Cranfield UNIVERSITY
School of Management

INVESTORS IN PEOPLE, MANAGERIAL CAPABILITIES AND PERFORMANCE

A STUDY CONDUCTED BY THE CENTRE FOR BUSINESS PERFORMANCE
CRANFIELD SCHOOL OF MANAGEMENT

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EXECUTIVE SUMMARY

Investors in People (IiP) UK commissioned the Centre for Business Performance at Cranfield School of Management to investigate the impact of Investors in People on managerial capabilities, managerial performance and business results.

In this study, we took three different approaches. Firstly, we conducted in depth case studies in seven different organisations. Through a series of interviews with HR professionals and line managers, we investigated the impact Investors in People had on management capabilities and managerial performance, probing their understanding of how good management delivered business performance. Secondly, we conducted a survey across some 400 small, medium sized and larger companies based in the UK. Senior, middle and junior managers provided data on their understanding of the role of Investors in People, the company's managerial capabilities, the performance of managers, and the company's financial and non-financial performance results. Thirdly, we accessed published data from returns to Company's House (as provided through the FAME database) to test the linkage between perceptions of managerial performance and firm profitability.

The companies we visited for our case studies highlighted the differences in managerial capabilities and performance between Investors in People recognised companies, and non-recognised companies. They also illustrated the differences in organisational commitment to people and their development and provided practical examples of tools being successfully used to build management capabilities.

In our study, we found empirical evidence showing that Investors in People:

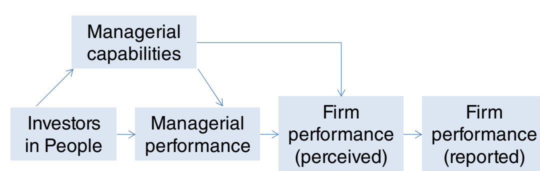
- Enhances managerial capabilities - that is to say the knowledge, experience and skills of managers.
- Supports the development of an organisational learning culture.
- Improves the effectiveness of management development practices.
- Facilitates the creation of a high-performing environment.
- Increases the performance of managers.

Furthermore, working with Investors in People triggers a chain of events (see figure 1). Investors in People recognised companies have better managerial capabilities that engender higher managerial performance, which leads to better perceived non-financial and financial performance, resulting in higher profitability - as shown in their published accounts – than non-recognised companies.

Managers play a key role in delivering business performance. This research shows how Investors in People underpins effective management through its impact on the development of management capabilities and management performance.

Also, we conclude that the more companies embrace Investors in People, the better their performance will be.

Figure 1. The Impact of Investors in People



Control variables: Firm size and Industry

BACKGROUND AND OBJECTIVES

Investor in People is the UK's leading business improvement tool for people management, and was introduced in 1991. Currently about 30 percent of the workforce is employed either by organisations that are recognised as Investors in People employers or organisations working towards achieving recognition status.

Investors in People registered assessors and advisers currently work with almost 30,000 organisations employing over 7 million people and engage with new organisations on a daily basis. This level of activity is indicative of Investors in People's impact on the UK economy. Investors in People's main objective is to improve organisational performance through the management and development of people.

The Investors in People Standard is seen as a critical enabler of the UK government's policy of creating a society committed to personal and economic growth through a philosophy of life long learning. Recent research conducted by the Institute of Employment Studies[1] has found that Investors in People recognised companies generate higher gross profits per employee than non-Investors in People recognised companies. Furthermore, research conducted by Cranfield School of Management in 2008 found Investors in People to be beneficial to businesses through the role it plays in influencing HR policies; the impact these policies have on organisational social climate and human capital flexibility; leading to greater competitiveness and higher return on assets[2].

The purpose of the present study is to build on the existing research by exploring an aspect of this "chain of impact" further, through focusing on the effect of Investors in People on the capabilities and performance of managers.

[1] Institute for Employment Studies (2008) *Does IIP add value to businesses?* IES Report.
[2] Bourne, M., Franco-Santos et al. (2008) *The impact of Investors in People on people management practices and firm performance*, Centre for Business Performance, Cranfield School of Management.

There is case study evidence that Investors in People supports the development of managerial capabilities, which in turn influences managerial performance. In an effort to improve its understanding in this area Investors in People UK commissioned this research.

The objectives of this study are twofold:

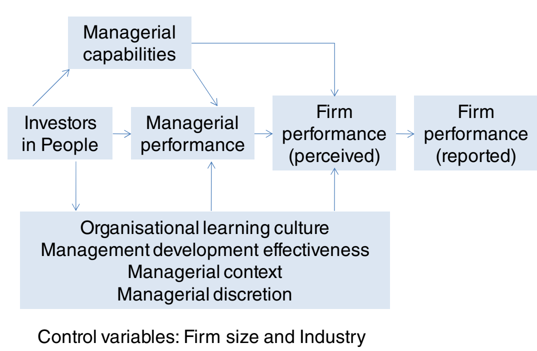
- To explore the extent to which Investors in People influences the capabilities and performance of management; in particular, the capabilities and performance of middle and junior managers[3] due to their critical position within organisations.
- To examine the link between Investors in People, the performance of managers and the performance of the organisation.

[3] In this study *middle managers* are defined as the managers located below top management and above junior managers. These managers are responsible for translating the overall strategic goals set by top management into more specific objectives and activities. *Junior managers* are defined as the managers located below middle management. They are involved with non-management employees, implementing specific plans developed by middle managers.

OVERVIEW OF THE STUDY

In order to examine the extent to which Investors in People has an impact on the capabilities and performance of managers and business results, we adopted three different research methods: case study, survey and archival research. Firstly we investigated the perceptions that managers and employees have about the impact of development on management capability and management performance through conducting seven case studies. In particular we investigated the role of middle and junior managers and where applicable the impact of Investors in People on this process. Secondly, we used a survey to examine the extent to which Investors in People affects the capabilities and performance of managers and the extent to which this was perceived as delivering improved organisational performance. The conceptual model in figure 2 below summarises the specific links we tested. Thirdly, we analysed data collected through our survey along with archival financial performance information downloaded from the database FAME. The data in FAME is based on published financial returns to Companies' House.

