

The development of an instrument  
for enabling investors  
to assess the quality of human  
capital in medium sized enterprises

## Appendices

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A thesis submitted in partial fulfilment for  
the degree of Doctor of Philosophy

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**APPENDIX 1**  
**Subject Matter Experts' Survey**

# APPENDIX 1

## SUBJECT MATTER EXPERT SURVEY INSTRUCTIONS

Further to my phone call, thank you for agreeing to classify my initial list of items. They have been chosen to help assess a range of 'intangibles' (people, organisation and relationships) within SMEs. The classification is to ensure agreement among subject matter experts as to how relevant each item is to each category of intangibles. The items are in random order.

How to complete the classifications:

The top line of the spreadsheet has been frozen to enable you to scroll down and retain the factor headings. If it does not work you will need to re-freeze the top line. Do this by clicking on the top line, then 'view' then 'freeze panes' then 'freeze top row'.

1. You are asked to read the definitions listed in the accompanying attachment; you may wish to have the definitions readily available when carrying out the classifications.
2. Go to the Excel spreadsheet; classify each item in terms of whether or not it reflects the intangible 'human capital' or 'organisational capital' or 'internal relationship capital' or 'external relationship capital'.
3. Having already discussed some of the classifications informally, I believe it is feasible that you may judge any given item falls within two or even three classifications. In this case please rank them in terms of (1 = best fit) to (3)
4. You are welcome to add any additional items you judge would help the assessment. More than 1 item per heading can be added by clicking the line number, then 'right click' and 'insert'

If you encounter any difficulties please contact me by phone / Skype.

Once you have completed the classifications, save your responses and return them to me by...

Thank you for your assistance.

## **SUBJECT MATTER EXPERT SURVEY DEFINITIONS**

### **HUMAN CAPITAL**

The combination of knowledge, skills and attitudes found in a workforce that influences the survival and success of an enterprise

### **ORGANISATIONAL CAPITAL**

The structure, processes, and culture of an enterprise aimed at maximising its effectiveness

### **EXTERNAL RELATIONSHIP CAPITAL**

The network of relationships which exist between an enterprise and its external stakeholders.  
E.g. Investors; Customers; Suppliers; Partners

### **INTERNAL RELATIONSHIP CAPITAL**

The network of relationships which exist between an enterprise and its internal stakeholders.  
E.g. Directors; Senior Managers; Other employees.

# APPENDIX 1 Subject Matter Experts survey results

Item Wording	External Relationships Capital	Human Capital	Organisational Capital	Internal Relationships Capital
<b>These classifications are based on the responses from 10 subject matter experts. Where an item has been judged to fall under more than one definition, only the 'best fit' rank (=1) has been used.</b>				
We have a way of ensuring everyone knows what they have to do, when and how well		2	8	
We encourage debate and critique throughout our organisation				10
We regularly monitor our operations so that we can take remedial action if necessary		4	6	
We have a (formal or informal) business strategy which deliberately includes issues of people and organisation			5	5
Our managers own shares in our business		10		
We strongly value cooperation between organisational units				10
We regularly expect to implement rapid response to change		6	4	
Recently unpredictable changes in our markets have influenced the achievement of our objectives	10			
The overall cost of pay and benefits		10		
The cost of pay and benefits as a percentage of annual revenue		10		
Overall organisation demographics including gender, age, and ethnicity.		10		
We include bonuses for excellent work as part of our pay system		6	4	
In our organisation, people who achieve results are paid more than those who do not		7	3	

# Subject Matter Experts survey results

# APPENDIX 1

<b>Item Wording</b>	<b>External Relationships Capital</b>	<b>Human Capital</b>	<b>Organisational Capital</b>	<b>Internal Relationships Capital</b>
We have a reward system that recognises achievement of business objectives		5	5	
Providing non - financial reward / acknowledgement for good work			3	7
We regularly make adjustments to our organisation / processes as a result of competitor activity.		9		
We believe that conflict is best resolved confidentially and quietly				9
We are keen on knowledge sharing - we seldom invent wheels twice				9
We value decentralised decision making - we delegate decisions as much as possible		2		7
We habitually aim to exploit new opportunities		9		
Key employees liaising with controlling stakeholders (e.g. some customers)	9			
Qualification levels of the workforce - number of employees who have achieved NVQ 1 ; GCSE ; A level; Degrees etc.		9		
Times per year a formal communication is generated by the SMT for distribution to all employees				9
Organisation demographics including gender, age, and ethnicity, at each organisational level		9		
We have a way of ensuring effective communication between different organisational units.				8
We document our processes and practices to make sure everyone understands our way of doing things			10	
We believe that workforce diversity should reflect local demographics.		8		
The pay ranges and benefits of our employees are openly publicized internally		8		

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## Subject Matter Experts survey results

Item Wording	External Relationships Capital	Human Capital	Organisational Capital	Internal Relationships Capital
We have a reward system that recognises achievement of business objectives		8		
Our work is based on an expectation of continuity as opposed to radical change.		8		
We believe in consulting our people - we listen to what they have to say before making decisions				8
We focus on involvement - people contribute to our decision making and help us decide on action to be taken		8		
We value and encourage knowledge sharing within our organisation				8
Days per year allocated to the personal development of key employees		8		
Turnover of key employees over the last three years		8		
The cost of formal training and development as a percentage of annual revenue		8		
The percentage of our workforce who are members of a Union.		8		
Key employees liaising with regulatory stakeholders (e.g. working time regulations)	8			
Accidents reported over the last 3 years		8		
The overall cost of pay and benefits divided by the number of full time equivalents		8		
Key employees liaising with dependent stakeholders (e.g. some customers)	8			
Key employees liaising with knowledge rich agencies (e.g. universities)	8			
The number of organisation levels from Owner / Entrepreneur to Front Line .			8	



## Subject Matter Experts survey results

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<b>Item Wording</b>	<b>External Relationships Capital</b>	<b>Human Capital</b>	<b>Organisational Capital</b>	<b>Internal Relationships Capital</b>
Years of experience of key employees in current and similar past roles .		<b>8</b>		
The cost of formal training and development as a percentage of annual revenue		<b>8</b>		
We have a effective approach to monitoring changing customer expectations and needs.	<b>8</b>			
We regularly review our organisation to ensure it helps (rather than hinders) our people get their jobs done			<b>5</b>	<b>3</b>
We have a way of ensuring effective communication between the SMT and all employees				<b>8</b>
We regularly review our organisation to ensure it helps (rather than hinders) our people get their jobs done			<b>7</b>	
We regularly generate new products / services		<b>7</b>		
When we make a mistake all employees should be aware of, and learn, from it				<b>7</b>
We believe in informing our people - we ensure they are aware of the context in which decisions are made				<b>7</b>
Our operations are based on planning and stability as opposed to uncertainty and agility		<b>2</b>	<b>5</b>	
Years of experience of key employees in current and similar past roles .		<b>7</b>		
Key employees who have successors identified.		<b>7</b>		
We regularly use outsourcing to compliment our permanent workforce		<b>7</b>		
The percentage of our workforce who are members of a Union.		<b>7</b>		

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# Subject Matter Experts survey results

<b>Item Wording</b>	<b>External Relationships Capital</b>	<b>Human Capital</b>	<b>Organisational Capital</b>	<b>Internal Relationships Capital</b>
Manager numbers as a percentage of all full time equivalents		<b>7</b>		
The overall cost of pay and benefits divided by the number of full time equivalents		<b>7</b>		
In our organisation, people who achieve results are paid more than those who do not		<b>6</b>		
We see sales and marketing as a critical activity	<b>6</b>			
We value speed of reaction as a result of unforeseen circumstances		<b>6</b>		
Formal grievances in the last 3 years				<b>6</b>
We expect pronounced change / uncertainty in our markets.	<b>6</b>			
Competitive pay and benefits		<b>9</b>		
Formal grievances in the last 3 years		<b>9</b>		
Turnover of key employees over the last three years		<b>9</b>		
Key employees who have successors identified.		<b>10</b>		
We regularly use outsourcing to compliment our permanent workforce		<b>8</b>		
The cost of pay and benefits as a percentage of annual revenue		<b>7</b>		
The overall cost of pay and benefits divided by the number of full time equivalents		<b>7</b>		

# Subject Matter Experts survey results

# APPENDIX 1

<b>Item Wording</b>	<b>External Relationships Capital</b>	<b>Human Capital</b>	<b>Organisational Capital</b>	<b>Internal Relationships Capital</b>
The amount of revenue generated per full time employee		<b>8</b>		
We have a systematic approach to agreeing and monitoring how well individuals and teams are doing			<b>8</b>	
We believe in informing our people - we ensure they are aware of the context in which decisions are made				<b>8</b>
We have a way of ensuring that the SMT is aware of issues among employees before they become a barrier to performance				<b>8</b>
We have someone in our SMT who is formally responsible for initiating discussion on people and organisation issues				<b>7</b>
We have a way of ensuring effective communication between different organisational units.			<b>4</b>	<b>6</b>
Our employees are able to use web technology to communicate and collaborate internally			<b>6</b>	
We value inter - unit teamwork highly		<b>3</b>		<b>7</b>
We believe in giving instructions - we tell people exactly what is expected of them		<b>4</b>		<b>5</b>
We value centralised decision making - most decisions are made at the top			<b>5</b>	<b>4</b>
We have a way of capturing and implementing new ideas from our employees			<b>5</b>	<b>5</b>
When we make a mistake all employees should be aware of, and learn, from it		<b>6</b>	<b>2</b>	<b>1</b>
Opinion surveys successfully carried out over the last 3 years		<b>6</b>		<b>3</b>
Our research / development has generated new products / services which require different working practices	<b>3</b>	<b>3</b>	<b>2</b>	<b>1</b>

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**Appendix 2**  
**Item Wording Development**

## APPENDIX 2 Item Development

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
<b>Commitment</b>	16. Our employees own shares in our business		7. Evidence of defensible pay and benefits policies	29d Enabling non-managers to benefit from the financial success of your business
<b>Commitment</b>	31 Our pay ranges and benefits are competitive when compared to other organisationsour people could work for.			29b Ensuring competitive pay ranges and benefits compared to other organisations our people could work for
<b>Commitment</b>	17. We include bonuses for excellent work as part of our pay system			29e Paying Managers who achieve results more than those who do not
<b>Commitment</b>	65. In our organisation, people who achieve results are paid more than those who do not			29f Paying non-managers who achieve results more than those who do not
<b>Commitment</b>	32. We have a reward system that recognises achievement of business objectives			
<b>Commitment</b>	4. Our managers own shares in our business			29c Enabling managers to benefit from the financial success of your business

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
<b>Commitment</b>	53. Providing non - financial reward / acknowledgement for good work			Providing non - financial reward / acknowledgement for good work (not in executive survey)
<b>Commitment</b>	73. Formal grievances in the last 3 years		10. The number of formal grievances	28. Specify the number of formally submitted grievances over the last year
<b>Commitment</b>		Disruption to operations due to disputes	11. Loss of output due to disputes	32 Specify the level of disruption to your operations due to disputes over the last year (e.g. strikes, working to rule)
<b>Commitment</b>		Disruption to operations due to sickness	12. Levels of absence due to sickness, accidents or unauthorised absence	31 Specify the number of working days lost per employee through illness, accidents and unauthorised absence over the last year
<b>Commitment</b>		Disruption to operations due to unauthorised absence		
<b>Commitment</b>	35. Effective employee wellbeing policies	Disruption to operations due to accidents	29. Evidence of effective employee wellbeing policies	

## APPENDIX 2 Item Development

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
Competence	52. Years of experience of key employees in current and similar past roles .		Experience of the workforce	25 a - d Specify the average number of years service your people have: Board; Managers / Supervisors; Technical Experts; Others.
Competence	38. Days per year allocated to the personal development of key employees	Link to the need to update know how due to changing circumstances	13. Evidence of updating know-how in line with changing circumstances	24b Maintaining the right levels of technical expertise to enable attainment of goals  24c Ensuring supervisors and managers are competent to carry out their role.  24d Ensuring all members of the workforce have opportunities to update their knowledge and skills
Competence	57. Key employees who have successors identified.		5. People occupying critical roles who have successors formally identified	24e Identifying people (internally or externally) to take over key roles in the event resignation, retirement, ill-health etc
Competence		Vacancies filled through external or internal appointments	14. Vacancies filled through internal appointments	24a Recruiting the right people for the right roles at the right time
Competence			15. Vacancies filled through external appointments	



Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
<b>Competence</b>		Role flexibility - moving around to gain more experience	16. Number of times individuals have moved roles in order to gain more experience	Members of your workforce being able to carry out more than one role
<b>Composition</b>	29. We regularly use outsourcing to complement our permanent workforce		6. Use of contingent workforce such as consultants / agency workers / outsourcing.	33g Using outsourcing - transferring work to external suppliers instead of doing it in house  33f Using a range of employment contracts (e.g. job sharing; flexitime; part-time work; homeworking; annualised hours; zero hours)

## APPENDIX 2 Item Development

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
Composition	28 We believe that workforce diversity should reflect local demographics.		<p>1. Workforce composition (age range; male-female ratio; ethnicity etc)</p> <p>2. Workforce composition broken down by organisation roles</p> <p>3. Knowledge / skills / educational levels</p>	21d Ensuring equal opportunity and associated workforce diversity (diversity includes gender; marital status; race; belief; disability)
Composition	12. Organisation demographics including gender, age, and ethnicity, at each organisational level			21b Regulating the workforce age profile in order to avoid 'a vacancy bubble' occurring.
Composition	47. The correct headcount to enable us to meet our business objectives			21a Ensuring the correct headcount which enables business goals to be achieved at optimum cost
Composition	48. The percentage of our workforce who are members of a Union.			
Composition	18. Employee qualification levels	Specify types of qualifications		22a % of workforce with degree level qualifications or equivalent professional qualifications
				22b % of workforce with less than 5 GCSEs grade A - C (UK) or High School Graduation (USA)

