's level of support and shows the number of recognitions in the same year. It shows that the variation in overall size of the case study TECs support ranges from a total value of £288,000 to £2.3m and that Investors performance ranges from the achievement of 36 to 144 recognitions in a year.
- 2.5 The level of TEC activity is determined by the core funding available from DfEE. This is based on the number of employers located in the TEC area and past performance and national targets, plus the extent to which the TEC further supports the initiative from TEC reserves, seeks funding from elsewhere, or uses charged income to fund additional activity.

Table 2.1: Size of Case Study TEC Investors Support Total Recognitions and Expenditure 1999-00		
TEC/CCTE	Recognitions	Total Expenditure³ £ (Rounded)
TEC 1	69	845,000
TEC 2	46	745,000
TEC 3	36	312,000
TEC 4	125	1,461,000
TEC 5	69	1,300,000
TEC 6	124	2,225,000
TEC 7	70	568,000
TEC 8	138	1,393,000
TEC 9	144	2,295,000
TEC 10	137	2,107,000
TEC 11	42	437,000
TEC 12	63	716,000
TEC 13	43	288,000
TEC 14	62	663,000

2.6 Unit cost estimates, based on a ‘top-down’ method, were calculated from annual TEC financial and performance data, for each element of their Investors support activities within the total amount of expenditure. Figure 2.1 describes the definition of the unit costs used for each element of the Investors process.

³ LCB Block 3, TEC reserves, European and other

Figure 2.1: Unit Cost Descriptors

- **Unit Cost A:** the DfEE LCB block 3 funding in year divided by the number of recognitions achieved during that year. This unit cost, in essence, represents the outcomes that the Department is 'buying' with its Block 3 funding, but does not identify the expenditure funded by others sources or identify the specific costs associated with achieving a recognition;
- **Unit Cost B** - the costs in year of taking employers from the stage at which they commit to working towards the Investors award through to recognition as an Investors organisation, divided by the number of recognitions achieved in the financial year. This is the key unit cost descriptor as it focuses on the activities required to obtain an Investor in People recognition.
- **Unit Cost C** - the total funding used to deliver all Investors in People activities (including the work required to obtain commitments and the support given to Investors in People recognised organisations), divided by the total number of employers on the Investors caseload including recognised organisations, committed organisations and active prospects (those near the commitment stage) that the TEC worked with in that financial year.
- **Unit Cost D** - the funding used to deliver pre-Investors in People activity divided by the number of commitments during the year. This isolates the costs associated with activities delivered by Investors teams that support employers to move towards making a commitment to working towards the Investors standard. This does not include the costs of delivery of related enterprise services delivered by the TEC.
- **Unit Cost E** - the funding used to support recognised employers divided by the cumulative total of recognised organisations at the financial year end. This gives an indication of the level of support offered to recognised employers.

Average Unit Costs

2.7 Table 2.2 presents the range of average unit costs across 11 case studies for each of the definitions (A to E described) above.

Unit Cost Descriptor	Average (£)	Minimum (£)	Maximum (£)
A: Block 3/recognitions	10,356.00	6,689.00	12,930.00
B: Cost of commitment- recognition support/ recognitions ⁴	6,058.00	2,754.00	9,985.00
C: Total expenditure/total caseload	2,314.00	1,540.00	3,949.00
D: Cost of pre-Investors support/commitments	951.00	328.00	2,462.00
E: Cost of post-recognition support/recognitions	507.00	129.00	1,106.00

2.8 Focusing on the activities directly related to achieving recognition (Unit Cost B), it is estimated that:

- the average (mean) unit cost of delivery of Investors in People from commitment to recognition is £6,058.

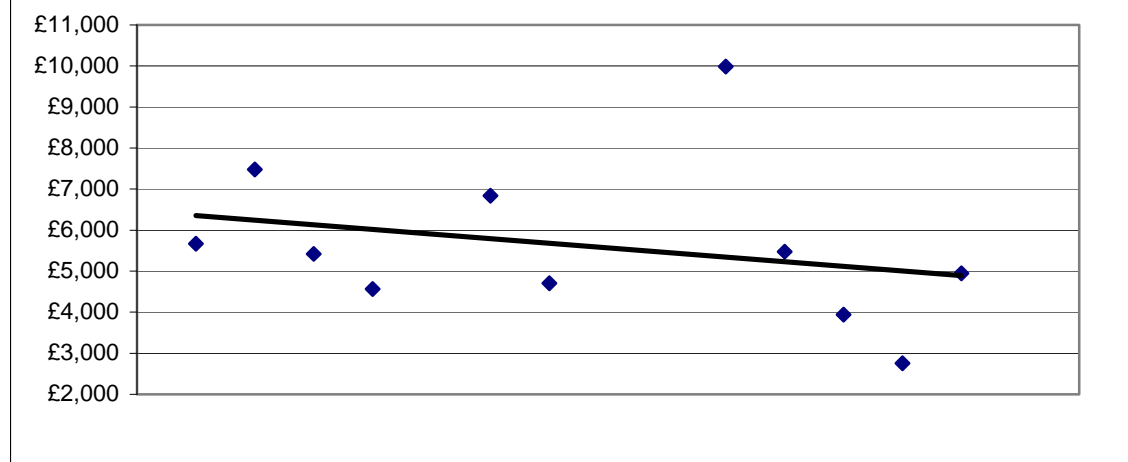
2.9 Figures for Unit Cost B include an apportionment of Investors team advisor and consultant staff costs to deliver this element of the process, but do not include overheads, marketing activities, the TEC management fee or income generated from charging. Section 3 gives further details of the definition of data used to calculate costs.

Variation from the average (mean)

2.10 Figure 2.2 shows that across the case study TECs, Unit Cost B ranges from £2,754 to £9,985 with over 70% of case study TECs within a margin of plus or minus £1,500 from the mean. The cost distribution is skewed, with just three TECs out of the 11 having above-average costs. The median unit cost of the case study TECs is £5,422.

⁴ Unit Cost B is calculated as the sum of the total of the case study TECs' expenditure on 'commitment to recognition' activities divided by the total number of recognitions achieved by those TECs in 1999-00. This gives a weighted average Unit Cost B as **£6,058**.

Figure 2.2 Average Unit Cost of Supporting Employers from Commitment to Recognition (Unit Cost B) of 11 Case Study TECs



Unit costs of the whole Investors process

2.11 The types and levels of support offered to employers from commitment to recognition are quite similar across TEC areas. There is more variance in the type and amount of 'pre-' and 'post-' Investors support. Section 3 reports on the variation between TECs on the proportion of expenditure spent across the different elements of the process. From the costing model we estimate that the average unit costs of the delivery of the whole process is £10,205 which includes:

- an average of £2,689 in overheads per recognition;
- the average unit cost of delivering 'pre-Investors' support (Unit Cost D) is estimated at £951⁵;
- the average unit cost support of £6,058 for employers from commitment to recognition (Unit Cost B);
- the average unit cost of the 'post-Investors' support (Unit Cost E) is £507.

⁵ Note that for Unit Cost D the number of commitments achieved is the denominator used. For Unit Cost A, B, C and E the denominator is the number of recognitions.

Costs by size of employer

2.12 From the 'top down' approach of apportioning expenditure across activity headings, TECs were unable to breakdown the analysis to report on costs by employer type (e.g. by size or sector). However, using a 'bottom up' method of calculating the costs of services delivered to an 'average' small, medium and large firm, costs by employer size can be estimated. The average unit costs of supporting smaller, medium and larger firms are estimated as follows:

- Small: £4,300 Medium: £5,400 Large: £5,250

2.13 There are considerable variations between case study TECs not only in the average unit cost of supporting firms of different sizes, but also in the ratio of costs. For example, one TEC calculated that the cost of supporting small firms is 10% higher than that required to support larger firms. The model of support offered to firms of different sizes is a key factor here.

2.14 Given an average daily rate of consultancy support of between £200 and £550 the difference in expenditure for the support of small firms equate to two/three days additional support for larger firms.

Cost and Performance

2.15 The initial analysis undertaken to help select the case study TECs used a 'proxy' unit cost measure of a TEC's Block 3 LCB funding divided by the number of recognitions in year. The analysis of this measure against the penetration rate of Investors i.e the proportion of organisations with 50+ employees recognised as Investors in the TEC's area, indicated that there was no noticeable link between unit cost and performance.

2.16 However, several TECs that have relatively high unit costs have made great improvements in their recent performance in terms of the number of recognitions achieved. This group could be termed 'improvers' where changes in strategy of achieving recognitions have resulted in higher costs, for example more investment in marketing and larger advisory teams, but have also resulted in greatly improved performance between 1997-98 and 1999-00.

2.17 The comparison of unit cost and performance over time also indicates that other TECs that have had consistently good performance resulting in a relatively good rate of penetration amongst the 50+ sector do not have as high a unit cost as the 'improvers', suggesting that their costs have 'plateaued'.

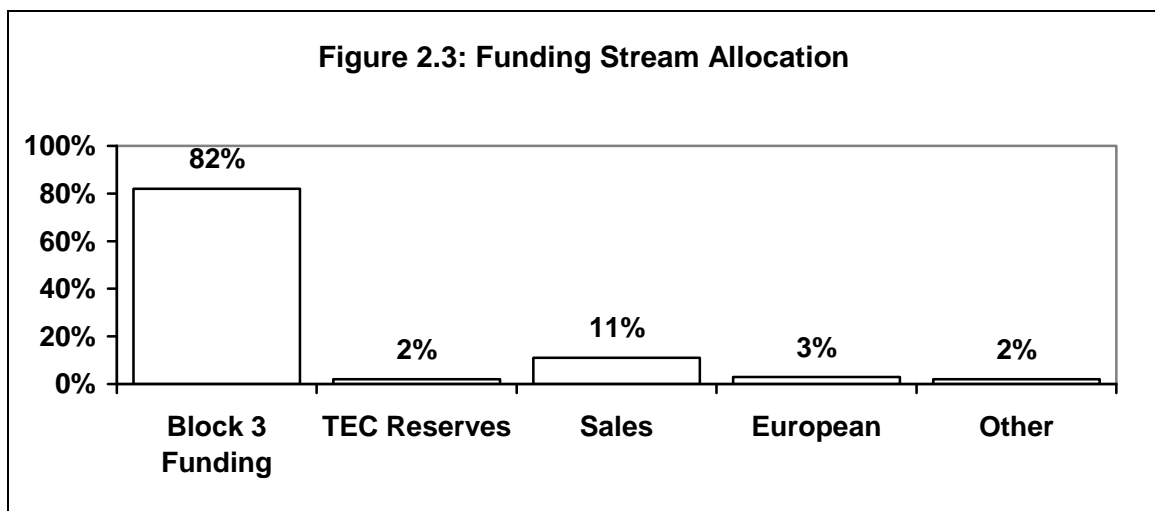
Sources of Funding

2.18 Figure 2.3 shows the average percentage split of funding between the five main funding streams used to support Investors in People activity across the case studies and highlights that:

- an average of 82% of Investors funding comes from Block 3 funding;
- an average of 2% of all expenditure is funded from TEC reserves;
- 11% of all expenditure is offset through income;
- European funding accounts for 3% of Investors expenditure.

2.19 The proportion of funding from each of these sources varies and depends on the following key factors:

- the level of TEC reserves and its overall financial strategy;
- the cost of delivering the TECs Investors strategy versus its Block 3 allocation;
- the TECs charging strategy and rates charged;
- eligibility for European funding.



2.20 Figure 2.4 shows in further detail the proportion of funding from each of the five main sources for a sample of 12 of the case study TECs and demonstrates that, across these examples, the proportion of total funding that is supported by Block 3 LCB funding ranges from 100% for one TEC, to 72% for another case study TEC.