Figure 2. The impact of Investors in People – Initial research conceptual model



THE CASE STUDIES

Case studies were conducted in seven carefully selected companies (see industry and size description in table 1). Four companies had Investors in People recognition and three companies were not recognised –even though one of these three companies was part of a larger organisation, which was Investors in People recognised. Of the four Investors in People recognised companies, two were chosen as they met many of the evidence requirements of Investors in People's extended framework and had been awarded Gold, Silver or Bronze status. Where possible, companies were also paired according to their industry for comparison purposes. Thus, the study included two financial services companies, two engineering services businesses and two food-processing firms.

Table 1. Case studies classification

	Small	Medium	Large
IiP recognised (Gold, Silver or Bronze)		Food processing	Financial services
IiP recognised		Financial services	Engineering services
Not IiP recognised	Engineering services	Food processing	Repair services

During the case studies we interviewed eight HR directors and managers and 29 line managers (4 directors and senior managers, 10 middle managers and 15 junior managers respectively). During the interviews, we asked about the company's principles for managing people and how people were managed. We enquired about the tools used to manage and the selection development and training practices before discussing the management capabilities developed, the performance outcome these delivered and the perceived influence of Investors in People on the whole approach (where applicable). We examined relevant forms and documents and observed the environment in which people worked.

THE SURVEY

To test the predictions of our conceptual framework, a questionnaire was developed, drawing on previous research experience and academic work. The questionnaire was sent out to a sample of organisations based in the UK.

The study sample was selected according to four different criteria: size, location, industry and availability of contact details. The questionnaire was piloted with a small sample of HR directors and academics before the full survey was launched.

A printed copy of the questionnaire can be found in Appendix A and an on-line copy of the questionnaire was produced and sent out to at least 4 different people in the HR department of the same organisation, one of them being the HR Director.

Table 2 provides a description of the survey questionnaires sent and the responses received.

Table 2. Description of survey responses

Final sample description	Results
Questionnaires sent	3,350
Questionnaires received	509
Invalid responses	99
Valid responses	403
Organisations with multiple respondents	14

Measurement of study key variables

The variables included in the conceptual framework of the research were measured using data collected through the survey questionnaire and the external financial database FAME (https://fame.bvdep.com). Table 3 summarises how each of the variables included in the research was assessed.

Table 3. Measurement of study variables

Variable	Data source/ survey question	Type of measure
Managerial capabilities	Q6 -Q24	7 likert scale
Organisational learning culture	Q25-Q30	7 likert scale
Management development effectiveness	Q31-Q40	7 likert scale
Managerial context	Q41-Q48	7 likert scale
Managerial discretion	Q49-Q52	7 likert scale
IiP recognition	Q53	Dummy and Ordinal
IiP effective implementation	Q54-Q58	7 likert scale
Managerial performance	Q59-Q66	7 likert scale
Firm performance (perceived)		
- Non-financial	Q67-Q72	7 likert scale
- Financial	Q73-Q76	7 likert scale
Firm performance (reported-FAME)	ROA (09-06) Profit margin (09-06) Profit per employee (09-06)	Continuous Continuous Continuous
Firm size (FAME)	Log (number of employees, total assets and turnover)(09-06)	Continuous
Industry (FAME)	EUROSTAT classification	Dummy

Data analysis

In order to verify the validity of the variables used in the research, factor and reliability analyses were conducted, along with examinations of convergent and discriminant validity[4]. The data collected was analysed using descriptive statistics, factor, correlation and regression analysis.

[4] The full results of these analyses are not included in this report but are available from the authors upon request.

Final sample characteristics

The following figures present key characteristics of the type of firms and respondents participating in the survey.

Figure 3. Investors in People recognition

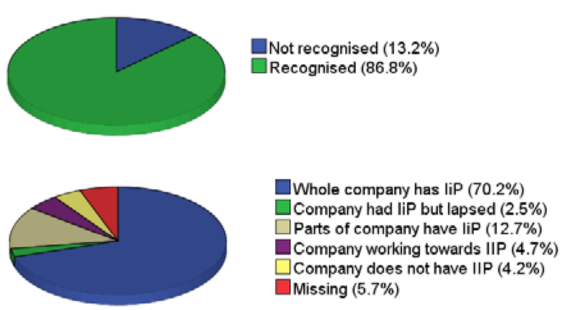


Figure 5. Firms classified based on number of employees

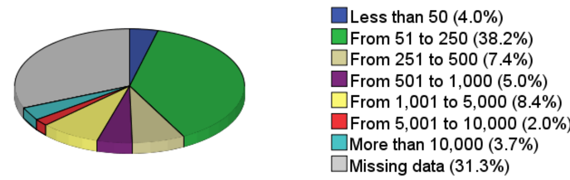


Figure 4. Respondents classified based on job position

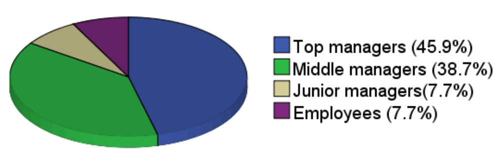
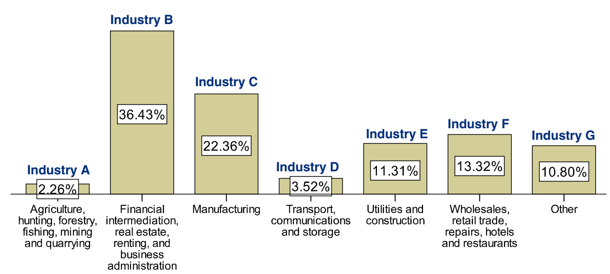


Figure 6. Firms classified based on industry



THE FINDINGS

CASE STUDY FINDINGS

A brief description of the evidence found in our case studies is shown in tables 4 to 7.

Overall, we found that the level of commitment to people, the level of managerial capabilities, the sophistication of the people development practices and the understanding of the role managers played in delivering business performance was strongly associated with the level of company engagement with Investors in People.

Exemplar practices in Investors in People employers included personalised development plans for a junior manager, taking them through the company's development programme, supported by a mentor and a personal coach, leading to selected promotions that exposed them to greater levels of responsibility without overstretching their development ability. Examples in non-recognised companies included recruitment of people who already had the skills required and a sink or swim attitude to promotion, where the manager had to succeed or fail on their own.