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
<b>Costs</b>	40. The cost of formal training and development as a percentage of annual revenue		46. Cost of maintaining / improving knowledge and skills	40 Cost of maintaining / updating knowledge and skills (e.g. training; coaching; attending conferences etc.
<b>Costs</b>	5. The overall cost of pay and benefits	Break into common costings accounted for.	40. Establishing the cost of fixed pay 41. Establishing the cost of variable pay 42. Establishing the cost of equity based reward 44. Establishing the cost of contingent pay 43. Establishing the cost of benefits 47. Establishing the cost of travel and entertainment 45. Establishing the cost of pension liabilities	37 Cost of fixed pay 38 Cost of variable pay (include payments to contingency workforce such as outsourced facilities; consultants; agency staff etc) 39 Cost of benefits ((include all benefits, including pension costs)
<b>Costs</b>	6. The cost of pay and benefits as a percentage of annual revenue			
<b>Costs</b>	41. The overall cost of pay and benefits divided by the number of full time equivalents			
<b>Costs</b>	42. The amount of revenue generated per full time employee			

# APPENDIX 2

# Item Development

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
<b>External relationships</b>				10 Initiating / maintaining good relationships with suppliers
<b>External relationships</b>			38 Understanding the extent to which the organisation relies on co-operation from partners	11 Initiating / maintaining good relationships with business partners
<b>External relationships</b>				8 Initiating / maintaining good relationships with investors / funders
<b>External relationships</b>	21. We have a effective approach to monitoring changing customer expectations and needs.			9 Initiating / maintaining good relationships with key customers
<b>External relationships</b>	24. Liaising with dependent stakeholders (e.g. some customers) at each level of the organisation		23. Key internal contacts relating to dependent stakeholders	

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
<b>External relationships</b>	11. Liaising with controlling stakeholders (e.g. some customers) at each level of the organisation		22. Key internal contacts relating to controlling stakeholders	13 Initiating / maintaining good relationships with regulatory authorities
<b>External relationships</b>	22. Liaising with regulatory stakeholders (e.g. Health and Safety) at each level of the organisation		21. Key internal contacts relating to regulatory stakeholders	
<b>External relationships</b>	23. Liaising with knowledge rich agencies (e.g. universities) at each level of the organisation		24. Key internal contacts relating to knowledge rich agencies	12 Initiating / maintaining good relationships with knowledge rich agencies
<b>Integration</b>	37. We have a systematic approach to agreeing and monitoring how well individuals and teams are doing		37. Establishing that there are formal ways of planning, monitoring and assessing employee performance	20e Agreeing formally who should do what, how well and when.
<b>Integration</b>	36. We have a way of ensuring everyone knows what they have to do, when and how well			
<b>Integration</b>	25. We document our processes and practices to make sure everyone understands our way of doing things		36. Establishing that business practices / processes have been captured	20b Documenting processes and practices to improve consistency of operations

## APPENDIX 2 Item Development

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
Integration	39. We regularly monitor our operations so that we can take remedial action if necessary	Include organisation design	32. Understanding the thinking behind organisation levels and design	20g Regularly reviewing operations to identify opportunities for improvement
Integration	45. We regularly review our organisation to ensure it helps (rather than hinders) our people get their jobs done			20d Ensuring your organisation structure facilitates the effective use of people
Integration	46. We have a (formal or informal) business strategy which deliberately includes issues of people and organisation			20a Including issues of people and organisation as part of a (formal or informal) business strategy
Integration	20. Our organisational units co-operate effectively		33. Understanding how activities of different organisation units are co-ordinated	20c Ensuring main business processes run smoothly between different organisational units (e.g. no bottlenecks or unresolved conflicts).
Integration				20f Using up to date technology to its maximum potential

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
Internal Relationships	15. We have a way of ensuring effective communication between the SMT and all employees		26. Understanding the nature and strength of communication channels from the senior management team to employees	27c Ensuring regular (e.g. at least quarterly) communication from the senior management team to members of the workforce
Internal Relationships	51. We believe in informing our people - we ensure they are aware of the context in which decisions are made			
Internal Relationships	49. We have a way of ensuring that the SMT is aware of issues among employees before they become a barrier to performance		28. Understanding the nature and strength of communication channels from employees to the the senior management team	27d Ensuring ease of communication to the senior management team from members of the workforce
Internal Relationships	64. We have someone in our SMT who is formally responsible for initiating discussion on people and organisation issues			29a Appointing someone in the senior management team who is formally responsible for initiating discussion on people and organisation
Internal Relationships	30. We consult our people - we listen to what they have to say before making decisions			
Internal Relationships	2. We encourage debate and critique throughout our organisation			

# APPENDIX 2      Item Development

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
<b>Internal Relationships</b>	26. We have a way of ensuring effective communication between different organisational units.			
<b>Internal Relationships</b>	13. Our employees are able to use web technology to communicate and collaborate internally		27. Understanding the nature and strength of communication between different organisational units	27f Enabling people to use web technology to communicate and collaborate internally
<b>Internal Relationships</b>	14. We believe that conflict is best resolved using a win-win philosophy			27e Managing conflict between organisational units in order to encourage mutually beneficial results (win - win)
<b>Internal Relationships</b>	19. We value and encourage knowledge sharing - organisation units readily exchange information.		39. Understanding how knowledge within an organisation is created / shared / applied	27a Effectively capturing and sharing knowledge (e.g. learning from mistakes; knowing where to go for information etc)
<b>Internal Relationships</b>	50. We have a way of capturing and implementing new ideas from our employees			33e Regularly capturing and implementing worthwhile ideas from people in your workforce



Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
<b>Internal Relationships</b>	27 We focus on involvement - people contribute to our decision making and help us decide on action to be taken			
<b>Internal Relationships</b>	33. We value decentralised decision making - we delegate decisions as much as possible		34. Establishing at which level(s) the organisation monitors and controls the quality and quantity of output	27b Empowering the workforce to monitor and control output quantity / quality (e.g. at supervisory or front line level)
<b>Internal Relationships</b>	We believe in giving instructions - we tell people exactly what is expected of them			
<b>Internal Relationships</b>	34. We value centralised decision making - most decisions are made at the top			
<b>Internal Relationships</b>	Levels of employee turnover	By role?		
<b>Internal Relationships</b>	Opinion surveys successfully carried out over the last 3 years		49. Accessing the results of employee opinion surveys	
<b>Internal Relationships</b>	54. We offer flexible working opportunities where operationally feasible			29h Offering flexible working opportunities to retain talent where operationally feasible

# APPENDIX 2      Item Development

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
<b>Market Influence / Adaptability</b>	71. We regularly expect to implement rapid response to change		<p>18. Knowing the key changes over the last 3 years</p> <p>19. Understanding the factors most likely to initiate change in the future</p> <p>20. Evidence of monitoring factors most likely to initiate change in the future</p> <p>31. Evidence of systematic activities encompassing environmental scanning</p>	34 Please list the issues over the last 3 years which have significantly influenced the way you do business
<b>Market Influence / Adaptability</b>	56. We regularly generate new products / services			
<b>Market Influence / Adaptability</b>	9. We expect pronounced change / uncertainty in our markets.			
<b>Market Influence / Adaptability</b>	8. We often experiment with adjustments to our organisation / processes due to change / uncertainty in the markets			33b Members of your workforce adapting to new procedures as a result of changed circumstances.
<b>Market Influence / Adaptability</b>	10. We habitually aim to exploit new opportunities			33c Ensuring people can carry out more than one role to maximise flexibility
<b>Market Influence / Adaptability</b>	7. We regularly make adjustments to our organisation / processes as a result of competitor activity.			33d Members of your workforce changing ways of working due to adoption of (external or internal) opportunities
<b>Market Influence / Adaptability</b>				33a Members of your workforce working under a policy and expectation of continuous improvement

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
<b>Market Influence / Adaptability</b>		How strategy could influence workforce adaptability	17. Understanding how an organisation's strategy could influence the adaptability of the workforce.	8,9,10,11,12,13. Describe the way your business operates in your markets by rating the descriptions below (6 different descriptions)
<b>Market Influence / Adaptability</b>		Using annualised hours / overtime / part time		Adjusting working hours to meet demand (e.g. annualised hours / overtime / part time). Not used in the executive survey.

## APPENDIX 2 Item Development

Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
Risks		Screening employees for 'right to work' in the EU / UK		41 Screening employees for 'right to work' in the EU / UK
Risks	All of our service agreements for directors are up to date and agreed		Not included in Investor Survey as already in due diligence checklists	43 Service agreements for directors / senior employees being up to date and agreed
Risks	Right to work in the UK			41 Screening recruits for right to work in the EU / UK
Risks	All of our contracts of employment are up to date and agreed		Not included in Investor Survey as already in due diligence checklists	42 Contracts of employment being up to date and agreed
Risks	Individual employment contracts containing material financial commitments		Not included in Investor Survey as already in due diligence checklists	44 Individual employment contracts being agreed which contain material financial obligations
Risks	Retention / severance agreements which contain material financial obligations		Not included in Investor Survey as already in due diligence checklists	45 Retention / severance agreements which contain material financial obligations
Risks	'Collectively bargained' agreements which include scheduled pay increases		Not included in Investor Survey as already in due diligence checklists	46 'Collectively bargained' agreements which include scheduled pay increases

# Item Development

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Possible factor title	Draft items based on the literature review	Subject Matter Expert comments and proposed additional items	Resulting item for Investor Survey	Resulting item after Investor Survey and structured interviews with SMEs Executives
<b>Risks</b>	Defined benefit plans which guarantee specified payments on retirement.		Not included in Investor Survey as already in due diligence checklists	48 Defined benefit plans which guarantee specified payments on retirement.  29g Ensuring enough funds to honour pension promises.
<b>Risks</b>	The number of employment agreements with notice periods exceeding 12 weeks		Not included in Investor Survey as already in due diligence checklists	
<b>Risks</b>	Redundancy / severance / dismissal arrangements		Not included in Investor Survey as already in due diligence checklists	
<b>Risks</b>	Arrangements to meet regulatory requirements		30. Evidence of meeting relevant regulatory requirements relating to employment	
<b>Risks</b>	Employees not working but with the right to return to work (e.g. maternity leave)		Not included in Investor Survey as already in due diligence checklists	
<b>Risks</b>	Offers of employment pending		Not included in Investor Survey as already in due diligence checklists	
<b>Risks</b>	Key employees eligible for retirement in the next 3 years		Not included in Investor Survey as already in due diligence checklists	
<b>Risks</b>	Grievances that have not been resolved		Not included in Investor Survey as already in due diligence checklists	

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**APPENDIX 3a**  
**Investor Survey**

# Valuing your Talent: The Hidden Value of Human Capital

*'As industrialised economies have moved to knowledge based economies, businesses have invested accordingly, but accountancy tools and investor mindsets have lagged the changes'.  
Helena Morrissey, Chief Executive, Newton Investment Management*

### About this survey,

This survey is the second stage of a project aimed at developing a reliable and valid approach to assessing the value of human capital in medium sized organisations, typically during the undertaking of due diligence.

The questionnaire asks investors / investment analysts/advisors about which data on human capital they would find helpful when assessing an organisation.

It also includes associated intangibles which interact with human capital and may influence its value.

### After the survey

The subsequent stages of the project will involve consulting organisations on the practicalities of supplying data; developing an instrument and determining both its reliability and validity.

### How long will it take?

It has 50 issues to be rated and has been designed to be completed in between 10 - 15 minutes, depending on the level of commentary you choose to include.

### Who is organising the survey?

The approach is being designed and developed by Peter Fargus. Peter is a Fellow of the Chartered Institute of Personnel and Development; a Fellow of the Institute of Consulting; a Fellow of the Higher Education Academy and an Associate Fellow of the British Psychological Society. The data collected will contribute to his doctoral thesis.

He can be contacted at the following email address: [peter.fargus@mail.bcu.ac.uk](mailto:peter.fargus@mail.bcu.ac.uk)



## APPENDIX 3a

Here some basic information is requested.  
This will enable your responses to be placed in context.

**A. Please indicate your status (*select all that apply*):**

- I have experience of carrying out due diligence in the context of SMEs*
- I am a Private Investor*
- I am an Institutional Investor*
- I advise Investors*

**B. Please indicate your professional qualification(s) (*select all that apply*)**

- Accountancy*
- Legal*
- Finance*
- Banking*
- Other (please specify)*

**C. Please indicate which age group you belong to**

- up to age 30*
- 31 to age 50*
- age 51 and above*

**D. Your gender**

- Male*
- Female*

## HUMAN CAPITAL : COMPETENCE

This data aims to reflect the combination of knowledge, skills and experience within a workforce.

	<i>Absolute must</i>	<i>Of high interest</i>	<i>Of moderate interest</i>	<i>Nice to have</i>	<i>Of no interest</i>
1. Information detailing the composition of the workforce (e.g. age range; male/female ratio; ethnicity) is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Workforce composition broken down by organisational roles/levels (e.g. male/female ratio at senior management level) is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Knowledge and skills of the workforce (e.g. educational levels 1-8) is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Experience of the workforce (e.g. length of time in current roles ) is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. The number of people in management, or occupying critical roles, who have successors formally identified within the organisation is ..	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. The frequency of use of contingent workforce (e.g. contractors/agency/consultancy) is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## HUMAN CAPITAL : COMMITMENT

This data aims to identify the ongoing willingness of employees to contribute to achieving agreed objectives.

7. Evidence of defensible pay & benefits levels and differentials is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. The level of overall employee turnover is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. The level of employee turnover broken down by role is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. The number of formal grievances over the last 3 years is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11. Understanding the loss of output due to disputes over the last 3 years is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12. Levels of absence due to sickness or unauthorised non-attendance are ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## HUMAN CAPITAL : ADAPTABILITY

This data aims to identify the employees' ongoing willingness and ability to react positively to changing circumstances.

	<i>Absolute must</i>	<i>Of high interest</i>	<i>Of moderate interest</i>	<i>Nice to have</i>	<i>Of no interest</i>
13. Evidence of attempts to update know-how in line with changing circumstances is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14. The number of vacancies filled through internal appointments ( <i>sideways moves &amp; promotions</i> ) over the last 3 years is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15. The number of vacancies filled through external appointments over the last 3 years is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16. The number of times individuals have moved roles in order to gain more/different experiences over the last 3 years is ...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
17. Understanding how an organisation's strategy could influence the adaptability of the workforce ( <i>e.g. focusing on innovation or agility in the market place</i> ) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
18. Knowing the key changes over the last 3 years ( <i>e.g. relating to changes in the products/services supplied; changes in supplier/supplies; changes in customer behaviour;</i> ) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
19. Understanding the factors most likely to initiate change over the foreseeable future is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**RELATIONSHIP CAPITAL** : the extent and strength of organisational relationships with internal (*employees*) and external stakeholders (*e.g. customers & suppliers*)

This data aims to identify, apart from the senior management team, who else in the organisation is key to initiating / maintaining external relationships.

