THE VALUE OF INVESTORS IN PEOPLE (IP) BENCHMARKING IN SMALL AND MEDIUM-SIZED ENTERPRISES

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Abstract

This study reviewed the importance of benchmarking such, as 'Investors in People' (IP) in small and medium-sized enterprises (SMEs). It considered the Business Excellence Model and Employee Engagement as a necessary HRM tool for successful organisations. Training, financial incentives and job design were found to be more effective interventions to raise productivity.

Keywords: *Investors in people, Benchmarking, Business Excellence Model, Enployee engagement, HRM tool, Organisational development and performance.*

Introduction

Benchmarking has become an increasingly popular tool for organisational performance and development in recent years. Within the global economy, each and every organisation is different, but they all share one common aim: to compete and survive in today's dynamic and competitive economy. One widely used tool that has helped organisations achieve and sustain their strategic position within the market place is benchmarking.

According to Kumar et al (2006 cited in Anand and Kodali, 2008: 259), benchmarking can be defined as:

> *The process of identifying, understanding and adapting outstanding practices from* organisations *anywhere in the world to help an organisation improve its performance. It is an activity that looks outward to find best practice and high*

> *performance and then measures actual business operations against those goals.*

In a survey "among *Fortune 1000* companies, 65 percent of the organisations use benchmarking as a management tool to gain competitive advantage" (Korpela and Tuominen, 1996 cited in Anand and Kodali, 2008: 258). Although this statistic does not highlight what ratio is small to medium-sized enterprises (SMEs) or large organisations, it is evident that evaluating performance is vital for all organisations to stay competitive within the marketplace. As St-Pierre and Delisle (2006: 106) confirm, "as management challenges have increased in complexity, benchmarking has become a strategic tool for organisations of all sizes."

Benchmarking has caused much interest amongst researchers. However, a majority of research focuses on large organisations. As Deros et al (2006: 397) confirm, "benchmarking in SMEs has not received sufficient attention". This could be due to the lack of resources available to such organisations, preventing them from exercising in such activity. However, for the purpose of this study, it is imperative to focus on benchmarking for SMEs. As St Pierre and Deisle (2006: 108) suggests and in order to be relevant to SMEs, a benchmarking tool must remain simple, comprehensive, not too demanding in terms of resources, and it must be able to guide owners and managers towards action when appropriate.

With this in mind, one model that has been claimed to help organisations remain competitive whilst fulfilling the prerequisites is 'The business excellence model' (BEM) (see Figure 6.1). As McAdam and O'Neill (1999) explain, "the BEM is based on multiple criteria. Five of these are 'enablers' which identify what an organisation achieves. Results are [therefore] caused by 'enablers'".

Consequently, the BEM model was adapted to priorities certain areas relative to strategy and SME development: the leadership role, best practice production processes, the knowledge creation and management role, people involvement-customers, employees and product innovation including the design approach. This "prioritisation was based on the work of McAdam and O'Neill (1999) and Weile and Brown (1998)." (McAdam and Kelly, 2002: 8).

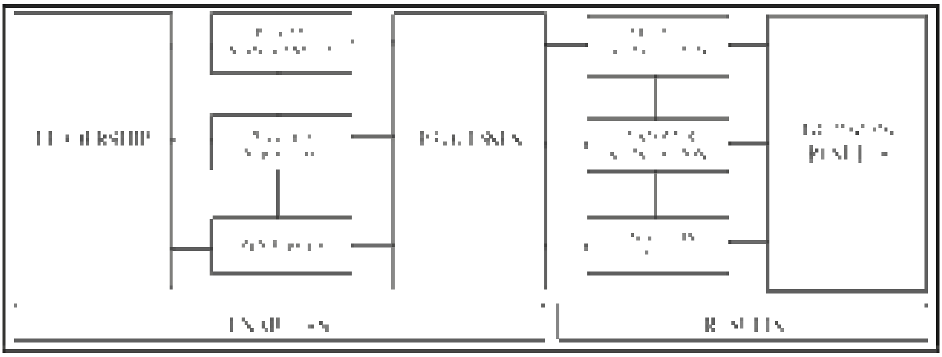

Figure 6.1: The Business Excellence Model (BEM)
Source: McAdam and Kelly (2002: 8)

As McAdam and Kelly (2002) explained the leadership role is focused on creating visions that are able to carry people along with them towards that vision. Peters and Waterman (1982) extended on this by stating that "Today's leaders understand that you have to give up control to get results - they act as coaches not as "the boss". (McAdam and Kelly, 2002) added that a learning SME must focus on the essential few areas of change from each important source of information exchanged. Best Practice Production Process is described by Keegan (1998) as leading to the objective of identifying key business issues and providing the tools and techniques to address them (McAdam and Kelly, 2002:10). Knowledge creation and management role is concerned with achieving and sustaining competitive advantage.