The companies that had successfully worked with the extended Investors in People framework showed a very deep commitment to their people. They understood how management achieved the business targets and objectives and had structured training and development opportunities to improve the capabilities of their managers. Formal mentoring schemes were in place together with personalised development and promotion plans for their management and staff. Other companies that were recognised showed some of these traits, but in non-recognised companies, although the value of people was discussed, there was less evidence of the organisations investing in their management. Training tended to focus more on technical skills rather than management skills and training and development were not structured.

From the cases and our cross case analysis, the difference in investment in management capability was very clear to see.

The case studies highlight how the Investors in People framework facilitates a structured approach and challenges organisations to continuously improve their strategies for developing managers.

Table 4. Investors in People Gold, Silver or Bronze status

Financial Services 1	Food Processing 1
PRINCIPLES	PRINCIPLES
▪ Service through people ▪ Job satisfaction not money ▪ Clear understanding of strategy and the role they play ▪ Leading by example ▪ Investing in people	▪ Family values ▪ culture, how we lead ▪ Performance but how it is delivered ▪ Engaging people
PRACTICES	PRACTICES
▪ SMART targets ▪ Performance management process, twice per annum ▪ Recognition - personal	▪ Daily shop floor communication ▪ Training a protected expense ▪ Feedback
SELECT, TRAIN, DEVELOP	SELECT, TRAIN, DEVELOP
▪ Graduate intake ▪ Management development programmes ▪ Assessment tools ▪ PDP to Masters ▪ Formal mentoring every 2 months ▪ Project opportunities ▪ PD objectives	▪ Performance improvement training 5S, APEX ▪ Portfolio of training ▪ NVQs ▪ Leadership course ▪ External coach ▪ Mentors ▪ Planned promotion path ▪ PDP evidenced to Masters Degree
CAPABILITIES	CAPABILITIES
▪ Team leadership ▪ Translating strategy to the team ▪ Developing people	▪ Engage people ▪ Technically qualified
OUTCOMES	OUTCOMES
▪ Motivated team ▪ Committed people ▪ Client response ▪ Staff survey	▪ Leadership & Management ▪ Rounded management ▪ Shop floor buy-in
IIP INFLUENCE	IIP INFLUENCE
▪ Benchmark for people excellence	▪ External people management benchmark ▪ IiP recognition is the result of what we do ▪ Openness and information sharing

Table 5. Investors in People recognised

Financial Services 2	Engineering Services 1
PRINCIPLES	PRINCIPLES
▪ Management for performance ▪ Motivation is key ▪ Very clear objectives	▪ Values ▪ span of control ▪ Morale influences performance ▪ People based organisation ▪ People support (HR)
PRACTICES	PRACTICES
▪ Monthly goal setting ▪ Bonus ▪ Appraisal process ▪ Formal development	▪ SMART targets ▪ Performance management process, twice pa ▪ Recognition - personal
SELECT, TRAIN, DEVELOP	SELECT, TRAIN, DEVELOP
▪ Formal competences ▪ Development centre ▪ Outcomes used for designing training programmes ▪ Portfolio of training programs. ▪ PDPs for those who want it	▪ Graduate intake ▪ Personalised development ▪ Psychological testing ▪ Courses - initial ▪ Courses – longer ▪ External training available
CAPABILITIES	CAPABILITIES
▪ Rounded managers	▪ Engage people ▪ Technically qualified
OUTCOMES	OUTCOMES
▪ Improved performance	▪ Staff survey results ▪ Team dynamics ▪ New ideas
IIP INFLUENCE	IIP INFLUENCE
▪ Recognition ▪ Benchmark for people excellence ▪ Company used IiP as the driver of management and business development creating the goal of people management excellence in absence of a more explicit strategy	▪ Low key

Table 6. Non-Investors in People recognised but part of an recognised company

Food Processing 2	
PRINCIPLES	CAPABILITIES
▪ Focused outcomes ▪ Self managing teams ▪ Freeing up management time to look ahead	▪ Basic management ability ▪ Food experience ▪ Articulate, numerate ▪ Build skills in a team (not just individuals) ▪ Strong management team
PRACTICES	OUTCOMES
▪ Team building ▪ Process managed ▪ Empowerment ▪ Trained people ▪ Strategy development	▪ Staff survey results ▪ Team dynamics ▪ New ideas
SELECT, TRAIN, DEVELOP	IIP INFLUENCE
▪ Internal & External promotions ▪ Evidence of PDPs for high flyers	▪ N/A

Table 7. Not Investors in People recognised

Financial Services 2	Engineering Services 1
PRINCIPLES	PRINCIPLES
▪ Using bright people ▪ Delivering good projects	▪ Importance of leadership ▪ Engaging, steering the team ▪ Performance through people
PRACTICES	PRACTICES
▪ Project and people management ▪ Open plan ▪ Recognition ▪ Appraisals	▪ Targets ▪ Rewards directly linked to performance ▪ PDP, but on own initiative
SELECT, TRAIN, DEVELOP	SELECT, TRAIN, DEVELOP
▪ Good engineers ▪ Bring in with experience	▪ Induction ▪ Systems training ▪ Set of 1-day short courses ▪ Interview process ▪ Promote on performance ▪ No overarching scheme
CAPABILITIES	CAPABILITIES
▪ Manage resources ▪ Provide development opportunities	▪ Not clear ▪ Deliver high morale, leading to high performance
OUTCOMES	OUTCOMES
▪ Company performance ▪ Did a staff survey but results not good	▪ Pride in a good job ▪ Team morale ▪ Branch performance
IIP INFLUENCE	IIP INFLUENCE
▪ N/A	▪ N/A

SURVEY FINDINGS

The impact of Investors in People on managerial capabilities

The data analyses conducted show that Investors in People recognition has a positive effect on the capabilities of managers, assessed in terms of their knowledge, experience and skills (see figure 7). This effect is highly influenced by the processes companies follow to achieve their accreditation recognition. The more effective the Investors in People implementation process is, the higher the positive impact of Investors in People on managerial capabilities is. In other words, the more closely the organisation embraces the Investors in People philosophy; the more support Investors in People receives from top management; then, the more Investors in People enhances managerial capabilities. This occurs despite the effects that firm size and industry may have on the capabilities of managers (see regression results in table 8 and correlation results in appendix B).

