

IPA AS A THEORETICAL CONCEPT OF EVALUATING VARIOUS ELEMENTS IN HRM

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Abstract:

Importance-performance analysis (IPA) was primarily presented by Martilla and James (1977) as a simple evaluating marketing tool. However, as suggested by Slack (1994), IPA can also be used to evaluate internal services, in other words companies' internal organization. Purpose of this paper is to present a theoretical concept of IPA in human resource management (HRM) for evaluating employee satisfaction with review of elements which are considered important in HRM theory. Therefore the main goal is to present IPA as an important tool used to evaluate relations between two factors, employees (importance) and lower management (performance). In order to confirm the theoretical hypothesis made by previous researches it can be suggested that IPA can be implemented in HRM's evaluation of important factors which indicates employee satisfaction. Furthermore the procedure showed the limitation of previous findings, which prompted the research. Authors will demonstrate its conclusion based on theoretical aspects used in IPA concept. At first IPA concept will be presented as a theoretical concept and then transferred from external to internal matters and its possible implementation in HRM process. Consequently the analysis showed that although IPA concept was introduced for marketing purposes, it can possibly be implicated in others, such as HRM.

Keywords: importance-performance analysis, human resource management, employee satisfaction

1. INTRODUCTION

The employees' satisfaction has been known to have great impact on business success in modern society. It has been considered as one of the most critical aspects of work quality which has a significant value in employees' job performance (Gaurav, 2012, p. 2). These two factors have been widely discussed by scientific literature. Human resource researchers have many different approaches to define employees' satisfaction and its impact on job performance.

The purpose of this paper is to analyse the methods of the Human Resource Management (HRM) on the field of employees' job satisfaction. To point out critical factors that define satisfaction in theory and then to implement them in Importance-Performance Analysis (IPA), which was first introduced by Martilla and James (1977). Theory was based on customer service satisfaction in the car service industry, where external company environment was analysed. Later on after many criticisms the analysis received slight improvements by Slack in 1994. He introduced the so called Diagonal IPA Matrix, where he divided the matrix with four non-symmetrical zones and allowed a more continuous transition in improvement priorities (Eskildsen & Kristensen, 2006, p. 42).

Our research method was made on the base of the improved IPA model presented by Slack (1994) – Diagonal IPA Matrix. We made nine point scales for defining importance of job satisfaction criteria and performance of job satisfaction employee expectation. The HRM can use this nine point scale to make a questionnaire to evaluate job satisfaction and present the result in the matrix zoning of the Diagonal IPA Matrix. The interpreted results can be used to define critical factors needed to improve the employees' satisfaction.

2. BACKGROUND LITERATURE

2.1. Human Resource Management

Human resource management (HRM) is defined as a strategic and coherent approach to the management of an organization's most valued assets (Armstrong, 2006, p. 1). Boxall & Purcell (2011, p. 1) are, on the other hand, expanding definition by saying that it refers to all the management of work and people in organisations. Mondy & Mondy (2014, p. 28), among others, define HRM as the utilization to achieve organisational objectives. We can conclude HRM's definition as a very broad and deeply connected with inner organisation, its most valuable assets (employees) and their management.

HRM process can be described with a human resource cycle with four generic processes (Fombun et al, 1984). Which are:

- selection – available human resources matching to the jobs,
- appraisal – performance management,
- rewards – short and long-term achievements,
- development – high-quality employees should be developed.

Concept of HRM strategies refers to the so called commitment strategy. It is concerned with the development of communication, training programs and education, initiative to increase involvement and "ownership", and introduction of reward management and performance processes (Armstrong, 2006, p. 111). On the other side we have to point out the economic goals of HRM. The idea is that firms need people who are effective, skilled at what the firm needs them to do and also motivating them to perform at a cost (wages, benefits, training, and so on) that the firm can afford to pay (Boxall & Purcell, 2011, p. 13).

One of the most important parts of HRM is recruitment. Recruitment can be defined as a practical deciding what the company needs in a candidate and procedures to attract the most appropriate candidates (Edwards & Rees, 2011, p. 185). On the other hand each job requires different knowledge, skills and ability levels. Therefore effective human resource planning has to take these requirements into consideration (Mondy & Mondy, 2014, p. 105).