Net Costs

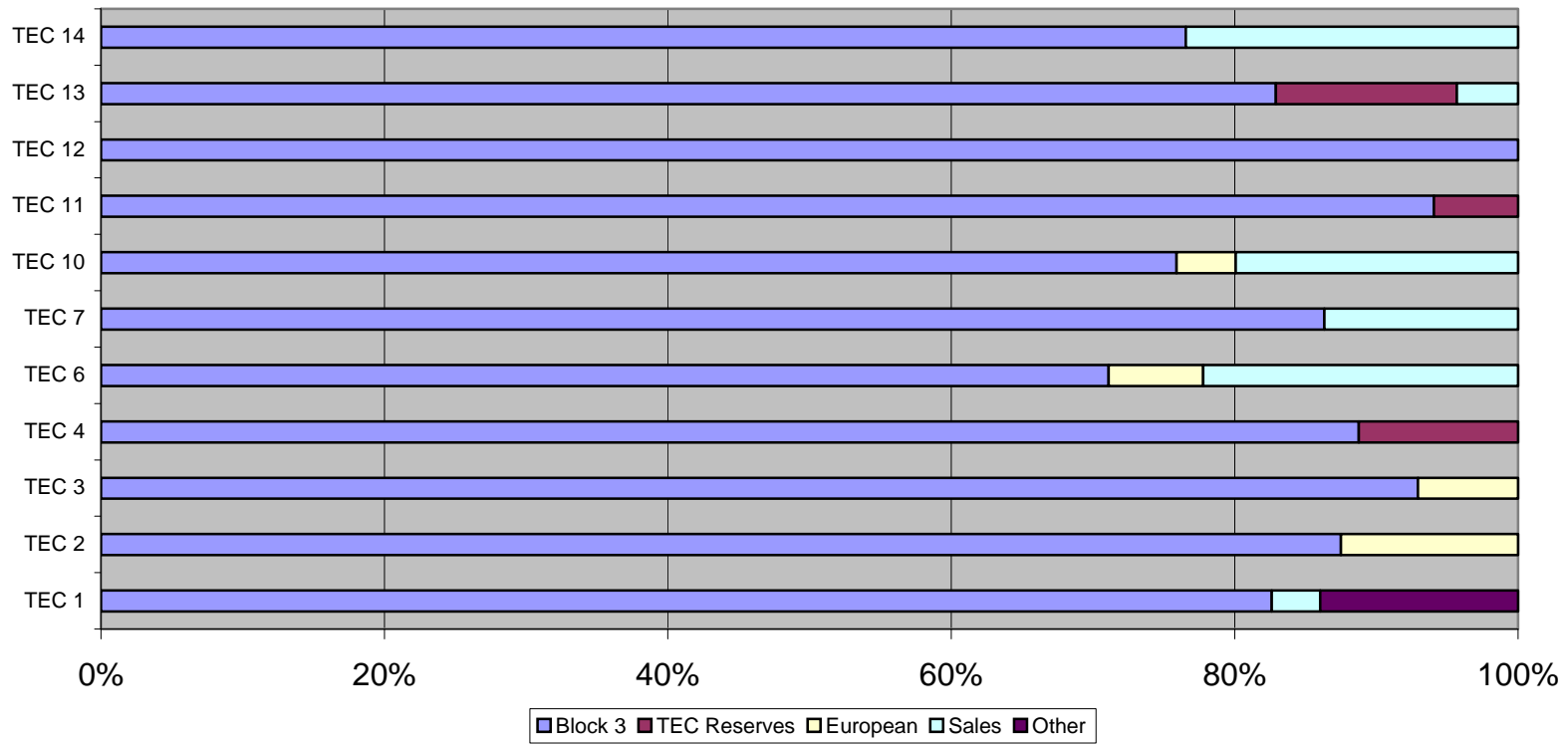
2.21 The funding data indicates the extent to which, overall, Block 3 funds support more than 80% of all Investors expenditure. Some income from charges is used to offset the amount of TEC reserves put into their support activities, so that effectively the TEC reserve assists with cash flow. In many cases, however, the income generated is reinvested into Investors support.

Deadweight

2.22 Direct feedback from employers is used to assess the amount of deadweight in supporting Investors. Information provided by the TECs gave details of the elements of the Investors process that employers had accessed. Subsequent telephone interviews with employers sought to establish:

- the baseline position of the employer before it started working towards Investors;
- whether, in their view, each element of support was required in order for the employer to proceed towards recognition;
- where the employer has improved business processes and performance;
- whether this improvement would have been made without the Investors support provided by the TEC; and
- the employers' willingness and ability to pay for Investors services.

Figure 2.4 Sources of Funding



- 2.23 The pro forma used in the employer consultations is shown as Annex B. Section 5 gives further details of the specific elements of the Investors support activities that employers found least useful and which business improvements they consider might have most occurred without the TECs Investors support services.
- 2.24 Given that some TECs heavily subsidise this support and others are able to re-coup costs through charging, this suggests that there is also a degree of 'financial' deadweight across Investors nationally. That is, deadweight associated with the degree to which some TECs subsidise Investors support, whilst others recoup costs through charging, implying that a proportion of employers would be willing to pay for the specific Investors support they receive, to achieve recognition.
- 2.25 Moreover, the employer interviews suggest that there may be up to 30% of overall, 'economic' deadweight associated with Investors delivery i.e. 70% of employers would have been unlikely to have made the improvements under Investors without the support from the TEC (either because, in pursuit of Investors recognition, they would have been unwilling or unable to pay for such changes or because they would not have made such improvements independently of the Investors process).
- 2.26 The study points to relative deadweight across Investors nationally, given that some TECs are more able to recover costs through charging. In addition, some TECs have a higher than average unit cost which, *primo facto*, delivers the same outcome (an Investors recognition) as those TECs delivering the same output for less.

- A third of case study TECs expend an average of £2,043 per recognition more than the average cost indicating that there is an element of deadweight across Investors as a whole.⁶

⁶ An assumption is made here that TECs are delivering similar models with no significant differences and that support activity operation is at an optimum level

3 UNIT COST CALCULATIONS

Introduction

- 3.1 This section describes the 'generic model' that has been used to record the cost information provided by case study TECs and the basis upon which unit cost calculations have been made, reporting on the quality and type of data used and key assumptions made in developing the unit cost calculations.

The generic cost model

- 3.2 The case studies were selected because they included TECs with a range of Investors performance and those that were known to have different approaches to the delivery of, and charging for Investors services. This variety in models, however, means that the specific elements of a TEC's delivery model and the costs associated with them needed to be clearly structured within a generic model framework, in order for a unit cost of like-for-like activities to be calculated. The generic model includes four main elements:

- overheads;
- pre-Investors support;
- commitment to recognition support;
- post-recognition support.

- 3.3 Case study TECs were asked to identify the elements of their Investors support activities within these headings and the expenditure for each, for the years 1998/99 and 1999/00. They were also invited to identify the charges or income generated under each activity heading and the following core set of data:

- performance;
- expenditure;
- public funding and private income generated.

- 3.4 Tables 3.1a and 3.1b show the elements of the generic model developed for this study and include an example of the data collected from one of the case study TECs. The complete data for 11 case study TECs are presented in "The Costs of Investors in People and Related Activities: Case Studies".

Table 3.1a: Generic Cost Model - 1999/2000		
Unit Cost Calculation		
Unit Costs		
Unit Cost A (Block 3 / recogs in year)	£9,810	
Unit Cost B (Commitment- Recognition / Recogs in year)	£5,476	
Unit Cost C (Total Expenditure / total no. of co.s)	£2,119	
Unit Cost D (cost of pre-INVESTORS support)	£1,034	
Unit Cost E (cost of post-INVESTORS support)	£217	
Performance Summary		
No. of recognitions achieved at the year end	42	
Cumulative recognitions to date at the year end	121	
No. of commitments achieved at year end	35	
Cumulative commitments to date at the year end	85	
Total number of 'active' companies (excluding recognitions and commitments)	0	
Number of drop outs (if known)		
Source Of Funding		
Block 3 Funding	£412,000	94%
TEC Reserves	£26,000	6%
European	£0	0%
Sales	£0	0%
Other	£0	0%
Total Funding	£438,000	100%
Expenditure Profile		
Overheads	£144,100	33%
Pre-Investors Support	£36,200	8%
Commitment-Recognition Support	£230,000	53%
Post-Recognition Support	£26,300	6%
Total Expenditure	£436,600	100%

**Table 3.1b:
Generic Cost Model - 1999/2000**

Generic Activity	Expenditure	Charges/Income	Net-Expenditure	Employer In-Kind Support
Overheads				
Marketing	34,000.00		34,000.00	
Materials - Investors UK	10,500.00		10,500.00	
Materials - Plaques	1,800.00		1,800.00	
Materials - Certificates & Engraving	800.00		800.00	
Photographer	2,500.00		2,500.00	
Venues	13,500.00		13,500.00	
TEC Administration Staff	79,000.00		79,000.00	
Temporary Staff	2,000.00		2,000.00	
Total Overheads	£144,100	£0	£144,100	£0
Pre-Investors Support				
Self-employed consultant (50%)	6,000.00		6,000.00	
Account Managers	3,200.00		3,200.00	
Diagnostic & Action Planning	6,500.00		6,500.00	
Skills for Small Business	16,500.00		16,500.00	
Build a Better Business	4,000.00		4,000.00	
Total Pre-Investors Support	£36,200	£0	£36,200	£0
Commitment-Recognition Support				
Self Employed Consultants (advice & consultancy)	79,500.00		79,500.00	
Bonus payments	11,000.00		11,000.00	
Training & Workshops	9,300.00		9,300.00	
Employer subsidies	55,700.00		55,700.00	
TEC staff training including ARU	8,000.00		8,000.00	
Assessment subsidies	66,500.00		66,500.00	
Total Commitment-Recognition Support	£230,000	£0	£230,000	£0
Post-Recognition Support				
Self Employed Consultants (advice & consultancy)	9,300.00		9,300.00	
Recognised schools support	7,000.00		7,000.00	
Re-assessment subsidies	10,000.00		10,000.00	
Total Post-Recognition Support	£26,300	£0	£26,300	£0

3.5 Figure 3.1 sets out further details of the definitions of data used to report expenditure and performance.

Figure 3.1: Cost Data Definitions

Staff Costs

Investors advisor costs have been apportioned across the activity headings, based on a discussion with the TEC Investors manager and an analysis of caseload (where Investors advisors work on all three areas of Investors activity) or allocation of costs by team (e.g. where a TEC has a 'commitment team', an implementation team and post recognition support team).

Charges/Income

Unit costs have been calculated in terms of the total expenditure. Data is reported on income generated to illustrate the extent to which certain TECs recoup costs; however, the data presented here shows gross expenditure.

Block 3 budget

The data requested on Block 3 funding for Investors excludes block funding for non-Investors activities such as management development, NVQ implementation and National Training Awards. The Block 3 figure includes the 10% Investors ORF where this was achieved.

Financial Years

Unit cost data based on expenditure and Investors achievements within a financial year does not truly capture the cost of supporting individual organisations through a process that might take over 12 months. To address this analysis has included:

- data for two financial years – to help identify whether there has been any significant change in unit cost between those two years;
- a 'bottom-up' or 'walk through' approach to estimating the cost of support given to an 'average' company from commitment to recognition.

Unit costs – the numerator and denominator

The costs of delivering activities within the generic model provide the numerator for the calculation of unit costs. The denominator for Unit Cost B is the number of recognitions within the financial year.

Activity and data definitions

3.6 The main activities that are included in the generic model are as follows:

- overheads: marketing, events, support staff costs;
- pre-Investors support: e.g. Build Better Business and key worker initiatives; some TECs include diagnostic and action planning with these activities;
- commitment to recognition support: pre-commitment diagnostics and action planning, advisory support, consultancy support, workshops, sector programmes, pre-assessment support (portfolio building), assessment support, recognition materials (plaques etc);
- post-recognition support: Investors 'club' and network events, re-assessment support.

3.7 There is some variance in the way in which TECs allocate activities across these main headings. Particularly for some TECs, 'pre-Investors' activity includes action planning and diagnostic work and the commitment to Investors comes after this initial work. However it is unlikely that these activities would significantly increase the average unit cost of implementation if they were brought into the commitment to recognition stage. By contrast, some other TECs gain 'commitment' at a much earlier stage, and, therefore see most pre-recognition activities as being located within the implementation stage from commitment to recognition. Where possible, diagnostic and action planning have been included as implementation activity unless the TEC preferred to include this as pre-Investors activity.

3.8 Here the average unit cost is estimated:

- by case study TEC;
- for each element of the process; and
- by employer size.

3.9 Table 3.2 shows the average unit costs for each element of the case study TECs Investors support activities.

3.10 Towards the end of this section the net unit costs in terms of the level of expenditure offset through charging for TEC services are presented. Finally, the relationship between unit cost and recent performance is discussed.