### Nature and strength of external relationships

20. Evidence of monitoring those factors most likely to initiate change in the next 3 years is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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### Number and seniority of key internal contracts relating to:

21. Regulatory stakeholders ( <i>e.g. health &amp; safety executive</i> ) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<i>Absolute must</i>	<i>Of high interest</i>	<i>Of moderate interest</i>	<i>Nice to have</i>	<i>Of no Interest</i>
22. Controlling stakeholders (e.g. some customers, investors) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
23. Dependent stakeholders (e.g. some suppliers) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
24. Knowledge rich agencies (e.g. Universities) is....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
25. Understanding the nature and strength of communication channels between external stakeholders and employees <u>at different levels</u> of an organisation (e.g. supervisors; salespeople) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
26. Understanding the nature and strength of communication channels from the senior management team to all employees is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
27. Understanding the nature and strength of communication channels between employees in different organisational units is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
28. Understanding the nature and strength of communication channels from employees to the senior management team ( <i>employee voice</i> ) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
29. Evidence of effective wellbeing policies (e.g. addressing mental health/ musculoskeletal issues) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
30. Evidence of meeting relevant regulatory requirements relating to people (e.g. working time directive) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**ORGANISATIONAL CAPITAL** : the way an organisation is structured and operated in order to influence employee contribution to achieving objectives.

This data aims to establish how work is organised and how well knowledge is captured, shared and monitored.

31. Evidence of systematic activities encompassing environmental scanning; innovation and agility is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
32. Understanding the thinking behind the number of organisational levels in relation to strategy is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
33. Understanding how the activities of different organisational units are co-ordinated is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	<b>Absolute must</b>	<b>Of high interest</b>	<b>Of moderate interest</b>	<b>Nice to have</b>	<b>Of no Interest</b>
34. Establishing at which level(s) the organisation monitors and controls the quality and quantity of output ( <i>empowerment</i> ) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
35. Establishing that there is a formal employee handbook or manual covering people management practices ( <i>e.g. recruitment, induction, grievances etc</i> ) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
36. Establishing that formally established business practices/ processes have been captured ( <i>e.g. a procedures manual</i> ) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
37. Establishing that there are formal procedures for planning, monitoring and assessing employee performance is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
38. Understanding the extent to which the organisation relies on co-operation from partners ( <i>organisations or individuals</i> ) which exist independently is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
39. Understanding how knowledge within the organisation is created / shared / monitored / applied is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

#### **HUMAN CAPITAL COSTS / INVESTMENTS**

**This data enables the calculation of ratios which can be compared between organisations (*e.g. revenue per employee*)**

40. Establishing the cost of fixed pay is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
41. Establishing the cost of variable pay ( <i>e.g. bonuses</i> ) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
42. Establishing the cost of equity based reward ( <i>e.g. direct equity; phantom equity; share schemes</i> ) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
43. Establishing the cost of benefits ( <i>e.g. life insurance; health insurance; loans</i> ) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
44. Establishing the cost of contingent pay ( <i>e.g. agency employees; consultancy support; contractors</i> ) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
45. Establishing the cost of pension liabilities is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
46. Establishing the cost of maintaining/improving knowledge and skills ( <i>e.g. through training, development, conference attendance, benchmarking etc.</i> ) is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	<i>Absolute must</i>	<i>Of high interest</i>	<i>Of moderate interest</i>	<i>Nice to have</i>	<i>Of no Interest</i>
47. Establishing the cost of travel and entertainment is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
48. Accessing details of investment in standards such as Investor in People / Business Excellence / Baldrige Award is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
49. Accessing results of investment in employee opinion surveys is...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### IMPACT ON ACCESSING THE DATA

Assuming most of the data I have rated as 'a must' or 'of high interest' were to be available, I estimate it could vary my assessment of organisational value (higher or lower) as follows ...

- 0%
- up to 10%
- up to 20%
- up to 30%
- up to 40%
- Up to 50%
- Do not know

#### ADDITIONAL COMMENTS

As your comments will be typed into a spreadsheet, please restrict each issue to no more than 20 words.  
If your comments relate specifically to an item in the questionnaire, please include the item number.

**And finally ... next steps**

Thank you for providing your views. Your data will be combined with those of other participants and subsequently will not be separated out and identified.

If you know of anyone else who you believe would be interested in completing this survey, please provide their contact details here.

Name .....

Organisation .....

Title .....

Email .....

Contact number .....

If you would like to be sent the results of this survey, please provide your contact details below

Name .....

Organisation .....

Title .....

Email .....

Contact number .....

*(it will be used to clarify your responses if necessary)*

Your name will be entered into a lottery and there will be two winners of a bottle of Mumm Champagne. The draws will be at 13.00 hrs and 17.00 hrs today, Saturday 18<sup>th</sup> April 2015.

You will be sent regular updates on progress and a copy of the final assessment instrument.

If you would like to contact the author of this survey,  
Peter Fargus' email is [peter.fargus@mail.bcu.ac.uk](mailto:peter.fargus@mail.bcu.ac.uk)

**Thank you for your time.**

Intentionally left blank



**Appendix 3b**  
**Investor Survey Results**  
**(In order of most to least interest)**

## APPENDIX 3b

	No interest	Nice to have	Of moderate interest	Of high interest	A must	n	Score
46. Establishing the cost of pension liabilities.	2	0	18	32	46	98	4.2
35. Evidence that management has an approach for spotting changes in the market place which could impact on performance.	1	6	8	48	36	99	4.1
43. Establishing the cost of equity based reward (e.g. direct equity; phantom equity; share schemes).	1	6	18	39	34	98	4.0
42. Establishing the cost of variable pay (e.g. bonuses).	4	2	22	33	37	98	3.9
26. Information relating to key changes over the last 3 years (e.g. changes in supplier/supplies; changes in customer behaviour).	1	5	24	37	33	100	4.0
41. Establishing the cost of fixed pay.	4	7	19	31	37	98	3.9
12. Information on levels employee turnover (percentage voluntary leavers per year).	2	6	21	50	26	105	3.9
34. Establishing how effectively knowledge within the organisation is created, shared and captured.	3	9	18	43	25	98	3.8
47. Establishing the cost of maintaining / improving knowledge & skills	2	4	27	44	21	98	3.8
23. Information relating to relationships with controlling stakeholders	2	6	29	38	26	101	3.8
44. Establishing the cost of benefits (e.g. life insurance; health insurance; loans).	3	8	27	30	31	99	3.8

## APPENDIX 3b

	No interest	Nice to have	Of moderate interest	Of high interest	A must	n	Score
45. Establishing the cost of contingent pay (e.g. agency employees; consultancy support; ).	3	8	25	34	29	99	3.8
14. The loss of output due to disputes (e.g. working - to - rule or strikes).	7	6	20	42	29	104	3.7
8. Experience of the workforce (e.g. length of time in current roles).	2	8	26	49	23	108	3.8
37. Evidence that the activities which create products / services are well co-ordinated (no bottlenecks or barriers etc.).	5	7	21	40	26	99	3.7
30. Information on how, and how often, members of the workforce can communicate with the senior management team	5	6	24	39	25	99	3.7
40. Establishing that there are formal procedures for planning, monitoring and assessing employee performance.	5	10	22	33	29	99	3.7
28. Information on how, and how often, the senior management team communicates with the workforce.	5	7	24	40	23	99	3.6
21. Evidence of monitoring factors most likely to initiate change in the next 3 years	4	8	15	64	11	102	3.6
15. The loss of output due to absences (e.g. sickness or unauthorised non-attendance).	8	3	31	37	26	105	3.6
24. Information relating to relationships with dependent stakeholders (e.g. some customers; some suppliers).	2	7	30	46	16	101	3.6

## APPENDIX 3b

	No interest	Nice to have	Of moderate interest	Of high interest	A must	n	Score
33. Understanding whether employees are empowered to make day to day decisions on the quality and quantity of output.	5	7	26	43	18	99	3.6
27. Establishing the extent to which a business relies on co-operation with external partners (organisations or individuals) which exist independently.	5	7	31	40	19	102	3.5
20. Understanding how an organisation's strategy could influence the adaptability of the workforce (e.g. focusing on innovation or agility in the market place).	6	10	27	38	23	104	3.5
7. The knowledge and skills of the workforce (e.g. educational levels 1 - 8).	9	9	26	37	27	108	3.5
9. The number of people occupying critical roles who have successors formally identified.	5	11	28	45	20	109	3.5
16. Evidence of attempts to update the 'know-how' of employees in line with changing circumstances.	3	4	37	49	11	104	3.6
29. Information on the effectiveness of communication between business units	3	12	29	35	20	99	3.5
11. Evidence relating to levels of pay and benefits which attract / retain.	6	8	27	48	15	104	3.5
13. The number of formal grievances submitted in a year (problems or complaints raised by an employee).	5	11	29	44	16	105	3.5
39. Establishing that formally established business practices/processes have been captured (e.g. a procedures manual).	5	18	22	29	25	99	3.5

## APPENDIX 3b

	No interest	Nice to have	Of moderate interest	Of high interest	A must	n	Score
38. Establishing that there is a formal employee handbook or manual covering people management practices (e.g. recruitment; induction; grievances etc.).	5	18	25	28	23	99	3.4
32. Information on policies focussing on employee wellbeing.	6	14	30	35	14	99	3.3
22. Information on relationships with regulatory stakeholders (e.g. health & safety executive).	7	11	36	34	14	102	3.3
48. Establishing the cost of travel & entertainment.	8	13	27	36	14	98	3.3
10. The frequency of use of contingent workforce (e.g. contractors; agency; consultancy).	11	13	26	47	12	109	3.2
17. The number of vacancies filled through internal appointments (sideways moves & promotions) over the last 3 years.	6	13	42	33	9	103	3.2
25. Information relating to relationships with knowledge rich agencies (e.g. Universities) is	7	11	40	38	6	102	3.2
18. The number of vacancies filled through external appointments over the last 3 years.	5	11	52	29	6	103	3.1
49. Accessing details of investment in standards such as Investor in People / Business Excellence / Baldrige Awards.	9	16	30	33	10	98	3.1
50. Accessing results of investment in employee opinion surveys.	8	17	31	33	9	98	3.1
19. The number of times individuals have moved roles in order to gain more/different experiences over the last 3 years.	10	12	46	26	10	104	3.0

## APPENDIX 3b

	No interest	Nice to have	Of moderate interest	Of high interest	A must	n	Score
Q25. Understanding the nature and strength of communication channels between external stakeholders and employees at different levels of an organisation (e.g. supervisors; salespeople) is...	11	25	28	25	11	100	2.9
Q30. Evidence of meeting relevant regulatory requirements relating to people (e.g. working time directive) is...	14	21	30	21	14	100	2.9
31. Information on how much emphasis typically is placed on consultation / participation (as opposed to making decisions autocratically).	8	28	26	28	8	98	2.9
Q32. Understanding the thinking behind the number of organisational levels in relation to strategy is...	9	28	24	28	9	98	2.9
5. The composition of the workforce as a whole (e.g. age range; male / female ratio; ethnicity).	19	22	31	27	11	110	2.7
6. The composition of the workforce broken down by organisational roles (e.g. male / female ratio at senior management level etc.).	17	23	35	26	8	109	2.7

**Appendix 4**  
**Case Study used during**  
**Business School MBA pilot.**

THE APPROACH

A review of academic studies and approaches to assessing human capital in organisations, has identified 9 relevant factors. Some of the factors focus on human capital. Others focus on intangibles that influence the growth and retention of human capital. These are considered one at a time over the next sections. In addition, there is a section for intellectual property.

Each factor consists of a number of issues (descriptions of operations within a business or of what it is like to work in a business) and information about the issues in the form of a case study. Some of the factors focus on human capital. Others focus on intangibles that influence the growth and retention of human capital. Typically these are reviewed in the context of financial data such as:

- Cost of fixed and variable pay as a percentage of revenue
- Cost of benefits as a percentage of revenue
- Cost of training and development as a percentage of revenue
- Cost of pension contributions.

We will not be looking at the financial data, but you will be asked to make a judgement as to how well the description of an issue reflects the organisation as described. Judgement will range from 'not relevant', through 'satisfactory' to 'leading edge'.