In the area of compensation, the company has to know the relative value of a particular job before money is placed on it (Mondy & Mondy, 2014, p. 104). Because money spent on compensation and

on incentive system is wasted if it does not produce needed and desired results (Fink & Logenecker, 2013, p. 30).

2.2. Job analysis

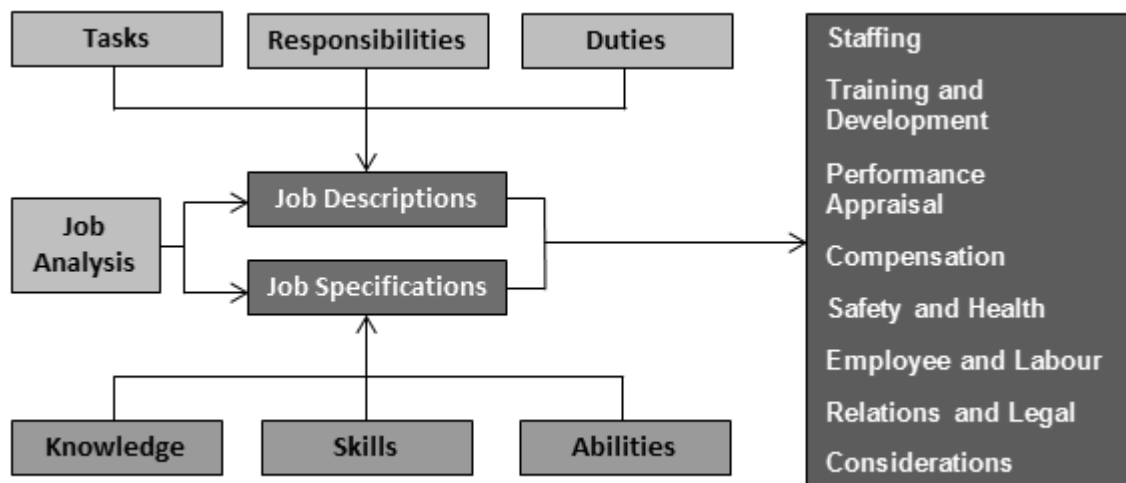
Job analysis is the systematic process of determining duties, skills and knowledge required to perform certain job in an organization (Mondy & Mondy, 2014, p. 104). Prien et al (2009) are mentioning five different methods to collect job analysis data. Those methods are self-reports, direct observations, interviews, document reviews, questionnaires and surveys.

Job analysis purpose is to obtain answers to six important questions (Mondy & Mondy, 2014, p. 104):

1. What physical and mental tasks does the worker accomplish?
2. When is the job to be completed?
3. Where is the job to be accomplished?
4. How does the worker do the job?
5. Why is the job done?
6. What qualifications are needed to perform the job?

Based on these six basic, but very important, questions they divide job analysis in two segments: job description and job specification. Job description contains employees' tasks, responsibilities and duties, and job specification contain employees' knowledge, skills and abilities. Main activities developed on the basis of this division are staffing, training and development, performance appraisal, compensation, safety and health, employee and labour relations and legal considerations (Picture 1) (Mondy & Mondy, 2014, p. 105).

Picture 1: Job analysis structure



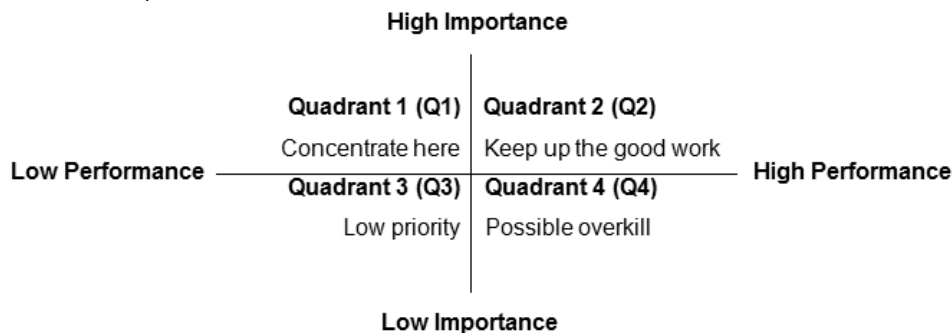
Source: Mondy & Mondy, 2014, p. 105.

