

Smaller businesses – a positive career choice for graduates?

The views, opinions and suggestions of undergraduates and small business owners

Prepared by Chris Phillips, GTI Media and Philip Donnelly, Step

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'We want the UK to be the best place to start and grow a business because small businesses play a vital role in our economy. The performance and activity of the UK's small businesses is critical to economic growth. They stimulate innovation and provide competition to existing businesses. Moreover they account for over a third of private sector turnover and provide half of all new jobs.

Having had practical experience in a small business, and the challenges of recruiting the right people, I am pleased to see that more small businesses are employing graduates and working more closely with the university sector. But, it is clear that greater cooperation would provide even more benefits. It is not as simple as it could be for universities and businesses to engage with one another, and too many students have little knowledge of the opportunities available with small businesses.

It is important that co-operation between business and universities continues to grow and spread the benefits of partnership. I trust that

this research report and the AGCAS Graduates into Smaller Businesses Conference will help promote this activity and I look forward to seeing the results in the future.'

Matthew Hancock, Minister of State for Skills and Enterprise.



Authors of the report

Chris Phillips, UK information and research director, GTI Media



GTI Media is Europe's leading graduate recruitment media company, operating in the UK as TARGETjobs, TARGETcourses and TARGETjobs Events. For the last 25 years, we have focused on helping students make the transition from university to work or further study. GTI Media is also committed to undertaking and sharing research, information and expertise to benefit students, universities, employers, policy makers and professional bodies.

gtimedia.co.uk



Philip Donnelly, director, Step

Step has been recognised by government, employers and universities as the

UK's leading provider of development-focused internships for students and recent graduates. Step is managed by a specialist team and operates through a network of quality-assured universities, enterprise agencies and specialist training consultancies. In partnership with The Careers Group, University of London, we also provide strategic and capacity-building support for universities looking to expand the range of internship services to meet the collective needs of students, universities and businesses.

www.step.org.uk

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Executive summary

The authors of this report have worked in and around higher education for a combined total of 35 years. It's fair to say that the HE sector, in this time, has undergone radical and significant structural changes. But the recruitment of graduates, and the on-campus circus of attraction, has not changed as quickly. Today, just as in years gone by, the graduate recruitment market is dominated by around 250 large, regular recruiters whose marketing muscle, campus presence and prominent brands make them irresistible to the majority of undergraduates.

The rival claims of smaller businesses are likely to go unheard in the noise created by the big boys. And this is a shame now just as it was five, ten, fifteen and twenty years ago. More than a shame, it doesn't make sense and leads to swathes of excellent students applying vainly to large corporations – and excellent businesses not attracting the entrepreneurial talent that exists in our universities.

Our simple wish is that undergraduates view smaller businesses as bona fide recruiters. Not better than bigger employers. Not worse. Just different.

This report, and the surveys that created it, are our contribution to creating an environment in HE where recruiters of all sizes are seen by students as equally valid career choices.

1.1 Aims and objectives

There are several annual surveys of 'graduate recruiters' that look at their recruitment needs, starting salaries and their experience of taking on graduates. The organisations taking part in these surveys are invariably large organisations with regular and often sizeable graduate intakes. The views, experiences and needs of smaller companies are rarely covered and they would, in any case, be swamped by the preponderance of larger companies in the final data.

We know that larger companies, who are nearly all members of the Association of Graduate Recruiters (AGR), have the budgets to be active on university campuses, promoting their brand and their vacancies to the student body. In truth, though, these larger companies are responsible for only around 15–18 per cent of the permanent jobs that new graduates enter each year. This means that the majority of graduates find work with smaller organisations. Sometimes this is a positive choice; other times it's a reaction to not getting hired by a larger recruiter.

There is no great visibility or awareness on campus of the benefits and challenges of working for a smaller company and yet the future prosperity of the UK is linked to the growth and success of smaller organisations and their ability to attract top graduate talent.

To redress the balance and create a body of knowledge of interest to students, careers advisers, smaller companies and their representatives and government, GTI Media (publishers of TARGETjobs in the UK) and Step – with support from NUS, AGCAS and others – agreed to conduct some serious research with smaller businesses to:

- reflect their views of graduate recruitment and graduate internships/placements
- look at how they promote their opportunities to students and how they recruit
- examine the place/role of smaller businesses in the graduate recruitment market
- inform the national debate about widening the choice and increasing the awareness of the full range of employers available to graduates.

To complement and inform the results of the survey, we also undertook – with the active support of the National Union of Students (NUS) – a survey of undergraduates to discover their views of jobs, placements and careers with smaller businesses.

1.2 Note on terminology

Analysis of the data, and feedback from students and small business owners, has led this report's authors to unilaterally remove the designation 'SME' from the pages that follow. The SME 'brand' is neither universally recognised nor understood well on campus and we feel that it's an unhelpful and unfocused name to use when what we are describing are small, high-potential businesses that have the capacity to recruit graduate talent.

The term SME may be useful shorthand for policy-based discussions but is not helpful if it simply lumps together incredibly diverse businesses that have little in common other than the number of employees they happen to have at any one time. Of course 'number of employees' itself is not a particularly helpful indicator of value, success or potential.

1.3 Definition of employer sample

As the term ‘SME’ is too imprecise to define the sample of the employer survey – including as it does many shops and businesses employing small numbers of people with no plans to grow – we focused our efforts on ‘high growth-potential businesses’ (sometimes referred to as ‘gazelles’), which are more likely to consider recruiting graduates for permanent jobs or internships/work experience and are arguably more important in creating vacancies and wealth.

These are businesses marked out by sustained growth in revenue and jobs, and come in all sizes, from all sectors and of any age. What they have in common is a need to grow, to employ staff and to have plans to grow revenues by 20 per cent each year. We also needed to focus on a minimum turnover to rule out small businesses where graduate recruitment is probably not an option.

The ability to analyse the data from the survey by sector is critical for a proper understanding of its findings and therefore we included organisations from the following sectors in the survey:

- Advanced manufacturing
- Digital economy and creative industries
- Life science and pharmaceuticals
- Low carbon
- Tourism, hospitality and leisure
- Business and professional services
- IT
- Science and research.

In summary, our aim was to survey the views of a broad range of smaller, high-potential businesses to better understand their views, perceptions and plans for recruiting graduates, offering internships and working with universities.

From a research and policy perspective, this is recognised as a key issue, and there has been a lot of discussion around this. There have been limited attempts to directly engage and understand the views of smaller businesses themselves, however, and it is this that we are attempting to address within this report.

1.4 Methodology

Two surveys were undertaken between late May and the end of July 2013. One was of smaller, high-growth businesses and the other was of undergraduates.

The surveys were devised by GTI Media and Step with input from NUS, CIPD and AGCAS.

The student survey was sent to students by NUS.

The employer survey was sent to small businesses from databases developed by Step and GTI Media but the authors would also like to thank the following organisations for assisting in passing survey requests to small businesses known to them:

- The Association of Graduate Careers Services (AGCAS)
- University careers services
- Graduate Advantage
- Yorkshire Graduates
- GO Wales
- Graduate Careers Scotland
- Kent Innovation and Enterprise
- Gradsouthwest
- Bright Green Business.

We would also like to thank the 250 small business owners who completed a lengthy survey in such detail and especially those we interviewed subsequently.

1.5 Note on profiles in the report

To complement the data we collected, we interviewed a number of small business owners (many of whom were respondents to the survey) for their specific advice and comments regarding students, graduates, recruitment and employment. We also interviewed graduates or interns who had secured their positions through Step and Graduate Advantage. Their profiles have been added to this report in shaded boxes in the hope that their positive experiences can encourage a greater focus on the benefits of recruiting graduates for work or placements.

1.6 Note on charts used

To avoid fractions, percentages in charts have been rounded up or down and therefore do not always add up exactly to 100. Where respondents were asked to choose more than one answer, the total percentages always exceed 100.

2. Key findings

2.1 Employer survey key findings

Smaller businesses are taking on more graduates for permanent jobs and work placements than previously:

- 45 per cent had recruited at least one graduate to a permanent position in the last year, up 20 per cent since 2010
- 41 per cent had offered at least one graduate work experience opportunity in the last year, up 15 per cent since 2010.

Smaller businesses find it difficult, however, to promote their opportunities and fill their vacancies, and most would value closer contact with local universities:

- 59 per cent found it 'a challenge' to recruit graduates from universities
- 42 per cent had either never, or only very rarely been contacted by a university.

Smaller businesses have several good business reasons to recruit graduates:

- The majority, 38 per cent, said it was to address an immediate or specific requirement
- However, one fifth mentioned their 'potential as future managers' and a similar number 'the knowledge and [usually technical] skills' that their business was lacking
- 20 per cent referenced a more generic need for 'fresh ideas and thinking'.

Smaller businesses' view of graduates, in terms of what they could bring to the business, was overwhelmingly positive.

- They praised graduates for their enthusiasm, technical knowledge, communication skills and flexibility to handle multiple roles
- If graduates had weaknesses, they tended to be around a lack of commercial awareness and commitment.

Despite perhaps a perception among students that training and development was going to be better in larger recruiters, our respondents were passionate about the quality they offered:

- 'Our graduates regularly attend seminars/training programmes, as well as conferences.'
- 'On-the-job coaching and mentoring, an individual training plan according to the graduates needs, external training workshops and training days tailored to their needs.'

- 'Regular appraisals to determine what skill gaps they have and address through specific job-related training, and also personal development training and soft skills.'

Most smaller employers said that they were 'happy' or 'very happy' with their recent graduate recruits:

- 82 per cent said they were 'happy' or 'very happy' with the quality of graduates taken on in the last five years
- Half of respondents thought that graduates were better than they were five years ago, compared to 30 per cent who considered them worse.

The retention of talented graduates was not a big issue for respondents, with over half saying they did in fact retain the ones they wanted to keep.

2.2 Undergraduate survey key findings

Undergraduates do not have a problem with the idea of working for smaller businesses:

- 87 per cent of undergraduates would be 'willing' or 'very willing' to start their career with a smaller employer
- 93 per cent would be 'willing' or 'very willing' to undertake internships or work experience with smaller employers.

More of a problem is that smaller businesses don't have much of a presence or brand on campus and it's therefore much more difficult to find out about their opportunities:

- A third said they had heard *nothing* about smaller employers on campus
- 68 per cent said that smaller businesses had a 'limited' or 'very limited' profile as potential recruiters.

By and large, students believe that larger organisations are a safer bet for their first job:

- Only 10 per cent thought that working for a smaller business looked better on their CV
- Only 22 per cent thought that salaries would be higher with smaller businesses
- 36 per cent felt that their career prospects were better with larger organisations (compared with 16 per cent who answered 'smaller businesses').

