



# Incentives are highly effective resources for Lifelong Learning in enterprises

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## IMPRESSUM

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# INCENTIVES ARE HIGHLY EFFECTIVE RESOURCES FOR LIFELONG LEARNING IN ENTERPRISES

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## Introduction

Strengthening transactional and traditional HRM strategies, providing continuous lifelong learning opportunities for transformation and rewarding lifelong learning achievements

Investment in lifelong learning has been a top priority in the European agenda, particularly since the Lisbon Strategy articulated that the EU must ensure it becomes “the most competitive and dynamic knowledge-based economy in the world” (European Parliament, 2000, I.5.) and also in relation to Europe 2020 targets (EC, 2011).

In fulfillment of this mandate, the LLLight’in’Europe FP7 project has focused research on the enterprise level, examining how enterprises leverage resources for lifelong learning configurations strategically, towards increased performance and value creation.

Following an abductive, empirical methodology, we have examined lifelong learning resources from past empirical and theoretical work (69 articles, 1990-2012, see Brandi et al., 2013) in combination with our own empirical research, conducted in 194 enterprises (31 EU, 163 EU-competitors), across 53 industries, so as to seize what strategies enterprises are making use of. We have also looked to the 2009 and 2013 European Company Survey (ECS) (Eurofound, 2009, 2013) to further validate our findings. Representing a principal dimension in lifelong learning resources – learning systems and incentives – we explored how enterprises systematize and measure learning and performance appraisals; make use of compensation tools; foster retention with environmental incentives; offer flexibility, stability and security; handle risk-taking and mistakes; and foster a sense of belonging.

Findings indicate that enterprises strive for a balance between the use of systematic and ad-hoc arrangements. Transactional and traditional compensation elements are very much in place, particularly in larger enterprises. Nevertheless, the implementation of incentives that respond to intrinsic needs, such as offering interesting and challenging work, being flexible, setting up work organization that is structured along teams and fostering a sense of belonging and ownership, also in positive atmosphere, are essential to attracting and keeping desired staff.

Negative-motivators still characterize incentives for work, yet these cannot be relied on for growth, and are therefore not long-term strategies to be used; though socio-economic factors play a significant role in dissolving these incentive practices.

Implications lead us to perceive that there is still ample opportunity at the enterprise level to strengthen investment in lifelong learning as a viable strategy towards growth. The resources invested must go beyond the axis of monetary incentive structures and the recognition of formal education. Rather, enterprises and policies should further leverage informal learning structures that enable and sustain lifelong learning.

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## Key Observations

In examining lifelong learning resources in 194 enterprises (31 EU, 163 EU-competitors), across 53 industries, we distinguished learning systems and incentives as highly central to choices in lifelong learning resource allocation. Focus is on human resource practices (HRPs), deployed by enterprise human resources (HR) and human resource management (HRM) plans, for learning systems and incentives that draw on both systematic and ad-hoc arrangements. Enterprise resources are being leveraged to address both extrinsic and intrinsic needs so as to achieve high-performance work system (HPWS) capacity. “Taken as a whole, the primary conclusions of this line of research have been that the financial returns to investments in HPWS are both economically and statistically significant (Becker & Huselid, 1998, 2006; Combs, Ketchen, Hall & Liu, 2006; Huselid, 1995)” (Huselid & Becker, 2011: 422).

We will turn to our analysis of the notable aspects of resources and incentives that we found from our research, in order to gage trends and elucidate opportunities for enhancement.

Systematic organization and measurement of learning, and performance appraisals

When asked about the systematization of learning, training and development at their enterprises, our respondents strengthened the premise that the larger the enterprise (size of enterprise in Figure 1's legend), the more methodical and organized learning is, and the smaller the enterprise, the more ad-hoc arrangements are:

Figure 1: The systematic organization of learning activities, versus ad-hoc

The systematic organization of learning increases with enterprise size

**Mostly systematic**  
 ■ 1 - 10 ■ 11 - 50 ■ 51 - 250 ■ 250 +



**Mostly ad-hoc**  
 ■ 1 - 10 ■ 11 - 50 ■ 51 - 250 ■ 250 +



**No training**  
 ■ 1 - 10 ■ 11 - 50 ■ 51 - 250 ■ 250 +



Systematized learning arrangements help in resource management for lifelong learning in enterprises, but a healthy level of ad-hoc approaches are needed to enable responsiveness to needs

This finding, however, does not tell how systematization affects enterprises' responsiveness to learning needs – i.e. does a more systematic approach mean there are straightforward or convoluted systematic steps to fulfilling learning needs? However, our findings evidence that the larger the enterprise, the more bureaucratic, and the more systematic in terms of learning. The implications are that for certain types of learning, larger enterprises can offer more consistent and established opportunities, also by way of systematically checking for learning needs, and as a result of pre-set budgets for learning. Exemplifying this well is a narrative from our interview with the Director of Labor Relations, at German (250+ employees) Enterprise DE250C29SSI7:

*Interviewee: The HR goals are connected very strongly to our globalization strategy and the overall principles for the company – it supports the whole company strategy. We have never educated so many people, also in other countries, as we do in these years [now], but that has more to do with our globalization strategy. We have to make sure that people are skilled the way we need. [...] We do follow the company – how much education and training is given, what were the costs and can we see some kind of long-term consequences of that – but we do not follow-up one-to-one [e.g. by measuring the effects of investment in training, in relation to every individual]. I am very critical to that kind of measuring, because the benefits of training are only significant in a long-term perspective. If we do not offer anything [training and development opportunities] this year, we would probably will not feel it this year. But over a longer period of time, over years, it would be a problem. Ten years ago we started to train our sales staff and it is not until recently that we profit from that. We do spend a lot of money on education and training.*