2.3. Introduction of IPA

Importance-performance analysis (IPA) was introduced by Martilla and James in 1977 as a simple marketing tool for measuring customer acceptance of features of marketing programs (Martilla & James, 1977, p. 77). They deal with the problem of how marketing should implement results of customer response they obtained into action. The assumed form of the relationship is that "importance" and "performance" act together to determine "priority for improvement" (Slack, 1994, p. 62). Martilla and James (1977, p. 77) were highly confident that the management is dealing with the problem of interpretation of the results and they do not know how to prioritize them. The utility of the IPA lies in its ability to bring together both customer (importance) and management (performance) perspectives to judging the relative improvement priorities which need to be applied to competitive criteria (Slack, 1994, p. 61).

The technique has two dimensions - importance and performance. It is based on the matrix that is divided into four quadrants in which criteria is based on the analysis reclassified according to their importance (Martilla & James, 1977, p. 78). This is shown in the picture below (Picture 2).

Picture 2: Importance-Performance Matrix



Source: Martilla & James, 1977, p. 78 and Slack, 1994, p. 61.

It is the relationship between the importance of the criteria for the company and customer satisfaction to it. The criteria are divided into quadrants on the basis of customer satisfaction and importance with the service. The criteria according to the results are deployed among the quadrants. Criteria placed in 1st quadrant means that management should invest further work into them. In 1st quadrant (Q1) the performance of criteria is low and the importance is higher. Criteria located in the 2nd quadrant (Q2), have high performance and high importance. These criteria have reached everything that management should do is to be maintained them at the same level. When both, performance and importance, are low as shown in the 3rd quadrant (Q3), the criteria is not important for management and customers are not highly satisfied with it. And the Possible overkill for the company is the 4th quadrant (Q4). The performance of these criteria is low but it is important for a customer. (Martilla & James, 1977, pp. 77–78)

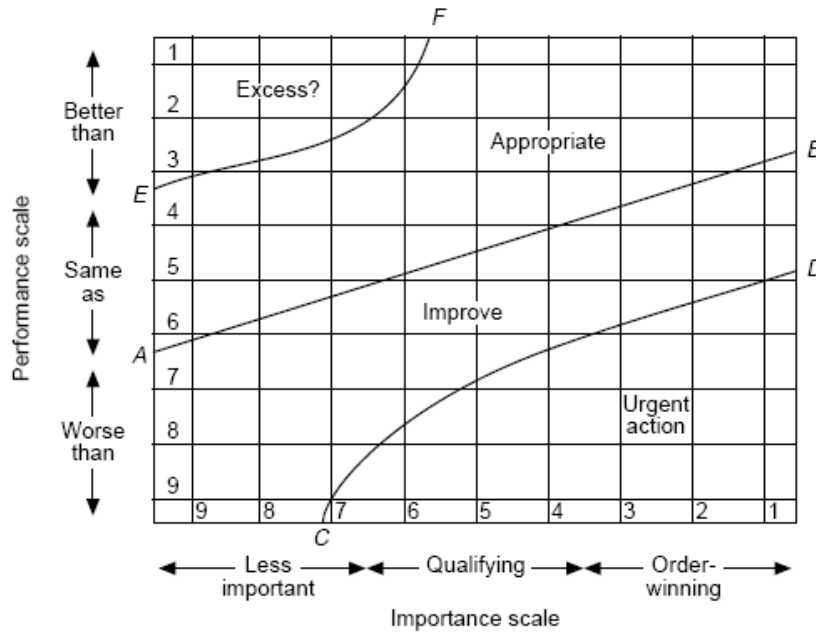
Importance and performance are rated on a four point scale, where performance is rated as excellent or good or fair or poor and importance is rated as extremely important or important or slightly important or not important (Slack, 1994, p. 61). IPA gives management a complete overview of the situation and allows them to more easily make decisions depending on which area must improve their services. Management should primarily focus on the 1st quadrant (Martilla & James, 1977, pp. 77–78).