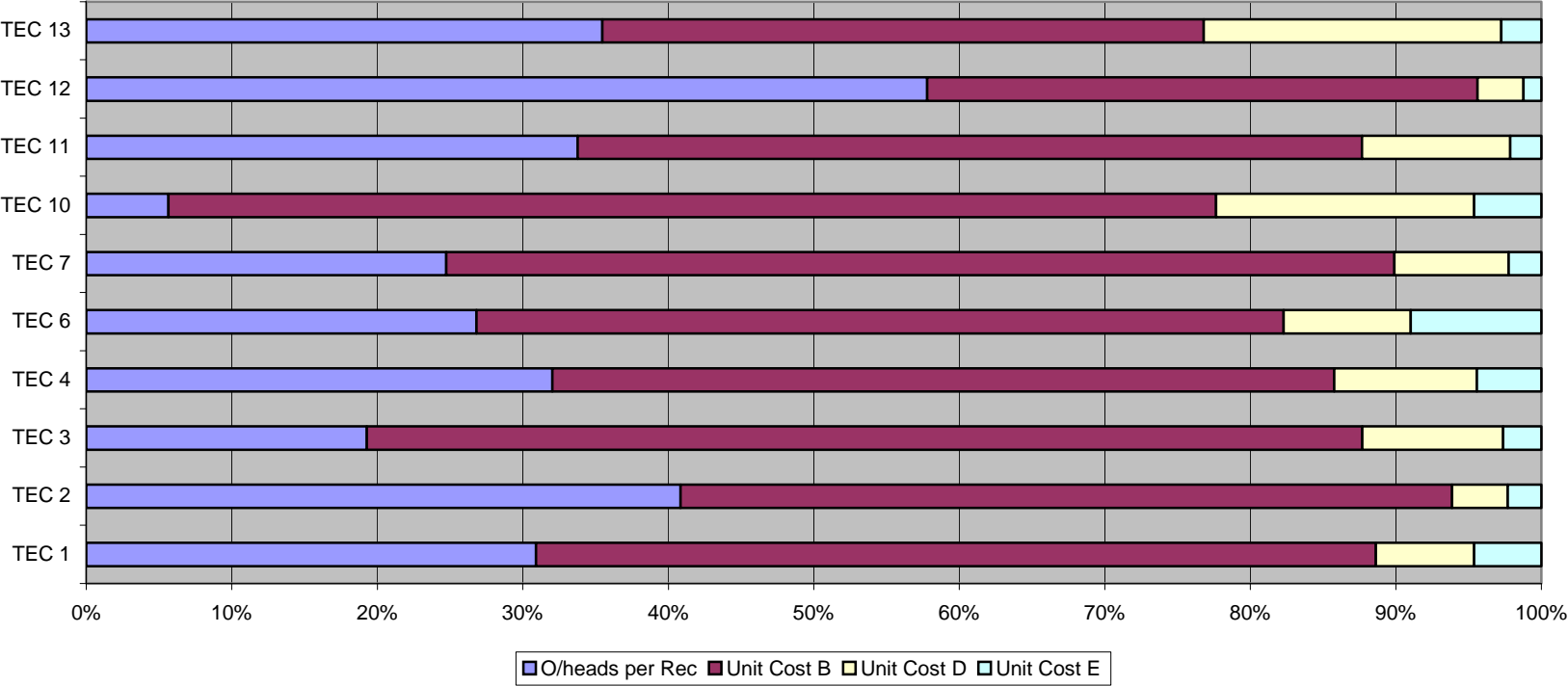
Average costs across the Investors process

- 3.11 The variance around the mean of an overall average unit cost of support from commitment to recognition of £6,058 ranges from £2,754 to £9,985. There is greater variance in the average cost of the 'pre' and 'post' Investors elements of the process than there is for the commitment to recognition support phase.
- the average cost of delivering 'pre-Investors' support, Unit Cost D, is estimated at £951 but the range is considerable from £328 to £2,462.
 - the average unit cost of the 'post-Investors' programme (Unit Cost E) is £507 ranging from £129 to £1,106.
 - the average cost of overheads (per recognition) are £2,689. This varies from £782 to over £6,000.
- 3.12 The fact that there is greater variance around the average of unit costs D, E and overheads is an indication of the nature of activities within these headings varying considerably between TEC where, for example, some have more intensive pre-Investors support activities, and others have a significant post-Investors support effort. There is much more consistency across case studies of the nature of support given from commitment to recognition.
- 3.13 Figure 3.2 shows the distribution of expenditure across the four main activity headings. Around 48% of total Investors expenditure, aggregated across the case study TECs, was spent on the 'commitment to recognition stage'. This proportion varies from 38% to 65% for individual TECs and is clearly affected by the scope of expenditure included in the TEC case study and the focus of activity across each TEC model. For example, at one TEC there is a considerably greater proportion of expenditure to the 'pre-commitment and 'post-recognition' activities; whereas at another TEC there is a low proportion of the total spent on overheads, because these activities are funded from budgets for the integrated workforce development team.

TABLE 3.2 Average Unit Costs by Case Study TEC 1999-00

TEC	Overheads Per Recognition £	Unit Cost B - Commitment to Recognition £	Unit Cost D Pre-Investors Support £	Unit Cost E Post-Investors Support £	Total of average Unit Costs £
TEC 1	3,038	5,674	663	455	9,830
TEC 2	5,763	7,480	540	326	14109.00
TEC 3	1,528	5,422	766	209	7,925
TEC 4	2,720	4,560	832	377	8489.00
TEC 6	3,306	6,839	1,078	1,106	12,329
TEC 7	1,786	4,705	567	162	7,220
TEC 10	782	9,985	2,462	640	13,869
TEC 11	3,431	5,476	1,034	217	10,158
TEC 12	6,022	3,942	328	129	10421.00
TEC 13	2,364	2,754	1,363	184	6665.00
TEC 14	968	4,944	2,104	na	na

Figure 3.2 Average Cost Per Recognition by Activity



Average cost by employer size

- 3.14 Most TECs were unable to give further detailed data on the allocation of expenditure on support for firms of different sizes. Two TECs however, were able to provide their own unit cost estimates for employers of different sizes based on a 'walk through' approach to estimating average costs.
- 3.15 Calculation of the average unit cost for other TECs of the delivery of the cost of support for small, medium and large size employers has been achieved by using a similar 'walk through' approach to identify the type and extent of support given to employers within each size band. These calculations have also included using Investors in People UK data on the TECs' average lead time between commitment and recognition.

Generating unit cost data by employer size

- 3.16 TECs with more structured support packages such as a set model of support offered to employers (e.g. one advisory day every two months) were more willing to estimate the costs of support offered to businesses of different size. However, several case study TECs warned that there would be considerable variance around this average. This was particularly the case for those TECs that have models where the amount of support is more likely to be determined by the demands of the employer. Section 4 discusses in more detail the models of support and the rationale behind different styles of approach.
- 3.17 Table 3.3 shows the range of estimates of the unit cost of support from commitment to recognition of different sized employers by a sample of case study TECs. The key cost elements are:
- the average lead time - data taken from the Investors in People UK Management Report;
 - the average amount of advisor time given per month (averaged across all employers – TECs were not able to identify the average amount of staff resource needed to support small, medium-sized and large employers);
 - the average rate charged for advisors/consultants – ranging from £200 per day to £550;
 - the average number of days for assessment - usually 1.5 days for small employers, 2-2.5 days for medium and 3 days for large employers;

- the daily rate charged for assessors – ranging from £400 to £550.

3.18 These calculations do not include subsidies given or charges levied on firms of different sizes, overhead costs or the costs of delivery of workshops and/or seminars.

Table 3.3: Unit Costs by Employer Size			
Case Study TEC	Small (10-49)	Medium (50-199)	Large (200+)
TEC 3 [*]	Lead time: 76 weeks £3,105	Lead time: 97 weeks £4,025	Lead time: 97 weeks £4,025
TEC 4 [*]	Lead time: 108 weeks* £11,057	Lead time: 127 weeks £12,507	Lead time: 127 weeks £12,507
TEC 14 ^{7*}	Lead time: 87 weeks £4,186	Lead time: 98 weeks £3,902	Lead time: 104 weeks £3,740
TEC 5 ^{*?}	£1,360	£7,190	£10,410
TEC 6 [*]	£4,500	£7,570	£6,000

Average costs calculated from support model + INVESTORS UK lead time data (1998-99)

[?] Unit cost to the TEC - data on charges levied to the employer included. * Average costs calculated by the TEC .

* Average lead time for TEC reduced to 52 weeks 1999-00

3.19 The results in Table 3.3 show clearly that in most TEC models, the average cost of supporting small employers is less than that for larger organisations. This is based mainly on the factor of shorter lead times. Using these case study examples the average of these unit costs of supporting employers from commitment to recognition across size bands is estimated as follows (rounded to the nearest £50):

- Small: £4,300 Medium: £5,400 Large: £5,250

3.20 Interestingly the 'walk through' or 'bottom up' approach to calculating unit costs gives similar estimates of average unit costs to the 'top down' approach of allocating total expenditure across activity headings. This indicates that the latter average cost estimates are relatively robust ⁸. However, costs vary considerably around the 'bottom-up' average where Investors support is driven by employer demand.

⁷ Although the average lead time for small employers is lower, the unit cost is higher indicating more intensive support during the commitment to recognition period.

⁸ A more complete comparison would need to take into account the impact on average 'bottom-up' costs of drop-out (which would increase unit costs, see section 6); as well as longer lead time associated with the 'bottom-up' calculation (costs would reduce when estimated over a single year). It may be assumed for broad comparative purposes that these two effects cancel each other out.

3.21 For TEC 3, TEC 4 and TEC 6 the unit cost of support of small employers is 77%, 88% and 75% respectively of the cost of supporting larger employers. However, TEC 14 estimates that the cost of support for small employers is 12% higher than that for larger firms.

3.22 Overall, the case study data indicate that the average cost of supporting large employers is slightly less than for medium sized firms. However, TEC 6 estimates that the cost of support for medium sized employers is 26% higher than the cost of supporting larger firms. This appears to confirm the assumption that although average lead times are similar or in some cases longer for larger firms, the level of support needed by the larger firms is often less as they have more internal resources or capacity to buy-in resource to help make progress to recognition.

3.23 Some TEC Investors managers report that average unit costs are driven by a number of factors equally or more important than employer size. These include:

- 'baseline position' - the extent to which the principles and of Investors are already embedded within the organisation prior to commitment and hence the length of time it will take to achieve recognition;
- ability to implement change - the extent to which the employer has the capacity to implement changes and new approaches required to meet the standard;
- Investors teams' (and contracted external staff) expertise to drive and implement change.

3.24 Experienced Investors managers and advisors comment that, although smaller organisations may have less of the formal structures and processes in place, they may also be able to implement change more quickly. Several consultees made comments such as the following:

'In my experience there's no such thing as an average firm, many companies with less than 50 staff are well capable of achieving Investors, others need a lot of hand holding to help manage change. With larger employers, it's commitment that takes the time and if a key person leaves you can often be back to square one, but many have the resource to makes necessary changes and lean on you much less'.

Investors team leader

3.25 In the longer term, more detailed management information needs to be recorded to monitor expenditure and the amount of time required to support employers of different types.

Average Cost, Performance and Charging

- 3.26 Assuming similar levels of input costs, it might be hypothesised that an Investors package of support with higher average unit costs leads to better performance in terms of sustaining the level of recognitions achieved year-on-year and therefore the penetration rate of Investors is high. The initial analysis undertaken to help select the case study TECs used a 'proxy' unit cost measure of a TEC's Block 3 LCB funding divided by the number of recognitions in year. The analysis of this measure against the penetration rate of Investors indicated that there was no noticeable link between unit cost and performance.
- 3.27 However, several of the case study TECs that had an above-average (median) unit cost in 1999-00 saw a dramatic increase in the number of recognitions achieved in recent years – two, TECs 2 and 11, reported an increase in the number of recognitions of over 60% between 1997-98 and 1999-00. These two TECs also reported that they have achieved a marked improvement in performance (recognitions) due to a refocusing of their Investors strategies. This includes more intensive and sector focused marketing and in several cases the growth of the internal TEC Investors advisory team. The TECs reported that these development strategies have had a positive impact on performance but have also had an impact on the cost base of their Investors package of support. These TECs could therefore be termed 'improvers'.
- 3.28 Comparison of unit cost and reported performance over time also indicates that other TECs that have had consistently good performance in past years resulting in a relatively good rate of penetration amongst the 50+ sector in 1999-00 e.g. TECs 13 and 14, do not have as high a unit cost as the 'improvers', suggesting that their costs have 'plateaued', perhaps after having made similar changes to the recent 'improvers'.
- 3.29 Charging strategies vary between TECs with, for example, TEC 2 recovering 100% of all costs from charges. However, this is the exception rather than the rule. A minority of TECs charge employers for services 'pre' and 'post' Investors, with most generating some income from the cost of commitment to recognition support by charging for assessments or attendance at workshops.
- 3.30 In most cases advisor and assessment costs are heavily subsidised, especially for smaller employers and those in the voluntary and public sectors. It is normal practice for TEC Investors advisor time to be given free. The most common area for charging is for attendance at workshops where delegates pay an average of £50-£100, and TECs recover between 20% and 100% of direct costs of delivering those events.