*Interviewer: If you think of last year, did you have more, or less, training than asked for?*

Resources for lifelong learning and training of soft skills are still lagging; yet, soft skills are highest valued by enterprises

Systematic approaches do not necessarily need to be entirely top-down, even in large enterprises

*Interviewee: Technical issues, we covered it all. [...] More general issues like language or project management we had significantly more people wanting courses than we offered. Courses about leadership, we had almost as many courses as asked for (Director of Labor Relations, Enterprise DE250C29SSI7: 1-2).*

External influences, such as industry policies affect resources and lifelong learning systems

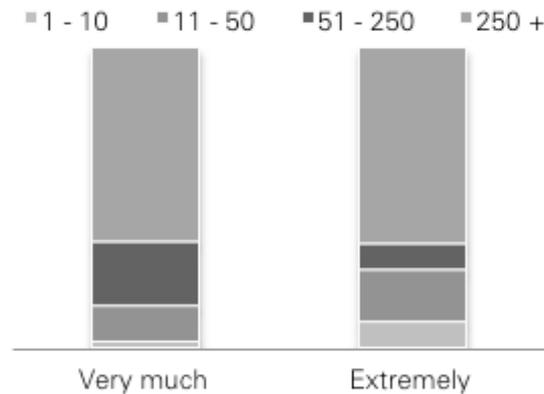
The impact of having a balance between systematic learning arrangements and ad-hoc ones is that an enterprises can strategically benefit from regular follow-ups with project and work demands, as well as employee requests, and at the same time, create a plan for flexible offerings in terms of training and development. As expressed in the narrative, there is more demand for some types of training over others, and these demands, change over time. However, Enterprise DE250C29SSI7, for example, opens training options in relation to both business needs and employee requests, with the added insight that training and development does not always yield immediate or short-term results. The key we see about having both a systematic and ad-hoc approach to learning is that leaders and employees can be both responsive to change while planning for the year and years ahead.

Systematic approaches do not necessarily need to be entirely top-down, as our interviewee expressed, even at a large enterprise. However, embedded in a systematic learning arrangement are the principles and values of an enterprise, which requires serious attention to answering the question of why have training and development altogether? In the example above, the learning system both supports the enterprise's goal of globalized business as well as individual skills development and lifelong learning needs, and industry standards: "[in] the HR area we have a lot of rules coming in from externals, politics or unions, laws etc., which changes the starting point and influences our goals (Director of Labor Relations, Enterprise DE250C29SSI7: 3).

Effective instruments that facilitate qualitative and quantitative measurements on investment in lifelong learning (both short-term and long-term) are in need

Complementing the planned provision of training and development are examinations of the effects of learning. However, in line with what the Director of Labor Relations noted above, all of our interviewees, without exception, emphasized that measurements/calculations are difficult, if not doubtful, or impossible with respect to learning and development, particularly concerning soft skills. As a result, enterprises take on supportive, linked strategies to indirectly measure the benefits of learning by, for example, collecting experiential feedback from employees, clients, staff peer evaluations, self-evaluations and other general performance appraisal information:

Figure 2: Enterprises making use of performance appraisal systems



Performance appraisals are practical tools, particularly when co-designed and co-evaluated (i.e. with peers, teams, leaders, etc.)

As depicted in the figure above, and in line with the systematization of learning arrangements, the larger the enterprise, the more performance appraisals are being used. In performance appraisals, we have performance evaluations in relation to targets, goals and objectives, career development planning, and job-change discussions. An employee's abilities and needs for future growth are also part of performance appraisals, as well as potential for training and development. Thus, the whole supports continued lifelong learning and parallels the systematic evolution of business goals.

Larger enterprises use specific financial compensation resources to incentivize and reward performance

Compensation (e.g. salary, vacation, benefits) and rewards (e.g. bonuses, promotions, perks)

About 40% of enterprises use performance-related pay to incentivize

Turning to compensation and rewards, we find a similar pattern to the systematization of learning, and performance appraisal systems. Results from the ECS (Eurofound, 2009) echo findings we obtained from our empirical research, whereby large enterprises are slightly more likely to give employees specific elements of pay related to performance, while about 30-35% of SMEs give performance-pay:

Table 1: Do employees – except those in top management – receive specific elements of pay that depend on the performance of the individual? - Question MM454, 2009 ECS

		Employees receiving specific elements of pay that depend on performance	
		Yes	No
Size	10 to 19	31,7%	67,4%
	20 to 49	35,4%	63,4%
	50 to 249	43,6%	54,8%
	250 to 499	54,1%	44,1%
	500 +	55,9%	42,6%

\* Size of enterprise in five categories

Least likely to use performance-related pay include professional and administrative occupations

In our analysis, we see no clear pattern for the proportion of performance-related pay across sectors following NACE codes. All enterprise types have an almost similar distribution of ‘yes’ replies to performance-related pay, which is on average about 40%. More recent results from the 2013 ECS show no development in enterprises that use performance-related pay, with the 2013 survey publishing an almost identical result to the 2009 survey (Eurofound, 2013: 76). The only type of industry where there is a marked difference between 2009 and 2013 is in the ICT sector, where 61% of responding enterprises reported the use of performance-related pay. On the other hand, we observe from the 2009 ECS survey that the least likely to make use of performance-related pay include professional and administrative occupations. Looking at a country level, it is difficult to see any systematic variance in the results.