Many researchers have used the IPA to evaluate customer satisfaction due to its simplicity. On the other hand, many, such as Tontini & Picolo, Slack, Eskildsen & Kristensen, Bacon, Maltzer and Sampson & Showalter, have reported some limitations of the method. Determination was that there is a high correlation between importance and customer satisfaction (Sampson & Showalter, 1999; Bacon, 2003). It can be regarded as a restriction on the use of the original IPA if a company cannot compare the satisfaction of its customers and customer satisfaction competition (Tontini & Picolo, 2013, p. 48). Bacon (2003) is also providing a review of extensions and variations of the original technique. Maltzer et.al (2004) assumed that the relationship between performance and overall customer satisfaction is linear and symmetric.

2.4. Diagonal IPA Matrix

The most restructured and expanded IPA method was introduced by Slack (1994, pp. 59-75), which self-titled as Diagonal IPA. He has determinate internal customer-supplier improvement priorities and set the nine point scale for evaluating performance and importance. He also sets the new, improved IPA matrix, where he divided the matrix with four non-symmetrical zones (Picture 3).

Picture 3: Diagonal IPA Matrix



Source: Slack, 1994, p. 67.

Zones (in the original IPA, the quadrants), are now defined as the:

- "Appropriate" zone,
- "Improve" zone,
- "Urgent Action" Zone and
- "Excess?" zone.

These zones can be compared with Martilla & James's (1977, p. 78) four quadrants. The so-called "Appropriate" zone can be identified as the 2nd quadrant and it is the edge where the company would not wish to fall below. The "Improve" zone is a low priority zone where the company needs to improve, but it is not a first priority. We can identify it with the 3rd quadrant. A diagonal division line between "Improve" and "Appropriate" zone is 45 angle (Tontini & Picolo, 2013, p. 37). A possible overkill (4th quadrant) can be identified as the "Urgent Action" zone. Here company has to raise their performance so and lead the factors at least to "Improve" zone. The "Excess" zone is the one the company should concentrate on and we can identify it with the 1st quadrant (Slack, 1994, p. 68).

According to Eskildsen and Kristensen (2006, p. 42), Slack's approach allows a more continuous transition in improvement priorities, and the reasoning behind this is that customers accept lower performance in less important attributes and require higher performance in more important attributes.

2.5. Job satisfaction

Job satisfaction refers to the attitudes and feelings people have about their job and it is the positive and favourable attitudes that indicate job satisfaction (Armstrong, 2006). Locke (1976) describes job satisfaction as a self-reported positive emotional state resulting from the appraisal of one's job or from job experiences. He determined that seven work issues are typically associated with job satisfaction:

- mentally challenging work,
- personal interest in the specific job,
- work that is not too physically tiring,
- perceived equitable rewards,
- appropriate working conditions,
- employee self-esteem,
- management assistance in managing the workplace by minimizing conflict,
- management ensuring that work is interesting and
- good pay/promotions.

Researchers studied whether satisfaction causes performance or whether performance causes satisfaction (Droussioits and Austin, 2007). Armstrong (2006) pointed out that it is not job satisfaction that produces performance, but high performance that produces job satisfaction and that a satisfied worker is not necessarily a productive worker and a high producer is not necessarily a satisfied worker. People are motivated to achieve certain goals and will be satisfied if they achieve these goals through improved performance. He also suggested that performance improvements can be achieved by giving people the opportunity to perform, ensuring that they have the skills and knowledge required to perform and rewarding them by financial or non-financial means they do perform (Armstrong, 2006).