The case study is based on a discussion carried out at Board level, but amended and edited. The organisation is described.;

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STRATEGIC INTENT		
<p>We have 20 major customers, many being abroad. We develop our products to meet to their specifications, and establish formal approvals before becoming their supplier. As such, our products are of high quality in the sense that they meet demanding customer specifications exactly. We offer excellent service in addition to our quality products and most customers have been buying from us for over 15 years.</p> <p>We are required to report annually to customers on our operations and opportunities or improvement.</p> <p>As such market influence is significant. It is our relationship with these customers on which we have based our ratings for our market strategies below.</p> <p>We also have a wide range of smaller customers who buy from us because of the characteristics of the products we create for the major customers.</p>	<p>Not like us = 0 Occasionally like us = 1 To some extent like us = 2 Describes us quite well = 3 Describes us accurately = 4</p>	
<p>Relevant documentation: Board minutes. No formal strategic plan documented</p>		
<p>Concentrating on a specific market, group of customers, product or service - a well defined niche.</p>	<p>4</p>	
<p>Emphasizing cost efficiency throughout our business - achieving cost advantage by a combination of experience and economy of scale.</p>	<p>1</p>	
<p>Offering a unique product / service which enable us to charge a high price - differentiating ourselves through product design and / or better service and / or customer relationships.</p>	<p>3</p>	
<p>Establishing a narrow product / market domain and protecting it though centralised control and / or high degrees of formalisation and / or cost efficiency.</p>	<p>0</p>	
<p>Being continuously on the lookout for new markets, products or services - emphasizing research and development, decentralisation and flexibility, less formalisation, using flexible technology.</p>	<p>1</p>	
<p>Reacting, with difficulty, to events which have been hard to anticipate</p>	<p>0</p>	

<p><b>EXTERNAL RELATIONSHIPS</b></p>	<p>Our investors are family members. We have our arguments like any family, but we have been going for over 40 years and we reckon we get on pretty well. Investment is secure.</p> <p>As explained in the last factor, we have 20 main customers, most of them have been with us for 15 years or more. We have very little 'customer churn'.</p> <p>Relationships with suppliers depends on the supplier, but in the main we have few problems - raw material quality is excellent but delivery can be variable - we have to chase sometimes. Having said that we rely on 5 main suppliers and they have been with us since the business started.</p> <p>We are really keen to maintain our excellent relationships with our local University. That is where we keep track of technical developments and keep ourselves 'ahead of the curve'. We have a Knowledge Transfer Partnership with the University.</p> <p>We seldom get any visits from the main regulatory bodies - environmental and health &amp; safety. They do not jump up and down at us. Environmental are impressed with the way we are recycling water and minimising energy use. It makes sense to us because it keeps our costs down. We have had no accidents for as long as we can remember and we manage risks (such as inhalation of fumes) through the use of masks where necessary.</p>	<p>Likely rating:                  Not relevant = 0                  Unacceptable = 1                  Improvements needed = 2                  Satisfactory = 3                  Definitely capable = 4                  Leading edge = 5</p>
<p>Relevant documentation: Customer specifications; supplier contracts; KTP documents; regulatory audits</p>	<p>Initiating / maintaining good relationships with investors / funders</p>	<p>Initiating / maintaining good relationships with key customers</p>
<p>Initiating / maintaining good relationships with suppliers</p>	<p>Initiating / maintaining good relationships with knowledge rich agencies (e.g. government departments; universities).</p>	<p>Initiating / maintaining good relationships with regulatory authorities (e.g. financial; health and safety, environmental )</p>

<b>WORKFORCE OPERATIONS</b>	
<p>Do we have a people strategy? Not really. We have an unwritten business strategy based on meeting customer requirements and making a profit. We would focus on people if we had a problem needing to be addressed. Everybody knows what they should be doing. How? Well they have all been with us for many years - most of them anyway - and they have learned on the job, supervised closely to start with. We do not have many complex jobs so formal training is minimal. We do not use a 'performance management system' Ugh.</p> <p>Our organisational structure has been the same for as long as we can remember. Board - Departmental Managers - Supervisors and the rest. Five departments: Goods Inwards &amp; Warehouse; Production; the Laboratory; Sales &amp; Distribution; Admin which includes IT.</p> <p>Yes we do document what we do - our key customers (e.g. Pratt and Whitney) insist on this. Our documentation is up to international standard ISO9000 and is regularly reviewed by customers. Business processes? Hum, well we do have one - or some - we suppose, and the documentation would reflect that. But we rely on departmental expertise plus good relationships between Supervisors.</p> <p>We have a purchasing system (Procurefix), a production system (Fishbowl) and a sales system (Capsule CRM). They should link, but we implemented them separately and so currently they do not. It would be costly to integrate them. We are thinking of purchasing an HR system, probably MyHRtoolkit.</p> <p>We quickly get to hear if something is going wrong because we are all on the same site. Our approach is probably known as 'firefighting'. We are good at that, but perhaps should be more proactive. Having said that, although we may be seen as complacent, we get regularly the product out on time and to customer requirements. Virtually no customer whingeing.</p>	<p><u>Likely rating</u>                  Not relevant = 0                  Unacceptable = 1                  Improvements needed = 2                  Satisfactory = 3                  Definitely capable = 4                  Leading edge = 5</p>
Documents: Organizational structure; ISO9000; Software installation.	
Agreeing formally who should do what, how well, and when	
Documenting processes and practices to meet standards / improve consistency of operations	
Reviewing organisation structure / processes to ensure they help (rather than hinder) people get their jobs done	
Using up to date technology to its maximum potential	
Monitoring how well individuals and/or teams are doing	
Formally reviewing operations to identify opportunities for improvement	

<p><b>WORKFORCE COMPOSITION</b></p>	
<p>We do well on headcount. 74 employees plus the 5 Board members. Sometimes we could do with an extra pair of hands, but generally we have everyone we need. We seldom use external agency staff - only once in a blue moon when really pushed.</p> <p>Our location is bang in the middle of what could be called an 'international soup'. As we recruit locally we have a pretty wide range of nationalities. Jamjacaq, Indian, Pakistani as well as UK.</p> <p>Faiths? Don't know and does not really matter. We have no culture clashes. Well maybe a few, but these are probably more to do with personalities than cultures.</p> <p>We outsource our HR and sometimes use University sources. For example we have a Knowledge Transfer student at the moment in our production department.</p> <p>We have not really thought about equal opportunity. But if we were to consider it, look what we have among our managers. OK all of our Board is white, male and middle aged - old actually. We do have a problem here. Four of the five Directors are in our mid 60s. But of our 5 managers, three are female and one is, what, Indian? Not sure. We have 5 Supervisors, all British, but two are originally from Pakistan we think.</p> <p>By the way, we also have two apprentices. Not sure of their origin.</p>	<p>Likely rating Not relevant = 0 Unacceptable = 1 Improvements needed = 2 Satisfactory = 3 Definitely capable = 4 Leading edge = 5</p>
<p>We will be able to answer these questions better if we buy MyHRtoolkit software</p>	
<p>Ensuring the correct headcount to enable the achievement of business goals at optimum cost</p>	
<p>Regulating the workforce age profile in order to avoid a 'vacancy bubble' occurring</p>	
<p>Using outsourcing (consultants / agency / actors / designers) to complement a permanent workforce</p>	
<p>Ensuring equal opportunity and associated workforce diversity (e.g. gender; marital status; race; belief; disability)</p>	

<b>WORKFORCE RELATIONSHIPS</b>	
<p>Oh yes, we invent wheels twice - or more. We make the same mistakes time and again, but they do not go out to the customer. We do not use our systems very well to record what has been done. Something we need to improve on.</p> <p>Our workforce is empowered in the sense that, if they see something going wrong, they can act to resolve it. But that is not really true empowerment because we keep a tight rein on what is going on and our supervisors are in charge of day to day operations.</p> <p>We have regular meetings with Department Managers - we call the Board and Management the 'Senior Management Team'. But there is no systematic communication top down, or indeed, bottom up. We tend to rely on informal relationships. Individual Managers use notice boards and can have departmental meetings.</p> <p>If our information technology were integrated, we would be able to communicate better between departments. But it is not, and is unlikely to be improved in the short term. We need investment. We tend to communicate internally by email currently and that seems to work OK.</p> <p>Overall we are a happy bunch, based on long term informal relationships particularly at Supervisory and Management level. If there are any grievances they are resolved locally. We have not had a formal grievance and probably would not know what to do with one. Our outsourced HR would be involved.</p>	<p><u>Likely rating</u></p> <p>Not relevant = 0                  Unacceptable = 1                  Improvements needed = 2                  Satisfactory = 3                  Definitely capable = 4                  Leading edge = 5</p>
Documentation: Senior Management Team minutes. Due to carry out an employee opinion survey in the next 6 months	
Effectively capturing and knowledge (e.g. learning from mistakes; knowing where to go for information)	
Empowering the workforce to monitor and control the quantity / quality of output (e.g. at Supervisory or first line level)	
Ensuring regular (at least quarterly) communication from the SMT to members of the workforce	
Ensuring ease of communication from members of the workforce to the SMT (e.g. Through employee representatives; union representatives; suggestion schemes; opinion surveys)	
Enabling people to use web technology to communicate and collaborate internally	
The resolution of formally submitted grievances over the last year which have reached Senior Management (i.e. those that have not been resolved informally and consequently submitted in writing)	

<p><b>WORKFORCE COMPETENCE</b></p>	<p>We have no problem with recruitment. Our HR Associate copes with this and ticks all of the legal boxes. She works with Departmental Managers. Not that we have the need to recruit much. Our turnover is low 4% compared with a manufacturing average of around 12%( which could be a problem in the long run with everyone wanting to retire at the same time!)</p> <p>Technical skills are a problem which is why we keep in contact with the University. We may not be paying enough but, for example, we have had problems recruiting an IT Manger. We have one now and he is pretty good. The critical technical expertise rests mainly at Board level and we are close to retirement. Only our IT Manager has a degree. As far as we know 0.00 of our people have high academic qualifications, but all Supervisors and Managers have relevant industry based qualifications: HNC and HND. (The British Coatings Federation and the Paint Research Association).</p> <p>Yes, people know how they contribute to business success. We hold an all company meeting every year at a local hotel. The meeting includes feedback from customers. If we have a problem everyone gets to know about it and everyone knows where it originates - that is the strength (and weakness?) of a relatively small company.</p> <p>We have a lot of people who are unwilling to keep their knowledge and skills up to date. They have been out of school a long time and may well be frightened of being taught again. Historically we have not formally trained people. Some training we have to do by law. There are opportunities, but we do not advertise them enough and we see them as costs which impact on our bottom line. Our Supervisors and Managers have been here a long time, but we have not offered specific training for them. Perhaps we should. Overall we invest about 1% of revenue in skills development. We understand that 3% to 5% is a reasonable target, but for a small company like ours, we would need to think long and hard about increasing our budget for this.</p> <p>Yes, we could have a problem with successions and deputisation. If we get more than one Manager ill at any one time, we would be in trouble. We have not formally developed deputies and should really do so. But, thinking about it, our Supervisors are highly experienced. They have been with us a long time and it would not take much to formalise them as deputies.</p>	<p>Likely rating Not relevant = 0 Unacceptable = 1 Improvements needed = Satisfactory = 3 Definitely capable = 4 Leading edge = 5</p>
<p>Documentation: Personnel files; Recruitment archives (with HR Associate); Personnel handbook; Presentations from the annual meetings.</p>	<p>Recruiting the right people for the right roles at the right time</p>	<p>Maintaining the right levels of technical expertise to enable attainment of goals</p>
<p>Ensuring people understand how they contribute to business success</p>	<p>Ensuring managers and supervisors are competent to carry out their role</p>	<p>Ensuring people have opportunities to keep their knowledge and skills up to date</p>
<p>Identifying people (internally or externally) to take over key roles in the event of resignation, retirement or ill health.</p>		

<b>WORKFORCE STABILITY</b>	Likely rating.
<p>Our workforce may be too stable! We have a lot of people who have been with us since we started the business 40 years ago - at a guess, maybe 60% of our workforce. We should really do a proper count. Why the low employee turnover? It is around 3% with virtually no turnover from Supervisor upwards.</p> <p>We do keep an eye on local pay and conditions and we pay in the top quartile for most roles. That is what we pay our HR Associate for. We also recruit locally so many of our people live close by. We like to think we are a family, and, indeed, we have fathers /mothers, sons / daughters working here. Even some grandchildren.</p> <p>We do not offer shares in the business to our Managers or other employees, but they are paid competitively and we offer a regular bonus to everyone, based on our profitability. The last year's overall bonus was equivalent to 12% of basic pay. We are not a Philip Green. We do have enough funds in our pension scheme to pay what we owe.</p> <p>We cannot offer much in the way of flexibility of hours, but we have adjusted our start times to enable those with children to take them to school. They have to make arrangements for others to do the pick up.</p> <p>Perhaps the main attraction is that we have a stable (and impressive) customer base which means we can offer predictable employment.</p> <p>Overall we have no discernible 'industrial relations' issues such as people not turning up for work or idling when at work and we would not know what to do with a strike if we had one - which we never have.</p>	<p>Not relevant = 0                  Unacceptable = 1                  Improvements needed = 2                  Satisfactory = 3                  Definitely capable = 4                  Leading edge = 5</p>
<p>Documentation: Potentially the MYHRtoolkit; Personnel handbook; pay and benefits surveys from the local Chamber of Commerce; Scottish Widows Retirement Account; Bonus calculations.</p>	
<p>Providing competitive basic pay</p>	
<p>Enabling managers to benefit from financial success of the business</p>	
<p>Ensuring enough funds to honour pension promises</p>	
<p>Providing a form of variable pay (e.g. bonuses /commission / merit awards) in order to recognise good work.</p>	
<p>Offering flexible working opportunities to people where operationally feasible (e.g. flexible start / finish; annual hours; part time work)</p>	
<p>Proactively managing levels of absenteeism (e.g. illnesses; unauthorised absences)</p>	

<p><b>WORKFORCE ADAPTABILITY</b></p>	<p>This factor could be a problem. As we have said our workforce is highly experienced; we have had manageable change over the years and many of our people are reluctant to learn new skills.</p> <p>Having said that, our customers are all asking for evidence of a 'continuous improvement' policy with associated improvement action. We have to specify what improvements we have made each year. Our people do not seem to mind this as long as we do not embarrass them. They actually have quite enjoyed making suggestions for improvements - almost like unblocking a dam. We have both thanked them for their support and implemented many of their suggestions. For example we have reduced 're-work' by 4.75% this year which has significant bottom line implications.</p> <p>However, no, we have not asked them to carry out more than one role and, as such, perhaps the workforce is not as flexible as it could be.</p> <p>Nor do we use many different types of employment contracts. We would not go down the zero hours route. Our contracts are, in the main, full time, 35 hours, permanent with overtime if necessary. We have already mentioned moving our start times to enable parents to drop off their children at school.</p> <p>Actually we have carried out significant R&amp;D in our Laboratory so that we can keep up with environmental legislation and changing customer challenges worldwide. We have developed protective and specialist coatings to meet stringent customer requirements and survive in the harshest of environments. This has involved the adaptation of some of our roles and procedures. So maybe we are more adaptable than meets the eye.</p>	<p>Likely rating Not relevant = 0 Unacceptable = 1 Improvements needed = 2 Satisfactory = 3 Definitely capable = 4 Leading edge = 5</p>
	<p>Documentation: Annual reports to customers (include continuous improvement data); suggestions from employees; example employment contract; R&amp;D audits.</p>	
	<p>Implementing a policy of continuous improvement</p>	
	<p>Exploiting opportunities (external or internal) which require new ways of working</p>	
	<p>Capturing and implementing new ideas generated by the workforce</p>	
	<p>Ensuring people can carry out more than one role to maximise flexibility (job / task rotation)</p>	
	<p>Using a range of employment contracts in addition to 'permanent full-time'</p>	
	<p>Adjusting working hours to meet demand (e.g. annualised hours / overtime / part time)</p>	



