



Employee Relations

Does Investors in People affect organisational performance: a relevant question?

Andre de Waal

Article information:

To cite this document:

Andre de Waal , (2016), "Does Investors in People affect organisational performance: a relevant question?", *Employee Relations*, Vol. 38 Iss 5 pp. 665 - 681

Permanent link to this document:

<http://dx.doi.org/10.1108/ER-07-2015-0146>

Downloaded on: 11 July 2016, At: 22:05 (PT)

References: this document contains references to 47 other documents.

To copy this document: permissions@emeraldinsight.com

The fulltext of this document has been downloaded 42 times since 2016*

Users who downloaded this article also downloaded:

(2016), "Managing employees beyond age 65: from the margins to the mainstream?", *Employee Relations*, Vol. 38 Iss 5 pp. 646-664 <http://dx.doi.org/10.1108/ER-04-2015-0062>

(2016), "High performance work systems and organization attraction: The moderating effects of vocational interests", *Employee Relations*, Vol. 38 Iss 5 pp. 682-702 <http://dx.doi.org/10.1108/ER-08-2015-0165>

(2016), "Exploring performance management in four UK trade unions", *Employee Relations*, Vol. 38 Iss 5 pp. 789-804 <http://dx.doi.org/10.1108/ER-08-2015-0167>

Access to this document was granted through an Emerald subscription provided by

Token: JournalAuthor:8FA3586F-4B02-48A1-86D6-FDD2105FCD95:

For Authors

If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service information about how to choose which publication to write for and submission guidelines are available for all. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com

Emerald is a global publisher linking research and practice to the benefit of society. The company manages a portfolio of more than 290 journals and over 2,350 books and book series volumes, as well as providing an extensive range of online products and additional customer resources and services.

Emerald is both COUNTER 4 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

*Related content and download information correct at time of download.

Does Investors in People affect organisational performance: a relevant question?

Investors in
People

665

Andre de Waal

HPO Center, Maastricht School of Management, Maastricht, The Netherlands

Received 16 July 2015
Revised 3 January 2016
15 May 2016
22 May 2016
Accepted 23 May 2016

Abstract

Purpose – Ever since the introduction of Investors in People (IiP), a management framework for high performance invented by the UK Government aimed at improving the UK's industrial performance, there has been indistinctness about whether IiP actually improved organisational performance. The academic literature gives conflicting evidence and almost 25 years after the first exposure to IiP this issue has not been settled yet. The paper aims to discuss these issues.

Design/methodology/approach – In this paper the literature on the effects of IiP on organisational performance is collected and discussed, to try to give a definitive answer on the question what the effect of IiP is or should be.

Findings – After reviewing the evidence, the paper raises the question whether asking the question if IiP increases organisational performance is actually a relevant one. This is because IiP was originally intended to be the standard against which organisation could be evaluated and subsequently rewarded for excellent human resource management (HRM) practices. In the core this means that IiP consist of a set of by experts agreed upon indicators related to HRM practices which together form the yardstick against which organisations are measured.

Originality/value – This paper is the first one to actually create clarity of what the IiP standard actually is and how it should be perceived and applied by organisations and academics alike.

Keywords Organizational performance, Investors in People

Paper type Conceptual paper

Introduction

Investors in People (IiP) was introduced by the UK Government in 1991 as a reaction to the UK's poor industrial performance, in comparison with other developed countries at that time (Smith *et al.*, 2014). The aim of IiP was to help UK organisations improve the way they manage, develop and inspire their workforce, on the premise that a focus on skills training was crucial in achieving and sustaining the competitive advantage of organisations, their sectors and the overall country. IiP is a quality standard by which organisations measure themselves in relation to their human resources (HR) practices (IiP, 2015). To support the quality standard, IiP offers principles of best practice in people management and techniques that organisations can apply to improve their performance in these areas (IiP, 2015). According to the chain of impact described by Bourne *et al.* (2008), organisations that adopt IiP will eventually achieve better financial performance (Figure 1).

A chain of impact is set in motion by organisations that adapt and improve their HR policies based on IiP standards (Bourne *et al.*, 2008). Improved HR practices create a more positive organisational social climate consisting of higher levels of trust, cooperation and people engagement. Improved HR practices can also increase the skills

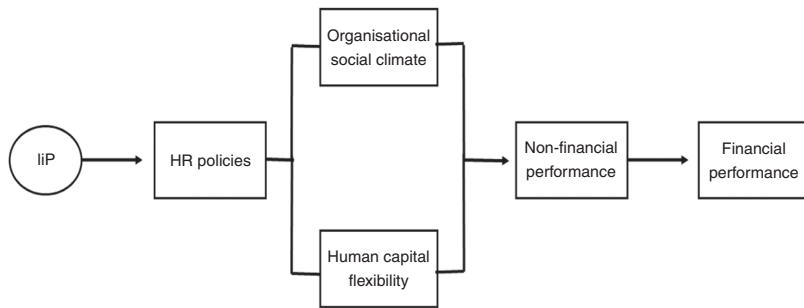


Employee Relations
Vol. 38 No. 5, 2016
pp. 665-681

© Emerald Group Publishing Limited
0142-5455
DOI 10.1108/ER-07-2015-0146

This paper is a by-product of a white paper which was commissioned by Paul Devoy, Head of Investors in People in the UK. In this white paper the connection between the HPO Framework of de Waal and the next (6th) generation of the IiP Model was investigated.