Figure 7. Relationship between Investors in People and managerial capabilities

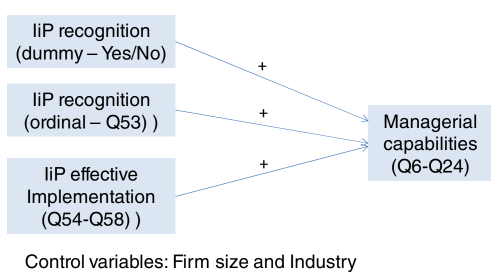


Table 8. Regression results (dependent variable: Managerial capabilities)

Independent variables/predictors	Model 1 Beta	Model 2 Beta	Model 3 Beta
Firm size	-.112**	-.094*	-.055
Industry A	-.053	-.048	-.073
Industry B	-.156*	-.142	-.008
Industry C	-.169*	-.154*	-.052
Industry D	.028	.029	.051
Industry E	-.083	-.074	-.030
Industry F	-.029	-.020	.092
IiP recognition (dummy)	.150***		
IiP recognition (ordinal)		.173***	
IiP effective implementation			.503***
R^2=	.068	.072	.290
Adj R^2	.043	.049	.270
F	2.877***	3.185***	14.295***

Standardized coefficient is significant at *** p≤ 0.01, ** p≤.05, and * p≤0.1.

The relationships between Investors in People, organisational learning culture, managerial development, context and discretion

The study shows that companies recognised as Investors in People have a stronger organisational learning culture; more effective managerial development practices; a managerial context that encourages higher performance and managers that have more autonomy and freedom to decide what to do and how to do their jobs than non-recognised companies. This occurs regardless of company size and industry (see figure 8, regression results in table 9 and correlation results in appendix B).

The survey questionnaire (included in the appendix A) presents the items considered when measuring organisational learning culture, managerial development practices, managerial context and managerial discretion. However, we briefly describe here the main indicators of these factors:

- A strong **organisational learning culture** is reflected in organisational values that encourage aspects such as learning, development, innovation and risk taking.
- Effective **managerial development practices** are those that, for instance, increase job satisfaction and motivation; reduce employee turnover; reduce employees' stress levels and improve succession planning.
- Key characteristics of **high-performance managerial contexts** are, for example, clarity of role and performance expectations, periodic performance feedback or availability of appropriate resources.
- Companies with high **managerial discretion or autonomy** are mainly those that provide managers with the freedom and opportunities to use and develop their own judgement.

Figure 8. Relationship among Investors in People, organisational learning culture, managerial development practices, context and discretion

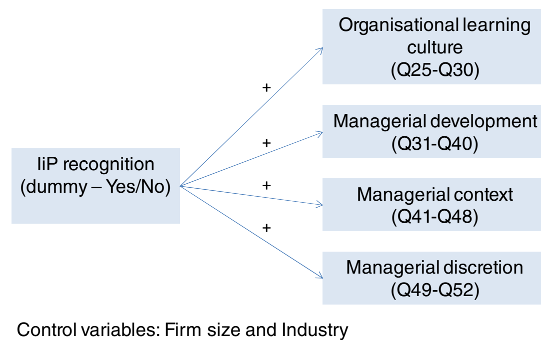


Table 9. Regression results (dependent variables: organisational learning culture [OLC], managerial development [MD], context [MC], and discretion [MD])

	Dependent variables			
Independent variables/predictors	OLC Beta	MD Beta	MC Beta	MD Beta
Firm size	-.075	-.029	-.065	-.112**
Industry A	-.084	-.021	-.119**	-.033
Industry B	-.168*	-.024	-.220**	-.124
Industry C	-.227**	-.126	-.217**	-.136
Industry D	.027	.030	-.035	.013
Industry E	-.113	-.055	-.092	-.072
Industry F	-.081	.055	-.057	-.019
IiP recognition (dummy)	.258***	.210***	.263***	.206***
R^2=	.116	.077	.116	.078
Adj R^2	.094	.053	.093	.054
F	5.137***	3.225***	5.087***	3.281***

Standardized coefficient is significant at *** p≤ 0.01, ** p≤.05, and * p≤0.1.

Managerial performance and the impact of Investors in People

When the performance of managers in Investors in People recognised and non-Investors in People recognised companies is compared, Investors in People recognised companies present a higher degree of management performance (see figure 9, regression results in table 10 and correlation analysis in Appendix B).

Furthermore, when investigating the key factors that determine the performance of managers, the effective implementation of Investors in People appears as a key driver along with the capability of management (their knowledge, experience and skills) and the successful communication of goals (which we have called a high performance managerial context).

Figure 9. Relationship between Investors in People and managerial performance

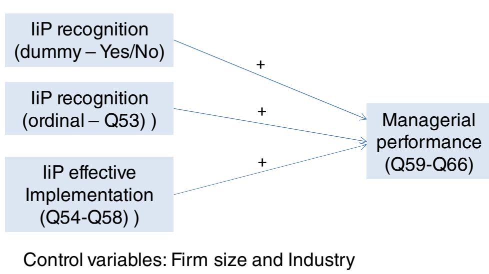


Table 10. Regression results (dependent variable: managerial performance)

Independent variables/predictors	Model 1 Beta	Model 2 Beta	Model 3 Beta
Firm size	-.098*	-.073	-.019
Industry A	-.165***	-.157***	-.159***
Industry B	-.236**	-.215**	-.114
Industry C	-.295***	-.272***	-.122
Industry D	.006	.009	.034
Industry E	-.141*	-.129*	-.074
Industry F	-.120	-.105	-.013
IiP recognition (dummy)	.187***		
IiP recognition (ordinal)		.218***	
IiP effective implementation.			.559***
R^2=	.111	.121	.360
Adj R^2	.088	.098	.341
F	4.734***	5.233***	19.306***

Standardized coefficient is significant at *** p≤ 0.01, ** p≤.05, and * p≤0.1.