According to Zairi and Whymark (2000b), "the real benefit from new knowledge is not only to achieve the closing of gaps in performance. It is also building capability and enriching the knowledge base which is even more critical for sustaining long term advantage" (McAdam and Kelly, 2002: 11). People involvement – customers, employees is concerned with ensuring well-motivated and trained staff to contribute to the development of the organisation. Product innovation and design approach is based on the future of products. It must encourage product innovation but incremental to minimise risk.

McAdam and Kelly (2002: 12) explained that "the importance of being an innovative company is to thrive on change. The attitude that change is healthy is a key difference between leaders and followers". This model can be risky however; especially if it is followed too mechanically and consequently it has the potential to distract from the original aims and goals. However if used correctly it can provide many unique factors to benchmarking SMEs. As McAdam and Kelly, 2002: 24) confirm; BEM has enabled the benchmarking parameters used in the study to include more cultural or organic measures such as leadership, people management and causal process measures.

Employee Engagement

Employee engagement is a widely debated topic amongst researchers and HR practitioners because of the importance it holds within HRM (Human Resource Management). Furthermore, in today's difficult economic climate this element of HR now holds more importance than ever. Employee Engagement can be described as exactly what it leads one to believe; engaging the workforce. This is critical within all organisations to ensure commitment, willingness and motivation. Baumruk (2006) extended this by stating that:

> *Engagement is a way to increase the productivity of your talent pool. Managers need to create the environment where employees feel more passionate about their work and exhibit the behaviours that organisations need to drive better results, not only for the organisation but also for employees as individuals.*

This not only re-iterates the importance of employee engagement but also explains that it is a tool that can be used to achieve competitive advantage. In an article explaining the findings of a recent CIPD survey report; it confirms that "many leading organisations in both the public and private sectors are already prioritising improving people management capability and employee engagement as they recognise this is central to gaining competitive advantage.

How does one engage with its workforce?

Every individual is different and has unique factors that give them satisfaction at work. Generally, people believe that economic incentives are the primary factor within a workplace that motivates its employees; however research has proved that this is not always the case. In the 1920s, the human relations school provided evidence to suggest that people worked at their best when they were given special attention or recognised for the work they have completed with a 'thank you' or even to be included in decision making. This therefore proves that not all personnel are motivated by money. Mayo proposed a social man view of behaviour and motivation. "He was concerned that the excessive emphasis placed on individualism and self-interest in society in general, and argued that people had a need for belonging to a community or having a sense of community as well as conformity" (Linstead et al. 2009: 415). Bates (2004) extended on this by explaining that "the root of engagement is not in the cognitive (rational) realm, not about how much people are paid, but more about how they feel." He indicates that managing an employee's emotions is central to managing engagement and that ultimately engagement motivates employees' desires to give discretionary effort and to stay in their jobs. However, most commentators in the field agree that engagement is in essence, a combination of cognitive and emotional needs. Hewitt's engagement driver's is a model which the author believes provides organisations with a comprehensive tool to ensure different aspects are considered when improving employee engagement.

As Looi et al (2004: 17) explain, "Although each company has unique people issues to address within today's business climate, typically employee engagement is driven by a combination of six factors". This model has a variety of drivers that can help in achieving employee engagement within the workforce; people, work/values, total rewards, processes and procedures, opportunities and quality of life. For example, within the driver of 'opportunities' this ensures that employees have the appropriate opportunity for training and development and career advancement. This gives employees as a sense of being valued if they are given the opportunity to develop themselves within the organisation.

In addition, the 'work/values' driver ensures employees have an intrinsic motivation (personal satisfaction in completing a task) to want to the do job and also feel valued. However it also draws on the fact that there is an availability of resources at work to ensure employees are not over worked which could cause stress and consequently de-motivate the employee within the workplace. Adversely this element also ensures employees have a suitable amount of work to complete and are not bored because of they don't have enough to do as this can also de-motivate an employee within the organisation. According to Kahn (1990), engagement can be attained from an employee having "sufficiently meaningful work, have the personal resources available to do that work and feel psychologically safe in investing themselves in that work in order to become engaged in their work" (May et al, 2004; Rich et al, in press cited in Xu and Thomas, 2011: 400).

Kahn (1990) and Macey and Schneider (2008) extended on this by explaining that 'employees who are engaged in their work have an energetic, enjoyable and effective connection with their work" (Baumruk, 2006: 400). Saks (2006) tested a model of the antecedents and consequences of job and organisation engagements based on social exchange theory (SET). He found that employees who were more likely to be engaged perceived they had higher levels of organisational support; had higher scores on job characteristics; and had higher perceptions of procedural justice. "SET argues that obligations are generated through a series of interactions between parties who are in a state of reciprocal interdependence" (Saks, 2006: 603).