Despite this, working for a smaller business has some distinct advantages over larger employers according to respondents:

- 61 per cent thought that they would learn more skills and develop as a person quicker in a smaller business
- 77 per cent thought they would receive earlier responsibility at work with a smaller business
- 72 per cent thought they would stand out better when working in a small business.

3. Employer survey research analysis

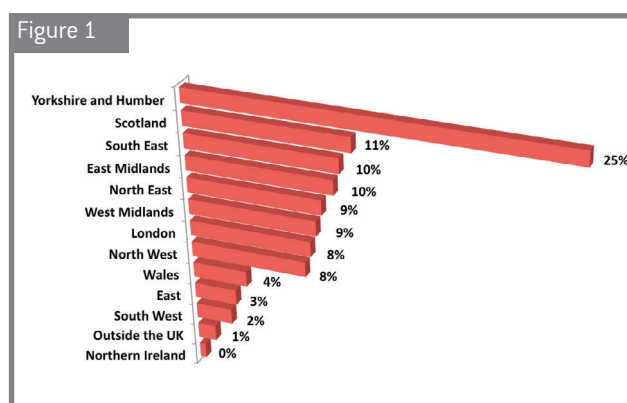
3.1 Demographic breakdown

We targeted smaller businesses known to have taken part or expressed an interest in the Step programme along with businesses known to a network of regional graduate agencies, university careers services, science parks and innovation centres. This included businesses that are recognised as having a particularly strong research and development record and/or focus on innovation as evidenced through involvement in a variety of knowledge-transfer schemes and/or innovation/technology awards. Approximately 10 per cent had no university connections or experience of internships or knowingly employed graduates.

250 completed the survey, providing almost 1,000 comments, views and suggestions. The survey itself was detailed and long, taking on average 20 minutes to complete. The fact that so many were willing to complete the survey (50 per cent of the survey required responding to qualitative or 'free text' questions) is itself significant, demonstrating a tranche of businesses that are actively engaged and want to contribute to these debates.

Their views, therefore, are significant and insightful; they should be taken seriously by all those looking to encourage more cooperation between universities and smaller businesses.

Responses were from businesses reasonably evenly distributed across the English regions and Scotland, with the higher response rates for some regions reflecting in part the significant effort put in by the respective regional graduate agencies and careers teams to distribute the survey.



Where is your main/head office located?

The majority (62 per cent) of responders were at the smaller end of the scale in terms of number of employees, that is under 24 staff...

Recruiting from internships

We recruit, when we have a need, from the students and graduates who have done an internship or work placement with us first. Then, if that works out and we need someone at the time, we'll take them on permanently. We get a fairly good stream of applications when we have jobs available.

One of the problems I see with graduates and students is that creativeness has been emphasised over technical skills. We find it hard to recruit people who write well, concisely and in an interesting manner, and who fact check. That's true even among those who have been through good, traditionally academic, universities. It can be even harder than design recruitment.

We have a positive relationship with Salford and a connection with the design and advertising course there. Salford is pretty well regarded in that area. One of the tutors points good candidates our way. That is really key for me because I can talk to him and get an idea of what people on his course are like.

The pull of the south-east

I think people move south because they see the north as a place to come for their university education but they wouldn't stay here – even though Manchester is a vibrant place. London and the south-east as a whole are powerful, and the level of economic output of the south-east is so much higher than the rest of the country.

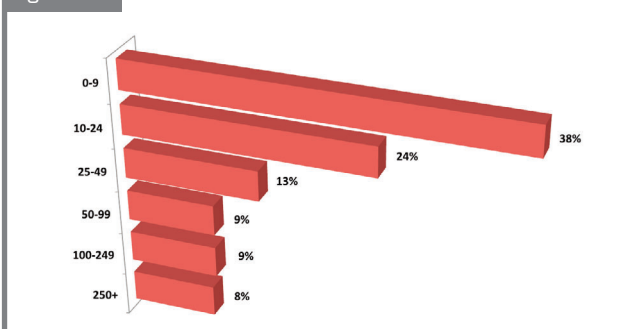
Our work is international but we find that there's no substitute for face-to-face business – because of that we're just about to move from the outskirts of Manchester to central Manchester to be closer to the train station.

Risk v. reward

Graduates don't have a long work history and they may not have all the skills but that means, as with all risks, they can succeed really well. If you develop certain aspects of their skills, the chances are that you're going to greatly improve your bottom line. We're always on the lookout for new, younger talent because some are capable of amazing things.

Ian Irving is co-founder of NeoMam, based in Manchester.

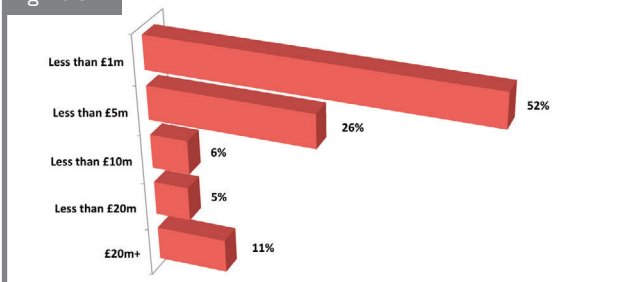
Figure 2



What is your total number of employees?

...and under £5m annual turnover (52 per cent have less than £1m annual turnover).

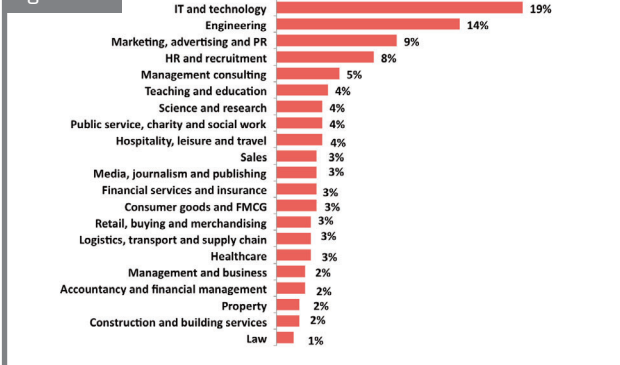
Figure 3



What is your approximate annual turnover per annum?

A broad range of high growth-potential sectors were represented. 33 per cent of respondents were from the engineering, IT and technology sectors, but a broad range of other sectors including creative, design, pharmaceuticals, HR and training were also represented.

Figure 4



Which one of the following sectors does your business mainly operate in?

The sample companies either employ relatively few graduates or they actually make up the majority of staff in the business – 16 per cent indicated that graduates make up less than 5 per cent of their workforce while a quarter of respondents indicated that graduates make up over 70 per cent of their workforce.

Employing the right people

As the owner of a small business, I cannot begin to overestimate the advantages of a recommendation from someone else I know that someone seeking a job with me would be a good employee. I physically don't have the time to go through hundreds of applications and I need to know from day one that someone will fit in and begin to get on with work effectively. It's a big scare for small businesses to commit to someone they don't know and organisations such as Step allow me to take graduates on for a set period to ensure that I have employed the right person for that particular job.

Effective networking

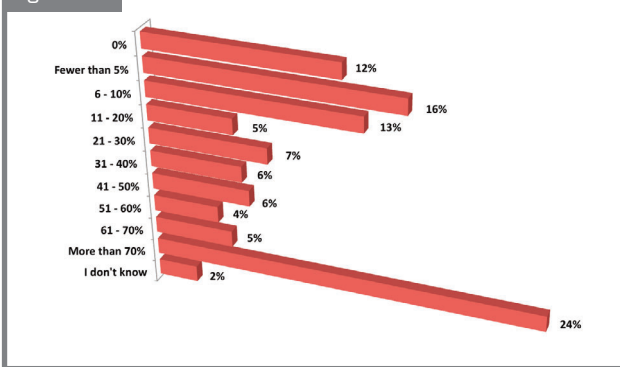
I have been working with my own local universities, Keele and Staffordshire, to help build links between them and our local chamber of commerce, and I have also given talks to young business professionals starting out at law firms in Manchester to promote building contacts between graduates and professionals. I think that it's vitally important to help get students into the process of networking effectively within their local business communities. I have taken on many graduates over the years but not one of them got the position with me by applying to an advert in a newspaper. I have always operated my business by using suppliers or fulfilment recommended by someone I know and I recruit in much the same way. I think it may be helpful if nationally there was more interaction between universities and their local chambers to improve the awareness of small businesses within their local universities.

Business-ready degrees

I also think that it would help if there could be some sort of business-facing part included on degree courses. I think this would really improve things. Even very technical degrees, eg pharmacology, would be improved if students were taught a little bit about how the businesses involved in research were run and the costs of, and the financial returns provided by, that research.

Tony Altham is managing director of Adgiftsonline Limited.

Figure 5



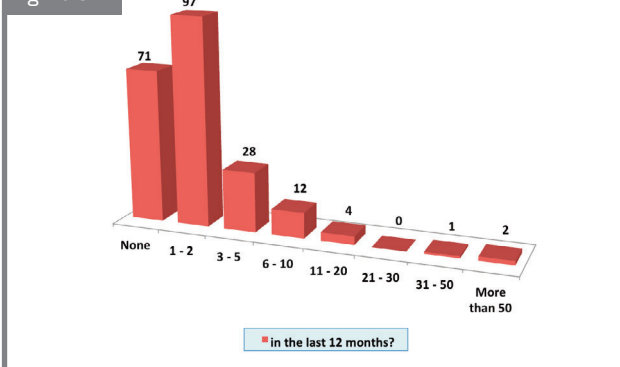
What number of graduates in permanent jobs do you have, as a percentage of your total employees?

In terms of a business' capacity to benefit from graduate level expertise, understanding the number employed as a proportion of the total workforce is a useful indicator of potential and the value of establishing a more strategic long-term relationship from a university partner perspective. However the fact that a business may have a relatively low number of graduates as a proportion of total workforce should in no way suggest that the opportunities they can and do create are of less value.

3.2 Recruiting trends

Approximately two-thirds (67 per cent) have recruited graduates to permanent positions in the last twelve months which perhaps provides evidence of more 'green shoots' in the UK economy. This is up by almost a fifth in terms of a direct comparison over the last three years where only a third indicated that they had recruited a graduate. The message is clear: more smaller businesses are recruiting graduates in the last 12 months than for a very long time.

Figure 6



How many graduates have you recruited to permanent positions

3.3 When, how and why?

The majority of companies recruit relatively low numbers at any one time (one or two graduates) but a proportion do recruit more. In terms of how they recruit graduates, around half indicated they approach universities directly.