3.31 The impact of income generation on the overall expenditure profile is not uniform across TEC areas. Some TECs use charges to offset expenditure from TEC reserves, and therefore, the effect on net costs is not clear. Some Investors managers themselves were not clear on how income generated affected their overall budgets. Assuming that all sales income can be included in budget totals (i.e. not offsetting TEC resources), the overall levels of charges reduces the unit cost of expenditure from £6,058 to £4,216.

4 THE INVESTORS SUPPORT MODEL

Introduction

- 4.1 This section gives an overview of the range of Investors support models that case study TECs have developed, including the specific services offered, the underpinning strategy, marketing strategies and the charging policies. In addition, the cost base in terms of team structures and functions is examined. Summary details of each of the case study delivery models and costs are given in a companion research report.
- 4.2 The principles that underpin the approach to working with employers to achieve Investors status are reflected in TECs' strategy for Investors support which, in turn, determines marketing, staffing and charging policies. Over the past five years the Block 3 funding and Investors targets have driven the change in focus from generating commitments to achieving recognitions and on targeting smaller employers. Case study TECs report the following focus of their current Investors strategy:
- that the main emphasis is on targeting employers in the 10-49 size band (reported by half of the case study TECs);
 - a focus on targeting specific sectors (reported by the other half of the case study TECs);
 - progress with targeting schools (reported by most TECs).
- 4.3 As TECs have reviewed their Investors support, this has led to a number of key changes:
- a shake-out of 'deadwood', i.e. those employers that had made a commitment some time ago but were making no progress to recognition;
 - the restructuring of internal teams;
 - a refocusing of marketing strategies; and
 - the introduction of charging or costed models of support.
- 4.4 Section 6 (Cost drivers) looks at the impact of those changes on costs. The remainder of this section focuses on providing an overview of the Investors support packages of the case study TECs, and the resources that support them.

Investors activities

Marketing/Awareness Raising

- 4.5 Marketing activities, costed as overheads, include a wide range of promotional events, seminars, marketing materials and advertising campaigns. Increasingly, events used to celebrate Investors achievement are also used as marketing events and involve not only recognised companies but potential Investors clients. Several of the case study TECs have Investors 'champions' or 'advocate' companies that are willing to promote the process to others, through case study materials, speaking at events, offering on-site visits or through mentoring.
- 4.6 Half of the case study TECs have sales and marketing staff within their Investors team. Three TECs use telesales companies to generate leads.

Investors Support

- 4.7 Table 4.1 gives an overview of the Investors services or packages of support provided by each of the case study TECs. The key points to note are that support activities offered in the 'commitment to recognition' stage are quite similar and there is much more variance in the type and nature of 'pre' and 'post'-Investors support across the case study models.

'Pre-Investors' support

- 4.8 Half of the TEC models include 'pre-Investors initiatives' such as Skills for Small Business (TEC 2) or Time to Advance (TEC 4). These initiatives are mainly targeted at the development of small businesses and are seen as support that prepares a business to work towards Investors status.
- 4.9 Many TECs report that they do not now offer a structured diagnostic or only undertake this when it is formally requested. Some TECs describe this as 'pre-Investors' activity, others see it as an integral part of the 'commitment to recognition' stage.

- 4.10 Four of the case studies' packages (TECs 2, 4, 7 and 14) include a stronger focus on preparation for Investors commitment. This may include a formal diagnostic leading to a structured action plan, or a less structured approach that seeks to engage the employer in a number of pre-commitment meetings or events to ensure top level involvement before the formal commitment takes place and the implementation phase begins. The Investors models of these TECs involve more intervention prior to the commitment stage than the approaches taken by other TECs.
- 4.11 The implication for the unit cost analysis of the commitment to recognition stage is that the activities within the generic model do not exactly match like-for-like activity across the case study TECs as some diagnostic and action planning work is costed in the 'pre-Investors' stage. If these activities were to be costed in the commitment to recognition phase, the average Unit Costs B of TECs 2, 4, 7 and 14 would be slightly higher than that reported in Section 3, making the cross-TEC average unit cost higher. As TECs are not able to disaggregate 'pre-Investors' activity to show the proportion that is spent on diagnostic and action planning, we cannot state how much this would be. However, from discussions with these TECs it is unlikely that this part of the 'pre-investor' activity would significantly increase average unit costs of commitment to recognition support.

Support from Commitment to Recognition

- 4.12 The support elements for the implementation phase are similar across the case study examples and include advisor support and workshop programmes. However, different levels of emphasis are given to the extent to which Investors advisors support employers. For example, TEC 3 and TEC 6 undertake pre-assessments and help with drafting portfolios. In contrast, other TECs, for example TEC 2, place much less emphasis on free advisory support for all employers during the implementation phase. This TEC estimates that 20-30% of employers progress to recognition with minimal TEC advisor support.

Table 4.1 – Investors Support Elements

TEC	Pre-Investors	Commitment to Recognition	Post-Investors	Team
TEC 1	Action Planning	Six free days of advisor support. Workshops Health Checks	Continuous improvement programme based on BEM Advisor Workshops	13 8 Internal Advisors 5 Other (1 manager, 0.6 marketing, 3 admin)
TEC 2	Skills for Small Business Progress Through Training Action plan	Advisors Sector group programmes Workshops	Pre-reassessment visit	10 4 Internal advisors 6 External advisors + Other TEC
TEC 3		Introductory workshop Diagnostic if requested 1 advisory visits @ 2 months Workshop programme Pre- assessment report writing + training grants	1 advisor visit @ 2 months	10 4 Internal advisors (3fte) 4 External advisors (3fte) 2 Other TEC
TEC 4	Diagnostic (pre commitment) Time to Advance Diagnostic pre-Investors	Advisor 1 day@ month (>100) Workshop programme Accelerator Programme (linked to BEM) Matched £ for training	1 advisor day @ 3 months Workshops	26.5 18 Internal advisors 2 External advisors 6.5 Other TEC (3 admin, 2 mgrs, 1.5 marketing)
TEC 5		Costed support programme: workshops, advisor, Investors network	Large companies 8/9 free days Workshops Investors 'club'	32 22 Internal advisors 10 External advisors (4 fte?) + Other TEC
TEC 6		Initial workshop, support package inc pre-assessment support, portfolio support, training grants	Investors in success Workshops Investors 'club'	32 20 (inc TEC support) 12 External advisors
TEC 7	Initial commitment, Diagnostic and action plan – costed	Support costed: Advisor Workshops Training Grants	1 advisor visit @ 3 months Networking events Workshops	17 10 Internal advisors 4 External advisors 3 Other TEC (1 mgr, 1 marketing, 1 admin)

Table 4.1 – Investors Support Elements

TEC	Pre-Investors	Commitment to Recognition	Post-Investors	Team
TEC 8		Introductory workshop Unlimited advisor support HE placements Workshops	Advisor (external)	35 15 Internal advisors 6 External advisors (3fte) 14 Other TEC
TEC 9	Build a better Business Key worker Programme	Advisor Workshops Investors club (pre/post recognised) ESF matched funded training	Advisor visits Investors 'club'	24 11 Internal advisors (?) 4 External advisors 9 Other TEC (?)
TEC 10		Advisor Support Management Development Build a better business Business Training Events/seminars HR Consultancy (integrated programme with DTI/Other Investors activities)	Focus on EFQM excellence model advisor support	30 internal advisors (50% of time on Investors related work)
TEC 11	Build a Better Business	Diagnostic External consultants Workshops	Advisor visits to schools Investors 'club'	9 0.5 Internal advisors 4 External advisors (2fte) 4.5 Other TEC (0.5 mgr, 1 co-ordinator, 1 admin)
TEC 12	Diagnostic Action Plan and funding proposal	10 days of free advisor support (matched in-kind) Workshops Internal facilitators (mentors from recognised Investors??) IF network meetings	Investors Guild - 5 events per year Healthcheck	13.5 FTE 3 full-time and 2 part-time internal advisors 5.5 full-time external advisors 3 other (1 manager, 2 customer service support)
TEC 13	Action planning	Diagnostics, Advisor, Pre-assessment health checks -costed	Advisor visits @ 3 months Pre-assessment health checks - costed	8 5 Internal advisors 1 External advisors

Table 4.1 – Investors Support Elements

TEC	Pre-Investors	Commitment to Recognition	Post-Investors	Team
		Workshops	Workshops	2 Other (manager, admin)
TEC 14	Key worker Programme Pre-Investors Diagnostic	Advisor 0.5 day @ month Workshops		8 6 Internal advisors 2 Other TEC (1 fte admin)

4.13 Although the services offered by TECs are similar, there is a noticeable difference in the way in which Investors advisors work with employers. This in itself is based upon the principles upon which Investors is marketed and recognitions achieved. The difference in approach is characterised by the following two comments:

"we do not want to buy recognitions, Investors is all about building relationships with employers, not giving something for nothing"

"we have to fight for recognitions, employers are not interested unless we offer them some help to get through"

4.14 TECs that are more focused on the achievement of recognitions as an outcome tend to have an approach which offers more 'hand-holding' to support the employer and, in the majority of cases, fully subsidising that support. The TECs that are more focused on Investors as a business or organisational development tool tend to have an approach which is less hands-on, setting out what employers will need to do to achieve recognition, but with a greater expectation that employers will take greater responsibility for implementing the change required to achieve Investors. Before assessing the impact of these approaches on performance and cost, below we consider the types of charging strategies in place.

Employer charges

4.15 Table 4.2 sets out the activities of each TEC's Investors package of support and the pricing or subsidy policy associated with each. Across the case study TECs there are examples of three generic types of approach:

- Free 'unlimited' assistance: mostly free services, direct support given to help achieve the standard, little charging (e.g. TEC 8);
- Costed Assistance: Mostly free TEC support given to a costed ceiling, some charging but employers are made aware of the value of any services received (e.g. TECs 4, 5 and 7);
- Charged Services: charges made for most elements of support including Investors advisor or consultancy time (TECs 1, 2 and 6).