Figure 1.
Chain of impact from
IiP to organisational
performance



Source: Bourne *et al.* (2008)

and flexibility of people in the organisation, thus increasing the organisation's human capital flexibility. A better organisational social climate, coupled with increased human capital flexibility, can improve the non-financial performance of an organisation, which is measured by assessing customer and employee satisfaction, for instance. Increased non-financial performance can, in turn, lead to higher financial performance by the organisation (de Waal, 2013).

Since the introduction of IiP, the question amongst academics and practitioners has been: does IiP affect organisational performance, and specifically financial performance? Even 25 years on, there does not seem to be a clear answer and the issue is becoming more important since the IiP introduced a new sixth Standard in 2015, which aims to help firms become high performance organisations (HPOs). In this paper, literature on the effects of IiP on organisational performance is collected, discussed and summarised, to try to identify what the effects of IiP are in practice. The paper aims to provide clarification on the IiP Standard and how it should be perceived, applied and used by organisations and academics. The paper is structured as follows. In the next section, the IiP Standard and accreditation process are described. Then the effects of IiP, as identified in the literature, are summarised and discussed. This is followed by a critical analysis of existing evidence of IiP effects. In the concluding section, the limitations of the study and opportunities for future research are outlined.

IiP

Organisations can achieve IiP Standard accreditation when they go through a rigorous and objective assessment of their HR performance. Organisations can also choose to work within the principles of IiP and be recognised for that without applying for formal accreditation and thus without getting accreditation. If they apply for accreditation, organisations need to demonstrate that they have policies and procedures in place relating to organisational strategy, learning and development, leadership, employee engagement, and employee management and evaluation. IiP is owned by the UK Government, managed nationally by the UK Commission for Employment and Skills, and supported by the Department for Business, Innovation and Skills. The assessments for IiP accreditation are conducted via seven local Delivery Centres in the UK. Three levels can be obtained: bronze, silver and gold. With the introduction of the new sixth IiP Standard, a platinum level has also been added. After achieving a certain level of accreditation, organisations can use the IiP logo in their marketing, advertising,

correspondence, and so on. The accreditation process has to be repeated every two years in order to keep the level of accreditation or increase it. There seems to be two motivations for an organisation to engage with IiP: obtaining benefit by association, or obtaining benefit by practice (Winterbotham *et al.*, 2012). Some organisations want recognition from a well-respected body for their current HR policies (i.e. benefit by association), while other organisations engage with IiP mainly to implement improvements to achieve competitive advantage (i.e. benefit by practice). Many organisations that start the IiP accreditation process already believe that they are close to meeting the IiP Standard, and that achieving official accreditation will gain them credit for their current practices. At the same time, organisations that do not achieve the highest level of accreditation are encouraged to implement new and improved practices and policies, so that in future they have a higher chance of success. In this respect, IiP functions as a catalyst for improvement (Winterbotham *et al.*, 2012).

Since its inception, IiP accreditation is held by over 14,000 organisations across 75 countries (IiP, 2015). In the UK, this means that over 31 per cent of the workforce are employed by organisations that are either IiP-accredited, or are working towards achieving IiP accreditation. In the UK, 75 per cent of organisations (including profit, non-profit and governmental) have heard of IiP (Winterbotham *et al.*, 2012) and almost 40,000 organisations, employing over 7.5 million people worldwide, are engaged with IiP in one way or another (Bourne *et al.*, 2008). It should be noted that the IiP Standard is not static, it is regularly reviewed and updated, and in 2015 the sixth version was introduced.

Research into the effects of IiP

To identify research into the effects of IiP on organisational performance, a literature search was conducted using the EBSCO, Emerald and Science Direct databases, as well as Google Scholar and internet research using the following search terms (in combination): “Investors in People”, “IiP”, “effects of”, “impact of”, “organisational performance”, “financial results”, “non-financial results”. As we were looking for the effects of IiP on organisational practice, the literature had to consist of empirical studies. A review of the literature identified 40 relevant sources, which are detailed in Table I.