Recruiting graduates into a theatre company

We ran a training scheme for ten years, taking on four to seven graduates a year for just under a year of paid work as actors, stage managers, designers or directors. We then had our funding cut, so now we take on graduates as and when we can afford to pay them. That's typically one production at a time, so a two-to-three-month period. We now also focus on performers. They typically take on smaller parts – it's a bit like the old rep system.

It can be a challenge for graduates to get used to the world of work. On college or university courses, you don't necessarily have to spend a lot of time there or always attend. We stress that you are never late and always turn up. In our profession, discipline and time-keeping are vital.

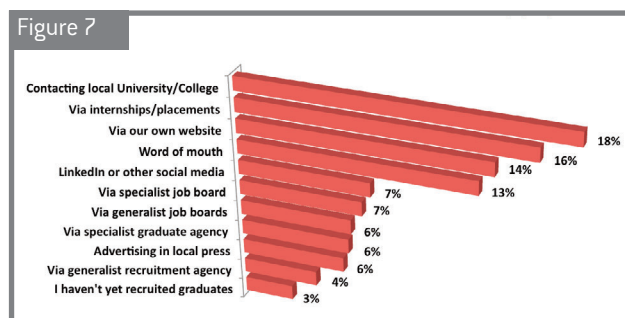
We advertise through drama schools, BTEC courses and university drama degrees, on Arts Jobs and via Equity and social media. Sometimes we take on non-graduates with lots of amateur experience. I'll see and audition everyone who fits the criteria (which typically includes having trained or lived in the north-east), and provide them all with feedback and advice. Some of them leave college with very little idea of how to find work in the profession.

When we take someone on, we'll do a proper skills audit with them and consider what they want to get out of the experience. Doing a placement makes a heck of a difference to graduates' ability and confidence. And we offer follow-up support when they leave. We're still in touch with everyone who's done a placement with us.

Gillian Hambleton is artistic director of Northumberland Theatre Company, a professional small-scale touring theatre company based at the Alnwick Playhouse.

Around 27 per cent however rely on 'word of mouth' or their own website, with far fewer considering specialist or generalist job boards. This suggests that a job board, even one focused on smaller businesses, is not necessarily the solution required.

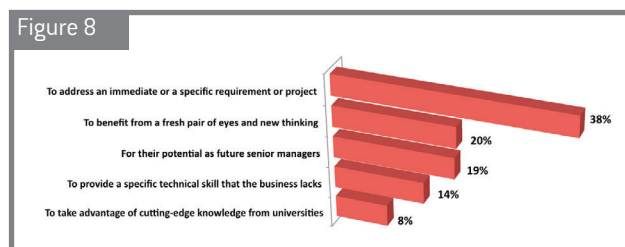
A significant finding is the number of businesses using an internship as the route to securing a new graduate employee into the business (see section 3.4 Internships).



How do you generally source and recruit graduates? Please tick all that apply

In terms of why they are recruiting graduates, the majority (38 per cent) say it was to address an immediate or specific requirement. However we noted that a fifth referenced their 'potential as future managers' and a similar number for the knowledge and (usually technical) skills that their business was lacking. 20 per cent also referenced a more generic need for 'fresh ideas and thinking'.

We believe that it is significant that smaller businesses are not always only looking to recruit graduates for specific functional business requirements.



If you have recruited graduates, for what reason did you recruit them?

A typical problem that is often raised is that smaller businesses only have irregular, ad-hoc requirements in terms of both graduate recruitment, placements and broader university links. This is true, in part, as the figures above suggest but we would stress that this isn't so much a problem for the business as for a university system that is simply not structured or geared up to providing this kind of one-to-one support service.

We are encouraged to see that the businesses themselves have very clear strategic needs and generally positive views in terms of what graduates can bring to their business. One respondent stated:

'Graduates have trained minds, have learned how to learn, are self-motivated – all valuable assets for employment, especially in publishing'.

Finding ways to find graduates

Recruiting graduates is difficult: the problem is getting a large enough pool to pick from. Bigger recruiters have a budget. They can advertise and might receive 100 applications; I only receive four or five. We don't use a recruitment company; it would cost so it's better to use my time to do it.

I've received all but one of my applications either because of my university contacts or through contacts in my personal network. I cultivate relationships with universities and would advise other small businesses to do so. I do occasional talks at Oxford Brookes University; one of my applicants found me because she had attended one.

Most universities have a careers department: you can get in touch and advertise jobs. However, it is time consuming because you have to do it one university at a time. You've got to find the right person and trawl through the website to find the careers pages – a lot of them aren't very easy to use.

This year I discovered using Jobcentre Plus; I had never realised it would be useful. My advert went round to every single Jobcentre Plus in the country and one of my internship applicants found it in her local centre. She was my second-choice candidate – when I want to take on another intern she was somebody I would go back to.

Self-confidence: essential for graduates in small businesses

Graduates who are self-confident are useful because they'll need to talk to clients fairly soon after they join. For me, there's not much point having somebody who sits quietly in a corner and doesn't ask questions. In a big team, you've got a space for different kinds of people but not when you're running a very small business.

Small businesses need to be aware that graduates can potentially feel lonely if they don't have anyone of a similar age and background around to share things with. However, I genuinely think that an opportunity in a small business can be really useful for a graduate, particularly as they get exposure to all aspects of a business.

Jayne Reddyhoff is managing director of The Ecommerce Adviser, an Oxfordshire-based company that provides business-focused online marketing services and consultancy for ecommerce businesses.

Another explained:

'I need intelligent staff who are comfortable with the internet, but who have not yet been indoctrinated as 'techies'. I can train graduates to have the right, business-focused attitude to the work we do. When I tried to use experienced staff, they were already too technically focused.'

Our respondents were realistic and aware both of why graduates may not be attracted to smaller businesses and, more interestingly, the range of what we could call the 'features and benefits' of working in a smaller organisation.

One recognised that *'there is a certain glamour associated with working for a large firm' (more on this later) and another 'the perception that jobs in [smaller businesses] are more risky.'*

What struck us most however was the sheer volume of – and passion behind – the comments relating to 'features and benefits', which can be summarised broadly into three areas of Value, Impact and Potential. One of the contributors to the AGCAS Graduates into Smaller Businesses Conference (November 2013), Work Group, addressed this issue in some detail: arguing that by selling the benefits, smaller businesses can compete with recruitment giants on a more or less level playing field.

Here is a selection of comments:

'If employed by a smaller firm, you become a fundamental part of their team – a key player rather than having a bit part. Opportunities can arise quickly to become more involved in the management/ownership of a smaller business and have more control within the firm.'

'Agility, making a difference, being heard, minimal bureaucracy, learning to be an entrepreneur.'

'Bright, driven, motivated, creative people shine brightly in smaller organisations and therefore could get better opportunities for responsibility and experience than being one of many in a large organisation.'

'Be part of something that's growing. You will create more impact and be closer to the point of decision making. More fun, ambitious and entrepreneurial.'

'Flexibility, lack of bureaucracy, encouragement to put own ideas into action, real ownership and responsibility early in their career, friendliness and lack of competition with other graduates once in the role.'

'Smaller companies are fast moving, and often very innovative. Talented people can take responsibility very quickly.'

'The experience and responsibility of working at an SME is an extremely important message to push. So what about a big brand if you don't enjoy the actual job role? Little incentives such as free breakfasts, team days out and a close knit team are all part of working for an SME so this should be brought to graduates' attention.'

Getting involved with universities

One of my colleagues has been proactive in approaching universities to explain what we're after and invite them to engage with projects. That works both ways, but it's partly out of altruism that we want to be involved. We should be working very closely with the universities to ensure the skills students have when they come out of uni are right and they're prepared for work. I've got two graduates here and both said they'd learned more within the first six months here than they had learned in uni.

Work operates at a different pace. Uni is forgiving. 'Yes – you tried, you met the brief of what you've got to do – it might look rubbish and it might not work...' – in the real world it's GOT to work and look good – every time.

We would also be quite happy to go and speak to students about what we do.

Our recruitment experience

All bar one person in this department has been recruited by me. Because I needed more [than was budgeted for] I opted for two graduates. I approached Scottish Enterprise for some funding and now their term has been extended by another 12 months or so.

My two graduates have done really well. One went on the wrong course and off his own bat pushed the course in a different direction; the other was on a proper development course and had paid for himself to go on a course to develop his [programming] languages.

They're the sort of people I like to see, people who live and breathe this stuff. This is not the sort of job you can just get by with. You have to keep up to date otherwise you get behind.

Internships and placements

I would like to take on placement-year students. In the past (at a different company) I was responsible for two students who fitted their full-time hours around their course. The difference in them, compared to other graduates I've seen, was remarkable but that's because they were hands-on so early on. They'd get a project to do in uni and they would fly through it.

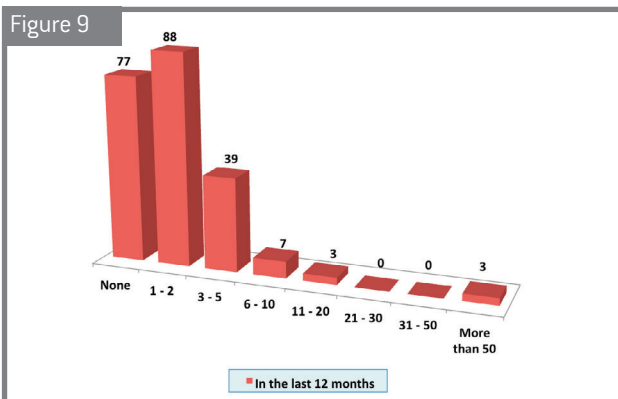
John Leatherbarrow is digital development manager at DC Thomson – a Dundee-based media and publishing company perhaps best known for The Beano.

3.4 Internships

Just as smaller employers have created more job opportunities for graduates in the last 12 months, similarly there has been a significant rise in the number offering internships.

41 per cent of our sample survey had offered one or two opportunities in the last twelve months, up from 25 per cent over the last three years.

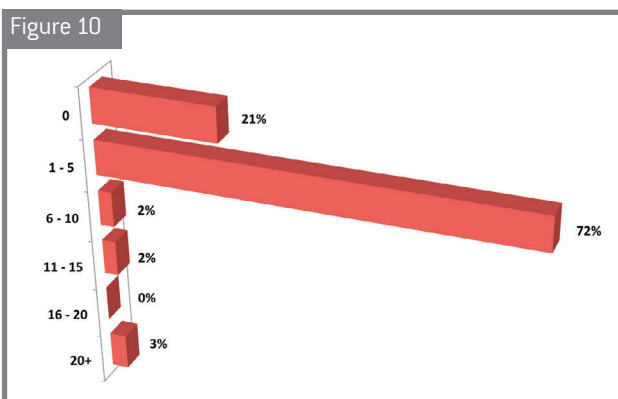
Figure 9



How many students/graduates have you taken on for work experience/internships?