WORKFORCE RISKS	
<p>Although we have not screened recruits in the past, our HR Associate has recently insisted we do this. So yes we do. As far as we know, all of our people are UK / EU Nationals.</p> <p>Ouch! Our contracts of employment? It is ages since we looked at them apart from that of our new IT Manager. We need to do something about this.</p> <p>We have no retention or severance agreements. We do? OK, maybe for the Board Directors, but we are family. We need to review this particularly as we will need to recruit / appoint new Directors in the foreseeable future.</p> <p>We do not have collectively bargained agreements do we? No.</p> <p>We do have pension plans for our Directors and Managers, but these are fully funded.</p>	<p>How we rate: Not relevant = 0 Unacceptable = 1 Improvements needed = 2 Satisfactory = 3 Definitely capable = 4 Leading edge = 5</p>
<p>Documentation: Recruitment documents; contracts of employment; Directors' agreements; Scottish Widows documents.</p>	
<p>Contracts of employment being up to date and agreed</p>	
<p>Individual employment contracts being agreed which contain material financial obligations</p>	
<p>Retention / severance agreements which contain material financial obligations</p>	
<p>'Collectively bargained' agreements which include scheduled pay increases</p>	
<p>Defined benefit plans which guarantee specified payments on retirement.</p>	

<p><b>WORKFORCE COSTS - not provided for the purpose of this presentation</b></p>	
<p>Please supply the following data (which is usually foremost in the minds of investors). Your data will remain anonymous and commercially confidential.</p>	
<p>Your revenue over the last year (In order for me to calculate ratios such as revenue per head)</p>	
<p>Your profit / surplus over the last year</p>	
<p>Cost of fixed pay (pay that does not vary according to performance or results).</p>	
<p>Cost of variable pay (pay awards that change due to the level of performance or results, (E.g. bonuses; profit sharing).</p>	
<p>Cost of outsourcing (pay of people who are not permanent employees)</p>	
<p>Cost of benefits (e.g. Insurances; daycare; child care; company cars). Exclude pension contributions</p>	
<p>Cost of pension contributions</p>	
<p>Cost of maintaining / updating knowledge and skills (training courses; apprenticeships; coaching; attendance at conferences)</p>	

**NEXT STEPS** This page relevant to organisations participating in the research.

Thank you for offering your views on intangibles within the organisation.  
These will be kept confidential and any data used will be on an anonymous basis.  
Based on the data you have generated, you will receive a report which summarises your strengths and opportunities for improvement.

Peter Fargus PhD Researcher

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**Appendix 5**  
**Research Agreement**  
**Used during the pilot stage**

## **APPENDIX 5      Research agreement**

### **Assessment of the value of Human Capital**

Thank you for considering the possibility of participating in the proposed research.

#### **The aim**

The aim of the research is to create an approach for measuring the value of 'Human Capital' in SMEs and to establish its relevance in contributing to organisational value.

For the purpose of this research 'Human Capital' is defined as *'the combination of competencies, commitment and adaptability harnessed towards meeting organisational objectives'*.

The development and retention of Human Capital is judged to be influenced by *market conditions; external relationships; organisation infrastructure and internal relationships*.

#### **Benefit to Small to Medium Enterprises**

The approach provides the opportunity to review and pinpoint those intangibles within a business that Investors may value – and may not consider unless presented with the information.

The approach can be used by a minimum of two people: someone responsible for the day to day operations and a financial executive.

However, it can also offer an opportunity for a full senior management team to discuss aspects of business that they may seldom have the chance to address.

In both cases the discussion is facilitated by the Researcher, Peter Fargus.

#### **Benefit to investors**

The approach, once developed and validated, will help Investors to assess the value of Human Capital within target organisations in the context of, for example, Applications for Funding; Initial Public Offerings, Mergers and Acquisitions. Currently there is no way known to the Researcher of doing this in the context of SMEs which is accepted as both valid and reliable.

(There are numerous approaches aimed primarily at larger organisations, but these can take a significant amount of time and resources to implement).

On completion of the research it is envisaged that the approach will be made available on a commercial basis to:

- Those in carrying out business analysis / due diligence
- SMEs that would like to audit their levels of Human Capital.

## **Commercial confidentiality.**

Information obtained during the research will remain confidential. The only people who will have access to research information are the Researcher, Peter Fargus, and two Supervisors from Birmingham City University, Professor John Sparrow and Dr. Martyn Brown.

Peter Fargus is a Fellow of the Institute of Consulting which specifies that consultants should work:

*'In the interests of clients... (and) other stakeholders in properly understanding their interests and respond to them in a balanced manner; safeguarding all confidential and/or proprietary information that comes into the consultant's possession and safeguarding the client's reputation and assets'.*

Your involvement in the research will remain anonymous unless you request acknowledgement in subsequent reports / articles.

## **Investor involvement**

Interested Investors will be involved in the following activities:

- Initial interviews to establish the aspects of 'Human Capital' which would be of interest if the information generated were to be considered as relevant, valid and reliable.
- Participation in a survey which aims to rank the information in terms of levels of interest to Investors. That is, the weight Investors would place on individual pieces of information when assessing the value of a business.

The output from this part of the research will be combined with the output from consultation with SMEs and Human Resource subject experts. The combined output will be used to create an approach aimed at assessing the value of Human Capital within SMEs.

- After this there will be an option for interested Investors to trial the approach.

## **The involvement of SMEs**

- Directors / Senior Managers will be asked for their view on key components of Human Capital which they believe impacts on organisational value;
- Management teams will be asked to use the approach for purposes of self-assessment plus comment on its content and ease of use. If permission is granted by the team, self-assessments will be recorded for future analysis. Recordings will subsequently be erased or returned to the management team.

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SME involvement is requested in order to ensure the resulting approach is:

- Relevant to organisations in their industry;
- Comprehensive enough to enable a valid representation of 'Human Capital' within their organisation and industry;
- Able to be completed within 4-5 hours (excluding pre-work on headcount numbers, demographic mix and employee qualifications which can be carried out by an Administrator with or without the Researcher's help).

## **Potential downside of your participation.**

It is not envisaged that there will be any downside to your participation other than increased workload when offering opinions on the components of 'Human Capital' and trialling the resulting approach. If the resulting workload becomes too heavy you have the right to withdraw – see below.

## **The right to withdraw from the research**

You will have the right to withdraw, without stating your reason, at any time during the research process.

## **Ownership of data and Intellectual property**

Data collected and Intellectual Property rights are claimed by Peter Fargus.

## **Likely timescale**

Stages in the research include:

- A search of relevant literature – done;
- Establishing the likely components of 'Human Capital' – done;
- Consulting interested Investors – in progress;
- Consulting Small to Medium Enterprises – in progress;
- Creating the proposed approach – in draft form;
- Testing the approach – ensuring perceived relevance, validity and reliability;
- Implementing the approach.

Testing will take place in Q1/Q2 2016 with implementation planned for Q4 2016.

## **Changes to the research project**

In recognition of the potential changes in circumstances of both Researcher and interested parties, the Researcher reserves the right to vary any of the above. Participants will be consulted before any changes are made.



## APPENDIX 5

### Next Steps

For more information please contact Peter Fergus:

Email: [peter.fergus@mail.bcu.ac.uk](mailto:peter.fergus@mail.bcu.ac.uk)

Address:

c/o Jill Middleton, The Business Engagement Team, Birmingham City University,  
Room C506, Curzon Building, 4 Cardigan Street, Birmingham B4 7BD

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**Appendix 6a**  
**The Final Instrument**

# APPENDIX 6a

## **THE FINAL INSTRUMENT**

This Appendix demonstrates the finalised instrument: its introduction / instructions; the factors and associated items; the scales; scoring and comparison data. One of the pilot SMEs has been taken as an example, but the ratings have been changed in order to maintain its confidentiality.

### **6.1 TITLE**

Our Human Capital Account

### **6.2 INTRODUCTION / INSTRUCTIONS**

'Our Human Capital Account' aims to generate discussion about the way people are managed in your organisation and the level of influence management practices have on the quality of your workforce in the context of reaching your business objectives. The Review should be carried out by your Board and / or Senior Management Team.

#### **6.1.1 PREPARATION**

Although it is feasible for a Board or Senior Management Team to progress through the Review without any previous research into your practices and their outcomes, the Review takes less time and generates more defensible results if, as individuals, you have previously considered the following:

- \* The characteristics of the market(s) in which your business competes;
- \* Your business's goals;
- \* Your important external relationships such as partnerships, suppliers and customers
- \* The way in which your organisation is structured and operated;
- \* The composition of your workforce (gender balance; age profile etc);

## APPENDIX 6a

- \* How members of your workforce are expected to relate to each other (commonly called 'culture');
- \* Your views on workforce know-how and on what they are based;
- \* Your views on workforce stability (employee turnover; grievances etc) and on what they are based;
- \* Your views on workforce adaptability and on what they are based;
- \* Any workforce risks relating to employment issues.

It would also speed up your discussion if you had collected any documentation associated with the topics that may be available. The documentation could be Board minutes; Management Team minutes; policy documents etc. This initial research should include data which will enable you to answer some of the issues more accurately. These data can include:

- \* Any data you have on workforce diversity
- \* The number of formally submitted grievances in the past year (those not resolved informally)
- \* The number of days lost through unauthorised absences and / or employee unrest
- \* Your revenue over the last year (In order for revenue per head to be calculated)
- \* Your profit / surplus over the last year (in order for % of profit invested in a workforce to be calculated)
- \* Cost of fixed pay (pay that does not vary according to performance or results).
- \* Cost of variable pay (pay awards that change due to the level of performance or results (e.g. bonuses; profit sharing).
- \* Cost of outsourcing (pay for people who are not permanent employees)
- \* Cost of benefits (e.g. Insurances; day-care; child care; company cars).  
Exclude pension contributions
- \* Cost of pension contributions
- \* Cost of maintaining / updating knowledge and skills (training courses; apprenticeships; coaching; attendance at conferences).

## **APPENDIX 6a**

Experience in other SMEs suggests that, typically, this data can be assembled in a day from databases you already have. If you have an integrated one (for example a Human Resources Information System) it will take much less time.

### **6.1.2 CARRYING OUT YOUR REVIEW**

The Review focuses on 12 factors relating to the quality of your workforce. Some focus on the range of people in your workforce. Others focus on issues that influence the retention and development of your workforce. In addition there is an opportunity to review some of the workforce issues that are of specific interest to those carrying out due diligence including workforce costs.

Each factor consists of a number of items (typically descriptions of how you operate or of what it is like to work in your organisation).

For each item you will need to make a judgement as to how well the description reflects the 'state of play' your organisation. This will range from 'not relevant', through 'satisfactory' to 'leading edge'.

As well as making judgements, some issues require numerical answers. An example would be levels of employee turnover. You should have researched these numbers before you start the Review.

Once you have completed your Review, a Report will be generated which provides a summary of your judgements and compares these with a database of judgements made by 100+ Investors and Executives from 200+ medium sized enterprises.

## 6.1.3 ABOUT YOU AS ASSESSORS

Please indicate who is involved in carrying out this assessment (tick all that apply):

Board Level Executives	
Senior Management Team (reporting in to the Board)	
The Human Resource Department	

## 6.1.4 ABOUT YOUR BUSINESS

The research associated with this Account is based on medium sized enterprises with headcounts of 50 – 249. You are welcome to complete the Account if your headcount lies outside of this range, but it is the data from this research to which your results will be compared.

### 6.1.4.1 Headcount

How many people are employed in your business (including full time equivalents)?

Up to 49 people	
50 – 250 people	
251 - 3000 people	
3001+ people	

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## 6.1.4.2 The Industry(ies) in which you operate

In which industry (ies) do you operate? (Tick all that apply)

Agriculture, forestry and fishing	
Mining and quarrying	
Manufacturing	
Electricity, gas, steam and air conditioning supply	
Water supply; sewerage, waste management and remediation activities	
Construction	
Wholesale and retail trade	
Transportation and storage	
Accommodation and food service activities	
Information and communication	
Financial and insurance activities	
Real estate activities	
Professional, scientific and technical activities	
Administrative and support service activities	
Public administration and defence; compulsory social security	
Education	
Human health and social work activities	
Arts, entertainment and recreation	
Other service activities	
Other – please specify	



## 6.1.4.3 How you compete in the market(s)

How You Compete in Your Markets	
<p>To place your organisation in context, first consider the way you compete in your markets. Business strategy - formal or informal - can impact on the nature of an organisation, the sort of people who enjoy working there, and levels of employee turnover. Consider the descriptors below and then allocate ratings according to how well they describe your business.</p> <p>Look through all of the descriptors before allocating ratings</p>	<p>Not like us = 0  Occasionally like us = 1  To some extent like us = 2  Describes us quite well= 3  Describes us accurately = 4  We are industry leaders= 5</p>
<p>Concentrating on a specific market, group of customers, product or service - a well defined niche.</p>	
<p>Emphasizing cost efficiency throughout our business - a low cost producer. Achieving cost advantage by a combination of experience and economy of scale.</p>	
<p>Offering a unique product / service which enable us to charge a high price. Differentiating ourselves through product design and / or better service and / or customer relationships</p>	
<p>Establishing a narrow product / market domain and protecting it though centralised control and / or high degrees of formalisation and / or cost efficiency.</p>	
<p>Being continuously on the lookout for new markets, products or services. Emphasizing research and development, decentralisation and flexibility, less formalisation, using flexible technology.</p>	
<p>Please list any documents that would support your ratings.</p>	

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## 6.1.5 EXTERNAL RELATIONSHIPS

<b>External Relationships</b>	
<p>The success of a business can depend on how effective it is at managing external relationships. These include relationships with shareholders / funders, suppliers, customers, partners and other stakeholders.</p> <p>Please rate how you judge your relationships to be.</p>	<p>Reach consensus on how you rate:</p> <p>Irrelevant = 0            Unacceptable = 1            Poor = 2            Satisfactory = 3            Highly capable = 4            Leading edge = 5</p>
Initiating / maintaining good relationships with investors / funders	
Initiating / maintaining good relationships with key customers	
Initiating / maintaining good relationships with suppliers	
Initiating / maintaining good relationships with business partners (e.g. outsourcing partners)	
Initiating / maintaining good relationships with knowledge rich agencies (e.g. government departments; universities).	
Initiating / maintaining good relationships with regulatory authorities (e.g. financial; health and safety)	
Other important external relationships (please specify)	
Please list any documents that would support your ratings:	