TABLE 4.2 – INVESTORS EMPLOYER CHARGES

TEC	Pre-Investors	Commitment to Recognition	Post-Investors	Other
TEC 1		Advisors: Charged. Max 30% subsidy to SMEs, 20% to large orgs at managers discretion Workshops: charged Assessments: charged at full cost	Pre-reassessment visit: charged	Schools – no subsidy, pay for supply teacher to cover, info ‘shared’ by schools group
TEC 2		1 advisory visit @ 2 months: free, extra charged Workshop programme: £100	1 advisor visit @ 2 months: free	Recognition gifts
TEC 4	Time to Advance: £250 per del, 3 free days advice. Diagnostic pre-Investors: 2 days free	Advisor 1 day@ month: free Workshops charged : £50 Accelerator Programme charged. Matched £ for training. Assessment: up to 50% subsidy	1 advisor day @ 3 months: free Workshops: charged	
TEC 5		Costed support programme: workshops, advisor, Investors network Assessment: SMEs1 day charged at £550 others 1.5 days charged at £550	Large companies 8/9 days: free Workshops: 50% direct costs charged	Support programme costed to a max of £10k subsidy
TEC 6		Initial workshop. Support package inc pre-assessment support, portfolio support: all charged. Sliding scale of subsidy Training grants: SMEs 50% subsidy, ML full cost		Schools get sponsorship from Unilever : covers some assessment costs
TEC 7	Initial commitment, Diagnostic and action plan – costed	Support Programme Costed: Advisor Workshops (£50), Training Grants 50% of ‘other’ external costs paid Assessment@ charged at £550 a day. Subsidy 1 st assessment £350	1 advisor visit @ 3 months: free Networking events: £15 Workshops:£50 Re-assessment: Full cost	Support programme costed to a max of £10k subsidy
TEC 8		Introductory workshop: £500 paid on commitment to cover w/shops, staff survey Advisor support: free HE students: free Workshops: £50 Assessment subsidy on a sliding scale average 2 days at £550	Advisor (external): free Assessment subsidy on a sliding scale	
TEC 9	Build a better Business	Advisor: charges vary up to £500 a day,	Advisor visits	

TABLE 4.2 – INVESTORS EMPLOYER CHARGES

TEC	Pre-Investors	Commitment to Recognition	Post-Investors	Other
	Key worker Programme	voluntary sector free. Reimburse half external costs. Workshops: £45, club members free Investors club (pre/post recognised): £500-, £2000 ESF matched funded training Assessment costs: club members 50% subsidy of £1650, others 25%	Reassessment: full rate except club members	
TEC 11	Build a Better Business	External consultants: £200 pay and reclaim external costs Assessment costs: up to 50% subsidy Schools 100% subsidy	Advisor visits to schools Investors 'club'	
TEC 13	Action planning	Advisor: free. Pre-assessment health checks: £250 per day Workshops: £50 or 60% of direct costs. Assessment Costs: SMEs up to 50% subsidy	Advisor visits Pre-assessment health checks: £250 per day	
TEC 14	Key worker Programme: Training grants, 2 days free advice -> Pre-Investors Diagnostic: 2 days free	Advisor 0.5 day @ month: free Pre-Assessment Workshops: £80/90 Assessment: 99/00 SMEs, schools free, 00/01 SMEs 70% subsidy, M 40% L 0% subsidy		

4.16 Most pricing and subsidy models are quite complex, involving a range of prices charged to employers of different sizes and sectors. In several TECs actual charges are made at the discretion of the Investors advisor or manager, based on an estimation of willingness or ability to pay. Table 4.3 gives an example of a TEC's pricing policy.

Table 4.3: Example TEC Investors Pricing Policy			
Service	Daily Rate / £ per day		
	Staff Numbers		
	200+	100+	<100
Diagnosis & Action Planning	£300	£250	£180
D&AP - Primary School / Charities <50	£150		
D&AP – Secondary School/ Charities 50+	£150		
Consultancy	£300	£250	£200
Investors Assessment / Maintenance Review	£400	£350	£300
Investors Assessment / Primary School / Charities <50	£200		
Investors Assessment / Secondary School / Charities 50+	£250		
Build a Better Business total price	£300		

Employer charging and performance

4.17 It might be hypothesised that higher levels of charging would limit the extent to which TECs achieved high levels of penetration of Investors recognitions amongst their employer base. However, TECs with higher levels of charging and income generation report the benefit of raising the perceived value of the Investors process.

Net unit costs

4.18 The estimates of the average unit cost presented in Table 3.2 do not include data on the income generated that offsets expenditure. Table 4.4 shows the extent to which expenditure across each activity is recovered through charging for services.

Case Study TEC	% of expenditure recovered by activity		
	Pre-Investors	Commitment to Recognition	Post-Investors
TEC 1	0	8	0
TEC 2	0	100	0
TEC 3	0	34	0
TEC 4	0	15	0
TEC 7	0	6	0
TEC 10	0	27	10
TEC 13	12	29	18
TEC 14	0	16	0

4.19 The information on charging can be put together with that on TEC Investors performance for recognitions of 50+ organisations, to investigate whether charging has a deleterious impact on performance. TECs 1, 13 and 14 recover expenditure through charges that equate to at least 8% of total expenditure and each of these TECs has a penetration rate amongst the 50+ employer base of more than 30% (35%, 32% and 32% respectively) and are ranked 6th, 11th and 10th respectively for this indicator⁹. Conversely, a TEC with a highly subsidised package (e.g. TEC 12) has performed relatively poorly in terms of penetration rate of the 50+ employer base. Although there is no overall positive correlation between good performance and higher charges, this would indicate that a policy of charging has not impeded some TECs in performing well.

4.20 TEC 12 in fact regards local economic factors as impacting upon Investors performance which in turn impacts upon that TEC's ability to charge for Investors services. However, there is no clear justification why sector profiles or local economic conditions would be more likely to affect performance in one area such as TEC 12, when compared to an area with similar characteristics, for example TEC 13.

4.21 The ability of certain TECs to recoup a significant proportion of expenditure on Investors suggests that there is a degree of 'financial' deadweight amongst the initiative overall, reflecting TEC support activities offering a high degree of subsidy.

4.22 From the analysis of charging and costs, Section 5 assesses this issue from the employer perspective.

⁹ The base for these rankings is the entire population of TECs.

5 EMPLOYER PERCEPTIONS, DEADWEIGHT AND DISPLACEMENT

Introduction

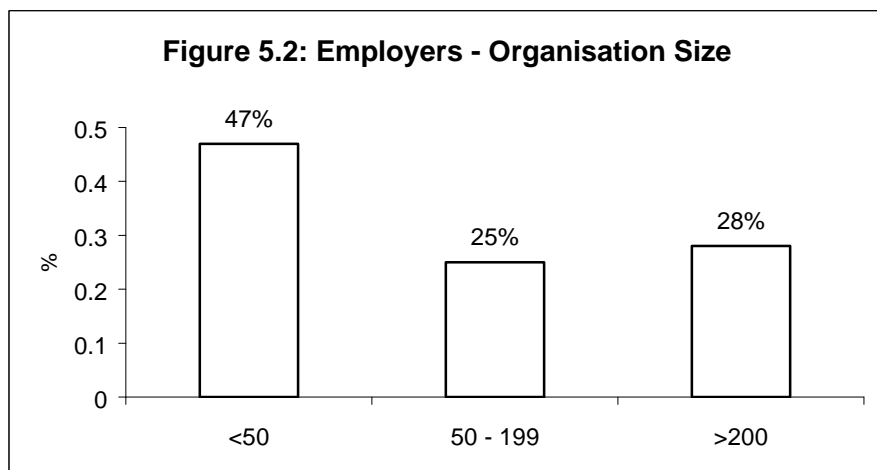
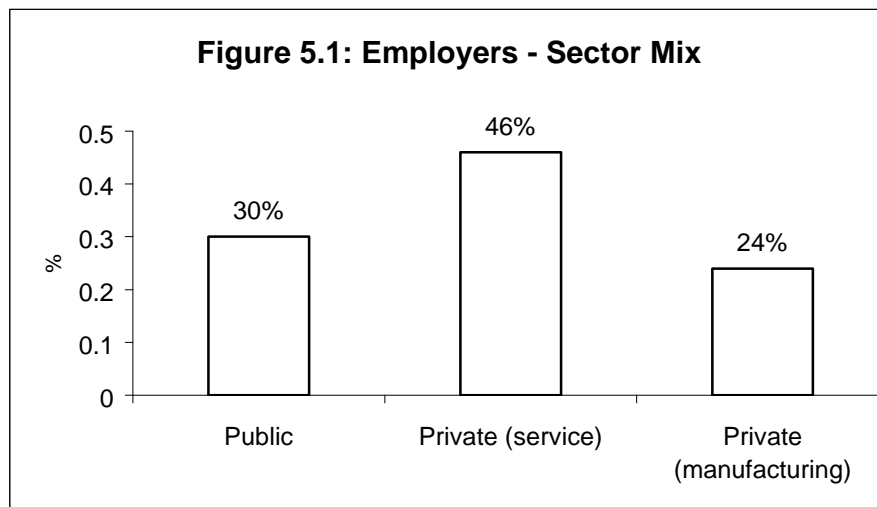
- 5.1 This section reports on the employer consultations which provide a basis to estimate the degree of deadweight and displacement activity within Investors and issues raised by employers regarding the barriers to take up of the Investors standard.

Employer survey

- 5.2 Each case study TEC was asked to provide contact details of ten employers who have been through the Investors process and have been recognised as an 'Investor in People'. Employers were contacted by telephone interview lasting approximately 20 minutes. Contact details of 125 employers from 13 case study TECs were collated and 57 (46%) interviews were undertaken. The response rate was very high (93%) with only four employers refusing to engage in dialogue about their experience of Investors delivery.

Sampling

- 5.3 Apart from requesting a reasonable mix of size and sector in the sample provided, it was open to the TECs to choose those employers that they felt would have something interesting to contribute to the study. As a result, although the mix in terms of sector and size is quite good (see Figures 5.1 and 5.2), the sample is skewed towards employers who:
- are recognised as Investors 'champions';
 - are advocates of the Investors standard; and
 - have positive experiences of the process, for example, through increases in productivity, turnover or profit.
- 5.4 Generally, TECs were not able to provide precise details of the support delivered to individual employers and employers often could not recall the amount of support received or the cost involved in achieving Investors recognition status. However, using knowledge of the Investors process and the TEC's charging policy, the interview did enable respondents to reflect on the amount and type of support received.



Baseline Position

5.5 As part of the interview, each employer was asked to rate on a scale of zero to five how close they thought they were to achieving each of the four components of the Investors standard (commitment, planning, action and evaluation) and the standard overall, before formally embarking on the process. Zero indicated that no systems were in place and a score of five indicated that all relevant systems were in place.

5.6 An analysis of the results of the data is shown in Table 5.1. The average baseline score is 2.9, indicating that employers thought they had slightly more than half of the required systems in place before starting the Investors process. Commitment to the standard and actions contributing to the achievement of the standard were high, whilst evaluation processes were somewhat under-developed.

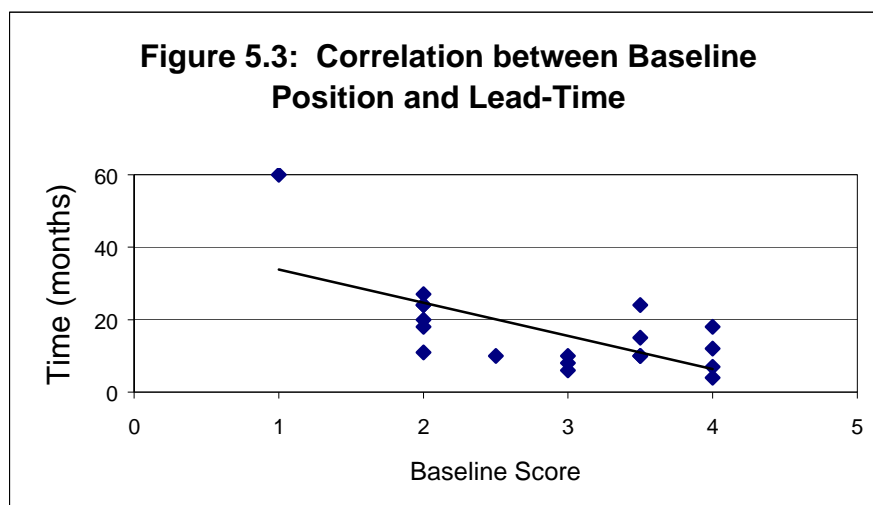
Table 5.1: How Many Of The Systems Were Already In Place (on a scale of 0-5)?					
TEC	Average Scores				
	OVERALL	Commit- ment	Planning	Action	Evaluation
TEC 1	2.4	3.3	1.9	2.5	1.1
TEC 2	2.2	3.0	2.6	2.2	1.2
TEC 4	2.8				
TEC 5	3.1	3.1	3.0	3.4	2.5
TEC 6	3.3				
TEC 7	4.0	4.0	4.0	4.0	2.0
TEC 10	3.5	4.0	3	4.3	3.2
TEC 11	3.0	3.4	3.0	3.7	2.1
TEC 12	2.6	3.2	2.8	2.9	1.8
TEC 13	2.6	3.0	2.9	3.0	2.1
TEC 14	2.2	2.5	2.0	3.0	1.2
OVERALL	2.9	3.3	2.8	3.2	1.9

5.7 Employers were then asked how long it took them, after deciding to pursue the Investors standard¹, to achieve recognition status. The key facts to note are:

- the minimum length of time to achieve recognition status is four months;
- the maximum length of time is 60 months (five years);
- the average length of time across the sample is 17 months, which is low compared to the average lead times provided by Investors in People UK.

5.8 As one might expect, there is a correlation, albeit with exceptions, between the perceived baseline position of the employer and the time it takes to achieve recognition (see Figure 5.3).