Looking forward, a massive 72 per cent expressed an intention to recruit between one and five student interns in the next twelve months.

Figure 10



How many students do you anticipate recruiting/offering placements to in the next twelve months?

Taken with the responses to how they actually recruit graduates, it is clear that more smaller businesses are becoming more 'savvy' and strategic in terms of realising that an internship can be a very practical (not to say cost effective and less risky) way to actually recruit into eventual permanent graduate positions.

Around two thirds of respondents referred to both the need to complete a specific piece of work but also to assess their potential as future recruits.

Converting interns into graduate hires

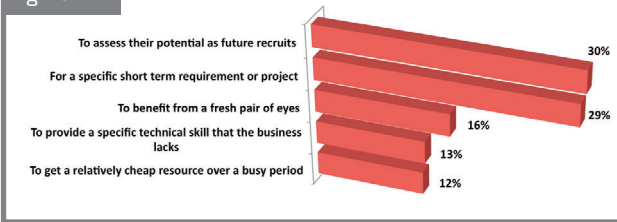
We get hundreds of applications – over 200 for one position. However, it's difficult to find the right candidate. Written English is very important to us and we need those who can write correctly and interestingly at the same time. It's also hard to find applicants who follow instructions, such as: 'Please send us a letter telling us why you want to work with us, and tell us your salary expectation and your availability'.

We used to advertise through LinkedIn and use Step, but the last couple of times we've only done it through Step. In previous recruitment drives we'd always ended up taking somebody from Step because they were the best candidate. We've never recruited through universities – we've never really needed to.

All of our graduates have joined us as interns but we make it clear that we hope that they will stay permanently afterwards. Only one intern has left at the end of his internship – and we've had six or seven.

Denise Frier is operations director at JWG, a London-based think tank that provides independent analysis on the implementation of financial regulations.

Figure 11



If you already offer or are considering offering placements/ internships/work experience, why? Please tick all that apply

One type of response however did surprise us (but perhaps shouldn't), and that was in relation to the number who expressed a sense of genuine altruism. Comments such as these were typical:

'I don't want to employ cheap labour but am happy to provide a graduate or undergraduate with some manufacturing experience.'

'To provide skills training to bridge the gap between training and the profession.'

'To support our local community.'

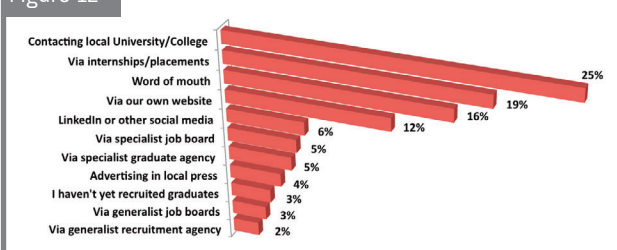
'To give back! To help a local student potentially have somewhere to come on completion of their degree.'

'To provide a local student with valuable work experience – it's not just about us.'

While we all work hard to develop an appealing business case to encourage more smaller businesses to consider students and graduates, let's not rule out an appeal to higher instincts as encapsulated in the above comments.

Preferred methods of sourcing graduate interns mirrors, as you would expect, their approach to sourcing full-time employees. Word of mouth and advertising on their own website are regularly quoted but again contacting a university directly or making use of an internship programme are the principal means. A number commented that they often act on speculative applications; they indicate that they are happy to receive direct approaches from students and graduates, and would assess them on an ongoing basis.

Figure 12



How do you generally source and recruit university students/graduates for placements/work experience? Please tick all that apply

Changing the perceptions of graduates towards small businesses

In essence, as the company has grown, we've had more opportunity to hire graduates. In the past, we've hired through a scheme that allowed us to move the business on to the next level. It was quite a tough course, because it was monitored by the local university and also by the area organiser so we had a lot of input and we learnt a lot too. We don't tend to hire through job centres as people applying from there are unfiltered and don't tend to be of any use for us. We have a fair old stream of graduates and undergraduates coming to us, usually through contacts at the University of East London. We find direct contact is our best bet.

When we take someone on, we offer them a permanent post – that's if they want a permanent post. Some may want internships, but on a point of principle we don't do unpaid internships. We would only employ on a salary, even if only short-term. I wouldn't want to work for nothing, so I wouldn't expect anyone else to.

It's very hard to say whether graduates are better or worse than they were five years ago – so much depends on the individual.

I rely on tutors to tell me what my graduate recruits are capable of. Then I give them some slack, let them get on with it and gently show them how I want things done. I don't actually put too much pressure on them. I like to give them their head, see what ideas are in their brain, and try and guide them gently.

I do think a fair number of graduates, once they have graduated, tend to metaphorically sit back and expect the world to arrive at their doorstep – and it doesn't. They've got to get out there.

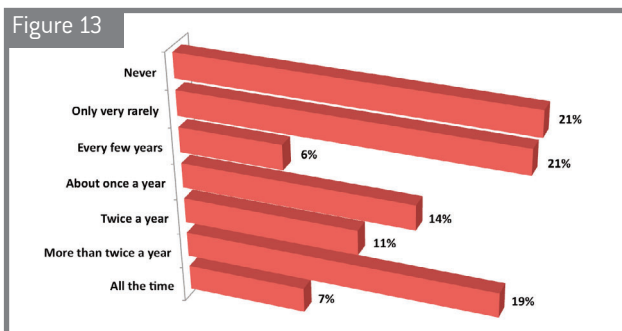
Not everybody wants to work for a bank; not everyone wants to work for a supermarket. There are a lot of small businesses in this country, in engineering, the motor industry and so on, that would welcome good graduates. I think the answer really is for the teaching profession to make contact and keep in contact with local employers. Graduates come to us because they're excited by the prospect of driving the company on to new products. We have just started supplying manufacturers of London buses and it's terrific to see our products on the side of these new buses.

There's a perception that engineering is about dark satanic mills, oily, dirty-hands job. Everything here is clean, the whole of the premises is carpeted and we don't have oily stuff – it's so wrong. Fortunately the government is doing quite a lot to change attitudes towards manufacturing.

Mike Byrne is the founder and managing director of Newton Equipment. The company, founded in 1978, designs and manufactures a range of world-class, tank filler caps that are exported worldwide.

Just as with their permanent graduate vacancy requirements it seems to be the company that initiates any enquiry with a university. On the positive side, this shows that they know where the university is and understand how it might help but it also suggests there is space and opportunity for more proactive and direct communications by the university or their representatives (see below).

In terms of proactive, university-led approaches, a fifth of our sample companies had never been contacted directly by a university and, of those that had, a quarter of contact was 'very rarely' or 'every few years'.



How regularly have you been contacted by Universities?

Again there were some interesting comments suggesting that even busy, bottom-line-focused, smaller businesses would welcome being approached:

'No. I would like to have been though!'

'No, my local university is very poor at this.'

'No – we contacted the universities directly to see if they had graduate resource.'

'Don't remember being contacted about recruitment.'

'I have had contact with universities, but I have initiated the contact in order to promote our graduate scheme.'

'We contacted the university for knowledge transfer (ended up benefiting their students; no reciprocal benefit); also to partner us in a Lottery partnership research application (lots of meetings, university dropped out).'

About two thirds indicated they had direct links with individual departments or services for a range of activities including placements, graduate recruitment and knowledge transfer. Interestingly, nine per cent considered universities as potential customers for their own services (when we discuss 'knowledge transfer' it always seems to be from the knowledge base to business: the above suggests that there could be much more in reverse).

Benefiting the employer and the intern alike

Taking on an intern with a view to employing them in the business permanently is like offering an extended interview, particularly when someone has little or no experience. They don't know if they want to work in this field and an internship gives them a period of time to get to know us while we get to know them – to see whether it works out for both of us.

Employers do worry that graduates don't have commercial awareness – managing a real project shows what they can do. Whenever we take on interns it's because we have a project for them to run and to take ownership of, then when someone says to them in future, 'You've done an internship with The Stage Bus, what did you do?' they can say, 'Oh I did this, I did that, I made this happen...'. They can use that experience for their CV. Giving interns a positive experience, something they can take away and be proud of, is important to us. We work with Graduate Advantage so all our interns are paid (even before working with Graduate Advantage we paid our interns) and comparatively that makes them cheaper to employ than someone with more experience.

Planning an intern's workload

In the past we've employed an intern to look at social media, and the new territories and markets our business could expand into. He produced research, how we could implement it and we then followed that up with a new generation of projects. So you can get interns to do some really cool things that you would otherwise have to find time to do yourself – and while they don't always do it quite as well as you might do yourself, it's easier to expand on something than to start from scratch.

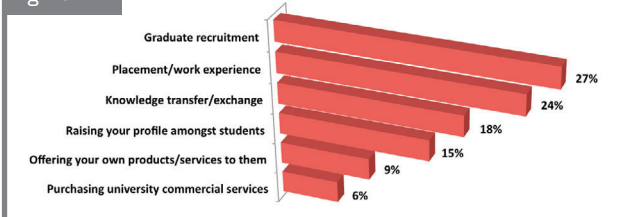
Why work here rather than for a large corporate?

It's more fun to work for a smaller business. It may be harder to get promoted because there may not be a gap to fill unless someone leaves, but the people you work with care more about the company, it's more challenging and you get the chance to do more. You're not bunkered into your own little bit of the process and you'll get to see business as it really is.

Some graduates come out of university thinking, 'Because I've gone through university, I'm management' and they get a title at a large company but they're not really managing anything. Here the director makes tea and clears up – everyone needs to muck in and there's no 'I'm too good for this' attitude. You need flexibility to work in a smaller business and to change things that are not working rather than following a procedure.

Tom Hyland was employed at The Stage Bus firstly as an intern, knowing a permanent job was available if things worked out. He is now communications manager.

Figure 14



Are your university contacts for the purposes of:

While we would not want to read too much into individual comments, we did notice a small number that had strong and negative views about the position of universities and the difficulties of doing business with them. One company, which had had regular contact for all the reasons above, stated:

'Due to constant restructuring at the university, it isn't working effectively.'