## 6.1.6. WORKFORCE COMPOSITION

<b>Workforce composition</b>	
<p>The composition of a workforce can be important because of, for example, an aging population with associated 'retirement bubble'; an excessive use of contingent staff (Agency / Consultancy etc) or an aim to balance gender or racial mix.</p> <p>Please assess how well your organisation's composition reflects these descriptors.</p>	<p>Reach consensus on how you rate:</p> <p>Irrelevant = 0            Unacceptable = 1            Poor = 2            Satisfactory = 3            Highly capable = 4            Leading edge = 5</p>
Ensuring the correct headcount to enable the achievement of business goals at optimum cost	
Regulating the workforce age profile in order to avoid a 'vacancy bubble' occurring	
Ensuring equal opportunity and associated workforce diversity (e.g. gender; marital status; race; belief; disability)	
Other important composition issues (please specify)	
Please list any documents that would support your ratings	

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## 6.1.7. WORKFORCE INTEGRATION

<p><b>Workforce Integration</b></p>	
<p>The way an organisation is structured and operated is sometimes based on historical developments and sometimes purposefully aligned to relate to business strategy. For each of the descriptors below judge their contribution to the achievement of your financial goals.</p> <p>Next rate how accurately each descriptor reflects your organisation.</p>	<p>Reach consensus on how you rate:</p> <p>Irrelevant = 0          Unacceptable = 1          Poor = 2          Satisfactory = 3          Highly capable = 4          Leading edge = 5</p>
<p>Deliberately including issues of organisation and people as part of a (formal / informal) business strategy</p>	
<p>Documenting processes and practices to meet standards / improve consistency of operations</p>	
<p>Ensuring business processes run smoothly between different organisational units (e.g. minimal bottlenecks or unresolved conflicts)</p>	
<p>Reviewing organisation structure / processes to ensure they help (rather than hinder) people get their jobs done</p>	
<p>Agreeing formally who should do what, how well, and when</p>	
<p>Using up to date technology to its maximum potential</p>	
<p>Other important integration practices (please specify)</p>	
<p>Please list any documents that would support your ratings</p>	

## 6.1.8 WORKFORCE KNOW-HOW

<b>Workforce Know-How</b>	
<p>Know how is defined as the knowledge and skill needed to perform effectively at work.</p> <p>Please rate how accurately each descriptor reflects your organisation..</p>	<p>Reach consensus on how you rate:</p> <p>Irrelevant = 0            Unacceptable = 1            Poor = 2            Satisfactory = 3            Highly capable = 4            Leading edge = 5</p>
Recruiting the right people for the right roles at the right time	
Maintaining the right levels of technical expertise to enable attainment of goals	
Ensuring managers and supervisors are competent to carry out their role	
Ensuring people have opportunities to keep their knowledge and skills up to date	
Identifying people (internally or externally) to take over key roles in the event of resignation, retirement or ill health.	
Other important practices which maintain / improve know-how (please specify)	
Please list any documents that would support your ratings	

# APPENDIX 6a

## 6.1.9 WORKFORCE EXPERIENCE

<b>Workforce Experience</b>	
Please specify the average number of years relevant experience there are at each of the levels below:	
Board level	
Managers and Supervisors	
Technical Specialists	
Other members of your workforce	
Please list any documents that would support your ratings	

## 6.1.10 WORKFORCE STABILITY

<b>Workforce Stability</b>	
Workforce stability is defined as minimal or no experience of situations within an organisation which cause disruption to operations.	
The number of formally submitted grievances over the last year	
Specify your percentage level of employee turnover over the past year	Indicate below
Managers and Supervisors	
Technical Specialists	
Other members of your workforce	
Specify the number of working days lost per employee through illness, accidents and unauthorised absence over the last year.	
Specify the number of working days lost due to disputes over the last year	
Other issues which influence workforce stability (please specify)	
Please list any documents that would support your ratings	

# APPENDIX 6a

## 6.1.11 WORKFORCE RELATIONSHIPS

<b>INTERNAL RELATIONSHIPS</b>	
<p>The nature of internal relationships varies between different organisations. These relationships go some way to determining the 'culture' experienced by individuals within a workforce.</p> <p>Please assess how well your organisation reflects each descriptor.</p>	<p>Reach consensus on how you rate:</p> <p>Irrelevant = 0            Unacceptable = 1            Poor = 2            Satisfactory = 3            Highly capable = 4            Leading edge = 5</p>
Appointing someone in the Senior Management Team who is formally responsible for initiating discussion on people and organisation	
Effectively capturing and knowledge (e.g. learning from mistakes; knowing where to go for information)	
Empowering the workforce to monitor and control the quantity / quality of output (e.g. at Supervisory or first line level)	
Managing conflict in order to encourage mutually beneficial results (win - win)	
Ensuring regular (at least quarterly) communication from the SMT to members of the workforce	
Ensuring ease of communication from members of the workforce to the SMT (e.g. Through employee representatives; union representatives; suggestion schemes; opinion surveys)	
Other important aspects relating to workforce relationships (please specify)	
Please list any documents that would support your ratings	



## 6.1.12 WORKFORCE IMPETUS

WORKFORCE IMPETUS	
<p>Impetus is defined as 'extent of willingness to work towards meeting organisational goals'.</p> <p>Please rate how accurately each descriptor reflects your organisation.</p>	<p>Reach consensus on how you rate:</p> <p>Irrelevant = 0            Unacceptable = 1            Poor = 2            Satisfactory = 3            Highly capable = 4            Leading edge = 5</p>
<p>Ensuring pay and benefits are competitive when compared to other organisations our people could work for</p>	
<p>Offering Managers the opportunity to benefit from the financial success of your business</p>	
<p>Offering other members of the workforce the opportunity to benefit from the financial success of your business</p>	
<p>Providing non - financial reward / acknowledgement for good work</p>	
<p>Providing a form of variable pay (e.g. bonuses /commission / merit awards) in order to recognise good work.</p>	
<p>Offering flexible working opportunities to people where operationally feasible (e.g. flexible start / finish; annual hours; part time work)</p>	
<p>Other practices which influence workforce impetus (please specify)</p>	
<p>Please list any documents that would support your ratings</p>	

# APPENDIX 6a

## 6.1.13 WORKFORCE ADAPTABILITY

<b>WORKFORCE ADAPTABILITY</b>	
<p>As a result of turbulent markets and changing requirements of customers, most organisations need to be more agile. With organisational agility comes a need for individuals within a workforce to adapt. In this context, workforce adaptability is defined as: 'willingness and ability to learn new competencies in order to perform under first time, difficult / different conditions'.</p> <p>Please make a judgement about how each issue reflects your business.</p>	<p>Irrelevant = 0            Unacceptable = 1            Poor = 2            Satisfactory = 3            Highly capable = 4            Leading edge = 5</p>
Implementing a policy of continuous improvement	
Changing procedures / roles as a result of changed circumstances	
Exploiting opportunities (external or internal) which require new ways of working	
Capturing and implementing new ideas generated by the workforce	
Ensuring people can carry out more than one role to maximise flexibility (job / task rotation)	
Using a range of employment contracts in addition to 'permanent full-time'	
Adjusting working hours to meet demand (e.g. annualised hours / overtime / part time)	
Adapting to new products and procedures as a result of research and development	
Other practices which influence workforce adaptability (please specify)	
Please list the main changes over the last 3 years that have significantly influenced the way your people work	
Please list any documents that would support your ratings	

# APPENDIX 6a

## 6.1.14 WORKFORCE RISKS

<b>WORKFORCE RISKS</b>	
Investors / Analysts will investigate any risks to your business, existing as a result of ongoing employment issues. Identify any risks you know of by rating the issues below. These issues are those commonly found in due diligence checklists.	Irrelevant = 0 Unacceptable = 1 Poor = 2 Satisfactory = 3 Highly capable = 4 Leading edge = 5
Screening employees for 'right to work' in the EU / UK	
Contracts of employment being up to date and agreed	
Service agreements for directors / senior employees being up to date and agreed	
Individual employment contracts being agreed which contain material financial obligations	
Retention / severance agreements which contain material financial obligations	
'Collectively bargained' agreements which include scheduled pay increases	
Ensuring enough funds to honour pension promises	
Defined benefit plans which guarantee specified payments on retirement.	
Formal grievances which have not been resolved	
Please list any documents that would support your ratings	

# APPENDIX 6

## 6.1.15 WORKFORCE INVESTMENTS

<b>Workforce Investments</b>	
Please supply the following data (which is usually foremost in the minds of Investors). Your data will remain anonymous and commercially confidential.	
Your revenue over the last year (In order for ratios such as revenue per head to be calculated)	
Your profit / surplus over the last year (in order for the percentage of profit that is invested in your workforce to be calculated)	
Cost of fixed pay (pay that does not vary according to performance or results).	
Cost of variable pay (pay awards that change due to the level of performance or results. (E.g. bonuses; profit sharing).	
Cost of outsourcing (pay of people who are not permanent employees)	
Cost of benefits (e.g. Insurances; day-care; child care; company cars). Exclude pension contributions	
Cost of pension contributions	
Cost of maintaining / updating knowledge and skills (training courses; apprenticeships; coaching; attendance at conferences)	
Please list any documents that would support your ratings	

# APPENDIX 6a

## 6.1.16 NEXT STEPS

### NEXT STEPS

Your judgements will be consolidated and compared with those generated by 100+ investors and 200+ medium sized enterprises. You will receive your report with x days.

You can contact the designer of Our Human Capital Account as follows:

XXXXXXXXXXXXXXXXXX

XXXXXXXXXXXXX

XXXXXXXXXXXXXXXXXX

XXXXXXXXXXXXXXXXXX

Phone: XXXXXXXXXXXXXXX

Email: XXXXXXXXXXXXXXX

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**Appendix 6b**  
**Executive Survey Results**  
**Ranked**

## APPENDIX 6b

## Executive survey results (ranked)

	<b>n</b>	<b>Range</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>
21d. Ensuring equal opportunity and associated workforce diversity	206	4.00	1.00	5.00	4.02
20d. Documenting business processes and practices to improve consistency of operations between units.	206	4.00	1.00	5.00	3.97
24b. Maintaining the right levels of technical expertise to enable the attainment of business goals	206	4.00	1.00	5.00	3.97
20e. Ensuring main business processes run smoothly between different organisational units	206	4.00	1.00	5.00	3.96
20g. Regularly reviewing operations to identify opportunities for improvement.	206	4.00	1.00	5.00	3.96
24a. Recruiting the right people for the right roles at the right time.	206	4.00	1.00	5.00	3.95
27c. Ensuring regular (at least quarterly) communication from the senior management team to members of your workforce	206	4.00	1.00	5.00	3.95
27e. Managing conflict between business units in order to encourage mutually beneficial results	206	4.00	1.00	5.00	3.93
20c. Agreeing formally who should do what, how well and when.	206	4.00	1.00	5.00	3.93
24c. Ensuring supervisors and managers are well trained.	206	3.00	2.00	5.00	3.93
24d. Ensuring all members of the workforce have opportunities to update their knowledge and skills	206	4.00	1.00	5.00	3.93
27d. Ensuring ease of communication to the senior management team from members of your workforce	206	4.00	1.00	5.00	3.92
29h. Providing flexible working opportunities for employees to help retain talent	206	4.00	1.00	5.00	3.90
20b. Ensuring your organisation structure facilitates the effective use of people	206	4.00	1.00	5.00	3.89
20f. Using up to date technology to its maximum potential.	206	4.00	1.00	5.00	3.89
21a. Ensuring the correct headcount which enables business goals to be achieved at optimum cost.	206	4.00	1.00	5.00	3.88
33c. Members of your workforce being able to carry out more than one role.	206	3.00	2.00	5.00	3.87



## Executive survey results (ranked)

## APPENDIX 6b

	n	Range	Min	Max	Mean
24e. Identifying people (internally or externally) to take over key roles in the event of resignation, retirement, ill-health etc.	206	3.00	2.00	5.00	3.87
22a. Percentage of your workforce with degree level / professional qualifications or equivalent.	206	4.00	1.00	5.00	3.87
27a. Effectively capturing and sharing knowledge	206	3.00	2.00	5.00	3.87
27f. Enabling people to use web technology to communicate and collaborate internally.	206	4.00	1.00	5.00	3.86
29a. Appointing someone in the senior management team who is responsible for initiating discussion on people and organisation	206	4.00	1.00	5.00	3.84
9. Initiating / maintaining good relationships with key customers	206	4.00	1.00	5.00	3.84
29b. Ensuring competitive pay ranges and benefits compared to other organisations	206	4.00	1.00	5.00	3.83
13. Initiating / maintaining good relationships with regulatory authorities	206	4.00	1.00	5.00	3.83
27b. Empowering the workforce to monitor and control output quantity and quality	206	4.00	1.00	5.00	3.83
21b. Regulating the workforce age profile in order to avoid a 'vacancy bubble' occurring.	206	4.00	1.00	5.00	3.81
20a. Including issues of people and organisation as part of a (formal or informal) business strategy.	206	4.00	1.00	5.00	3.81
33e. Capturing and implementing new ideas coming from members of your workforce.	206	4.00	1.00	5.00	3.79
10. Initiating / maintaining good relationships with suppliers	206	4.00	1.00	5.00	3.76
11. Initiating / maintaining good relationships with business partners	206	4.00	1.00	5.00	3.76
29g. Ensuring enough funds to honour pension promises	206	4.00	1.00	5.00	3.70
33a. Members of your workforce working under a policy and expectation of continuous improvement	206	4.00	1.00	5.00	3.70
33d. Members of your workforce regularly changing ways of working due to adoption of (internal or external) opportunities.	206	4.00	1.00	5.00	3.67
33b. Members of your workforce adapting to new procedures as a result of changed circumstances.	206	4.00	1.00	5.00	3.67