Implications of this type of finding are mixed. Since there seems to be no notable increase in the use of this type of compensation and reward, it could underline the fact that measurements for performance are becoming less straightforward since productivity is linked to much more than the output of physical products:

*...it is possible [to measure performance]. Like if someone has to produce 100 pieces of something. In the 'white collar' area it is more difficult. [...] It has something to do with how close you are to the production [of physical products]. If you are close, then it is often measured, and in numbers. But if you work in other areas, such as HR, we work with personal goals instead. [...] We have goal pyramids, which mean that it starts from the top and then goes down throughout the company [the goals your leader has, have to do with your goals and so on] (Director of Labor Relations Enterprise DE250C29SSI7: 3).*

Results from the 2009 and 2013 ECS could also indicate that employees are benefiting from other types of incentives that address motivational factors as in, for example, incentives that foster a positive and rewarding work climate – examined next.

Resources used to foster a positive working environment and climate respond to employee intrinsic needs

#### Appeal of the environment and reasons for retention

A large part of the affective dimension, in which learning systems and incentives reside, relates to the environment in which employees work. Analysis of how the approached management members in general would rate work climate in their enterprise shows that size once again has a significant influence, as per data from our analysis with the ECS. Even though the correlation is weak (.137 significance at the 0.01 level, 2-tailed), we observe that the larger the enterprise, the more likely it is that the work climate is experienced as somewhat strained rather than quite good or very good, as illustrated in the distribution assessment of work climate in Table 2. The mean value for each answer category is to be interpreted as: 1, for very good work climate; 2, for quite good work climate; 3, for somewhat strained work climate; 4, for very strained work climate; and 5, for 'don't know' or 'no answer'. Thus, the lower the mean value, the more favorable respondents consider the enterprise's work climate:

Table 2: How would you rate the current general work climate in your establishment? - Question MM701, 2009 ECS

		Current general work climate in the enterprise					
		Mean value	1 - Very good	2 - Quite good	3 - Somewhat strained	4 - Very strained	5 - DK/ NA
Size	10 to 19	1,87	32,2%	52,7%	11,9%	2,6%	0,6%
	20 to 49	1,93	27,7%	55,0%	14,4%	2,3%	0,6%
	50 to 249	2,04	21,2%	57,9%	17,6%	2,4%	0,9%
	250 to 499	2,15	15,6%	58,8%	21,6%	3,0%	1,0%
	500 +	2,18	14,0%	58,0%	24,7%	2,5%	0,8%
<b>Total</b>			24,8%	55,8%	16,1%	2,5%	0,7%

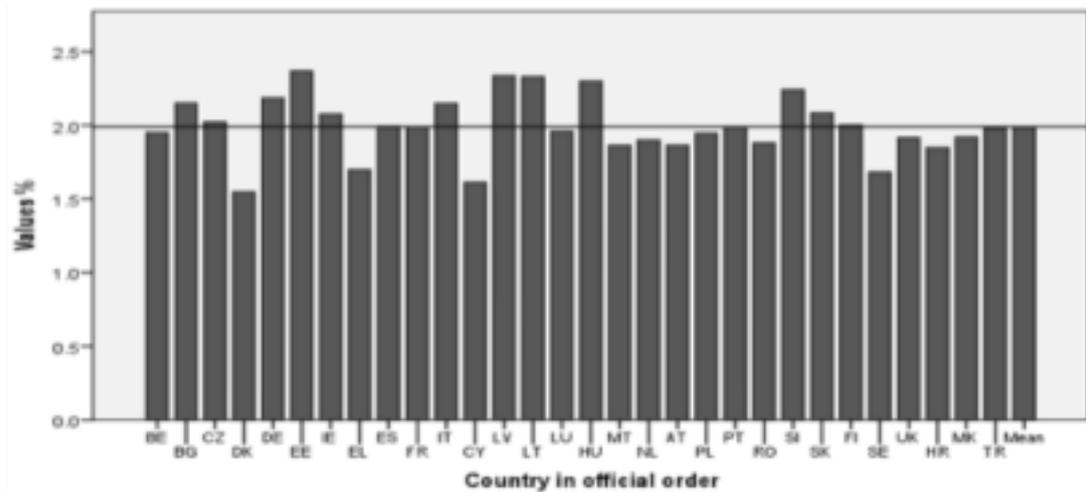
\* Size of enterprise in five categories

The larger the enterprise size, the more strained the workplace environment

Best workplace climates ratings are in Denmark, Cyprus and Sweden with more than 90% of responses being 'very good' or 'quite good'

The mean value for small enterprises is 1,87, which equals an assessment of the work climate between very good and quite good, while the mean value is above 2,15 for enterprises having 250+ employees. This places the mean value between quite good and somewhat strained for large enterprises. Crossing these results with industry type, our analysis shows sectorial differences, where professional (including scientific and technical), transportation and ICT service sectors report good work climate, all above 85%. ECS 2013 deployed the same question. However, the item was provided in the survey to both managers and employee representatives, which demonstrated a difference where managers tended to be more positive than employee representatives about the work climate (Eurofound, 2013: 27). Country differences display quite a range of results with high standard deviation (average .758). Analysis shows that the best mean values from enterprise assessment of the general work climate is to be found in enterprises in Denmark (mean=1,55), Cyprus (mean=1,61) and Sweden (mean=1,68), having the best scores, with more than 90% of answers in the 'very good' or 'quite good' categories, as illustrated in the figure below.

Figure 3: How would you rate the current general work climate in your enterprise, per country?