A number seemed to regard universities as state-aided (ie unfair) competitors:

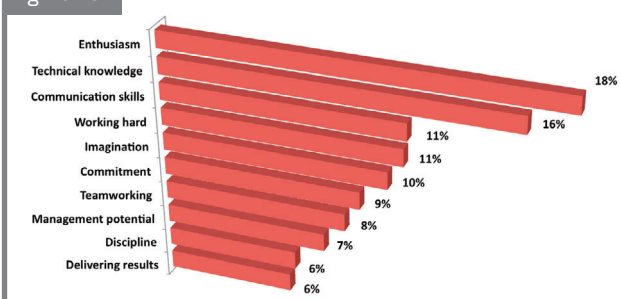
'Universities are businesses that compete with SMEs. They offer competing technical services and are simultaneously subsidised by the public sector. They contact you when they see a financial gain by working with you/supplying to you. Often this is on the back of EU money.'

3.5 Graduate skills, knowledge and experience

The final third of our survey focused on small businesses' perceptions and views of current graduates' skills and experience.

While a third found it 'very or fairly' easy to recruit the right calibre of graduate, 59 per cent found it more challenging. Perhaps more interesting are their views on the positive skills, knowledge and attributes that graduates bring to their business.

Figure 15



In terms of your own recent experience of recruiting graduates or offering placements, are there any skills, qualities, knowledge or attitudes that graduates are more likely to have? Please tick all that apply

At a time when there is such a focus on the perceived dumbing down of education and constant drip of negative views in terms of graduates' perceived lack of employability and work readiness, we are encouraged that precisely the audience that one might think would have the most negative views clearly doesn't.

Students need to be encouraged to think beyond the corporate

I have been working with students at the Sheffield Business School in Sheffield Hallam University, giving them employability-skills training, specific to the professional industries. Assisting students with CVs, applications and interview skills etc, the thing I often see and hear that really concerns me is that many students have a one-track approach to their job searches. I have been providing guidance to those seeking work in the finance and accountancy sector and despite the fact that there are four times as many students seeking work in this sector as there are places on the graduate schemes, I often hear students getting hung up on the graduate schemes without reference to other employment possibilities. Very few of the students appear to have a 'plan B'; the reality is that three-quarters of them are going to need one. I urge them to think beyond the big corporates and ask them to consider that most of the people in the UK aren't employed by them. Anything that can be done to redress this and encourage students to take advantage of initiatives such as Step will be not only beneficial to them but to the economy as a whole.

More specific careers advice

I see a lot of conflicting careers advice being given to students. I put this down to careers advisers giving their students very good general advice but a one-size-fits-all approach isn't necessarily the best one. It would be better if there was greater interaction between professionals working in specific sectors and careers services/course leaders, to give students the best possible advice.

More experience-specific CVs

In my experience what employers want to see in CVs from students is not a list of skills, but concrete examples of them being used on the job. The importance of this demonstration of skills cannot be overemphasised. Obviously if a student doesn't have the experience, it's difficult but the majority of students I see do have some work experience they just don't realise how important or relevant it is to a prospective employer. I would like the advice given out in careers services to focus more on this.

Lisa Walker is director of White Apple HR.

The overall message we find is: small businesses like graduates, recognise the value they can bring to their business and want more.

In terms of the skills and competencies that graduates lack – what we might perhaps call areas for further development – common themes emerged: a lack of commercial awareness and a lack of confidence [expressed in terms of poor communication skills]. And related to these were some concerns about attitude and approach: lack of focus; low boredom thresholds; and lack of ongoing commitment.

It would be easy to resort to lazy clichés concerning Generation X, Y or Z here. While this is a real and valid concern we have found that smaller businesses don't necessarily see these as a barrier to recruitment or creating internship opportunities.

While comments such as this were not untypical...

'[...lack of] experience and frequently I find many graduates lack confidence in personal communication and networking/relationship building.'

...it was encouraging to see that others recognised that the problem had perhaps been exaggerated:

'No, none. That story is exaggerated by large companies who don't know what they are doing. Although we do desperately need more software-type skills in UK.'

We had a huge number of comments [the largest response to any survey question] relating to the skills and attributes that businesses feel are important or essential to be successful in a small business environment. These comments might be particularly useful for careers and employability staff to share with their students when considering career options. We quote directly a small sample here:

'Team working/communication skills, and flexibility to handle multiple roles.'

'Most definitely a good team player and a 'can-do' attitude.'

'Commitment, flexibility, hands on skills, common sense and an innate understanding of profit and loss. Sense of purpose, ownership of responsibility, initiative, organisational and time management skills.'

'We look for graduates to have the fundamental skills. The specific skills we look for are not taught in university so we need to know that we can teach them and hopefully get them working on a billable project within six to eight months.'

'Yes they need to work hard, be adaptable to cover other roles as and when needed, be disciplined to do work they may not necessarily be excited about but needs to be done and go above and beyond sometimes to help out when required.'

'This is not particularly something that the universities can do, more the parents of the graduates, but to understand they take their turn in all the chores of a small agency, and that includes myself as the MD.'

Enthusiasm and optimism

Before working with the Step programme we used to take graduates on an informal internship basis. Taking on interns allows us to be much more flexible. On a short-term project we can see how they fit into the team and work before offering a long-term contract. Interns also have a chance to see whether we are the right kind of business for them. Many students don't actually have any office experience and it allows us to develop them in-house before they've picked up any bad habits. We can tailor their development alongside our business plan as well.

Interns bring a refreshing enthusiasm and lots of optimistic ideas to the business. What they've learnt from university is not necessarily just a result of their course. The ideas they have may be unrelated to the department they start in, so we look at the intern as a whole picture and put them into other roles to try out different elements of their skills and see which one they can grow. As employers it encourages us to think about how best to use somebody. We love it when new staff members make us realise that we need something we didn't know we needed to begin with. A good employee will make you think.

Bringing people in who have just left university – who are still on their course – means we do hear of the newer technologies and what people of a younger age are interested in. We hear what they're all into and what technologies they want to develop; of course, that's a benefit to our business.

Leave interns feeling positive when they move on

Taking on, and paying, interns is not a purely altruistic exercise, of course, but it is a time investment. We want interns who leave us able to make better future job applications. If they're not right for our company, but they've had a great three months, learnt loads and we've been able to help them, we want them to tell others so that it's positive for the business. Hopefully other students, looking for opportunities another year, will come to us.

Laura Evans and Bethan Adekan work at Create.net, a company founded in director Simon Kimber's bedroom that now has more than 10,000 customers. Bethan is the HR manager and deals with recruitment and staff wellbeing. Laura is the marketing manager and won the Graduate of the Year Award in the 2011 Gatwick Diamond Business Awards.

In summary, smaller companies value attitude, flexibility and commitment above technical skills: if the former are obvious in the graduate candidate, they are telling us that the latter can be taught.

In terms of work or roles that graduates do well in, again we were somewhat surprised to find technical, IT-related roles to be very positively viewed:

'IT skills generally – the graduates I have recruited have all been confident and capable on IT tasks and some have been very good at taking on new roles and responsibilities while others have been academically capable but lacking in common sense and, to be fair, have actually been outperformed by some modern apprentices I have employed to similar roles.'

'Technical roles, IT skills, supporting more senior and experienced colleagues.'

Other areas in favour were marketing, research and creative roles (including social media).

In terms of roles where they perform badly, responses mirrored those on page 16, namely communication and commitment with the former linking more to issues of confidence and awareness.

3.6 Training and support

Responses to our survey by smaller businesses in terms of content, volume and genuinely thoughtful analysis (by the respondents) suggests we really need to question the assumptions many of us make about smaller businesses, in particular their supposed lack of commitment to training and development of the staff. Comments from our respondents challenge these assumptions.

First, of course, is the positive recognition by smaller businesses that this is important. Again, we quote pertinent comments below. The overwhelming message is: think smaller employers don't provide or care about training and development? Think again!

'Internal and external training courses combined with distance learning packages.'

'Our graduates regularly attend seminars/training programmes, as well as conferences.'

'On-the-job coaching and mentoring, an individual training plan according to the graduates needs, external training workshops and training days tailored to their needs.'

'Regular appraisals to determine the skill gaps they have and address through specific, job-related training and also personal development training and soft skills.'

'We are a specialised industry, and not something that graduates learn about in college, so we need to 'educate' them into our world. We recruit them for their technical knowledge, but this then needs to be used in the context of our specific work place. Primarily on-the-job training, managed by a line manager, combined with some industry specific courses, and increasing opportunities to use newly found knowledge (eg client liaison, site visits).'

Attracting graduates to a small business

There is still an issue around attracting good-quality graduates to a small business: they aren't attracted to them as an obvious option. And even the graduates we've taken on have all admitted to us that they wouldn't have considered scaffolding as a career. So the fact that we initially recruit graduates on placement via Step or an agency allows us time to sell to them the concept that there is actually a career opportunity in the scaffolding industry and, more specifically with us, as well as to, in effect, interview them for 12 or 24 weeks.

We can't offer graduates a graduate training programme. Nor can I say to them, 'In five years you could expect to be doing X' in the way that PwC could tell graduates, 'You should be an audit manager after five years'. We don't have that control over the growth of the business and what the future holds. But what we can offer them is an interesting job, a good foundation and possibly those options in the future.

Sarah Welsby is HR manager at TONE Scaffolding, based in Croydon.

'I start off by training the graduates in the relevant industry standard computer programs (training which they don't receive!!!!). I then train them in the more specific programs we use. I then guide them into what real world deadlines are like. Not 6 weeks, but tomorrow. I then give them past projects we have won/lost and see their work vs my existing designers/me. As time passes they get more and more competent.'

'Mentorship 121 weekly. Classroom style training regularly. Workbooks and training manuals. Conferences and external training events where appropriate to their role.'

'We provide a mentor and a programme of what they are going to do. This is reviewed every 3 months during the first year. Where required a student can identify external training that we will send them on but that is unusual.'

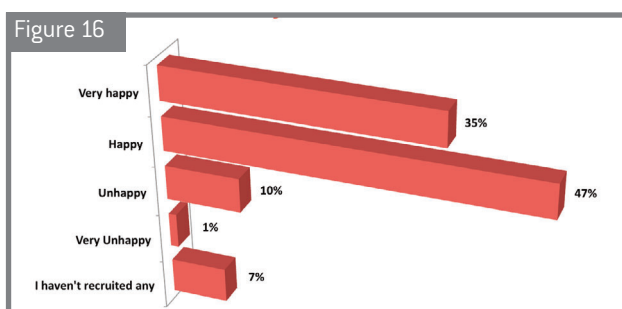
'Comprehensively and rigorously, with structured induction programme, extended initial training for some roles, on-going appraisal/personal development plan/training/coaching.'

'Beyond this there were of course many responses emphasising the important of day to day coaching, mentoring and on-the-job training.'