¹ Note this does not necessarily mean the date of making a formal commitment



Deadweight

Proxy Measures

5.9 Deadweight can be assessed using measures that indicate:

- the extent to which an employer would have made progress, or worked towards Investors recognition, without TEC support, or would have paid to support similar activities that would have yielded the same net effect ('economic' deadweight);
- the degree to which some TECs subsidise Investors support, whilst others recoup costs through charging ('financial' deadweight).

5.10 In this section we assess the degree of economic deadweight that is prevalent within TEC packages of support for Investors.

5.11 From the survey we consider economic deadweight issues in terms of:

- the Investors support services that were of most/least value to the organisation in achieving recognition;
- how far the improvements made would have happened anyway, without TEC support;
- whether the employer would have been willing to pay (or pay more than was the case) for the service received;

- whether expenditure on Investors activities crowded out other related activity.

5.12 Table 5.2 shows the most helpful and least helpful support elements identified by employers. The overwhelming response is the value attached to advisor support either provided by TEC staff, or through external consultancy. It is interesting to note that the majority of advice provided by TECs is not charged for.

Table 5.2: Most Common Response As To The Most And Least Helpful Support		
TEC	Most helpful support	Least helpful support
TEC 1	Advisor support	None stated
TEC 2	Advisor support	None stated
TEC 4	TEC consultancy support	None stated
TEC 5	Consultancy advice	'Inside Investors' events
TEC 6	General TEC support	None stated
TEC 7	One-to-one support/Advice	None stated
TEC 10	One-to-one support/Mentoring	None stated
TEC 11	Consultancy support	None stated
TEC 12	Consultancy support	None stated
TEC 13	Advisor support	Pre-Investors consultancy & None stated
TEC 14	Advisor support	None stated

5.13 Employers were asked whether they would have made the improvements that contributed to enhanced business performance (arising out of the Investors process) without the support of the TEC. The responses are shown in Table 5.3.

TEC	No	No, only some of the changes	Yes	Yes, but it speeded up the process	Other
TEC 1	3		1	1	
TEC 2	4			2	1
TEC 4	3	2			1
TEC 5	3	2		3	
TEC 6	1				2
TEC 7	1		1		
TEC 10			2	1	
TEC 11	1	3	1	2	
TEC 12	3	3	2		
TEC 13	1	1	1		2
TEC 14	1	1			1
OVERALL	37%	21%	14%	16%	12%
'Other' includes responses which did not lend themselves to a Yes or No answer					

5.14 Whilst some judgement has been used in order to categorise responses, the analysis identifies that 30% of the employers interviewed would have made the improvements anyway, although 16% of these would have required a longer timeframe to implement the changes. In addition, 21% of employers would have implemented some but not all of the changes without the assistance of the TEC. This suggests that there is 30% pure deadweight and up to 51% of pure/partial deadweight in the system.

5.15 Bearing in mind that the interviews were with TECs' Investors 'champions', the level of deadweight might be expected to change (probably downwards) if the sample were expanded to include less enthusiastic employers. If the TECs are assisting employers that are quite close to achieving the standard, then it is likely that these are the employers who are keen to implement training and development changes (probably through Investors but maybe through some other process). The question then arises as to whether TEC funding should be targeted towards employers that have furthest to travel and therefore are likely to benefit most from the support available¹⁰.

¹⁰ Although it is conceivable the deadweight estimate might not change substantially, even with a larger sample including less enthusiastic Investors. It is not clear-cut in which direction it would change overall as, there will be, to use an analogy, an 'income' and a 'substitution' effect at play. On the one hand, in the absence of support, some (less enthusiastic) Investors employers would have made changes that had similar outcomes to Investors (so that Investors 'substitutes' for, or crowds out, these other changes), resulting in Investors funding counting as 'deadweight'; while, on the other hand, other Investors employers, less keen on making any such changes, would have been persuaded to do so by the package of support offered, so that the Investors funding should count as having an 'additional' impact (an 'income' effect). One might reasonably expect the latter group to outnumber the former.

5.16 Employers were also asked whether they would have paid for the services they received. The response is shown in Table 5.4 and suggests that up to 63% of employers would have paid for some or all of the support they received. Whilst this does indicate a certain amount of deadweight, a number of employers commented that:

- they would not have been able to pay the full cost in advance;
- it is easier to say yes with the benefit of hindsight; and
- the response reflects the good relationship that has been developed with the TEC over time and the value that employers give to what is seen as a high quality service.

Table 5.4: Would You /Did You Pay The Full Rate For The TEC Services ?				
TEC	Yes	Yes, some of the services	No	Don't know/ Other
TEC 1	3	1	1	
TEC 2	3	2	1	1
TEC 4	2	1		3
TEC 5	4	2	1	1
TEC 6	1		2	
TEC 7			1	1
TEC 10	1	1	1	
TEC 11	2	3	2	
TEC 12	4	1	3	
TEC 13	2	2		1
TEC 14	1		2	
OVERALL	40%	23%	25%	12%

Displacement

5.17 As there is no other mechanism that employers can use to achieve Investors recognition, other than using the TEC route, displacement could arguably be regarded as being negligible, or in fact, zero. However, as noted above, some employers may implement changes to training and development practices that could yield similar benefits to those arising from Investors that Investors support could displace (or 'substitute' for); or at a wider level, support for Investors businesses might conceivably adversely impact indirectly on non-Investors' performance in a competitive environment. But in the absence of a significant body of evidence on the net outcomes of Investors with respect to those of non-Investors control groups to compare with, estimating the impact and extent of such effects is particularly difficult.

Qualitative Feedback

Benefits of Implementation

5.18 Going through the process of achieving recognition was seen to be very beneficial because, in the majority of cases, an external, independent review was undertaken identifying the current strengths and weaknesses of the business. A number of smaller employers (i.e. those with less than 50 employees) identified this as being the most helpful part of the process.

5.19 Although we have identified a degree of deadweight, a majority of employers identified that the formal structure of the Investors process and facilitation provided by the TEC were necessary ingredients to implementing positive changes in business culture and ethos. The most common responses were:

"the improvements we have made would probably not have occurred without Investors and the support of the TEC"

"we would have tried to go it alone but we probably would not have been successful, external influence was required"

"we needed a focused and planned approach"

"we would not have had the same impact/additionality without the TEC support"

5.20 As we have already indicated, a number of employers would have implemented the changes anyway but over a longer period of time (see paragraph 5.14).

"the support has helped to speed up the process"

"we would have made much slower progress"

- 5.21 A small number of employers identified the requirements of the Investors standard itself as the key driver for improvement.

"the impetus to make changes was really provided by the Investors requirements. We would still have achieved accreditation without the TEC"

- 5.22 Some employers would have tried a different route, other than Investors, to implement the changes that have had a positive impact on business performance.

Benefits - Post Recognition

- 5.23 The levels of emphasis given by case study TECs to the post-recognition stage varies considerably. Some of the better performing TECs report that recognised companies form half of the current caseload. Employers were asked what they thought the benefits of maintaining the Investors standard were. There was a mixed response.

"the process (to recognition) is beneficial, what added value does Investors bring once you are recognised?"

"the re-recognition process helps Investors become an integral part of the culture and ethos of the company"

"we were disappointed with the re-recognition process. The assessor seemed more interested in ticking boxes than in helping us develop the business"

- 5.24 The comments above, relating to the benefits of re-recognition indicate that considerable improvement needs to be made to the way in which re-recognition is marketed and valued if the rate of re-recognition is to be maintained.

- 5.25 Some TEC managers indicated that although 'drop-out' of recognised employers is not a significant issue (often due to merger or closure) as yet, current models of support would not be adequate to maintain contact with a larger pool of recognised organisations.

Awareness of Support & Willingness to Pay

5.26 The vast majority of employers were aware whether the Investors support they had received from the TEC was either free (i.e. 100% subsidised) or partially subsidised. Where employers have made a cash contribution, there was a mix of those who knew exactly what they had paid and others who were unsure. Only three employers were able to estimate the cash equivalence of the in-kind staff time used in working towards recognition. Estimates varied from £9k to £30k.

5.27 Respondents from smaller employers and public sector organisations unanimously responded that they would not be able to pay the full cost. Some respondents commented that they would have been unwilling to pay much more than they did because, although the actual benefits are now known, they would not have been convinced of the value of Investors before starting on the process because of its 'intangible' nature.

5.28 A number of employers were surprised at how high the actual costs of the service were. Comments included

"we would have to be totally convinced of the benefits of going down the Investors route to pay the full cost"

"the full cost equates to our advertising budget!"

"we (large employer) would have paid the full cost but the subsidy gave me the bargaining power to persuade the owners to undertake Investors"

"we recognise the value of the support, but it would have been difficult to commit that much on what, at the time, was considered a luxury, rather than an essential"

"being a school, the cost of Investors is competing with buying books, paying for supply teachers....."

5.29 The responses indicate that there is a difference between organisations that are willing to pay towards the cost of the process and organisations that have the ability to pay. Any future funding model needs to take into account (and distinguish) between these two categories of organisation.

Value for Money

Take-up and Quality of Investors Services

5.30 Using information supplied by the case study TECs, employers were asked to assess the usefulness ('vital', 'helpful but not essential' or 'not really necessary') of the various elements of the Investors delivery model at the following stages in the process:

- pre-commitment;
- assisting the employer to achieve recognition status;
- post-recognition.

5.31 It should be noted that a minority of employers achieved Investors recognition some time ago when the TEC was operating a different delivery mechanism to the current set-up. In these cases the employers could only comment about general aspects of the process such as consultancy support, account management etc.

5.32 Analysis of the employer feedback indicated that:

- there appears to be a relatively high take-up of services directly related to the process of achieving recognition;
- there is less direct involvement of all the elements available prior to commitment, for example, awareness raising activities and SME support programmes;
- a number of employers are disappointed with the degree of post-recognition support available and this is reflected in relatively poor take-up of these services;
- where services have been accessed, they have almost without exception been assessed as either vital or helpful in achieving Investors recognition.

5.33 All employers were unanimous in agreeing that the TEC support received in helping them achieve Investors recognition represented good value for money, but again, amongst this group there are few that have paid much more than subsidised assessment costs.

6 COST DRIVERS AND KEY ISSUES

Introduction

6.1 The consultations with case study TECs covered a range of themes that not only helped to define activities in terms of the generic cost model but set the context and background to the detail of the delivery of Investors support. This section reports on the issues raised during the case studies that give an indication of the key elements that drive costs. These are presented under the following headings:

- a changing market for Investors;
- changing TEC strategy and model;
- local economic context;
- other key issues affecting performance.

A Changing Market for Investors

6.2 The changes in TEC Investors strategies reflect not only the changing priorities of government but also the market for Investors. Some TECs report that they are at 'saturation point' in certain market segments, for example with all 200+ organisations and the majority of 50+ organisations in certain sectors being recognised or that this point will be reached in the next two to three years.

6.3 The Investors 'brand' is felt to have high levels of awareness amongst 50+ organisations, but less so amongst the smaller employers, hence the shift in strategy to target smaller organisations has required TECs to take a different approach to marketing Investors.

6.4 TECs report that they are beginning to see a change in perception about Investors and this has different impacts on different segments of the employer market:

- there is a group of 'harder to reach' 50+ organisations that have a negative perception of Investors, sometimes due to bad experiences in the past, being 'mis-sold' the package or being repeatedly marketed, or those that are not pre-disposed to adopting external standards or have no explicit focus on the development of staff as a key business driver;

- there is felt to be a smaller group of ‘early adopters’ who place less value on achievement of the standard as there is less competitive advantage of being one of the first few recognised companies. However, for many of these organisations, the prospect of losing their Investors status and the negative impact this would have internally, is the key incentive to maintaining the standard.

6.5 TECs report that the changing focus to targeting smaller organisations requires different approaches to supporting larger employers to recognition. Most TECs report that this requires more one-to-one, advisory and ‘hands-on’ support. However, another TEC felt that the solution to meeting the needs of this smaller sized group is to develop more structured workshop programmes.

Changes to TEC Strategy or Model

6.6 The majority of TECs report that there has been a significant shift in their Investors strategy over the past two years. TECs cite different reasons, such as change driven by:

- funding and government targets shifting emphasis from a focus on employers with 50+ staff to those with 10-49 employees;
- tougher performance targets;
- reaching saturation point with the 50+ organisations;
- wanting to target sectors and areas where Investors is under-represented.

6.7 In most cases the changing strategy has resulted in changes to marketing strategies, in team structures and the attempt to integrate Investors to services with other TEC or DTI Business Link services.