\*Country in official order; the lower the mean value, the better the assessment of the work

Resources can be put towards both extrinsic and intrinsic motivational factors

A positive atmosphere, providing access to state-of-the-art tools and software, strengthening employee cohesion and the like are all enabling aspects of performance and value creation, as noted from our research results. A content analysis of keyword-responses to the questions: “In your view, why do people want to work there, what makes the work environment appealing?” and “In your view, what is the key to your organization acquiring and keeping ‘great’ staff?” yielded the following:



Such is the case at Enterprise DE250J62SSI10, a newly large (250+ employees) German enterprise in the J62.0.9 – Other IT and computer service activities industry:

One participant tells of a team-building way of learning informally: holding regular, short inter-team workshops on topics employees select themselves, regarding complex problems they are not able to resolve on their own

*[...] since we are an extremely fast-growing company, our main goals of course, are employee happiness, customer happiness, keeping employees... in a company like ours. It's very crucial that people stay with us. [...] For us, we think that training and giving options to all is a huge way of making people happy here and making people stay with the company. So this is the goal. And of course, we measure... We have company-wide, every two years now – we used to do this every year, but now, due to how big we are [recently crossing the size threshold from medium to large in enterprise size], we do this every two years – we ask every employee certain questions about how happy he/she is, how happy he/she is with the company, the structure, the way the company is growing, where we're going... And of course, training is a big part of the questions [...]. And besides this, [...] we talk to the person leading the people, like the team leaders, how they're happy with it... We ask the project managers, because, every person has a different perspective on how things are working. And this is how we measure our goal fulfillment. [And] the success... [...] first of all, I think that we are, from the technology point of view, we are dealing with topics that are quite interesting for the industry, like [...] the things we've been dealing with for the last couple of years are the key technologies for market growth. [...] Then, of course, on the employee-side of things, we are competitors with the 'big players', like Porsche, Daimler, Bosch and so on. And our winning thing here is that we are a family-driven company and we have a family-culture. Family-culture means, helping each other, being there for each other, and the way we talk to each other and work together. And this is one of the biggest success stories, with us (Senior Manager Research and Development, Enterprise DE250J62SSI10: 4-5).*

Resources are strained, also as a result of the current economic climate, so negative-motivators for employment and retention are still present

In this example, we have several HRPs from the affective dimension being used to reward employees intrinsically, including the work, the work set-up and the organization (emphasizing the importance of the third dimension of HRPs, work design and the organization of work), valuing staff's opinions and future goals, and also addressing the cognitive dimension of HRPs – skills development – in the highest possible way. This interviewee also estimated that around 50 short training options are currently open to employees, growing in number. Also, the interviewee proudly reported of a new and team-building way of learning informally, which is to hold regular, short (1/2-day to 2 days) inter-team and inter-departmental workshops on selected topics and then use employees' diversity and divergent thinking to try and make headway with a particular problem or challenge which could be service-, process- and/or product-related. Topics are chosen by employees facing an imminent and complex problem they have not been able to resolve on their own or with their immediate teammates. Overall, employees at this enterprise seem to be engaged in highly challenging work with small teams that fit together to form a synergizing whole. The mission and vision of the enterprise are clear and dynamically align with employees'. There are no measurements on how much an employee does or doesn't do. Rather, employees are portrayed as putting their best foot forward as much as possible, and in turn, the enterprise provides them with as much flexibility and as many resources as possible. Nevertheless, there is a little angst that we perceived in our interviews at this enterprise, with respect to the growing size and potential changes towards more bureaucracy and hierarchy. There is some apprehension that increasing in size might disrupt the happiness or synergy.

Contrasting this, our results also show that negative-motivators or hygiene factors (Herzberg, 2003) also draw employees to work at an enterprise, despite the fact that working their results in their unhappiness.

As both Herzberg and Maslow would contend, as well as our research results, such reasons for staying at an enterprise are not sustainable and are unhealthy (as we will see in sub-section 3.2.3. Work design and the organization of work). 'Shortage of jobs' and 'bad alternatives' represent two closely related accounts; people feel obligated to take a certain job and stay, out of basic necessity<sup>1</sup>:

*Interviewer: So what do you think that [Enterprise Anonymous I] does to make it such a great environment for you and others to work here so much [a little humor at the end of the question, since the interviewee just grieved about how many long hours there are to work, and that this, to her dismay has become part of the enterprise's expectation and culture].*

*Interviewee: Hmm... [Long pause, followed by laughter] I don't want...*

*[Both laugh]*

*Interviewer: No, the positives, the positives... what is good about this place?*

*Interviewee: It's good that you have enough time, and time to do your own work, to organize yourself and... But I have only negatives...*

*Interviewer: Oh, no! But those can be used as motivators... I guess? Do you think that it has a motivating effect if you have negative environment factors?*

*Interviewee: Hmm... no... [Long pause] it's perhaps, it's... I think, our general management isn't often in the house, and so you have to wait until they are there to talk about problems you've had for three weeks... umm... It's time [the problem]. Its always time!*

<sup>1</sup> Enterprise details including country and industry, enterprise codes and interviewee occupational titles have been withheld in the following two excerpts for ethical reasons.