We particularly applaud the company that stated that their support was provided with *'patience and encouragement!'*

3.7 Contribution to the business and retention of graduates

The proportion of smaller employers that have been 'happy' or 'very happy' with their recent graduate recruits, howsoever resourced, is also surely a cause for celebration. And in an era when things never seem to be as good as they used to be, half of respondents thought that graduates are actually better than they were five years ago, compared to 30 per cent who believed the opposite.



Speaking generally, how happy have you been with the quality of graduate recruits over the past five years?

Fresh minds can bring new ideas

A few years ago I took a graduate for a summer placement. The work he did was so useful that it changed the direction of the company. This made a major contribution to the company's success. He subsequently won a prize for his work.

Programmes like Step allow me to try someone out in the job and see how they perform. I've used it again to recruit a new Marketing Associate whom I plan to employ when her placement ends.

On the job training

Like many small businesses, I don't have the funds to provide long, formal training courses. I need my employees to show imagination and initiative. I manage and train them in a way that encourages them to learn on the job. I give them a few pointers and ask them get on with the job, checking every now and again to provide guidance.

Mistakes can sometimes be useful, as they allow people to learn the best way to do things. Many people prefer to learn by direct experience in this way.

Right for you, right for them

For many graduates, this will be their first full-time job. It's their first chance to try out their careers plans for real.

A placement can work well for them, because it gives them a chance to check whether their career plans meet their expectations. If not, they will find out during the placement. They'll discover their strengths and weaknesses to help them plan their next move.

If it's not a good match for them then it's much easier to see a placement through than be stuck in a three-year corporate graduate scheme, which they feel unable to leave.

Faster progression

I have worked for several large corporations myself. Progression through the ranks can be slow because that's the corporate culture. Salary increases can take a long time to achieve.

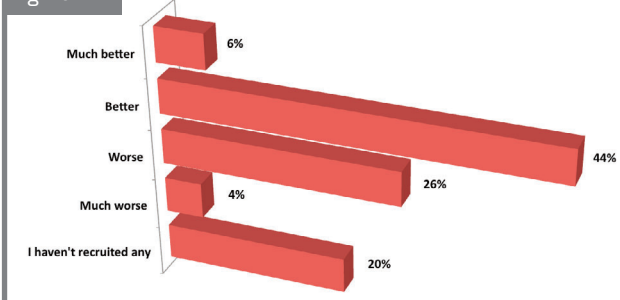
Graduates who start in a small business, when they're the second or third employee, could well find themselves high up in the organisation very quickly when that firm grows.

Skills and interest database

We seem to have a huge number of graduates in the UK but there appears to be no centrally collected database of their strengths, interests or intentions when they leave university. I think it would be a good idea if such a database could be collected. If there was, I would be using it when making hires.

Murray Cowell is Senior Consultant at Inbox Income

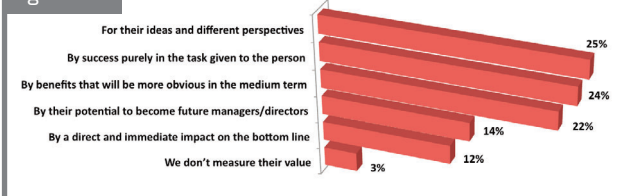
Figure 17



In your opinion, are graduates better or worse than they were five years ago?

When we asked them how they measured the success of their graduate hires or placement students, the top answer was the 'ideas and fresh perspectives' that they brought the business – more than twice as referenced as 'a direct impact on the bottom line'.

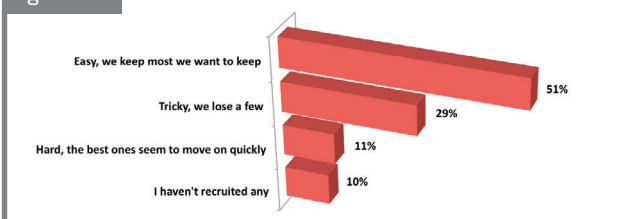
Figure 18



How do you estimate/measure the value your recent graduate hires or placement/work experience students have brought to the business? Please tick all that apply

Finally, even though, in the undergraduate survey (Section 4) there was a perception that larger employers look better on CVs and an implication that some students saw small businesses as 'stepping stones', the respondents were clear that retention of talented graduates was not a big issue, with over half saying they kept the ones they wanted to keep.

Figure 19



How easy is it to retain the graduates that you want to keep in the business?

The video content company seeking out business nous

We initially recruit graduates as interns: it's a very useful way of trying them out, and for them to try us out. The internships typically last two to three months on a basic rate of pay, with a view to them moving on to some sort of ongoing employment with us beyond that. This could be either as a freelancer on an ad-hoc basis, or as a permanent employee.

We recruit via speculative applications and Graduate Advantage, a West Midlands service that helps place graduates into internships.

It's not just about the creatives

We're currently struggling to recruit for the skills that we need. A lot of people are attracted to us because we are a media and TV company, but we're not just looking for creative people. We also need graduates with all-round business nous: people who can do business development, people who can network, people who can sell. For all the talented people coming out of university, there aren't enough people who want to do business development or who have the relevant skills. If they can't convince us at interview that these have these abilities, they're unlikely to be able to convince clients in a challenging economic climate to part with money for a 'nice to have' rather than a 'must-have' product.

Our current business development intern very much had what we were looking for. He demonstrated through his work experience that he had the potential to be a very good employee – including work experience abroad. We interviewed him via Skype while he was in Kiev gaining experience and learning Russian – this indicated to us that he had the sort of get-up-and-go attitude that we look for.

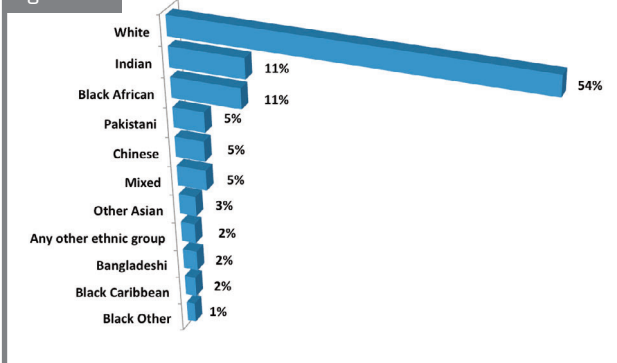
Robin Powell is executive director of Ember Television, a Birmingham-based company that produces and promotes broadcast-quality video content for its clients.

4. Undergraduate survey research analysis

4.1 Demographic breakdown

- 863 undergraduates completed the survey.
- 64 per cent were female.
- 23 per cent were studying science; 22 per cent business/management; 18 per cent arts/humanities; 10 per cent economics/social science; 6 per cent engineering; 6 per cent law; 7 per cent art and design.
- They represented 80 different universities with the most completions coming from: Kings College London; University of Sussex; Nottingham Trent University; University of Kent at Canterbury; University of Leeds; City University; Lancaster University; University of Manchester; University of Sheffield; University of Nottingham; University of Liverpool; and Warwick University.
- 28 per cent were final-year undergraduates; 53 per cent graduate in 2014 or later; and the remainder had already graduated.
- Ethnicity. See figure below.

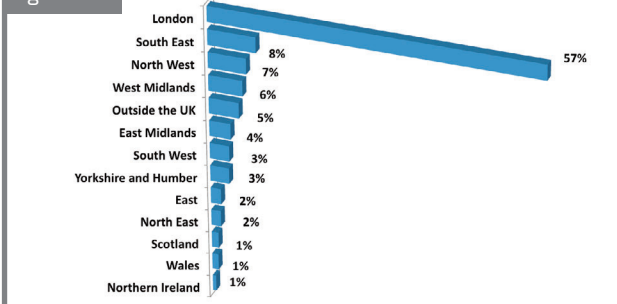
Figure 20



What do you consider your ethnic origin to be?

- More than half would prefer to start their careers in London.

Figure 21



Which part of the country would you prefer to work in after graduation?

Setting up a graduate scheme

We have 600 people in the Wellcome Trust, working in relatively small departments with very different jobs (eg investment analysts, librarians, gallery assistants). In a sense, we're like a lot of small businesses linked together under one broad mission.

We launched a graduate scheme three years ago because we felt there was a gap in our workforce profile, and we were missing out on the perspective offered by candidates at the start of their career. We do a lot of work on engaging young people with science so we wanted staff who can relate to the mindsets of that audience. A large part of the work undertaken at the Trust is project based and this provides good opportunities for graduates because they typically last three or six months, so fit well into a rotation. And the fact that we move graduates around the organisation helps to get more interplay between departments.

A typical department size is 20 or 30 people so graduates often work with very experienced experts. At a large organisation they'd probably have two or three layers of management before they had access to that person. On the flip side, we don't have the huge support and training structure that the big graduate recruiters offer. There is, however, a training budget for their development but they need to be proactive and find opportunities themselves to suit their personal development goals.

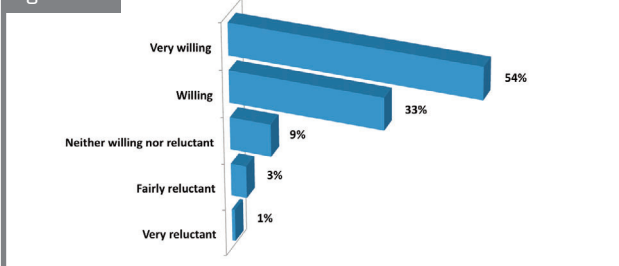
Brenda Carter is resourcing partner at the Wellcome Trust.

4.2 Starting your career with a smaller employer

The authors were encouraged that, when asked how willing they were to start their careers in a smaller business, 87 per cent professed themselves 'willing' or 'very willing'. And similar numbers were willing to consider internships or work experience with smaller businesses.

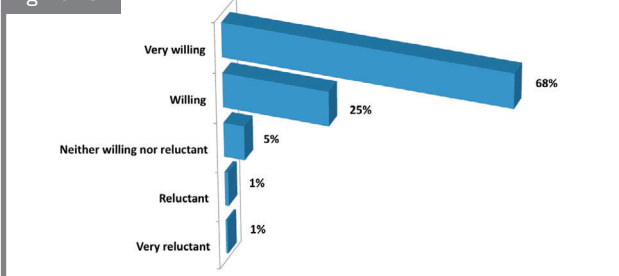
Although a fifth saw smaller businesses as a fall-back if they didn't find work with a large employer, over three quarters said they would look at all employers equally, regardless of size.

Figure 22



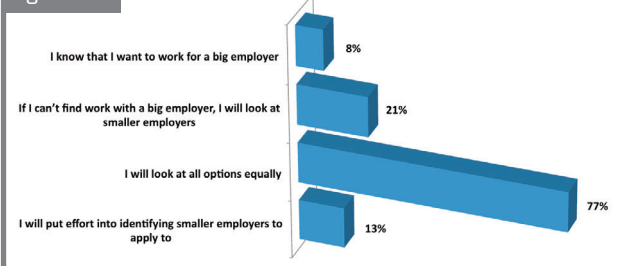
How aware, if at all, are you of the opportunities offered by smaller employers compared to those offered by larger employers?