Four hypotheses for job satisfaction were introduced by Vanderberg and Lance (1992), presuming that commitment causes satisfaction, satisfaction causes commitment, commitment and satisfaction are reciprocally related, and there is no causal relationship. Their results showed that commitment causes satisfaction. On the other hand Hackman and Lawler's (1971) study results indicate employees who want higher order need satisfaction and are likely more motivated and more satisfied with their jobs. According to Hicks-Clarke and Iles (2000), job satisfaction of managers is higher when there is support for diversity in the workplace. Specifically, these researchers found that both career satisfaction and organizational commitment are positively impacted when diversity is recognized in the company. In addition, the company grievance system's support of procedural and distributive justice is a strong predictor of satisfaction with management (Hicks-Clarke & Iles, 2000).

Droussioits and Austin (2007) pointed out job satisfaction factors which include the work itself, achievement, advancement, recognition, responsibility, and opportunity for growth. Herzberg et al. (1959) expounded the dual factor theory of job satisfaction which states that there are two groups of factors which determine job satisfaction or job dissatisfaction. Herzberg's (1966) two-factor theory suggests that only job content-related facets (e.g. achievement, responsibility, the work itself) lead to satisfaction. On the other hand, job context-related factors (e.g. pay, security, working conditions) lead to job dissatisfaction but not to satisfaction.

Job satisfaction is an issue of importance to business owners and top managers because low levels of job satisfaction are related to increased absenteeism and to higher job turnover levels (Droussioits & Austin, 2007). If companies want to manage turnover and absenteeism effectively, managers must develop an understanding of factors that affect employee satisfaction (Oshagbemi, 2000).

3. METHODOLOGICAL PROCEDURE

The purpose of used methods in our research paper is to seek encounters with varieties of theories in order to force revisions that will make the analysis valid when applied into practical procedures. We have used secondary sources in order to review and compare various theories, which included HRM, job analysis, IPA and job satisfaction. Based on theoretical knowledge we have pointed out key elements which define job satisfaction in comparing to the pointed out elements of job performance.

Based on main job analysis factors pointed out by Mondy and Mondy (2014) we have made a nine point importance scale by questioning ourselves "How important the criterion is to maintain a job satisfaction of the employee?". We have made a nine-point scale for measuring the importance of the certain criteria. Our presented scale is based on the model presented by Slack (1994).

A Nine-point Importance Scale

How important the criterion is to maintain a job satisfaction of the employee?:

- order-winning criteria:
 - (1) provide a crucial satisfaction advantage of the employee;
 - (2) provide an important satisfaction advantage of the employee;
 - (3) provide a useful satisfaction advantage of the employee;
- qualifying criteria:
 - (4) need to be at least up to good satisfaction standard;
 - (5) need to be around the median satisfaction standard;
 - (6) need to be within the close range of the satisfaction standard;
- less important criteria:
 - (7) do not usually come into employees satisfaction consideration;
 - (8) very rarely come into employees satisfaction consideration;
 - (9) never come into employees satisfaction consideration.

Performance scale was made based on job satisfaction factors introduced by several researchers such as Locke (1976), Armstrong (2006) and Droussioits at al (2007). We have pointed out the question “How satisfied the employee is with his job?”. Our presented scale is based on the model presented by Slack (1994).