*Interviewer: Okay. So... what is keeping you here?*

*[Both laugh]*

*Interviewee: Money! I'm not going to lie! (Loyal Employee of more than a decade of service, Enterprise Anonymous I: 8).*

This narrative clearly tells the story that the enterprise has essentially continued to benefit from an employee's loyalty and hard work for many, many years, without the knowledge, capacity or willingness to discover – perhaps – that this employee, and others (as we uncovered in our interviews), are exceedingly unhappy. Top management and management had a counter-narrative on almost every aspect of our interviews, which tells a lot about the disconnect between work and employees – again, despite the growth this enterprise has experienced, particularly in the last five years. Long-term effects of such disconnectedness result in disenchantment at the least, and more serious consequences such as stress leave, as our interviewees further disclosed. In yet another interview, we hear about negative-motivators for work:

*I believe that people stay because there aren't that many job opportunities around here... And they need the money. The money is not much [...] and then in my case, I got married and had children and had to deal with 'work-life balance' issues. In any case, they stay because they need the job. We are the second most important employer [in this area] (Loyal Employee of close to a decade of service, Enterprise Anonymous II: 7).*

There is a stark difference in the overall quality of work-/life between employees who report being happy at work and those who do not and this transuded through our interviews, even if we did not forcibly focus on negative aspects of work.

All participants report a relatively balanced approach to risk-tolerance and tolerance to mistakes

As the brief examples presented above tell, there is a myriad of ways enterprises can foster intrinsic motivation, though foundation is the offer of competitive financial and benefits packages. The following sub-themes of learning systems and incentives will bolster this assertion.

### Flexibility and tolerance to risk-taking and mistakes

Enterprise flexibility diminishes, the larger the enterprise

The results we obtained from our empirical data regarding risk-tolerance and tolerance to mistakes shows that there is a general trend of having some flexibility for both, and this is the same pattern, irrespective of enterprise size. To illustrate this, Figures 5 and 6 aggregate responses from our empirical work:

Figure 5: Tolerance to risk



Figure 6: Tolerance to mistakes



Flexibility is part of every HPWS. But, how task-specific, rather than enterprise-specific, is flexibility?

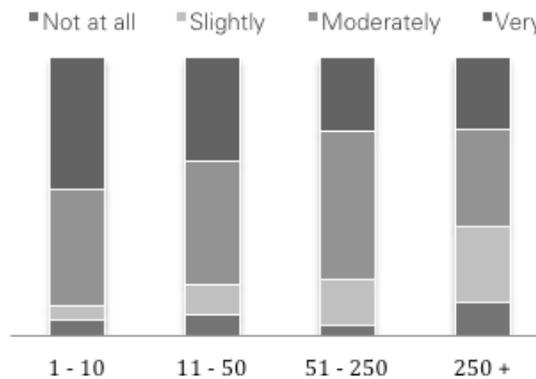
Not surprisingly, our response pattern was similar to questions related to enterprise flexibility, and the extent to which employees could characterize their enterprise as flexible:

Figure 7: Extent to which employees perceive the enterprise as flexible



However, answers provided by employees who work in smaller enterprises were slightly more positive:

Figure 8: Extent to which employees perceive the enterprise as flexible, per enterprise size



Stability and security are still relatively weak, with more than half our respondents telling they have only 'moderate', 'slight' or 'no anticipation' of being able to keep their jobs in the long-term

Based on results from our empirical work and past empirical work on incentives at the enterprise level, we know that flexibility plays to all the dimensions of learning; affective, structural and cognitive. Flexibility can affect motivation, performance, and freedom over work design among other aspects and our findings reinforce this; Figure 4, 'Appeal of the work environment, acquiring and keeping staff' highlights how flexibility is meaningful. However, we note that flexibility is somewhat linked to enterprise size, though since the levels of enterprise flexibility reported by our participants are rather equal, there may be further insights gained by examining flexibility in relation to work tasks.

The larger the enterprise, the more employees feel their jobs are stable and secure

For instance, there are some work scenarios that cannot afford much flexibility, such as in emergency services, security, monitoring, medical, assembly-line work, etc. and, flexibility might be something that can wax and wane, perhaps at various intervals in a fiscal year, such as in financial and audit services sectors. Nevertheless, it remains an important aspect of incentive to be considered in HPWS.

#### Provision of stability and security

As also accentuated in our analysis on appeal of the work environment and reasons for retention (see Figure 4), the provision of stability and security are highly important to employees, addressing their intrinsic needs, as a motivating factor. However, responses as to the current state of affairs tells the us that stability and security are relatively weak – about half of all our respondents face the reality that they hold only moderate, slight or no anticipation to continue at their current jobs over an extended period of time. As noted by findings on past empirical work, employment security is one of the most basic, yet fundamental HRPs that affect enterprise performance (Batt, 2002; Camps & Luna-Arocas, 2012; Delery & Doty, 1996: 815; Prieto Pastor et al., 2010; Sun et al., 2007; Vlachos, 2008). In the recent climate of economic recovery, where some industries and countries are still experiencing hardships, job security is perceived as something desirable, yet not entirely assured:

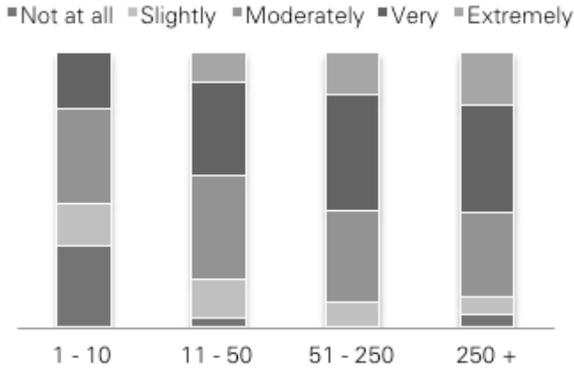
Figure 9: Extent to which employees perceive the enterprise as offering stability and security



Are resources being put to more contract work?  
 Are employees opting for short-term work arrangement out of their own preference?  
 Are the low sense of security and stability a consequence of economic and social (e.g. lack of unions) pressures?