Changing Marketing Strategies

6.8 Several TECs report that there has been a shift in their marketing strategy to address new strategic priorities. This includes:

- the re-focusing of marketing strategies to raise awareness amongst small firms. This requires for example more sustained generic advertising to raise general awareness (radio and poster campaigns);
- the use of telesales teams or external telesales companies to generate leads, and an increase in role for the Investors team to follow-up leads with a sales visit;

- sector targeting through marketing in partnership with sector bodies such as National Training Organisations.

Changing Team Structures

6.9 Some TECs report the refocusing of Investors services to be better integrated within business support or workforce development activities. In addition, half of the case study TECs report that they have had a significant change in the number and role of internal teams, for example:

- TEC 1 - a bigger internal team and the Investors director having a caseload of 200+ organisations, to help demonstrate leadership to the team and commitment from the TEC to these organisations;
- TEC 4 - switched to a mainly internal team in 1999-00, with members of the team focusing on sector or area clusters;
- TEC 7 - switched to focusing on sectors rather than SMEs, and reduced the number of external consultants from 8 to 4;
- TEC 8 - grown the internal team and built in staff development to support those that had previously worked mainly as contract/account managers to develop their advisory skills.

6.10 TEC 10 has an Investors package of support that is wholly integrated within a wider business development 'Organisation Development' team. Overheads per recognition for this TEC are relatively low (£780), indicating that marketing and support team costs are absorbed by other parts of the 'Organisation Development' team.

6.11 Despite the move by some TECs to develop a more integrated package of support, several TECs report that they have teams that work in relative isolation from others in the TEC or DTI Business Link, even, as a couple of TECs noted, when they are co-located with Business Link teams or in the same department of a CCTE/Business Link.

Impact on Costs

Marketing

6.12 The focus on SMEs has led TECs to increase marketing costs to sustain marketing activity targeted at the 10-49 organisations. For example, TEC 13 increased its marketing and events budget from £46,000 to £80,000 in 1999-00, or 28% of total budget in order to target SMEs.

6.13 The TEC considers that their approach to marketing will need to be maintained for the medium term (3-4 years) in order to generate sufficient levels of awareness amongst the 3,000 small employers in the area.

Changing Team Structures

6.14 Many TECs report that a key factor in improved performance is due to the growth of internal teams and reducing the reliance on external consultants. Strengthening internal teams requires:

- recruitment or training and development costs;
- more TEC staff to ensure the closer management of internal consultants.

6.15 The implications on costs of staff changes are minimal in that overall staffing costs have tended to remain the same over the period as the change from external to internal staff has meant that increases in total TEC staff has been offset by the reduced costs of external consultants. Moving to an internal team has meant that the TEC is better able to manage performance and TEC support can be more flexible to meet client need. In some cases (depending upon the average salary paid to an advisor) this has also meant that the overall size of the (internal) team has been increased.

6.16 A couple of TECs have commented that the average salary paid to TEC Investors internal advisors is now relatively low. Some TECs wish to develop TEC staff roles from sales and account managers to business advisor. The salary paid to these staff should reflect their newly acquired skills. As a result these TECs are finding it harder to recruit to the new internal posts at the salary currently offered.

6.17 This implies that developing a more consultancy focused service requires a more experienced team and that to sustain this, staff costs in the medium term will need to rise to attract those with the relevant experience. In response to the changing team structures, and focus on a more experienced role a number of TECs have also increased the proportion of administration and sales support within the team. On average, 15-20% of Investors team full-time employees are either Investors managers or administration support. At TECs 8 and 9 this proportion is up to almost 40% of the team where Investors advisors are involved less and less in contract administration.

Drop-Out

- 6.18 The estimate of annual unit costs is calculated by dividing the total Investors expenditure for the year by the total number of recognitions achieved. This figure, therefore, includes activity that supports organisations who do not reach recognition, but ‘drop-out’ of the process. The actual level of drop-out ranges from some TECs reporting a rate of up to 50% and others reporting that drop-out was negligible. The figure largely depends upon the definition of drop-out. TECs reporting a large drop-out rate include any organisation on their caseload, including employers that were not committed to Investors. Within this group, several TECs reported that they had a regular review (some cited annual, quarterly or monthly) of the caseload and identified those on the caseload that had shown no interest in progressing towards Investors, or re-recognition. The level of drop out is also partly determined by the point when a TEC seeks commitment, how this is achieved, and the frequency of contact made with the TEC or its consultants.
- 6.19 What was clear from the research is that there was little systematic monitoring of drop-out, the reasons for this and the impact on costs. Many case study TECs were not able to provide the data easily, and further analysis resulted in some surprises for the TEC itself.

Local Economic Context

- 6.20 Some case study TECs observe that the local economic context impacts on the potential for improved performance:
- TEC 9: The growth of the city in the TEC area has changed the profile of baseline employers. There is now a greater number of larger organisations that are pre-disposed to Investors and with the ability to pay. This has allowed the TEC to increase the level of charges for larger organisations, giving the TEC more scope to cross subsidise its package of support and support smaller/voluntary organisations with less ability to pay.
 - TEC 3: The situation in the manufacturing sector in the past 18 months has limited the extent to which the TEC can be successful with the 50-199 target group. The TEC reports that:

‘Manufacturing employers are being inundated with offers of support at the moment from Business Advisors and the Midlands Manufacturing Challenge. A key issue for them currently is process quality (ISO), fluctuating orders and export costs. We constantly have to fight to promote the benefits of Investors in this context’.

6.21 These comments provide an interesting context to local performance with the first comment highlighting the degree to which larger organisations often cross-subsidise programmes to enable large subsidy/lower charges for SMEs. There is however, no clear local economic factor that impacts upon TECs ability to achieve recognitions or the costs of doing this. Local prices, for consultants and suppliers, such as telesales companies, may have an impact on unit costs, but the range of charges levied across different TEC areas (rural, urban, north and south) and the variance of unit costs within similar areas suggests there is no local economic factor that is systematically affecting performance.

Future Issues

6.22 As expected, case study TECs are keen to discuss the potential impacts of the transfer of Investors to the SBS/LSC and issues they face in the transition period. The key points raised that impact upon costs were:

- the dis-economies of scale in splitting any marketing and overheads between the two organisations;
- the potential loss of momentum during the transition phase. Although most TECs felt confident that they would achieve their output targets this year;
- the loss of the potential to cross subsidise and cross-fertilise ideas from larger to smaller employers, as one Investors advisor commented:

'the split will make it harder to develop effective relationships and Investors is all about good personal relationships with employers'

7 CONCLUSIONS

Unit Costs

- 7.1 The average (mean) unit cost of supporting employers from the commitment to recognition stage of Investors is estimated at £6,058. This is based on detailed cost data supplied by 11 case study TECs. This unit cost (Unit Cost B) is at least £2,000 per recognition higher than some previous estimates. (The median cost is £5,422.) This difference is due to the inclusion of expenditure of funds other than Block 3 LCB into the equation such as TEC reserves and European funding and the exclusion from the calculation of Block 3 LCB monies used to pay for 'non-Investors' activities.
- 7.2 There is variance in unit costs between TECs but this range is considerably lower than the degree of variance previously reported in some other studies. Around three quarters of the 11 TECs had costs within £1500 (or 25%) of the mean. Variance in unit costs is due to
- differences in Investors packages of support, particularly the amount and type of 'pre-Investors' activity, this includes action planning and diagnostic work and specific programmes to prepare (small) organisations for Investors;
 - the level of inputs used to achieve a recognition. Within this, Investors team structures and the amount of advisor support offered to employers are key factors in determining average costs.
- 7.3 It has not been apparent that differences in local prices (e.g. the cost of external consultants) affect unit costs in different areas, however this factor has not been followed up in detail during this study.

Development Costs

- 7.4 The evidence suggests that TEC unit costs that are above the average are associated with development costs, associated with TECs refocusing their Investors activities. For some TECs increases in costs, due to activities such as larger marketing campaigns and staff development, have been rewarded through some improvement in performance. Where TECs have been through this period of development, unit costs appear to fall to near the average.

Future Cost Drivers

- 7.5 There are a number of factors that have been seen to affect the overall cost of TEC Investors support. The key cost drivers are staff costs, marketing costs, employer support needs, strategic priorities and charging policy.

Staff costs

- 7.6 Staff costs are driven by the overall size of the Investors team, average salaries paid to those in the advisory and consultancy role (both internally and externally) and the ratio of Investors advisors to other support staff.
- 7.7 A number of TECs have been re-shaping the structure of their Investors teams, and have found that using internal teams rather than external consultants has contributed to improved performance. As TECs have refocused their teams this has often led to the need to develop the Investors advisor role to place more emphasis on business support skills rather than the contract management and administrative functions that many of these staff had previously undertaken. The development of the advisor role has led to increased costs of training and development and in salaries to help ensure that staff in these roles have appropriate skills and experience.
- 7.8 TECs have also found that other dedicated support functions, such as marketing and sales have also helped to ensure these activities are more closely managed.
- 7.9 Developing the Investors advisor role has also had an impact on the need for a greater administration resource to support the work of the team. The analysis suggests that having an Investors advisory team with an appropriate degree of administration support does have a positive impact on performance. This balance helps to ensure that the staff with responsibility for supporting employers can spend maximum time in direct contact with clients. This suggests that economies of scale can be achieved by the creation of larger teams across SBS/LSC areas and by reducing the unit costs of overheads of marketing and administration, support for a larger Investors team and the sharing and standardising of staff training programmes.

Marketing Costs

7.10 TECs assume that although the general brand awareness of Investors is well established, the need to focus on a larger proportion of smaller businesses will require an increased and sustained marketing effort locally. It is likely therefore that there will be a need to increase overheads or 'pre-Investors' activity to reach smaller employers in 'the harder to reach market'.

Employer support needs

7.11 In developing a strategy to achieve the national target for Investors, there is a need to understand more clearly the profile of those organisations in the 'untapped market'. This includes the need for data on not only recognised and committed employers, but also on those 'prospects' interested in taking part and those currently outside of the current TEC caseload, including those that have dropped out of the programme due to dissatisfaction with it. There is a need to understand more clearly the following:

- the extent to which employers currently have a negative perception of Investors, due for example, to them previously having dropped-out from Investors and the implications of marketing Investors to these employers;
- the 'baseline position' of employers outside of the caseload and therefore the type and degree of organisational change that will be required to reach the standard, plus the cost implications of supporting these employers to recognition.

7.12 It is assumed, but not tested, that employers in the 'harder to reach' group will be at a lower level in terms of their 'baseline position'. This implies that the change process required to meet the Investors standard and the support needed to help employers through recognition will be greater in the future than that needed for the already recognised employers that were 'early adopters' of Investors. This assumption needs testing.

Strategic priorities

- 7.13 A number of factors determine the shape and focus of a TEC's Investors strategy. This has been driven by national policy, negotiations with government offices in the regions and the individual TEC's own objectives. Local strategy is also partly determined by past performance. Where TEC performance has been consistently good and Investors penetration is high, a TEC's Investors strategy needs to consider how the programme will support recognised companies who form an increasingly larger part of the caseload. In addition, these TECs assume that costs locally will rise when seeking to reach and support a 'harder' target group (however, this assertion needs testing).

Charging Policy

- 7.14 Individual TEC policy on charging and subsidy has a dramatic impact on the net cost of the programme. The evidence suggests that high levels of assessment subsidy or low levels of employer charging are not positively correlated with good performance. Rather, higher levels of employer charging and informing employers of the cost of Investors services have in several cases proved beneficial in helping to raise the perceived value of Investors to the client. As one TEC Investors manager noted:

"we tried buying commitments and recognitions. It didn't really work. Employers did not really get involved. Changes to our funding meant that we could not be so generous, and I believe that moving towards charging for advice, using our discretion about who can afford to pay, has been effective"

Optimal Delivery Model

- 7.15 The analysis of different types of Investors delivery model, costs, performance and TEC feedback on the lessons learned about successful strategies to achieve Investors recognition indicate that the following are key features of an optimal delivery model:
- a mainly internal delivery team with appropriate administration, marketing and management support. The case study data suggest that a ratio of approximately five advisors : one other team member is an optimal balance;
 - dedicated marketing and sales support and multi-strand marketing strategies taking a medium term (3 year) approach to targeting sectors or areas including building awareness, interest, value and finally the 'sale' at the point of commitment to Investors;

- a service based on a principle of charging, or at least clearly informing employers of the cost of the model and the amount of subsidy given to improve, at a minimum, the perceived value of the service;
- delivery models that are flexible and can be tailored to employers' needs, minimising the support given to those employers that required little help in achieving the Investors standard.