## APPENDIX 6b

## Executive survey results (ranked)

	n	Range	Min	Max	Mean
29d. Ensuring non - managerial members of the workforce benefit from the financial performance of your business	206	4.00	1.00	5.00	3.66
12. Initiating / maintaining good relationships with knowledge rich agencies	206	4.00	1.00	5.00	3.66
33f. Using a range of employment contracts to facilitate flexibility	206	4.00	1.00	5.00	3.65
29f. Paying non-managerial members of the workforce who achieve results more than those who do not	206	4.00	1.00	5.00	3.64
29e. Paying Managers who achieve results more than those who do not	206	4.00	1.00	5.00	3.63
29c. Ensuring Managers benefit from the financial performance of your business	206	4.00	1.00	5.00	3.62
8. Initiating / maintaining good relationships with investors / funders	206	4.00	1.00	5.00	3.61
21c. Using outsourcing (e.g. Agency / Consultants) to complement a permanent workforce	206	4.00	1.00	5.00	3.51
25b. Specify the average number of years service: Managers / Supervisors	206	4.00	1.00	5.00	3.46
25a. Specify the average number of years service: Board level	206	4.00	1.00	5.00	3.46
33g. Outsourcing - transferring work to external suppliers instead of doing it in house.	206	4.00	1.00	5.00	3.37
32. Have you experienced working days lost due to disputes over the last year	206	4.00	1.00	5.00	3.32
25c. Specify the average number of years service: Technical specialists	206	4.00	1.00	5.00	3.30
25d. Specify the average number of years service: Other members of your workforce	206	4.00	1.00	5.00	3.23
6a. Concentrating on a specific market, group of customers, product or service - a well defined niche.	206	3.00	1.00	4.00	3.19
7. Ensuring our products / services are protected legally (e.g. by copyright; patents; trademarks etc).	206	3.00	1.00	4.00	3.18
6e. Being continuously on the lookout for new markets, products or services - emphasizing research, development, decentralisation, flexibility.	206	3.00	1.00	4.00	3.13
6b. Emphasizing cost efficiency throughout our business - a low cost producer though a combination of experience and economy of scale.	206	4.00	0.00	4.00	3.00

## Executive survey results (ranked)

## APPENDIX 6b

	<b>n</b>	<b>Range</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>
6c. Offering a unique product / service enabling us to charge a high price - differentiation through product design / better service / customer relationships.	206	4.00	1.00	4.00	2.96
31. Specify the absenteeism rate (through illness, accidents, and unauthorised absence) over the last year.	206	4.00	1.00	5.00	2.89
30b Specify the level of turnover last year: Technical Specialists	206	4.00	1.00	5.00	2.88
30a. Specify the level of turnover last year: Managers / Supervisors	206	4.00	1.00	5.00	2.86
6d. Establishing a narrow product / market domain and protecting it through centralised control / high degrees of formalisation / cost efficiency	206	4.00	1.00	4.00	2.85
28. Specify the number of formally submitted grievances over the last year.	206	4.00	1.00	5.00	2.84
30c. Specify the level of turnover last year: Other members of your workforce	206	4.00	1.00	5.00	2.77

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**APPENDIX 7**  
**Criterion Validity**

# APPENDIX 7

	<b>EFQM Business Excellence</b>	<b>Human Capital Monitor</b>	<b>Investor in People</b>
<p><b>Factor 1 Strategic agility. The range of strategies used in order to compete in an organisation's chosen markets. Well defined niche; cost efficiency; unique differentiating product / service; centralised control and high formalisation; Research, development and flexibility.</b></p>	<ul style="list-style-type: none"> <li>* How leaders meet customers, and meet, understand and respond to needs;</li> <li>* How policy and strategy relate to stakeholders including customers and competitors;</li> <li>* How policy and strategy reflects the impact of new technologies;</li> <li>* How policy and strategy identifies future competitive advantages.</li> </ul>	<p>Not integrated into the Monitor, but commentary includes:</p> <ul style="list-style-type: none"> <li>* An organization dedicated to future value growth is one that places a premium on innovation, flexibility, responsiveness, ... and adaptability to change.</li> </ul>	<ul style="list-style-type: none"> <li>* Leaders are aware of future challenges for the organisation;</li> <li>* Leaders partner with stakeholders to respond to challenges</li> </ul>

# APPENDIX 7

	EFQM Business Excellence	Human Capital Monitor	Investor in People
<p><b>Factor 2: External Relations. The management of relationships with key external stakeholders. Investors / funders; customers; suppliers; partners; knowledge rich agencies; regulatory authorities.</b></p>	<ul style="list-style-type: none"> <li>* How the behaviour and actions of Leaders recognise stakeholders outside of the organization (e.g. Customers, suppliers, universities);</li> <li>* How the organisation manages relationships with suppliers and resolves interface issues;</li> <li>* How the organisation conserves non renewable resources;</li> <li>* The organisation's relationship with authorities</li> <li>* How the organisation manages its impact on the community</li> <li>* How the organisation achieves customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>* Know - who</li> <li>* Delivery of shareholder value</li> <li>* Stakeholder map in a commercial organisation: owners / shareholders; government; communities; suppliers; customers; managers / employees; senior managers (Mayo, 2012)</li> </ul>	<ul style="list-style-type: none"> <li>* Leaders have a clear understanding of the external environment and its impact on the organization</li> <li>* People understand the relationship between the organisation and the wider community.</li> <li>* The organisation has a positive impact on the communities and markets it serves</li> </ul>

# APPENDIX 7

	EFQM Business Excellence	Human Capital Monitor	Investor in People
<p><b>Factor 3: Integration. The way an organisation is structured and operated. A strategic issue; documenting processes and standards; managing business processes; agreeing who should do what, how well and when; using up to date technology.</b></p>	<ul style="list-style-type: none"> <li>* How Leaders define priorities;</li> <li>* How the organisation defines and manages key processes;</li> <li>* How the organization applies standards / procedures;</li> <li>* How individual and team objectives are reviewed;</li> <li>* How the organisation exploits existing and emerging technology.</li> <li>* How individual and team objectives are reviewed</li> <li>* How the organisation exploits existing and emerging technology.</li> </ul>	<ul style="list-style-type: none"> <li>* Culture - the systems, processes and behavioural expectations that build up over time (e.g. Reward structure; standardized processes)</li> <li>* Value conversion - equipment, processes, systems. (Mayo 2012)</li> </ul>	<ul style="list-style-type: none"> <li>* The organization is structured to deliver the organization's ambition.</li> <li>* People know what is expected of them.</li> <li>* Individual and team targets are aligned to organization objectives</li> <li>* Managers invest time in managing performance.</li> </ul>



# APPENDIX 7

	EFQM Business Excellence	Human Capital Monitor	Investor in People
<p><b>Factor 4: Workforce investments and returns. Investment in training and development; investment in rewards; linkage to revenue</b></p>	<ul style="list-style-type: none"> <li>* How financial resources are managed</li> <li>* Overall levels of training and development</li> <li>* Expressing profit / loss; balance sheet items etc as a ratio per person employed</li> </ul>	<ul style="list-style-type: none"> <li>* Human Capital investment plan</li> <li>* Levels of investment in training and development</li> <li>* Employment cost (base salary + benefits + employer taxes)</li> <li>* Contribution to stakeholder value - non financial and / or financial</li> <li>* Growing human assets</li> </ul>	<p>* A study by Investors in People and economic research consultancy TBR has found a performance premium of up to 11 per cent for companies focusing on better people management. Small firms (less than 50 employees) and large firms (greater than 250) could see £33bn and £32bn respectively, by closing this people management gap.</p>

# APPENDIX 7

	EFQM Business Excellence	Human Capital Monitor	Investor in People
<p><b>Factor 5: Composition.</b>  <b>The number and diversity of people in an organisation</b></p>	<p>* Equal opportunity practices</p>	<p>* Headcount is the simplest measure of people - but human contribution is not confined to permanent payroll.            * People budgers are frequently set as number of heads (imperfect as an approach)            * Non - employees as service providers - suppliers of temporary human capital</p>	<p>* The organisation has the right people at the right time in the right roles            * The workforce is diverse and reflects the communities and markets the organisation serves.</p>

# APPENDIX 7

	EFQM Business Excellence	Human Capital Monitor	Investor in People
<p><b>Factor 6: Know How.</b>  <b>The knowledge and skill needed to perform effectively at work</b></p>	<ul style="list-style-type: none"> <li>* How recruitment and career development is managed</li> <li>* How training is planned and reviewed</li> <li>* How people are developed through work experience</li> <li>* How well continuous learning is promoted</li> </ul>	<ul style="list-style-type: none"> <li>* Acquiring new human assets</li> <li>* Capability - the cumulative skills, knowledge, experience and useful networks</li> <li>* Six components of capability: personal behaviours; business and professional know-how; network of contacts; qualifications (and experience)</li> <li>* Managing continuity (succession planning)</li> </ul>	<ul style="list-style-type: none"> <li>* People's capabilities are actively managed and developed.</li> <li>* Succession planning ensures critical roles are filled.</li> </ul>

# APPENDIX 7

	<b>EFQM Business Excellence</b>	<b>Human Capital Monitor</b>	<b>Investor in People</b>
<p><b>Factor 7 Internal Relationships: the 'culture' experienced by a workforce. Representation; communication; empowerment; knowledge management; interface management.</b></p>	<ul style="list-style-type: none"> <li>* How Leaders develop clear values and expectations for the organization</li> <li>* How Leaders make themselves accessible, listen and respond to their people</li> <li>* How people are involved and empowered</li> <li>* How people within an organization have effective dialogue - up, down and lateral.</li> <li>* How the organization manages information</li> <li>* How the organisation resolves internal interface issues</li> </ul>	<ul style="list-style-type: none"> <li>* Climate - local influences that co-exist</li> <li>* Degrees of freedom</li> <li>* Effectiveness of communication</li> <li>* Characteristics of working groups</li> <li>* Amount of trust</li> <li>* Learning environment / knowledge management</li> </ul>	<ul style="list-style-type: none"> <li>* People act in line with organisational values. *</li> <li>Leaders ensure there is a consistent level of trust at all levels of the organization</li> <li>* People have confidence in the leadership and management capabilities within the organization</li> <li>* People feel empowered to make decisions and act on them</li> <li>* Roles are designed to create interesting work and encourage collaboration.</li> </ul>

# APPENDIX 7

	EFQM Business Excellence	Human Capital Monitor	Investor in People
<p><b>Factor 8. Experience.</b>  <b>The number of years relevant experience offered by managers and supervisors; technical specialists and other members of a workforce</b></p>	<ul style="list-style-type: none"> <li>* Organizations care for, communicate, reward and recognise, in a way that builds commitment</li> <li>* Excellent organisations meet or exceed the needs and expectations of their people.</li> </ul>	<ul style="list-style-type: none"> <li>* Experience as a component of capability</li> <li>* Time spent in a certain field</li> <li>* Having been in certain kinds of organization</li> <li>* Having had certain responsibilities</li> <li>* Having been in particular situations</li> </ul>	<ul style="list-style-type: none"> <li>* Levels of experience not specifically mentioned, but IIP factors are aimed at increasing employee engagement</li> </ul>

# APPENDIX 7

	EFQM Business Excellence	Human Capital Monitor	Investor in People
<p><b>Factor 9 Stability.</b>  <b>Management of situations within an organization which could cause disruption to operations.</b></p>	<ul style="list-style-type: none"> <li>* How the organisation manages absenteeism and sickness</li> <li>* How the organisation manages employee turnover</li> <li>* The experience the organisation has of grievances and strikes</li> <li>* Levels of accidents</li> </ul>	<ul style="list-style-type: none"> <li>* Retaining human assets</li> <li>* Attrition percentages</li> <li>* Absenteeism levels</li> <li>* The average time people have been with a particular leader by choice.</li> </ul>	<ul style="list-style-type: none"> <li>* People believe the organisation is a great place to work and are committed to its future success</li> </ul>

## APPENDIX 7

	EFQM Self Assessment	Human Capital Monitor	Investor in People
<p><b>Factor 10 Adaptability.</b>  <b>Willingness and ability to learn new competences in order to perform under first time or difficult conditions</b></p>	<ul style="list-style-type: none"> <li>* The organisation identifies incremental and breakthrough improvements</li> <li>* The organisation stimulates creativity and innovation</li> <li>* Leaders participate in improvement activities</li> <li>* People are enabled to participate in improvement activities</li> <li>* How the organisation trains people in the context of change</li> <li>* Leaders use innovative methods to improve the way of working</li> </ul>	<ul style="list-style-type: none"> <li>* New approaches to markets</li> <li>* New approaches to organization</li> <li>* Acceptance of and readiness for change</li> <li>* Dedication to continuous improvement</li> <li>* Willingness to experiment</li> <li>* Potential to grow</li> <li>* Eagerness to learn</li> </ul>	<ul style="list-style-type: none"> <li>* There is a focus on continuous improvement</li> <li>* The culture encourages innovation</li> <li>* People use internal and external resources to come up with new ideas.</li> <li>* Change is viewed as 'business as usual'</li> </ul>

# APPENDIX 7

	EFQM Business Excellence	Human Capital Monitor	Investor in People
<p><b>Factor 11: Impetus. The extent of willingness to work towards meeting organisational goals. Benefits from willingness to influence the success of the company.</b></p>	<ul style="list-style-type: none"> <li>* Realising the full potential of people.</li> <li>* How Leaders appreciate people's efforts and achievements</li> <li>* How Leaders ensure fairness in terms of employment</li> <li>* Providing services such as flexible hours</li> </ul>	<ul style="list-style-type: none"> <li>* Understanding what drives and motivates people</li> <li>* Alignment to organizational values - philosophy or ethos of the organization</li> <li>* Pay for performance / variable pay</li> <li>* Non-monetary recognition</li> </ul>	<ul style="list-style-type: none"> <li>* Motivating people to deliver the organization's objectives.</li> <li>* Recognition and reward is clear and appropriate</li> </ul>



## APPENDIX 7

	EFQM Business Excellence	Human Capital Monitor	Investor in People
<b>Factor 12: Risks.</b> <b>Significant risks to the organization due to ongoing employment issues.</b>	* How the organisation manages risk.	* Not all human capital adds value. There are aspects that can be negative liabilities that subtract value rather than add to it.	* Not specifically mentioned

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**APPENDIX 8  
Example Report**

# APPENDIX 8

## EXAMPLE REPORT

This example report is based on responses provided by one of the pilot organisations.