Not surprisingly, enterprise size has an effect on this provision and perception, as demonstrated in the figure below, where none of the small enterprises have employees who feel their jobs are stable and secure, with only about half of those working in SMEs and large enterprises reporting 'very much' or 'extremely'.

Figure 10: Extent to which employees perceive the enterprise as offering stability and security, per enterprise size



These findings reinforce our knowledge that the larger the enterprise, the more stable and secure employees perceive their jobs. However, the reported limited confidence in employment security on the part of employees leads us to more questions:

Is there a trend of employees being hired on contract work? are employees opting for contract work that offers other incentives out of their own preference in work arrangements or mobility?; are reports of employment insecurity a result of economic pressures, enterprise takeovers, mergers, lack of unionised action, etc.? As one of our Spanish interviewees described,

*...At present there have been bad times. In this context, as it is part of each person's job to recruit customers, and it becomes understandable that we must reduce the price of a service, work three times more in order to earn half of what we used to earn. From the moment you join the company, this is known; it is something that you are involved in from the beginning. This is why I think that it is not seen as being 'unfair'; rather, it is understood that it is 'how it works' in bad times (Area Director, Quality, Enterprise ES11M70SSI11: 9).*

HR, such as fostering a sense of belonging, positively affects collective performance

This narrative, for example, gives context as to the knowledge employees have about their employment security. Much like entrepreneurs and contract workers, employees, even in larger or large enterprises have entrepreneurial aspects to their positions, whereby value creation is something highly linked to financial gain and business-generating activities that essentially pay for their own wages. However, as elaborated on by Ashford, Lee and Bobko, a perceived lack of stability or control leads to "attitudinal reactions – intentions to quit, reduced commitment, and reduced satisfaction" (1989: 803), which means this extrinsic motivational factor is not to be overlooked, even if it seems to be how things are in some contexts.

### Feeling of belonging

A feeling of belonging is yet another intrinsic motivational aspect that contributes to the wellbeing of employees and overall enterprise productivity.

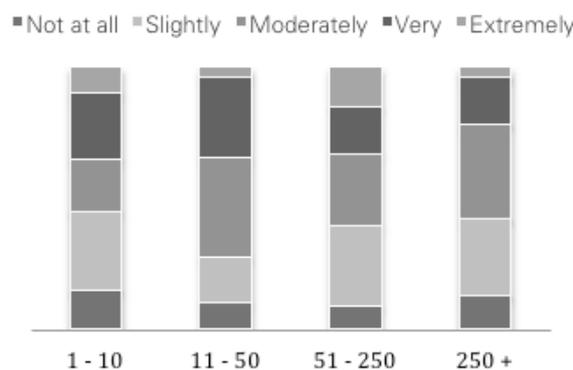
Substantial evidence from previous empirical work on SHRM “supports the relationship between high-performance HR practices and organizational performance [...and is reinforced in current empirical work, that] employees’ collective perceptions of high-performance HR practice use are positively related to affective commitment, organizational citizenship behavior, and intent to remain with the organization and negatively relate to absenteeism” (Kehoe & Wright, 2013: 383), for example.

Our participants report a relatively low sense of belonging in their enterprises, with less than a third answering ‘very’ or ‘extremely’, with a weaker sense of community in larger enterprises. The first figure below depicts the trend as per aggregated responses in interviews and to our questionnaire; then Figure 12 shows results per enterprise size.

Figure 11: Extent to which employees feel a sense of belonging in their enterprises



Figure 12: Extent to which employees feel a sense of belonging in their enterprises, per enterprise size



A sense of belonging can also be fostered by sharing enterprise ownership – such as in employee shares incentives

A sense of belonging can be fostered in a variety of ways. There are HRPs that focus on communication, where frequent interactions between people, departments, teams, managers and staff, etc. are fostered so as to create support, source inspiration, nurture cross-fertilization and establish presence and synergy. A sense of belonging can also be cultivated by sharing ownership – of ideas, and also ownership of the enterprise, such as at Slovakian SME, Enterprise SK11AISSI5, in the NACE industry, A1.6 – Support activities to agriculture:

*In the past 24 years, I have given a portion of my shares to people who have created a new department [now there are five departments], who brought new business and who I saw to be very good. I gave them 10-20% of my shares. So now I have 37% and another colleague has 33%. Next year I will retire and give away my shares to my colleagues. Moreover, I must say, that there is an on-going practice within the company that official shareholders unofficially give a portion of their shares to employees who perform well; as a kind of a reward. They are unofficial shareholders, but there is an agreement about this that is based upon the company's turnover. So the colleague who now has 33% has given 10% to his best employee. According to the turnover, one may have 1-3% of an official share (CEO, Enterprise SK11AISSI5: 9).*

Incentive structures are the most effective resource to be employed in lifelong learning and enterprise value creation

In this example of share-ownership being distributed, a sense of entrepreneurialism is also championed, through rewards that are somewhat enduring. In a previous narrative presented in the sub-theme 'Provision of stability and security', where employees at Enterprise ES11M70SSI11 knowingly sign-up for unstable work they need to continually generate themselves by creating new business and establishing new clients. In contrast, employees at Enterprise SK11AISSI5 are indirectly beckoned to do the same, but with a reward that is more stable and long-standing than a paycheck or bonus.

Clearly, HRPs that promote a sense of belonging respond to the affective needs of employees and empirically, this leads to more employee satisfaction, coupled with enterprise performance growth.

In examining lifelong learning strategies in 194 European and pan-European enterprises, LLLight'in'Europe has distinguished that incentive structures are the most effective resource that can be employed in promoting and sustaining lifelong learning.