Monitoring Costs

- 7.16 The generic cost model developed for this study has enabled good quality data to be collected at the local level and an analysis of costs not previously possible with data based on budget allocations.
- 7.17 The method adopted for this study was limited in its ability to report on the costs of supporting different types of employer. A 'bottom up' approach, walking through the support given to an 'average' small, medium or large firm was used to try and gain an estimate of the costs of support for firms of different sizes. This approach is limited in that it is based on average lead times, but the range of variance around this average is not known and several TEC managers felt that there were factors other than the number of employees that determined the amount of support needed.

Funding Model

- 7.18 The study indicates the extent to which LCB block 3 does not fully cover the expenditure that TECs incur in delivering the whole Investors package of support, with an average of 82% of total income derived from LCB Block 3. With the closure of TECs, there will be a potential funding shortfall of the 2% of the current programme funding that is supported by TEC reserves and this figure varies to rise to as much as 13% in some TEC areas.
- 7.19 The funding model also needs to consider charging policy and estimates of net cost on overall budget requirements. Because LSC/SBS charging or subsidy policy is not known, the unit cost estimates presented in this study are based on total, rather than net expenditure. Overall, current net costs are not dramatically reduced through charging, but a small number of TECs have been very successful in recovering costs.

Issues for Consideration

Priorities

7.20 There is a need to develop a more consistent approach to defining priorities for Investors in terms of:

- supporting recognised companies, who should deliver this and the level of subsidy offered;
- minimising the amount of drop-out from Investors;
- targeting organisations of different types, such as public and private sector organisations linked to local and sector workforce development plans;
- integrating Investors services with other government funded business development services.

Management Information

7.21 There is a perceived need for better and more consistent information to be collected from LSCs and SBSs on the actual costs of delivery of Investors support. Current monitoring data focuses on budget allocations. Improved use of client management data that monitors the actual amount of support received by an individual employer, coupled with data on expenditure on the main elements of the support offered rather than overall activities, would produce much more powerful data against which to assess actual costs of Investors recognition.

7.22 The data for this study is based on a sample of 14 of 72 (one in five) TEC areas. To help strengthen the information available for Investors management and funding, there is a need for a more comprehensive review of expenditure, the Investors market and cost drivers at the local level in the next 18 months to two years.

Monitoring

7.23 A standardised approach to monitoring could be developed, using similar features to the generic model described here to monitor costs in the future, that includes:

- the expenditure on Investors activities across the process: overheads, pre-Investors, commitment to recognition and post-Investors activity;

- guidance to local units of delivery on the definition of data and activities under the four main headings;
- data on cumulative and annual recognitions and commitments, the number of re-recognitions in year and other employers on the caseload, and the number of 'drop-outs' from the programme and the reason for this.
- data on local prices, especially the costs of Investors advisors and external consultants.

7.24 Monitoring needs to be developed that enables an assessment of the cost of supporting firms of different types (size and sector). One possible source of data is a client management system that reports on the level and type of support given to firms in addition to maintaining details of the firms characteristics - size, sector, age etc.

Costs and Charging

7.25 In some TEC models the costs of marketing are partly sunk costs to the TEC and have therefore not been calculated within the unit cost of Investors. In other models, particularly those with a dedicated sales team and telesales support, overheads can be as high as £6,000 per recognition. More consistency in the reporting of expenditure overheads should help with the comparative analysis of costs.

7.26 A further implication of this analysis is that a more consistent approach to employer subsidy and charging needs to be adopted to help ensure greater equity in Investors support nationally, reduce the amount of deadweight nationally, and, on the basis of evidence above, to help to improve consistency of performance across local areas. The charging and subsidy policy might include:

- at a minimum, information for participating employers to make them aware of the full cost of Investors services they will receive and the amount of subsidy they are eligible for;
- a framework of recommended charges and subsidies with flexibility to allow local managers to negotiate a price with the discretion to waiver or increase fees according to the ability to pay;
- charges to include charging for awareness raising events and consultancy time.

7.27 Employer feedback suggests that the support offered by TECs is valued, the benefits to the organisation of achieving Investors are recognised and there are few elements of the support offered by TECs that can be viewed as deadweight in terms of being of limited value in helping to achieve Investors. Findings from the employer survey suggests that costs could be streamlined through:

- reducing the amount of subsidy offered - there is scope for the LSC to recover costs from charges made to larger employers, however, the survey results to date suggests the scope for the SBSs to achieve this will be limited;
- reducing the quantity of Investors materials and gifts given to employers;
- ensuring flexibility in the delivery model so that support can be tailored to the needs of the organisation to achieve Investors; and
- improved sharing of development costs of, for example, case study research and staff training costs.

ANNEX A - TEC DISCUSSION PROFORMA

Key Operational Information

Model Structure	- How is liP delivered?
Funding Sources	- What funding streams are used to augment block 3 DfEE funding and for what activities?
Employer Portfolio characteristics	- Size/location of companies and any pertinent characteristics
liP Performance 1998/99, 1999/2000	- Commitments & recognitions in 1998/99, 1999/2000

Investors Activities

1. What are the key elements that make up liP activity?
2. How does liP activity integrate with other aspects of TEC activity, e.g. workforce development?
3. What role does Business Link play in the process?
4. Are other organisations/partners involved in the promotion/delivery of liP? What is their contribution?

Employer Strategy

5. To what extent are Investors activities subsidised?
6. Do Investors costs/subsidies vary according to the size/sector of the employer ?
7. At what stage does the employer pay the full cost for Investors recognition/re-recognition activities?
8. Are there priority sectors?
9. Do any priority geographic areas exist?
10. Are any specific companies supported ?

Costs of Promotion/Delivery (refer to Generic Model table)

11. What is the TEC's perception of the generic model?
12. Can costs be attributed to each of the elements within the model?
13. Are there activities outside the generic model that the TEC includes within its Investors costs?
14. Is the TEC proactive in monitoring the costs of Investors?
15. How does the TEC record the costs/leverage/performance/displacement /deadweight associated with Investors activity?
16. Is partner activity costed? (cash and in-kind support?)
17. What is the extent of employer leverage - does this include in-kind (i.e. staff time) as well as cash support?

Unit Costs

18. What are the TEC's comments regarding our proxy unit cost and the 1997/98 / 1998/99 year allocation?
19. What is the best way of calculating unit costs?
20. Are unit costs calculated/used? Are these calculated bottom-up or top-down?
21. When calculating unit costs, which elements of Investors activity should/should not be included?
22. What does the TEC consider to be sunk costs?
23. Should employer 'drop out' be taken into account when calculating unit costs?
24. Are unit costs higher now compared to previous years as TECs begin to target a harder to reach client group?

Value for Money

25. What is the TEC's perception of the level of deadweight and displacement?

26. Does the TEC agree with the following definition of deadweight and displacement?

Deadweight: The employer would have undertaken the work (or some of the work) for Investors recognition anyway.

Displacement: The employer would have engaged in privately (or publicly) financed workforce development activity which would have yielded the same net effect.

27. Does the TEC consider that its Investors activity represents good value for money?

28. How long does it take the TEC to recoup its Investors investment in a company?

29. Do employers perceive Investors as offering good value for money?

30. Why should Government continue to invest in Investors activity?

31. Should employers pay the full cost for investing in its workforce?

ANNEX B – EMPLOYER CONSULTATIONS PROFORMA

- **employer database ref:**

- **interviewer:**

Background data (from the TEC)

- Company name
- Investors Contact within the company
- TEC - contact name (account manager/advisor)
- Company Size (n of staff)
- Sector
- Dates of
 - Commitment
 - Recognition
 - Re-recognition
- Detail of TEC Investors support received

- Detail of fees paid

Employer Contact Record

- Contact 1:
- Contact 2:
- Contact 3:

BACKGROUND - DISTANCE TRAVELLED

1. We are wanting to get a picture of how your organisation has developed since starting on the road with Investors in People, before I ask you some specific questions about this, do you have any overall comment to make about Investors?

2. Can I just, check, **when** did you organisation become Investors recognised **or** (referring to TEC data) can I just confirm that your organisation has been recognised since

_____ (year)?

3. How long before this date did your organisation decide to work towards the award (not necessarily the formal 'commitment' date)?

_____ (x months before recognition date)

4. Reflecting back on your organisation at this point (ie when it decided to work towards Investors) how close were you to having the principles/systems underpinning the Investors standard in place?

On a scale of 0 - 5 where 0=none of the key principles/systems in place and 5=all systems in place and 3= half way there.

**If the respondent is not sure of an overall score, work through the four components, then agree and overall score.
Highlight any key gaps/ areas that 'low' scores that are mentioned**

	Overall Score	
Commitment:	1.1 of top management 1.2 employees aware of vision 1.3 contribution of all employees reviewed known 1.4 communication to employees	
Planning	2.1 business plan 2.2 training plan 2.3 review of T&D 2.4 T&D resources identified 2.5 responsibility for T&D clear 2.6 objectives for T&D 2.7 external standards	
Action	3.1 induction for staff 3.2 managers competent to deliver T&D support 3.3 staff aware of T&D opps 3.4 appraisal 3.5 action to meet T&D needs	
Evaluation	evaluation of .. 4.1 impact of T&D in individuals skills 4.2 impact on individuals performance 4.3 impact on the organisation 4.4 managers know the costs and benefits of T&D 4.5 action taken to improve	

TEC SUPPORT INVESTORS SERVICES

5. Before we try to assess how the TEC's support helped your organisation, I first just need to clarify which elements of the TEC's support for Investors that you have received

I have details of the range of support services offered by X TEC, could you please just confirm the support/training that you have used? **Work through Q5 in table**

6. Could you please tell me whether the elements of support used was either **vital, helpful but not essential**, or **not really necessary** in helping you to achieve Investors ? **Complete Q6 in table**

	Q5 Received (Tick each)	Q6 V, H or NN?
BEFORE YOUR ORGN BECAME COMMITTED TO INVESTORS		
SUPPORT FROM COMMITMENT TO RECOGNITION (IMPLEMENTATION)		
SUPPORT ONCE RECOGNISED AS INVESTOR		

7. Overall, which element of support was the most helpful in achieving Investors (probe if not already mentioned for the link with organisational development?)

IMPACT

8. How has achieving Investors benefited your organisation?

a) General: (Business Performance etc)

b) Specific Areas (Training and Development)

9. If improvements have been noted, do you think that your organisation would have made these improvements without the support given by the TEC?

Y/N, & discuss

10. (if re-recognised) What benefits does maintaining your Investors status have for your organisation?

COSTS/CHARGES

Fees paid to the TEC/for TEC services

11. Was the support given by the TEC free, or did you pay for it? **or** I see from TEC records that you paid for TEC Investors support services? **Complete Q10**
12. How much did you pay for TEC Investors services **or** Can I just confirm the fees paid by your organisation for the TEC Investors support **Complete Q11**

	Q10 (charges /fees paid) £	Q10 TEC services free or paid F/P	Q11 If paid, How Much? £	Q12A Aware subsidised Y/N	Q12b Full Cost £
Overall					
Pre Investors					
Commitment to Recognition					
Post-Investors					

- 12a. Are you aware that (some or all) of the TEC Investors support services that you have received have been (fully / partly) subsidised by the TEC? **Complete Q12a**
- 12b. Are you aware of what the full (unsubsidised) cost of support would have been, how much is this? **Y/N, if yes complete 12b**
- 12c. **If the actual costs not known by the respondent** The actual cost of the TEC support services is between £5 and 9k (depending upon the size and type of organisation). Assuming that your organisation had the ability to pay the full cost, do you think that you would have paid the full rate?
- a) all services? **Y/N**
- b) or some services? **Y/N**, if so, how much would your organisation have been prepared to pay?

Other costs: materials, consultancy, staff time

13. Are there other costs that your organisation incurred in achieving and maintaining its Investors status? Please list and give estimates of these costs - **do not push for staff time, only record if mentioned**

	Materials	£	non-TEC Consultancy	£	Staff	£	£ Total Cost
Overall							
commitment to recognition							
post recognition							

CONCLUSION

14. Overall, Do you think that the service given by the TEC represent good value for money?

Y/N

15. Do you have any other comment about the quality or cost of the Investors services offered by the TEC?