This therefore suggests that organisations are more likely to have a high-quality relationship with their supervisor, which resulted in them having a more positive attitude, intentions and behaviours. Therefore, when employees believed that their organisation was committed to them, they would respond by being more engaged in their work and showing their commitment to the organisation.

In order to ensure employee engagement is implemented successfully within an organisation, managers need to take responsibility to ensure success and avoid failure. In Towers Perrin (2003) research, manager's behaviour identified as having the most significant impact on employee's engagement (in descending order of importance) was as follows (CIPD, 2006: 17):

- Supporting teamwork
- Acting with honesty and integrity
- Encouraging / empowering people to take initiative
- Encouraging new ideas and new ways of doing things

- Having valuable experience/expertise
- Overall quality of supervision
- Providing clear goals and direction
- Inspiring enthusiasm for work
- Ensuring access to a variety of learning opportunities
- Helping employees understand how they impact financial performance
- Building teams with diverse skills and backgrounds
- These factors are crucial in ensuring employee engagement, a point re-iterated in a study undertaken by the CIPD in 2006, 'How engaged are British employees' where it was found that organisations that foster high levels of engagement are more likely to retain high performing employees."

Evaluating Training

It is clear that "human capital has become an important issue, and organisations are increasingly aware of the need to treat people development as a high level strategic issue and systematically to analyze, measure and evaluate how investment in people creates value" (CIPD, 2007: 2). Evaluating training is essential in ensuring appropriate training is being given to an employee as well as ensuring it benefits the organisation. Kirkpatrick model summaries the process of training evaluation into four levels. Firstly, it takes into account the responses from the trainees themselves. Secondly, the learning measures question the validity of the learning. Thus, did the learners learn what was intended? Thirdly, Kirkpatrick focuses on behaviourial measures that relate to the extent that the training can be transferred to the workplace. Finally, results are looked at in achieving organisational goals.

However, Alliger and Janak (1989) found that the relationships between the levels were weak; each level is neither definitely nor always linked positively to the next. In addition, within various studies undertaken by The Industrial Society (2000) it was found that most attention is focused on evaluation of training at the reactions level because of the difficulties and time costs of measuring the other three levels. By the mid 1980s, calls began to emerge for return on investment (ROI) analyses of training efforts. Some studies dud unearths some very satisfying figures but the key criticism of the ROI approach remained.

Fundamentally, ROI primarily focuses on the training intervention rather than any planned, concurrent activities or coincidental factors that boost ongoing learning output and outcomes. In contrast, Guzzo and Gannet (1989) conducted a useful meta analysis of 98 studies about psychologically based interventions to raise worker productivity. They found that training and goal setting showed the best results, followed by financial incentives and job design. Retrospectively management by objectives and appraisal and feedback were seen to be least effective. However, with this holistic study, of comparing what actually helps raise performance rather than beginning with an assumption that training is the answer has not been repeated.

Summary

By the mid 1990s, Easterby-Smith drew together four main strands which summarises the importance of training evaluation. They are; proving, controlling, improving and reinforcing. ‘Proving’ and ‘controlling’ were concerned with proving that the training worked, and controlling was looking at the time needed for training courses etc. These both rely on hard data, which are summative and quantitative. ‘Improving’ and ‘reinforcing’ focused looks at qualitative data. ‘Improving’ looked at how to improve the course content, whereas ‘reinforcing’ would focus on evaluation efforts as a deliberate contribution to the learning process itself. These formative aspects seek a wider understanding of training and learning to take action on future training. However, it is clear that finding longer term proof of the value of training has proved to be much more elusive than the collection of immediate evidence that encourages managerial and organisational trust in further efforts to develop learning. Whereas formative evaluations are much more about a complex reality, including the impact of the whole range of contributory factors on peoples learning and performance. In addition, focusing on evaluating training input alone may miss the point about valuing learning and any consideration of a wider raft of interventions, strategies and expectations that encourage learning. Therefore, a firmer focus needs to take place on learning which should result in a self directed, work based process, leading to increased adaptive potential in the long run. In order to critically assess the true value of ‘Investors in People, an inductive approach is required.

As Patton (2002:41) explains; an inductive analysis allows an "immersion in the details and specifics of the data to discover important patterns, themes and interrelationships". Therefore, knowledge will be generated through the qualitative data collated from the use of case studies of organisations who currently are accredited to 'Investors in People.' This will enable a greater insight and establish the benefits and value it adds to each individual organisation.

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