On a whole, we note that there is room for both policy and enterprise practice to enhance mutual collaboration and knowledge sharing that can enable the identification of effective resource consolidation, investment and impact. This will firstly help bridge the gap between lifelong learning demand and lifelong learning supply within industry and directly affect enterprise growth through employee development.

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## **Recommendations for Policy-Makers**

The following recommendations have been formulated in line with needs identified from our empirical study, as well as needs identified from past empirical work (see Brandi et al., 2013). In supporting greater use of learning systems and incentive structures at an enterprise level, we recommend:

...further empirical mini-studies that assess 'optimal' arrangements of systematized HR-structures versus ad-hoc arrangements in enterprises. These would enable us to better leverage learning systems according to available resources. For example, larger enterprises systematize their learning much more than SMEs, yet empirical studies show that a balance of both approaches forms a healthy learning system. There is a knowledge gap in terms of European trends in this respect, so funding mini-case studies across Europe that yield lessons learned could help innovate the systematization of learning, beginning in the public sector and promoting such activities in the private and third sectors.

...incentivizing an increase in soft-skills development. Soft skills are the highest valued skills, as revealed from our empirical, and soft skills are precursors to career development, directly contributing to enterprise performance. We propose incentives to be devoted to: a) an explicit policy agenda that targets soft skills development; b) funding for soft skills development, which may entail mobile courses so as to emphasize intercultural competence development, mini-workshops, etc.; and c) social incentives through increased and more diverse public offerings in soft skills development.

...greater dissemination of knowledge pertaining to transactional, traditional and transformational HRPs. This can be achieved through the implementation of public-private scaling platforms that identify high impact initiatives, for example, with support for the coordination of existing financial and non-financial services offers, e.g. through local/national professional associations; EU lifelong learning websites and newsletter, etc.

...those local and national agencies strengthen the visibility of associations, networks and public opportunities to enhance network learning for enterprise staff and HR specialists. Our respondents have been mostly unaware of EU-/public-funding for lifelong learning in their enterprises.

...strengthening the identification of and support for easy-to-use planning and measurement tools for lifelong learning investments and impact. From our data, we find that measurement tools that capture "return on investment through training and development" are largely missing, despite the fact that enterprise HR leaders would use such tools; the need is for tools that capture both short-term and long-term qualitative and quantitative impacts.

...scaling-up use of performance appraisals as effective lifelong learning tools, from public- to private- and third-sector agents.

We further recommend that focus be placed on best practices and alternative uses of performance appraisals (for all enterprise sizes).

...enhancing the EU's efforts in the recognition of informal learning. Enterprises still lack the capacity to better identify and foster informal learning. For example, our participant enterprises have been able to plan for and capture learning that occurs in formal settings, despite the fact that an overwhelming majority of learning takes place on-the-job. Being able to understand, then capture informal learning will enable enterprises to better leverage it.

...increasing public spending in research and development that focuses on the variety of incentives available to HR leaders. There is a lot of knowledge available on transactional and traditional incentives workplaces can make use of, and so research on transformational incentives would help enterprises grasp how to transform alongside market, social and economic transformations. We further recommend promoting this type of investment in the public, private and third sectors.

...a stronger promotion of practices in the use of employee intrinsic reward systems, particularly in larger enterprises, starting in the public sector. Research demonstrates that intrinsic rewards – while mostly non-financial – outweigh traditional, extrinsic reward practices in situations where employees have a choice of more than one option of workplace; in turn, intrinsic rewards impact enterprise-performance.

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## Research Parameters

Three sources of data to triangulate and validate data, using an abductive research approach

Our starting research proposition was the observable phenomenon of enterprise success in LLLight'in'Europe's participants, as a function of lifelong learning

The research was designed according to an abductive methodology, examining lifelong learning institutions (enterprises) as actors that actualize lifelong learning strategies through HRPs, towards value creation and high performance.

The empirical data triangulates three sources, three phases of research: 1) past empirical and theoretical work (1990-2012, see Brandi et al., 2013), resulting in a total of 69 publications; 2) LLLight'in'Europe's empirical data from 47 semi-structured interviews and 182 questionnaire responses in a total of 194 enterprises (31 EU, 163 EU-competitors), across 53 industries; and, 3) 2009 and 2013 European Company Survey results.

An abductive research design is characterized by a transaction between data and theory as a way to account for empirical findings (Bertilsson, 2004; Charmaz, 2000; Dubois & Gadde, 2002; Locke, Golden-Biddle & Feldman, 2008; Timmermans & Tavory, 2012). It is known as a third distinct scientific research strategy, as compared to deduction and induction, developed by the American mathematician and pragmatist Charles S. Peirce (Anderson, 2005; Bertilsson, 2004). Abduction is a form of reasoning by which researchers observe the studied phenomenon or unit of analysis from a situational fit between observed facts and theory and rules. The abductive inference is aimed at developing theory and hereby validates the categories into which observations falls (Timmermans & Tavory, 2012). Morgan (2007: 71) accentuated, that an abductive analysis alternates between induction and deduction from converting observations into theory, and then evaluating these theories from observations from practice.

The consequence of choosing an abductive research design is to base the analysis on concrete facts that need to be analyzed, interpreted and understood. Our starting proposition was the observable phenomenon of enterprise success in LLLight'in'Europe's participants, as a function of lifelong learning.