Figure 10. Determinants of managerial performance

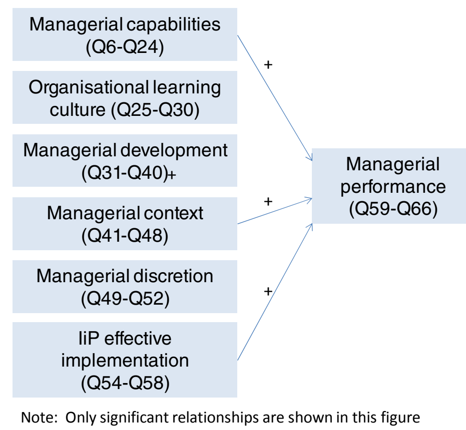


Table 11. Regression results (dependent variable: managerial performance)

Independent variables/predictors	Beta
Managerial capabilities	.580***
Organisational learning culture	.078
Managerial development	-.005
Managerial context	.190***
Managerial discretion	.053
IiP effective implementation.	.072*
R^2=	.746
Adj R^2	.741
F	161.273***

Standardized coefficient is significant at *** p≤ 0.01, ** p≤.05, and * p≤0.1.

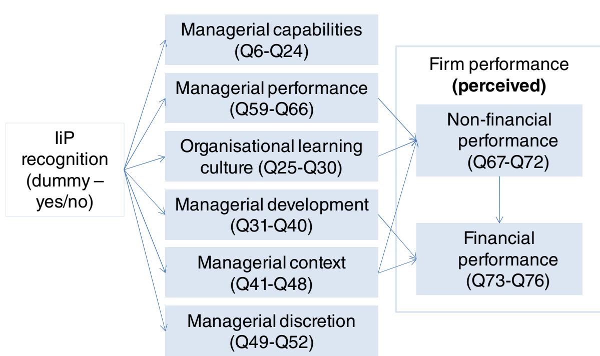
Investors in People and firm performance

From previous research conducted by Cranfield School of Management in 2008, we know that Investors in People influences firm performance through the role it plays in influencing HR policies; the impact these policies have on organisational social climate and human capital flexibility; leading to greater competitiveness and higher firm performance[5].

This research confirms and extends the findings of this earlier study as the data shows that Investors in People has an impact on firm performance through its effect on intermediate organisational factors such as managerial performance, organisational learning culture, managerial development practices, and managerial context.

This study specifically shows that profitability – assessed by profit margins and profit per employee– is improved through the positive impact that Investors in People has on managerial performance, which in turn creates the conditions for achieving greater financial and non financial performance (see figures 11 and 12, tables 12 and 13 and correlation analysis in appendix B).

Figure 11. Determinants of perceived firm performance



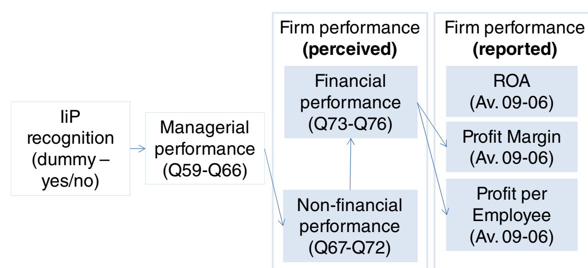
Note: Only significant relationships are shown in this figure. The data showing the direct impact of IiP has been previously presented in tables 8, 9 and 10

Table 12. Regression results (dependent variables: firm non-financial performance [FNFP] and firm financial performance [FFP])

Independent variables/predictors	FNFP Beta	FFP Beta
Managerial capabilities	.056	-.042
Organisational learning culture	.155*	-.054
Managerial development	.032	.203**
Managerial context	.200***	.244**
Managerial discretion	.052	-.080
Managerial performance	.217***	-.061
Firm non-financial performance		.491***
R^2=	.391	.339
Adj R^2	.381	.326
F	38.381***	25.711***

Standardized coefficient is significant at *** p≤ 0.01, ** p≤.05, and * p≤0.1.

Figure 12. Relationship between perceived and reported firm performance



Note: Only significant relationships are shown in this figure.
The data showing the direct impact of IiP has been previously presented in table 10.

Table 13. Regression results (dependent variable: profit *margin [PM], profit per employee [PPE] and return on assets [ROA] –Average data of years 2009-2006)*

Independent variables/predictors	PM Beta	PPE Beta	ROA Beta
Firm size	.055	.142**	-.066
Industry A	.129	.248***	.126*
Industry B	.225*	.219*	.288**
Industry C	.233*	.223**	.276**
Industry D	.011	.018	.087
Industry E	.181*	.166*	.197**
Industry F	.196*	.082	.170*
Firm financial performance (perceived)	.139*	.143**	.106
Firm non-financial performance (perceived)	.098	.069	.099
R^2=	.079	.108	.060
Adj R^2	.036	.073	.025
F	1.853*	3.077***	1.704*

Standardized coefficient is significant at *** p≤ 0.01, ** p≤.05, and * p≤0.1.

[5] Bourne, M., Franco-Santos et al. (2008) *The impact of Investors in People on people management practices and firm performance*, Centre for Business Performance, Cranfield School of Management.

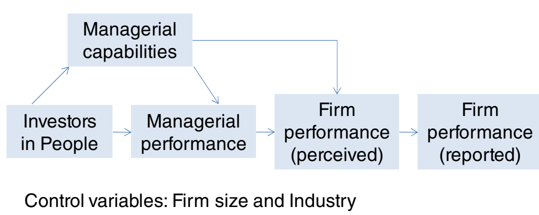
CONCLUSIONS AND IMPLICATIONS

This study further examines the impact of Investors in People on firm performance by focusing on the effects that the framework has on the capabilities and performance of managers.

The evidence collected through seven case studies, a survey of 403 companies based in the UK, and an analysis of published financial performance indicators was used to test a conceptual model illustrating how Investors in People influenced managerial capabilities and performance of both managers and the firm.

Our research showed that working with Investors in People triggers a chain of events (see figure 13). Investors in People recognised companies have better managerial capabilities that engender higher managerial performance, which leads to better perceived non-financial and financial performance, resulting in higher profitability - as shown in their published accounts – than non-recognised companies.