Figure 23



How willing are you to consider placements, internships and work experience with smaller employers?

Figure 24



Which of these statements do you most agree with?

Respondents were asked, if they were reluctant, what the main reason for their reluctance was and, if they were willing, what was the major reason why. There were three times as many positive reasons put forward as issues and concerns.

Giving a graduate a job

We've employed interns entirely through Aston University for the last four or five years and it's been very successful for us. Now we have graduates who have come back after placements who are starting leadership roles within the organisation.

How we turn interns into full-time employees

As employers it's up to us to give interns a good year, otherwise they won't return, so there's a motivation on both sides to make it successful. It also helps to have a community of more than one or two students – we have a collection of people at different stages and people progress over a number of years. Someone who is doing a placement now can speak to someone who is a year, or two, or three years ahead. So there's always someone close, other than your mentor, that you can tap into and get help from.

When internships finish we make a job offer to the best students as they go back for the final year.

Why working for a smaller business works out

It can be a constant battle to maintain leverage against some of the larger presences on campus, because as a small organisation you're always working against students' desires to get the big name on the CV. But I have colleagues who had placements with big organisations, for example, in which they've just been a cog in a machine compared to a smaller organisation where they're brought on and given critical work fairly early. Generally speaking, we want our interns back because we've invested a year of training making them more advanced in their grad scheme than people who would be coming to us as graduates. The sort of products and software we write demands a fair degree of knowledge and it takes quite a while to get that in, so if you can get a year ahead you're doing well.

It's difficult to say, given the scale on which we're working, whether our strategy binds them into our business. It's still a fairly small sample but, as yet, they all want to return. When you've joined a smaller company you get to see everybody and get to know everybody; that's not the case, I feel, if you join a bigger organisation. The programme has developed from personal experience of placements – I was an Aston University student and did a placement with a bigger organisation. I ended up working for a smaller company because you can make more of an impact when you're there. Some of our interns have also been on placements with bigger organisations and they've found that they get frustrated and bored after six months and the thing runs for a whole year! If you're in a smaller company they actually need you to do some real work. It matters whether you're good or not; it matters whether you're engaged.

Steve Meadows is development director at Pinewood Technologies, a growing software company creating innovative business systems for the retail motor industry.

The three most commonly mentioned reasons for reluctance were:

- limited training/development
- lower pay, security and profile
- lack of information about careers.

'The worry that there will be limited opportunity to progress or gain noticeable exposure in your desired career sector.'

'Limited opportunities for learning and development.'

'They won't offer the same opportunities in terms of exciting projects with well-known clients.'

'Society always looks favourably on those working in the big companies.'

'Lower pay, less secure job. If you were to leave or have been hit with job cuts you may struggle to find a job as companies not having heard them.'

'Opportunities are limited and very hard to find. Also, it is harder to know what to expect as you cannot find reviews by students who have done work experience or other placements at the company before.'

'It is harder to find a smaller company that would be interested in employing graduates.'

The five positive factors most often mentioned were:

- less competition to get a job
- better and different working environment
- earlier responsibility/contribution to the team
- better training and skills development
- a good place to start your career – a 'springboard'*.

'There is likely to be less competition among graduates for the position since fewer people are likely to know about it.'

'More intimate workplace, nice environment to work, can see all aspects of the business.'

'Great environment to work in, more responsibility, better facilities, actually get to do hands-on stuff.'

'More of a friendly environment where everyone knows each other.'

'Less bureaucracy within small organisations.'

'I feel I can contribute more easily to the team and find my place within the company faster.'

'More responsibilities and opportunities to grow/progress within the company.'

'To feel more integral to the cause. To help something grow.'

'Easier for me to participate in real tasks and face more challenges. Will help me develop my skills quicker than working with a bigger employer.'

'The chances for early responsibility are great, meaning there is a greater involvement in decision making from an earlier point, but I believe training opportunities are less well advertised.'

Internship to full-time job

What my internship involved

On my internship I coordinated a project to review all job descriptions within the company. Over time, especially during the high growth years 2008–13, the job descriptions had become outdated so people's roles weren't fully reflected on HR documents. As the company was moving towards a performance management system, we needed key performance indicators included in people's job descriptions. The managing director revised the company vision mission statements and business KPIs, which laid the foundation for me to roll out through all the different departments and all the different roles.

How the internship developed my skills

I was required to speak to people at all levels across the company, so I had to juggle my time around to suit the availability of senior management. I managed that quite well, I feel. I'd worked in project management at a different company on a different placement, but this was the first time I'd worked in industry.

In this project I was required to also use problem-solving and skills around English and wording, because when you're explaining a job role, it's important to use plain English so that anyone who picks it up can understand what the job involves. That was probably the hardest thing.

What the company got out of it

In turn, Silicone Engineering benefitted because employees now have a better understanding of their individual roles. In some departments, for instance the laboratory, people's roles overlapped. The updated job description enables people to see exactly what's expected of them. It has also created a foundation for the performance management system, which we're moving towards in 2014. Key performance indicators help the company to identify what individual employees need to do to contribute towards the performance of the company and that can be assessed over a period of time.

Leon Pinnock completed an eight-week internship at Silicone Engineering's HR department and was subsequently offered a fixed-term contract within the company to complete further projects. Silicone Engineering is an international manufacturer, established in 1959, which researches, processes and provides engineering solutions for silicone applications and markets.

'Factors such as relevancy of skills/work and work satisfaction are more important than prestige to me.'

'I can then gain some in work experience while finding a job in my chosen career with a larger employer.'

'I think starting a career with a smaller employer could open doors to larger employers.'

***Small businesses as a 'springboard'**

Although students are positive about working in smaller businesses, many mentioned using them as a route into a larger company. This raises the issue of retention, which is addressed in the employer survey. Small businesses may not find it easy to compete with the prestige a large company has, but they have an even more pressing need to make sure they retain the best talent within a smaller workforce.

4.3 Awareness and profile of smaller businesses on campus

The issue, therefore, is not one of willingness; it's more to do with the profile of smaller businesses on campus and the lack of information about their opportunities. This is hardly surprising given the high profile of the bigger recruiters at careers fairs, presentations and other campus events.

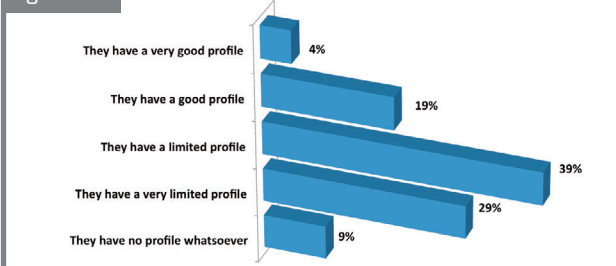
A tenth said they had heard nothing about smaller employers on campus while 68 per cent said that they had a 'limited' or 'very limited' profile as potential recruiters. They were also much more aware of opportunities with larger recruiters.

There was a perception that working for a larger and well-known employer looks better on a CV. This means that, even amongst the majority who would willingly consider starting their career in a small business, there is a substantial belief that bigger employers do in fact enhance their CVs.

There was also a belief that working for a larger employer was better for your career prospects in the longer term.

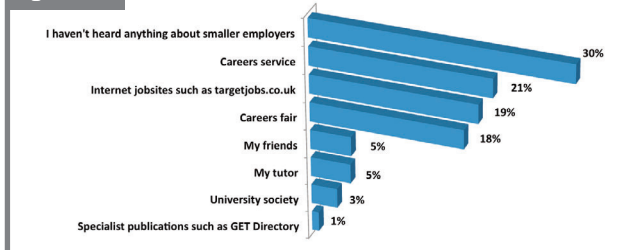
Finally, only 22 per cent thought that, after five years in post, their salary would be higher in a smaller business.

Figure 25



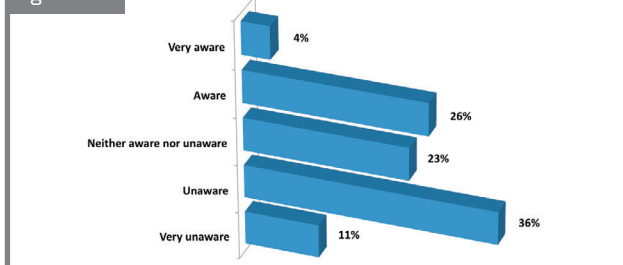
Which of these statements, about the profile of smaller businesses on campus, do you most agree with?

Figure 26



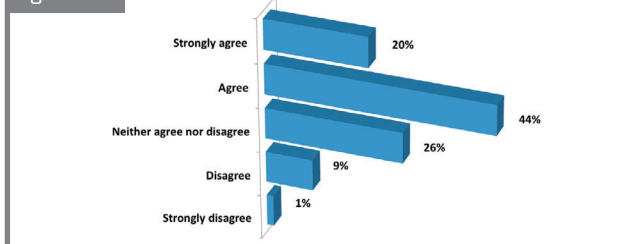
If you have heard about opportunities with smaller employers on campus, how did you do so?

Figure 27



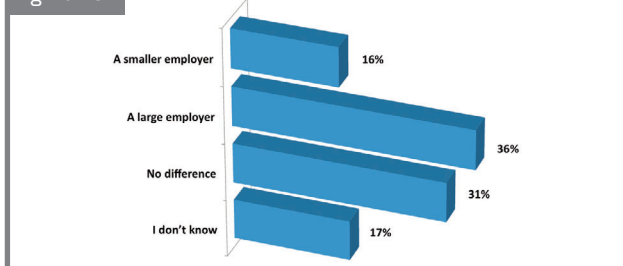
How aware, if at all, are you of the opportunities offered by smaller employers compared to those offered by larger employers?

Figure 28



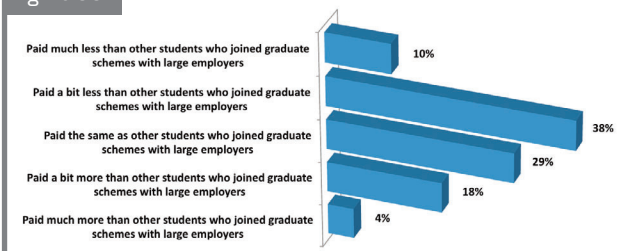
To what extent do you agree with the statement that working for a larger and well-known employer looks better on your CV.

Figure 29



In your personal opinion, do you think your longer-term career prospects are better with...?