We used a three-pronged validation by cross-analyzing three sources of data

Phase 1 data: Empirical studies, 1990-2012 (see Brandi et al., 2013)

Phase 2 data: Semi-structured interviews and questionnaires

Building on this proposition, the underlying premise for our study is tied to the understanding of enterprise lifelong learning strategies as a significant factor and tentative principle for value creation and the actualization of success. Our analytical focus was to study and explain how lifelong learning strategies contribute to creating the conditions for competitive and successful enterprises, framed in the context of value creation. Thus, our main analytical objectives were to analyse collected data in order to elucidate lifelong learning strategies as contributions to the phenomenon of enterprise success, to generate observations by use of revelatory examples, and conclude with theoretical insights into value creation.

Our abductive analysis employs a three-pronged validation, by way of cross-analysing our three sets of data from data collection Phases 1, 2 and 3. Our first step in this validation process was to conduct a review of lifelong learning strategies and analyse empirical studies – Phase 1 data (see Brandi et al., 2013). The review process followed an inductive line of reasoning in that we had to identify themes and dimensions for lifelong learning strategies and value creation at the enterprise level, strongly linked to the empirical studies themselves. We therefore conducted our inquiry without trying to fit findings into a pre-existing analytical framework. The review resulted in a conceptual model for how to interpret lifelong learning strategies at the enterprise level, in connection to what characterizes HPWS – enterprise success. This conceptual model guided the construction of questions for our Phase 2 research interviews and questionnaires, triangulating data with the 2009 ECS.

The second step of our analysis involved collated data from Phase 2 data, in light of our findings from Phase 1. Analytically, we were driven by the theoretical dimensions from the conceptual work in Phase 1 and conducted analysis following a theory-driven thematic analytical strategy (Braun & Clarke, 2006).

Phase 3 data: Data from the 2009 ECS, with some references to the 2013 ECS (where applicable and where cross-referencing data is available)

We coded data from Phase 2 interviews for quite specific research questions, which centered on how enterprises understood and actualized lifelong learning strategies and value creation. Thus, our analysis in this step follows a deductive logic as we used the three dimensions of HRPs, derived from Phase 1 research to structure and corroborate findings from our Phase 2 interview data. In this way, we constructed a more detailed and in-depth body of knowledge of our HRP dimensions through how interviewees expounded on lifelong learning strategies. More specifically, to estimate the distribution of beliefs, attitudes and knowledge about lifelong learning strategies and value creation, we verified interim findings from a thematic analysis of our interviews. Based on this, we formulated the questionnaire along the three main dimensions of HRPs, broaching interview themes and sub-features. We analysed the questionnaire results by calculating summary scores for agreement between statements made in the questionnaire and interim results from our interviews, linked to selected dimensions, sub-features, enterprise size, industry type and country. The steps we followed for this analysis were inspired by Claassen et al. (2014).

We conducted our analysis of secondary data from the 2009 ECS through cross-tabulation analysis among relevant and selected dependent variables for our research study on lifelong learning strategies: skills development; learning systems and incentives; and, work design and the organization of work. Independent variables were industry type, size and country. We used SPSS v.21 to analyse data. In the cross-tabulation analysis, we focused on shared distributions between selected variables from the 2009 ECS data and incorporated a simple bivariate analysis with two variables. We also calculated data from using Chi-square tests for all cross-tabulations, in order to test the significance of our findings using the .01 level to assess the strength of the association between observed lifelong learning dimensions and selected independent variables.

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## Project Identity

LLLight'in'Europe is an FP7 research project supported by the European Union, which has investigated the relevance and impact of lifelong learning and 21st century skills on innovation, productivity and employability. Against the background of increasingly complex tasks and jobs, understanding which skills impact individuals and organizations, and how such skills can be supported, has important policy implications. LLLight'in'Europe pioneered the use of an instrument to test complex problem solving skills of adults in their work environment. This allowed for the first time insights into the development of professional and learning paths of employed individuals and entrepreneurs and the role that problem solving skills play. Additionally, LLLight'in'Europe draws on a series of databases on adult competences from across the world to conduct rich analyses of skills and their impact.

These analyses were conducted in concert with different disciplines. Economists have been analyzing the impact of cognitive skills on wages and growth; sociologists have been investigating how public policies can support the development of such skills and lifelong learning; innovation researchers have been tracking the relationships between problem solving skills, lifelong learning and entrepreneurship at the organizational level; educational scientists have investigated how successful enterprises support their workforce's competences; cognitive psychologists have researched on the development and implications of cognitive skills relevant for modern occupations and tasks; and an analysis from the perspective of business ethics has clarified the role and scope of employers' responsibility in fostering skills acquisition in their workforce. The team has carried out its research and analyses on the value of skills and lifelong learning in EU countries, USA, China, Latin America and Africa.

The result is a multi-disciplinary analysis of the process of adult learning and problem solving in its different nuances, and of the levers which can support the development of these skills for both those who are already in jobs, and for those who are (re)entering the labor market, as well as the development of effective HR strategies and public policy schemes to support them.

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This policy brief is part of the publication suite of the FP7 Project LLLight'in'Europe. The publication suite consists of 21 policy briefs, 6 thematic reports and 1 synthesis report. The 21 policy briefs discuss findings and policy implications proceeding from the project's research; they are organized along three level of analyses (persons; enterprise; country) and seven topics.

01	<b>Resources of society for learning</b>
02	Institutions of learning
03	Circumstances of learning
04	Role of transversal skills
05	Role of job-specific skills
06	Productivity of skills
07	Outcomes of skills

This policy brief discusses findings related to **Resources of society for learning** at the analysis level **enterprise**. For further publications and multimedia material related to the project, please visit [www.lllightineurope.com](http://www.lllightineurope.com)