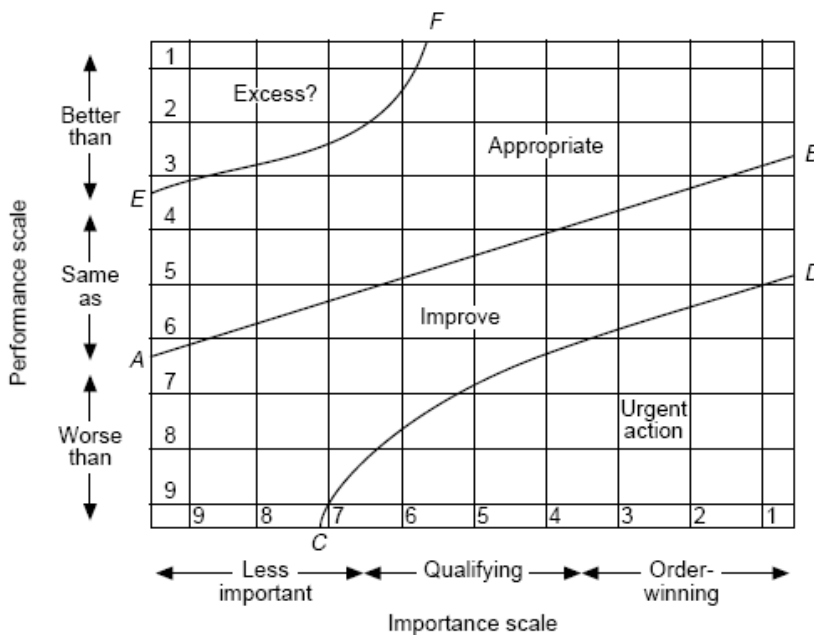
A Nine-point Performance Scale

How satisfied is the employee with his job?:

- better than expected:
 - (1) consistently considerably better than employees’ expectation;
 - (2) consistently clearly better than employees’ expectation;
 - (3) marginally better then employees’ expectation;
- the same as expected:
 - (4) often marginally better then employees’ expectation;
 - (5) about the same as employees expectation;
 - (6) often within striking distance of employees’ expectation;
- worse than expected:
 - (7) usually marginally worse than employees’ expectation;
 - (8) usually worse than employees’ expectation;
 - (9) consistently worse than employees’ expectation.

These two scales are the baseline for making the questionnaire which can be used by HRM experts in the company to evaluate employees’ job satisfaction. The results of the questionnaire are then presented in Importance-Performance Matrix remodelled by Slack (1994).

Picture 4: Diagonal IPA Matrix for presenting the questionnaire results



Source: Slack, 1994, p. 67.

Results in four zones imply very different treatments (Slack, 1994, p. 68).

The “Appropriate” Zone:

The zone is bounded by the “minimum performance boundary”. It is the level of performance which company would not wish the satisfaction to fall below.

The “Improve” Zone:

These factors are good candidates for improvements. Those that are lying in the left-hand corner of the matrix are viewed as non-urgent cases. It is certain the improvement is needed, but not on the first priority.

The “Urgent Action” Zone:

These are aspects of satisfactory performance where achievement is far below what it ought to be given its importance to the employee that satisfaction is probably being lost directly as a result. It is urgent to raise the performance at least up to the “Improve” zone.

The “Excess?” Zone:

If satisfaction factors lay in this area their performance is far better than importance. It is sensible to check if any resources which have been used to achieve such a performance could be delivered to a needier factor, for example to a factor lying in “urgent action” zone.

4. CONCLUSION

The concept of IPA was widely spread and useful tool when introduced by Martilla and James (1977). After many years and further needs in the market it was remodelled and improved in Diagonal IPA Matrix by Slack (1994) and it has overcome some problems of IPA that other researchers have reported but never solved. Our research was based on Diagonal IPA Matrix, which has nine-point scale and was, by our knowledge, the most appropriate one to be used in HRM for evaluating employees' satisfaction.

During our research we have concluded the usefulness of the IPA model in the HRM field to evaluate employees' satisfaction. Our theoretical concept is presented as a model which is very simple and can be used by the HRM department in the company. The employees are questioned by a questionnaire which has nine-point scale and can be completely adapted to the needs and field of work. The results are then interpreted in the Diagonal IPA Matrix where HRM of the company is introduced by the employees' satisfaction with their company. Based on results, HRM then identifies potential weaknesses and possible improvement factors. The tool itself is very simple, useful and adaptable, which is why we think it can be a great competitive advantage to the companies.

In this research we have limited ourselves to the theoretical concept and did not use our concept in practice. Because of that we were not able to present any potential weaknesses which might occur during future usage of our suggested concept. We can conclude there might be some weaknesses in the companies with bad financial status or any other factor might spoil the judgment of the employees. The other weakness is that questioned employees wouldn't have the knowledge to evaluate elements in the questionnaire by objective criteria and would be too subjective.

More and more businesses and companies in today's market are considering employees to be the most important factor in their business. Their satisfaction is recognized as one of the crucial factors of work performance and a satisfied worker is more loyal and productive, which has high impact on companies return. Based on these facts we can conclude employee satisfaction as one of the leading factors on the competitive market.

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