Figure 30



If you joined a smaller employer after graduation, in five years' time do you expect you will be... (Please select one answer)

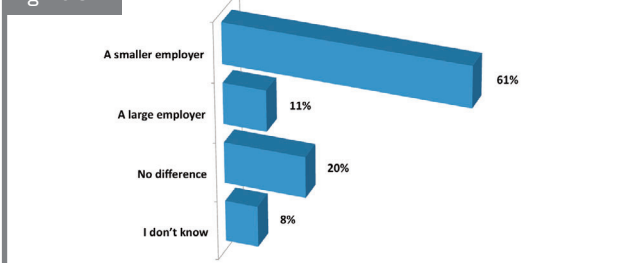
4.4 The benefits of working for smaller businesses

So, despite doubts about pay, prestige and career prospects, respondents were almost unanimous in believing that smaller businesses were better at developing skills, personal development, early responsibility and giving graduates a chance to stand out at work.

Against a backdrop of consistent and persistent exposure to big employment 'brands' on campus, respondents were clear-sighted and sure that working for a small business gave individuals different and specific benefits.

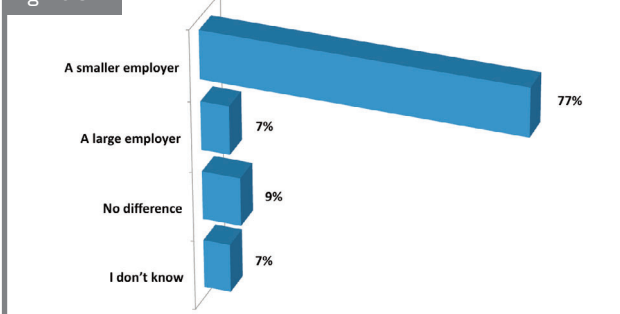
It begs the question, therefore, of whether greater exposure to and more information about the opportunities in smaller growth-potential businesses would result in more undergraduates making a positive choice to start their careers there.

Figure 31



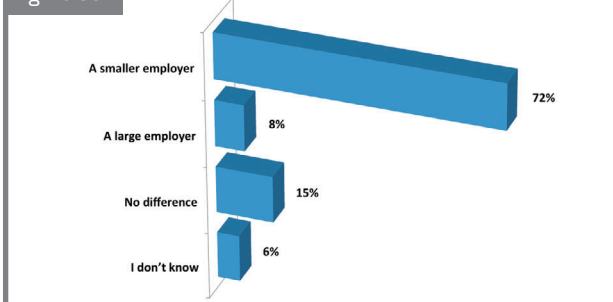
And do you think you will learn more skills and develop as a person quicker with...?

Figure 32



And do you think you will get earlier responsibility with...?

Figure 33



And do you think you personally will stand out more at work with...

4.5 Suggestions for smaller employers to increase their attractiveness

At the end of the survey, respondents were asked to give advice to smaller businesses to make themselves more attractive to undergraduates. Here is a selection of their comments, grouped into the four most-often mentioned areas:

- Make yourself more obvious on campus (top answer by a long way!).
- Provide better information about the job(s) to help me understand and choose.
- Offer vacation placements or internships.
- Group together with other high-growth businesses.

'Advertising their opportunities within university services.'

'Advertise and mention success stories.'

'Create awareness, attend networking events and fairs.'

'By promoting their businesses to the local area and approach a particular university.'

'Advertise on graduate job websites so we are more aware of the opportunities available.'

'Establish a website just for small employers where they can post all their work placements and job opportunities. These would then be publicised through social media/advertising to the right audience.'

'Need to come in and speak to students at university, explain the pros and cons.'

'Provide case studies of employees, ie their progress within the business, position in the business etc.'

'Highlight the rounded work experience students will gain from working with them.'

'Most of the small companies I saw at fairs didn't make it clear what their business did or what kind of area they were in.'

'Showing the long term prospects, especially when compared with larger employers.'

'Highlight the benefits of working for them over a much larger corporation.'

'Offer paid internships. Provide good support and development via training etc.'

'Maybe smaller employers could form a group/alliance to represent them all.'

'Universities should run more specific smaller local business fairs.'

This question elicited the largest number of responses in the survey, with 612 individual suggestions. This is perhaps an indication of the frustration felt by students who profess themselves willing to work for a smaller business – if only they could find them and understand better what they offered.

And this is the core finding from the student survey: a mature appreciation of the special benefits of working for a smaller business but a recognition that identifying employers, understanding the jobs available and making applications are *all* much easier with larger recruiters.

We cannot sum up the benefits of working for a small company any better than Ian Irving, one of the small business owners who completed the employer survey, or Tom Hyland, who spoke at the conference:

'There are benefits to working for small or medium-sized businesses rather than larger corporations. If they're on an upward trajectory it's a chance to get into a company early and rise. It may be more risky but there's also the possibility of greater reward. There will be less internal office politics, more exciting opportunities and you're given responsibilities in other areas, often because no-one else is involved. Working for a large company offers stability, but working for a smaller business can be far more exciting.'

Ian Irving, co-founder of NeoMam, based in Manchester

'A smaller company will still offer you a pay cheque and can offer bonus opportunities, chances to make money and do creative things. Working for a smaller business won't suit someone who wants to be run-of-the-mill or who just wants to do their job with a division between work and home, but if you're looking to work somewhere exciting and creative a smaller business could be right for you. Working within a business like The Stage Bus would suit someone self-motivated, who wants to go far.'

Tom Hyland is communications manager with The Stage Bus.

- Have a dedicated adviser as a smaller business champion, briefed on small business opportunities/issues. Ensure they regularly brief other advisers and disseminate within the university.

5.1.3 Promote smaller businesses as an attractive, positive and different alternative to students, in what you write, the events you put on, the talks you give and the alumni you use.

5.1.4 Make contact with the student groups on campus interested in entrepreneurship and leadership to work with them to jointly promote small businesses as a positive way of achieving a more 'entrepreneurial' work style.

5.1.3 Make practical resources on smaller businesses more visible and available for your students: for example, addresses and locations of science parks, business/innovation centres etc.

5.1.4 If not already known, research key sectors for your area/region. Ensure the careers team is joined up with other parts of your institution that have direct links with small business networks and intermediaries.

5.1.5 Work with other HEIs in the region to share information, contacts and to make it easier for local small businesses to reach the maximum number of appropriate students.

5.1.6 If you charge for attendance at job/placement fairs, make an exception for small businesses and their representatives. They are creating opportunities for your students and are less able to pay than regular recruiters. Investigate ways in which a group of small businesses can share a 'zone' or a presence at careers fairs etc.

5.1.7 If they won't come to you... go to them! Invest time and effort in establishing relationships with smaller business intermediaries (networking groups, membership groups, sector bodies, trade and professional associations). Arrange to take your own exhibition material to business networks, science parks etc.

5.1.8 Regarding university services for local smaller businesses:

- Consider launching a dedicated campaign: 'Open for Small Business'.
- Be clear on the nature of relationship you want to have with the small business community: do you want partners or customers? If the latter, be sure of the service you can offer.

5.2 For smaller businesses

5.2.1 The graduate recruitment and employment market is more dynamic than it might look. There is a constant war for talent and this applies to graduates as much, if not more so, than any other group of candidates. If you are going to win that war you need to consider investing some time and effort to:

- Establish relationships with your local university. If in doubt about where to start, contact the careers and employability service – it can help you focus your efforts.
- Start early: internships are not only a practical and cost-effective resource but a hugely effective way of securing first-class candidates before they are snapped up by more visible corporate brands.

5. Recommendations

5.1 For universities

5.1.1 Visibility: have a dedicated section in your careers and employability service and website on small business opportunities.

- Include case studies (ideally of alumni) and highlight the benefits of work in small businesses as per this report.

- Think in some detail how to present your business and your opportunities to a graduate level audience. You love your business and know what you can offer, but you can't assume that a student or graduate instinctively knows this. Sell yourself just as you do to your customers.
- Never refer to yourself as an SME to the student market. It's not a term that has much recognition or a lot of cachet either.
- Above all, explain clearly the benefits of working in a smaller business (yours) that makes it different from a graduate training scheme with a large recruiter – in a way that enables entrepreneurial students to make a positive choice.

5.2.2 Most universities will advertise your opportunities free of charge, but it is worth considering scheduling a visit to present your company and your opportunities directly on campus.

5.3 For students and graduates

5.3.1 Keep your career options open and investigate the competing benefits of large and small recruiters. This will involve greater effort on your part.

5.3.2 Investigate work experience or internships with smaller businesses via your departmental contacts, the careers service, Step and other local intermediaries. Or target them yourself with a very focused and intelligent approach (your careers service can help you here).

5.3.3 If you are a member of a student society that involves careers or employers, look beyond the larger recruiters for partnerships and involvement.

5.4 For policy makers

5.4.1 Facilitate the creation of a national online resource to promote careers within small, high-growth, graduate-friendly companies to entrepreneurial students. The case for a national, small-business jobs portal has not been proved but warrants further thought.

5.4.2 Create a simple information resource/campaign for small high-growth businesses to understand the availability of graduate talent, the benefits they can bring to the business and the process to attract and recruit them.

5.4.3 Take the lead in the mass re-branding of SMEs to create a sub-section of the market (high-growth businesses) that would benefit from applications from the most able and brand-conscious students. Students don't need to know the names of high-growth businesses (how could they?), they need to know that this group of businesses all offer definable benefits and challenges.

5.4.4 Commission an annual survey of undergraduates and small high growth businesses to track what we hope will be a growing awareness of the opportunities within this sector but will also highlight challenges to overcome.

6. Resources and research

For a detailed account of other research activity and good practice in this field, the report authors recommend the following BIS-funded research paper:

Graduate Recruitment to Small and Medium-Sized Enterprises (SMEs). London: Department for Business, Innovation and Skills, 2013. Sear L, Scurry T, Swail J, Down S. Research and Innovation Department for Business Innovation and Skills BIS/13/546.

You can download it here:

<https://www.gov.uk/government/publications/graduate-recruitment-to-small-and-medium-sized-enterprises-smes>

For an international perspective on the value of internships for smaller businesses, see:

Internships as a Strategic Tool for Small Business: A Conceptual Study by Degraev, Hertz and Koutroumanis, published in the *Small Business Institute® Journal* (2012, Vol 8, No 1, 30–46 ISSN 1944-1150/69)

For an exploration of the absorptive capacity of smaller businesses to benefit from internships, see:

Shell Step Innovation Programme – Exploring the Absorptive Capabilities of Host SMEs by Allinson (2006), presented at the Institute for Small Business & Entrepreneurship Conference in Cardiff.