<b>How You Compete in Your Markets</b>					
	Your ratings	Investor interest scores	Your score (rating x interest)	Comparison score	Difference
Concentrating on a specific market, group of customers, product or service - a well defined niche.	5	4.08	20.4	13.19	7.21
Emphasizing cost efficiency throughout our business - a low cost producer. Achieving cost advantage by a combination of experience and economy of scale.	2	4.08	8.16	12.37	-4.21
Offering a unique product / service which enable us to charge a high price. Differentiation through product design and / or better service and / or customer relationships	4	4.08	16.32	12.21	4.11
Establishing a narrow product / market domain and protecting it though centralised control and / or high degrees of formalisation and / or cost efficiency.	2	4.08	8.16	11.79	-3.63
Being continuously on the lookout for new markets, products or services. Emphasizing research and development, decentralisation and flexibility, less formalisation, using flexible technology.	3	4.08	12.24	12.91	-.67
Please list any documents that would support your ratings.					
Board Minutes					

<b>External Relationships</b>					
	Your ratings	Investor interest scores	Your score (rating x interest)	Comparison score	Difference
Initiating / maintaining good relationships with investors / funders	3	3.79	11.37	13.69	-2.32
Initiating / maintaining good relationships with key customers	4	3.79	15.16	14.55	0.61
Initiating / maintaining good relationships with suppliers	3	3.79	11.37	14.26	-2.89
Initiating / maintaining good relationships with business partners	0				
Initiating / maintaining good relationships with knowledge rich agencies	4	3.25	13.00	11.88	1.12
Initiating / maintaining good relationships with regulatory authorities	3	3.36	10.08	12.85	-2.77
Please list any documents that would support your ratings.					
Customer audits; University communications; Regulatory authority meeting minutes					

# APPENDIX 8

<b>Workforce Composition</b>					
	Your ratings	Investor interest scores	Your score (rating x interest)	Comparison score	Difference
Ensuring the correct headcount to enable the achievement of business goals at optimum cost	3	2.90	8.7	11.26	-2.46
Regulating the workforce age profile in order to avoid a 'vacancy bubble' occurring	1	2.90	2.90	11.05	-8.15
Ensuring equal opportunity and associated workforce diversity	4	2.90	11.60	11.66	-0.06
<p>Please list any documents that would support your ratings.</p> <p>Payroll details</p>					

## APPENDIX 8

<b>Workforce integration</b>					
	Your ratings	Investor interest scores	Your score (rating x interest)	Comparison score	Difference
Deliberately including issues of organisation and people as part of a business strategy	2	3.46	6.92	13.17	-6.25
Documenting processes and practices to improve consistency of operations	4	3.76	15.04	14.93	0.11
Ensuring business processes run smoothly between different organisational units	3	3.76	11.28	14.89	-3.61
Reviewing organisation structure / processes to ensure they help people get their jobs done	3	3.00	9.00	11.68	-2.68
Agreeing formally who should do what, how well, and when	3	3.72	11.16	14.63	-3.47
Using up to date technology to its maximum potential	2	3.69	7.38	14.35	-6.97
Please list any documents that would support your ratings.					
Board minutes; ISO certification; Customer audits.					

## APPENDIX 8

<b>Workforce Know - How</b>					
	Your ratings	Investor interest scores	Your score (rating x interest)	Comparison score	Difference
Recruiting the right people for the right roles at the right time	3	3.59	10.77	14.19	-3.42
Maintaining the right levels of technical expertise to enable attainment of goals	3	3.59	10.77	14.24	-3.47
Ensuring managers and supervisors are competent to carry out their role	2	3.59	7.18	14.12	-6.94
Ensuring people have opportunities to keep their knowledge and skills up to date	2	3.59	7.18	14.10	-6.92
Identifying people to take over key roles in the event of resignation, retirement or ill health.	1	3.59	3.59	13.89	-10.30
<p>Please list any documents that would support your ratings.</p> <p>Board minutes; Senior Management Team minutes</p>					



## APPENDIX 8

<b>Workforce Experience</b>					
	Your ratings	Investor interest scores	Your score (rating x interest)	Comparison score	Difference
Board level	5	3.77	18.85	13.03	5.82
Managers and Supervisors	4	3.77	15.08	11.09	3.99
Technical Specialists	4	3.77	15.08	11.09	3.99
Other members of your workforce	3	3.77	11.31	10.74	.57
<p>Please list any documents that would support your ratings.</p> <p>None available</p>					

## APPENDIX 8

<b>Workforce Stability</b>					
	Your ratings	Investor interest scores	Your score (rating x interest)	Comparison score	Difference
The number of formally submitted grievances over the last year	5	3.52	17.60	10.01	7.59
Specify your percentage level of employee turnover over the past year					
Managers and Supervisors	5	3.88	19.40	11.09	8.31
Technical Specialists	3	3.88	11.64	11.19	0.45
Other members of your workforce	4	3.88	15.52	10.74	4.78
Specify the number of working days lost per employee through illness, accidents and unauthorised absence over the last year.	5	3.67	18.35	10.62	7.73
Working days lost due to disputes over the last year	5	3.77	18.85	12.50	6.35
Please list any documents that would support your ratings.  Recruitment documentation (external supplier) Attendance records.					

## APPENDIX 8

<b>Workforce Relationships</b>					
		Your ratings	Investor interest scores	Your score (rating x interest)	Comparison score
Appointing someone in the SMT who is responsible for initiating discussion on people and organisation	2	3.37	6.74	12.96	-6.22
Effectively capturing and sharing knowledge	3	3.80	11.40	14.70	-3.30
Empowering the workforce to monitor and control the quantity / quality of output	3	3.63	10.89	13.89	-3.00
Managing conflict in order to encourage mutually beneficial results (win - win)	3	3.58	10.74	14.08	-3.34
Ensuring regular communication from the SMT to members of the workforce	3	3.70	11.10	14.62	-3.52
Ensuring ease of communication from members of the workforce to the SMT	2	3.74	7.48	14.67	-7.19
Please list any documents that would support your ratings.					
Management Team minutes					

## APPENDIX 8

<b>Workforce Impetus</b>					
		Your ratings	Investor interest scores	Your score (rating x interest)	Comparison score
Ensuring pay and benefits are competitive when compared to other organisations our people could work for	4	3.56	14.24	13.65	0.59
Enabling Managers to share in the financial success of the business	1	3.72	3.72	13.45	-9.73
Enabling non - Managers to share in the financial success of the business	1	3.72	3.72	13.62	-9.90
Offering flexible working opportunities to people where operationally feasible	4	3.13	12.52	12.20	0.32
<p>Please list any documents that would support your ratings.</p> <p>Local pay survey results Policy on flexible working and payroll details</p>					

## APPENDIX 8

<b>Workforce Adaptability</b>					
	Your ratings	Investor interest scores	Your score (rating x interest)	Comparison score	Difference
Implementing a policy of continuous improvement	4	3.60	14.40	13.32	1.08
Changing procedures / roles as a result of changed circumstances	3		0.00		0.00
Members of your workforce changing ways of working due to the adoption of new opportunities	3	3.60	10.80	13.23	-2.43
Capturing and implementing new ideas generated by the workforce	2	3.00	6.00	11.36	-5.36
Ensuring people can carry out more than one role to maximise flexibility	2	3.13	6.26	12.12	-5.86
Using a range of employment contracts to facilitate flexibility	1	3.33	3.33	12.16	-8.83
Please list any documents that would support your ratings.					
Continuous improvement policy required by customers. Documentation relating to new procedures.					
Please list the main changes over the last 3 years that have significantly influenced the way your people work					
Audits from key suppliers					
Employment law					

## APPENDIX 8

<b>Workforce Risks</b>					
	Your ratings	Investor interest scores	Your score (rating x interest)	Comparison score	Difference
Screening employees for 'right to work' in the EU / UK	4	4.00	16.00	12.00	4.00
Contracts of employment being up to date and agreed	2	4.00	8.00	12.00	-4.00
Service agreements for directors / senior employees being up to date and agreed	2	4.00	8.00	12.00	-4.00
Individual employment contracts being agreed which contain material financial obligations	3	4.00	12.00	12.00	0.00
Retention / severance agreements which contain material financial obligations	2	4.00	8.00	12.00	-4.00
'Collectively bargained' agreements which include scheduled pay increases	0				
Ensuring enough funds to honour pension promises	5	4.00	20.00	12.00	8.00
Defined benefit plans which guarantee specified payments on retirement.	4	4.00	16.00	12.00	4.00
Grievances that have not been resolved.	5	4.00	20.00	12.00	8.00
<p>Please list any documents that would support your ratings.</p> <p>All of the above is in the form of documentation.</p>					

## APPENDIX 8

<b>Workforce Investments (£)</b>			
		Median of comparison 22 SMEs	
Your revenue over the last year	4,634,921		
Total cost of pay and benefits	1,763,128		
Cost of maintaining / updating knowledge and skills	68,235		
Investment in people as a % of pay and benefits	1.47	1.40	.07%
Investment in people as a % of revenue	3.87	8.80	-.4.93%
Investment per head	1844	1640	204
Please list any documents that would support your ratings			
Annual Report.			

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**Appendix 9**  
**Exploratory Factor Analysis**

# APPENDIX 9

<b>Structure Matrix</b>									
	1	2	3	4	5	6	7	8	9
<b>External Relationships</b>									
8. Initiating / maintaining good relationships with investors / funders	0.649								
9. Initiating / maintaining good relationships with key customers	0.655								
10. Initiating / maintaining good relationships with suppliers	0.770								
11. Initiating / maintaining good relationships with business partners	0.790								
12. Initiating / maintaining good relationships with knowledge rich agencies	0.680								
13. Initiating / maintaining good relationships with regulatory authorities	0.695								

# APPENDIX 9

<b>Structure Matrix</b>									
	1	2	3	4	5	6	7	8	9
<b>Organisation Integration</b>									
20a. Including issues of people and organisation as part of a (formal or informal) business strategy.		0.600							
20b. Ensuring your organisation structure facilitates the effective use of people		0.509							
20c. Agreeing formally who should do what, how well and when.		0.584							
20d. Documenting business processes and practices to improve consistency of operations between units.		0.679							
20e. Ensuring main business processes run smoothly between different organisational units		0.646							
20f. Using up to date technology to its maximum potential.		0.563							
20g. Regularly reviewing operations to identify opportunities for improvement.		0.523							

# APPENDIX 9

<b>Structure Matrix</b>									
	1	2	3	4	5	6	7	8	9
<b>Workforce Composition</b>									
21a. Ensuring the correct headcount which enables business goals to be achieved at optimum cost.			0.594						
21b. Regulating the workforce age profile in order to avoid a 'vacancy bubble' occurring.			0.623						
21c. Using outsourcing (e.g. Agency / Consultants) to complement a permanent workforce			0.565						
21d. Ensuring equal opportunity and associated workforce diversity			0.710						

# APPENDIX 9

<b>Structure Matrix</b>									
	1	2	3	4	5	6	7	8	9
<b>Workforce Know How</b>									
24a. Recruiting the right people for the right roles at the right time.				0.645					
24b. Maintaining the right levels of technical expertise to enable the attainment of business goals				0.630					
24c. Ensuring supervisors and managers are well trained.				0.629					
24d. Ensuring all members of the workforce have opportunities to update their knowledge and skills									
24e. Identifying people (internally or externally) to take over key roles in the event of resignation, retirement, ill-health etc.				0.562					

# APPENDIX 9

<b>Structure Matrix</b>									
	1	2	3	4	5	6	7	8	9
<b>Workforce Experience</b>									
25a. Specify the average number of years service: Board level					0.823				
25b. Specify the average number of years service: Managers / Supervisors					0.849				
25c. Specify the average number of years service: Technical specialists					0.789				
25d. Specify the average number of years service: Other members of your workforce					0.729				

# APPENDIX 9

<b>Structure Matrix</b>									
	1	2	3	4	5	6	7	8	9
<b>Workforce Relationships</b>									
27a. Effectively capturing and sharing knowledge						0.518			
27b. Empowering the workforce to monitor and control output quantity and quality						0.687			
27c. Ensuring regular (at least quarterly) communication from the senior management team to members of your workforce						0.658			
27d. Ensuring ease of communication to the senior management team from members of your workforce						0.755			
27e. Managing conflict between business units in order to encourage mutually beneficial results						0.568			
27f. Enabling people to use web technology to communicate and collaborate internally.						0.524			
29a. Appointing someone in the senior management team who is responsible for initiating discussion on people and organisation						0.564			

# APPENDIX 9

<b>Structure Matrix</b>									
	1	2	3	4	5	6	7	8	9
<b>Workforce Impetus</b>									
29b. Ensuring competitive pay ranges and benefits compared to other organisations							0.601		
29c. Ensuring Managers benefit from the financial performance of your business							0.818		
29d. Ensuring non - managerial members of the workforce benefit from the financial performance of your business							0.840		
29e. Paying Managers who achieve results more than those who do not							0.839		
29f. Paying non-managerial members of the workforce who achieve results more than those who do not							0.759		
29g. Ensuring enough funds to honour pension promises							0.641		
29h. Providing flexible working opportunities for employees to help retain talent							0.520		



## APPENDIX 9

<b>Structure Matrix</b>									
	1	2	3	4	5	6	7	8	9
<b>Workforce Stability</b>									
28. Specify the number of formally submitted grievances over the last year.								0.668	
30a. Specify the level of turnover last year: Managers / Supervisors								0.810	
30b Specify the level of turnover last year: Technical Specialists								0.825	
30c. Specify the level of turnover last year: Other members of your workforce								0.817	
31. Specify the absenteeism rate (through illness, accidents, and unauthorised absence) over the last year.								0.757	
32. Have you experienced working days lost due to disputes over the last year								0.731	

# APPENDIX 9

<b>Structure Matrix</b>									
	1	2	3	4	5	6	7	8	9
<b>Workforce Adaptability</b>									
33a. Members of your workforce working under a policy and expectation of continuous improvement									0.729
33b. Members of your workforce adapting to new procedures as a result of changed circumstances.									0.821
33c. Members of your workforce being able to carry out more than one role.									0.772
33d. Members of your workforce regularly changing ways of working due to adoption of (internal or external) opportunities.									0.860
33e. Capturing and implementing new ideas coming from members of your workforce.									0.816
33f. Using a range of employment contracts to facilitate flexibility									0.797
33g. Outsourcing - transferring work to external suppliers instead of doing it in house.									0.539
<b>Extraction Method: Principal Component Analysis.</b> <b>Rotation Method: Oblimin with Kaiser Normalization.</b>									