Figure 13. The impact of Investors in People



In conclusion, the empirical evidence examined shows that compared to non-Investors in People recognised employers, Investors in People recognised companies:

- Have more capable managers - assessed in terms of their knowledge, experience and skills
- Exhibit a stronger organisational learning culture
- Deliver more effective managerial development practices
- Develop a managerial context that encourages high performance working practices
- Have managers that benefit from more autonomy and freedom to decide what to do and how to do their jobs
- Generate higher management performance
- Achieve higher non-financial and financial performance.

The study also shows that Investors in People companies are more committed to their people, which is reflected in the greater investments they make on the development of the capabilities of their managers.

IMPLICATIONS FOR PRACTICE

This study shows that management has an important role to play in delivering company performance in terms of the improvements in quality, service and customer satisfaction, which leads to higher levels of profitability. We conclude that the more companies embrace the Investors in People framework the better their performance will be. This is because Investors in People:

- Supports the development of a learning culture in the organisations in which it is applied
- Enhances the effectiveness of the management development undertaken
- Creates an environment where there is more focus on performance and employees better understand their goals and the contribution to the organisation
- Allows managers greater freedom and discretion to perform.

These findings are relevant for organisations of all sizes and sectors wishing to improve the effectiveness of their managers. Managers are the bridge between senior leaders and the workforce and therefore play a vital role in bringing an organisation's vision and mission into practice.

Throughout this study (and our previous study in 2008) we have been constantly surprised by the level of congruence between Investors in People, good people management practices and the resulting performance of the organisations we have studied.

Our conclusion is that companies who have not yet embraced Investors in People should look carefully at their reasons for not doing so. Over the years, we have seen – through our previous Investors in People study and through other research projects – well run companies that don't have Investors in People recognition, but the level of scrutiny and reflection that Investors in People brings is rarely apparent in companies that don't have the recognition, even when they perform well.

Companies that don't have Investors in People can reach the levels of performance we have seen and observed, but we would question whether this is sustainable without Investors in People or an equivalent approach.

For further information

Please contact the authors Professor Mike Bourne (m.bourne@cranfield.ac.uk) or Dr. Monica Franco-Santos (monica.franco@cranfield.ac.uk) from the Centre for Business Performance at Cranfield School of Management.

ABOUT THE AUTHORS

Professor Mike Bourne is the Director of the Centre for Business Performance. Before his academic career, Mike spent 15 years in business, spanning the valve, paper & board, building materials, machine tool and airline catering industries. He held a number of positions, with roles in production management, strategy and acquisitions, IT, HR, commercial and general management, including directorship positions in subsidiary companies. He gained his PhD from the University of Cambridge in 2001, researching the design and implementation of balanced performance measurement systems. He has spent the last fifteen years working with companies supporting senior management teams through the process of designing, implementing and using their balanced scorecards and related performance management techniques. He has worked with, and consulted to, a number of organisations including Accenture, Amadeus, BAe Systems, European Central Bank, Lloyds TSB, McCormick Europe, NHBC, Oki Europe, PWC, Schering, Tube Lines, Unilever and Wolseley. His current research interests are in the area of business performance around performance measurement and management techniques, planning and budgeting and, in particular, understanding the impact of HR practices on business's performance.

Dr. Monica Franco-Santos is a senior research fellow at the Centre for Business Performance. Monica's research broadly concerns the design, implementation, and management of performance measurement systems. In particular, Monica is interested in the relationship between performance measurement systems and reward systems in both private and public sector organisations. Monica gained her PhD from Cranfield School of Management in 2008, researching the impact of top executive incentive systems on firm performance. She has participated in a number of funded research projects looking at the impact that different managerial practices and tools have on business results. Prior to joining the faculty of Cranfield University, Monica was a consultant working for Watson Wyatt Worldwide. Her expertise was in the design and implementation of compensation systems and other Human Resources (HR) initiatives (e.g. employee satisfaction surveys, definition of HR strategic options, etc.). She has also worked in the HR departments of the electric utility Endesa and the Spanish airlines IBERIA.

APPENDIX A: RESEARCH QUESTIONNAIRE

MANAGERIAL CAPABILITIES AND PERFORMANCE

The purpose of this survey is to examine the extent to which your organisation's managerial capabilities affect performance. Please answer the following questions as honestly and candidly as possible. This is a strictly confidential survey. Under no circumstances will your individual responses be made available to anyone within or outside your organisation. Information from the survey will be compiled by **Cranfield School of Management** into a research report consisting of aggregated results from the different participant companies.

SECTION I. PERSONAL BACKGROUND

1. **What is your email address (this information will be used to send you the results of our survey)?** ____________________
2. **What is your company's full name?** ____________________
3. **What is your job title?** ____________________
4. **What is the name of your department?** ____________________
5. **What is your position within the organisation?**

- ☐ a. Top level managers (Level 1 or C-level): In the organisational hierarchy, I am located at the top. I am one of the managers responsible for setting the strategic direction of the organisation
- ☐ b. Middle manager (Level 2): In the organisational hierarchy, I am located below top management and above front-line managers. I am one of the managers responsible for translating the overall strategic goals set by top management into more specific objectives and activities
- ☐ c. Junior manager (Level 3): In the organisational hierarchy, I am located below middle management. I am directly involved with non-management employees, implementing specific plans developed by middle managers
- ☐ d. Employee (Level 4): In the organisational hierarchy, I am located below front-line management

SECTION II. MANAGERIAL CAPABILITIES

Managerial knowledge and experience *Please indicate the extent to which you agree or disagree with each statement*	(1) Strongly disagree	(2)	(3)	(4)	(5)	(6)	(7) Strongly agree	Don't know
6. Our managers have key analytical skills that enable them to analyse events, perceive trends, anticipate changes and recognize opportunities	☐	☐	☐	☐	☐	☐	☐	☐
7. Our managers have suitable work experience to fulfil their jobs	☐	☐	☐	☐	☐	☐	☐	☐
8. Our managers have the knowledge required to do their jobs well	☐	☐	☐	☐	☐	☐	☐	☐
9. Our managers have the ability to understand and learn quickly and easily	☐	☐	☐	☐	☐	☐	☐	☐
10. Our managers produce novel and useful ideas	☐	☐	☐	☐	☐	☐	☐	☐

Managerial skills *Please indicate the extent to which you agree or disagree with each statement*	(1) Strongly disagree	(2)	(3)	(4)	(5)	(6)	(7) Strongly agree	Don't know
11. Our managers make careful decisions backed by evidence	☐	☐	☐	☐	☐	☐	☐	☐
12. Our managers exhibit consideration and sensitivity in dealing with people and avoid giving offence	☐	☐	☐	☐	☐	☐	☐	☐
13. Our managers are effective communicators	☐	☐	☐	☐	☐	☐	☐	☐

Managerial skills

Please indicate the extent to which you agree or disagree with each statement

	(1) Strongly disagree	(2)	(3)	(4)	(5)	(6)	(7) Strongly agree	Don't know
14. Our managers are able to create collaborative behaviours within a team	☐	☐	☐	☐	☐	☐	☐	☐
15. Our managers have the ability to persuade others	☐	☐	☐	☐	☐	☐	☐	☐
16. Our managers have a combination of technical, cognitive and interpersonal skills that enable them to effectively coordinate and organise their teams	☐	☐	☐	☐	☐	☐	☐	☐
17. Our managers are well connected within the organisation	☐	☐	☐	☐	☐	☐	☐	☐
18. Our managers are well connected outside the organisation (e.g. professional networks, club memberships)	☐	☐	☐	☐	☐	☐	☐	☐
19. Our managers bring out the best in our people	☐	☐	☐	☐	☐	☐	☐	☐
20. Our managers inspire people to be committed to the organisation	☐	☐	☐	☐	☐	☐	☐	☐
21. People perform well to support their managers	☐	☐	☐	☐	☐	☐	☐	☐
22. Our managers encourage our people to generate and implement their own ideas	☐	☐	☐	☐	☐	☐	☐	☐
23. Our managers encourage their staff to take responsibility for the team's performance	☐	☐	☐	☐	☐	☐	☐	☐
24. Our managers are interested in the longer term development and progress of their team members	☐	☐	☐	☐	☐	☐	☐	☐

SECTION III. INTERNAL ENVIRONMENT

Organisational learning culture

Thinking about your organisation, please indicate the extent to which you agree or disagree with the following statements

	(1) Strongly disagree	(2)	(3)	(4)	(5)	(6)	(7) Strongly agree	Don't know
25. People learning and development activities are valued	☐	☐	☐	☐	☐	☐	☐	☐
26. People development increases their promotion opportunities	☐	☐	☐	☐	☐	☐	☐	☐
27. People seek to learn and develop from errors	☐	☐	☐	☐	☐	☐	☐	☐
28. Innovation and creativity is facilitated	☐	☐	☐	☐	☐	☐	☐	☐
29. People are encouraged to take calculated risks for implementing new ideas	☐	☐	☐	☐	☐	☐	☐	☐
30. Regulations, rewards systems, policies and procedures support people development	☐	☐	☐	☐	☐	☐	☐	☐

Management development

Please indicate the extent to which you agree or disagree with each statement

	(1) Strongly disagree	(2)	(3)	(4)	(5)	(6)	(7) Strongly agree	Don't know
31. Management development increases job satisfaction in my organisation	☐	☐	☐	☐	☐	☐	☐	☐
32. Management development helps to reduce employee turnover	☐	☐	☐	☐	☐	☐	☐	☐
33. Management development reduces stress levels among my colleagues	☐	☐	☐	☐	☐	☐	☐	☐
34. Management development results in higher productivity	☐	☐	☐	☐	☐	☐	☐	☐
35. Management development programmes help our managers deal with customers more effectively	☐	☐	☐	☐	☐	☐	☐	☐
36. The number of employee grievances is reduced as a result of management development	☐	☐	☐	☐	☐	☐	☐	☐
37. Management development makes succession planning effective	☐	☐	☐	☐	☐	☐	☐	☐
38. Motivation levels are higher as a result of management development	☐	☐	☐	☐	☐	☐	☐	☐
39. Management development results in lower absenteeism rates	☐	☐	☐	☐	☐	☐	☐	☐
40. Our organisation's investment in management development is above industry standards	☐	☐	☐	☐	☐	☐	☐	☐

Managerial context *Please indicate the extent to which you agree or disagree with each statement*	(1) Strongly disagree	(2)	(3)	(4)	(5)	(6)	(7) Strongly agree	Don't know
41. Our managers know what is expected of them at work	☐	☐	☐	☐	☐	☐	☐	☐
42. Our managers know what level of work performance is expected of their employees	☐	☐	☐	☐	☐	☐	☐	☐
43. Our managers have clear targets to achieve	☐	☐	☐	☐	☐	☐	☐	☐
44. Our managers receive regular feedback on their performance	☐	☐	☐	☐	☐	☐	☐	☐
45. Our managers have the materials and equipment needed to do their job well	☐	☐	☐	☐	☐	☐	☐	☐
46. Our managers receive the learning and development required to do their job well	☐	☐	☐	☐	☐	☐	☐	☐
47. Our managers are fairly rewarded	☐	☐	☐	☐	☐	☐	☐	☐
48. Our managers are recruited following a rigorous process	☐	☐	☐	☐	☐	☐	☐	☐

Managerial discretion *Please indicate the extent to which you agree or disagree with each statement*	(1) Strongly disagree	(2)	(3)	(4)	(5)	(6)	(7) Strongly agree	Don't know
49. This company provides managers the freedom to use their own judgment	☐	☐	☐	☐	☐	☐	☐	☐
50. This company provides managers with opportunities to use and develop their knowledge and skills	☐	☐	☐	☐	☐	☐	☐	☐
51. Our managers have autonomy to decide *what* to do in their jobs	☐	☐	☐	☐	☐	☐	☐	☐
52. Our managers have the freedom to choose *how* they do their jobs	☐	☐	☐	☐	☐	☐	☐	☐

SECTION IV. INVESTORS IN PEOPLE

If your organisation has been recognised by Investors in People, please complete the questions 53 to 58. If not, please go to question 58 in the next section.

53. Which of the following applies to your organisation in regard to the Investors in People Standard?

- ☐ a. The whole company is recognised as an Investor in People
- ☐ b. The company was recognised as an Investor in People but it has lapsed
- ☐ c. Part(s) of the organisation is(are) recognised as an Investor in People
- ☐ d. The organisation is working towards meeting the Investors in People Standard

Investors in People (IIP) effective implementation *Please indicate the degree to which you agree or disagree with each statement*	(1) Strongly disagree	(2)	(3)	(4)	(5)	(6)	(7) Strongly agree	Don't know
54. The IIP philosophy is closely aligned with our corporate values	☐	☐	☐	☐	☐	☐	☐	☐
55. IIP has the strong support of the top management team	☐	☐	☐	☐	☐	☐	☐	☐
56. The top management team has provided adequate resources to achieve and maintain our IIP recognition	☐	☐	☐	☐	☐	☐	☐	☐
57. People are satisfied with having IIP	☐	☐	☐	☐	☐	☐	☐	☐
58. People understand the objectives of IIP	☐	☐	☐	☐	☐	☐	☐	☐

SECTION V. PERFORMANCE

Managerial performance

Please indicate the degree to which you agree or disagree with each statement	(1) Strongly disagree	(2)	(3)	(4)	(5)	(6)	(7) Strongly agree	Don't know
59. Our managers are effective at *planning* (i.e. determining goals, policies and courses of action)	☐	☐	☐	☐	☐	☐	☐	☐
60. Our managers are effective at *investigating* (i.e. collecting and preparing information, usually in the form of records, reports, and accounts)	☐	☐	☐	☐	☐	☐	☐	☐
61. Our managers are effective at *coordinating* (i.e. exchanging information with people in the organisation other than subordinates in order to relate and adjust programs)	☐	☐	☐	☐	☐	☐	☐	☐
62. Our managers are effective at *evaluating* (i.e. assessing people's observed or reported performance)	☐	☐	☐	☐	☐	☐	☐	☐
63. Our managers are effective at *supervising* (i.e. directing, leading and developing their people)	☐	☐	☐	☐	☐	☐	☐	☐
64. Our managers are effective at *staffing* (i.e. selecting, organising and retaining the people in their teams)	☐	☐	☐	☐	☐	☐	☐	☐
65. Our managers are effective at *negotiating* (i.e. getting good deals when purchasing, selling or contracting goods or services)	☐	☐	☐	☐	☐	☐	☐	☐
66. Our managers are effective at *representing* (i.e. advancing organisational interests through speeches, consultations and contacts with individuals or groups outside the organisation)	☐	☐	☐	☐	☐	☐	☐	☐

Organisational performance

How would you compare the company's performance over the last 3 years to that of your competitors in terms of:	(1) Way below average	(2)	(3)	(4)	(5)	(6)	(7) Way above average	Don't know
67. Quality of products or services	☐	☐	☐	☐	☐	☐	☐	☐
68. Development of new products or services	☐	☐	☐	☐	☐	☐	☐	☐
69. Ability to attract essential employees	☐	☐	☐	☐	☐	☐	☐	☐
70. Ability to retain essential employees	☐	☐	☐	☐	☐	☐	☐	☐
71. Satisfaction of customers/*clients*	☐	☐	☐	☐	☐	☐	☐	☐
72. Satisfaction of employees	☐	☐	☐	☐	☐	☐	☐	☐
73. Turnover	☐	☐	☐	☐	☐	☐	☐	☐
74. Profitability	☐	☐	☐	☐	☐	☐	☐	☐
75. Growth in sales	☐	☐	☐	☐	☐	☐	☐	☐
76. Market share	☐	☐	☐	☐	☐	☐	☐	☐

THANK YOU for your help!

Please return the questionnaire in the enclosed pre-paid business envelope. Alternatively you can fax it to 01234 754332.

If you have any questions, please do not hesitate to contact Dr. Monica Franco (Phone: 01234 75 1122) or Kirsty Yates from Investors in People UK (Phone: 020 7467 1912, Email: kirstyy@iipuk.co.uk)

APPENDIX B: CORRELATION ANALYSIS

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1. IiP recognition (yes/no)																			
2. IIP recognition (ordinal)	.915**																		
3. IIP effective implementation	.167**	.248**																	
4. Managerial capabilities	.151**	.181**	.533**																
5. Organizational learning culture	.231**	.256**	.566**	.756**															
6. Management development effectiveness	.206**	.214**	.577**	.589**	.704**														
7. Managerial context	.235**	.271**	.652**	.725**	.753**	.624**													
8. Managerial discretion	.202**	.255**	.480**	.588**	.585**	.530**	.646**												
9. Managerial performance	.197**	.229**	.570**	.836**	.734**	.599**	.746**	.596**											
10. Firm non-financial performance	.163**	.197**	.367**	.542**	.551**	.445**	.566**	.436**	.568**										
11. Firm financial performance	.087	.091	.232**	.295**	.339**	.369**	.404**	.240**	.294**	.539**									
12. Profitability	-.012	.029	-.058	.040	.039	.121*	-.024	-.025	.029	.094	.122								
13. Firm size	-.023	-.115*	-.171**	-.095	-.073	.007	-.072	-.094	-.083	-.074	.049	-.007							
14. Ind. Manufacturing	-.160**	-.176**	-.109*	-.111*	-.158**	-.156**	-.116*	-.082	-.163**	-.095	-.075	-.064	.016						
15. Ind. Finance	.019	.001	.006	-.026	-.002	.020	-.030	-.065	.013	-.086	-.046	.068	.019	-.406**					
16. Ind. Agriculture	.058	.042	-.032	-.031	-.013	-.031	-.045	.011	-.084	-.020	-.007	.101	.004	-.082	-.115*				
17. Ind. Wholesale	.015	.015	.013	.094	.093	.135**	.112*	.086	.070	.077	.142**	-.002	.025	-.210**	-.297**	-.060			
18. Ind. Utilities	.064	.050	.005	.008	.007	-.013	.047	.022	.021	.079	.057	.050	-.007	-.192**	-.270**	-.054	-.140**		
19. Ind. Other	.034	.108*	.089	.057	.055	.022	.032	.060	.100	.124*	.021	-.102	-.104	-.187**	-.263**	-.053	-.136**	-.124*	
20. Ind. Transport	.072	.067	.060	.060	.095	.058	.038	.050	.068	-.027	-.094	-.035	.044	-.102*	-.145**	-.029	-.075	-.068	-.066

Standardized coefficient is significant at ** p≤ 0.01 and * p≤.05