A descriptive overview study by Bourne *et al.* (2008) provides the starting point for our assessment of the literature on the effects of IiP. The researchers reviewed 21 studies on the effects of IiP on organisational performance, conducted between 1995 and 2004. Three of those studies (Hillage and Moralee, 1996; The Hambleton Group, 2001; Michaelis and McGuire, 2004) identified a positive relationship between IiP and financial results, caused by: organisations already outperforming their peers before they had been awarded IiP accreditation; organisations making changes due to the IiP accreditation process that increased their financial results; organisations growing as a consequence of their involvement with IiP. In six studies, a positive relationship between IiP and non-financial results was found (O'Neill, 1996; Hogg *et al.*, 1998; Smith, 2000; Bell *et al.*, 2001, 2002a; Smith *et al.*, 2002), caused by: a clear link being established between strategy, planning, business needs and people development and training; IiP being used as a career advancement tool; IiP being used as a strategic framework for the application of internal marketing techniques; and IiP being applied as a brand differentiator. There were also two studies where both positive financial and non-financial impacts of IiP were found (Spilsbury *et al.*, 1995; Alberga *et al.*, 1997), caused by an increase in employee quality and employee behaviour (mainly through

Table I.
Overview of studies
into the effects of IiP

Year	Author(s)	Effect tested	Method	Sample size	IiP impact	Main reason for impact
1995	Spilsbury <i>et al.</i>	Organisational performance	Survey	1,136 organisations	Positive financial + non-financial	IiP led to changes in training practices to increase the quality of the workforce
1996	Hillage and Moralee	Organisational performance	Telephone survey	1,800 organisations	Positive financial	IiP created better training systems and a workforce that was more inspired, motivated, engaged and highly-skilled
1996	O'Neill	People development and training practices	Telephone interviews	3 organisations	Positive non-financial	IiP was used as a way to overcome lack of training
1997	Alberga <i>et al.</i>	Organisational performance	Survey, interviews	455 organisations	Positive financial + non-financial	IiP had a strong influence on employer behaviour in relation to human resources development
1998	Down and Smith	Organisational performance	Interviews	10 organisations	Mixed financial + positive non-financial	IiP provided a benchmark and confirmation of the quality of existing training and human resources standards
1998	Hogg <i>et al.</i>	Marketing processes	Interviews, survey	1 organisation	Positive non-financial	IiP provided a strategic framework for internal marketing techniques
1999	Douglas <i>et al.</i>	Organisational performance	Case studies	4 organisations	Mixed non-financial	IiP led to increased training at all levels of the organisation and was also seen as "a pat on the back of management"
1999	Hill and Stewart	Organisational performance	Survey, interviews	68 organisations	Negative non-financial	Resistance against IiP due to time constraints, unnecessary formality and bureaucracy, and confusion about the concept
1999	Watson and Watson	Sense-making of managers during human resource work	Participant observation, interviews	2 organisations	Negative non-financial	IiP was seen as an end in itself, e.g. it was implemented because the organisations wanted IiP accreditation
2000	Emberson and Winters	Benchmarking processes	Interviews	1 organisation	Mixed non-financial	IiP provided a good benchmark and created a framework for managers
2000	Ram	Marketing processes	Interviews	3 organisations	Negative non-financial	IiP seen as an administrative requirement for marketing purposes
2000	Smith	Strategic planning and implementation	Case study, interviews	1 organisation	Positive non-financial	IiP helped create more trust in the organisation

(continued)

Year	Author(s)	Effect tested	Method	Sample size	IiP impact	Main reason for impact
2001	Bell <i>et al.</i>	Position of the HRM function	Case studies, interviews	6 organisations	Positive non-financial	IiP used by HR managers as a career advancement tool
2001	The Hambleden Group	Organisational performance	Archival data	1,143 organisations	Positive financial	Reason for impact not stated
2002a	Bell <i>et al.</i>	Marketing processes	Interviews	6 organisations	Positive non-financial	IiP used as to differentiate brand
2002b	Bell <i>et al.</i>	Marketing processes	In-depth interviews	6 organisations	Negative non-financial	IiP inhibited organisational learning
2002	Grugulis and Bevitt	Workforce skills	Interviews, survey	1 organisation	Negative non-financial	IiP was too formal and seen as a marketing instrument to add value to the company
2002	Smith <i>et al.</i>	Training and development	Survey, interviews	591 organisations	Positive non-financial	IiP created a clearer link between planning and people development, and provided training that was more closely linked to business needs
2003	Berry and Grieves	Organisational performance	Survey	120 organisations	Mixed financial and non-financial	IiP was seen as too time-consuming, but did contribute to organisational learning
2003	Fraser	Organisational growth	Not stated	Not stated	Mixed financial	Not stated
2003	Hoque	People development and training practices	Survey	1,727 organisations	Mixed non-financial	IiP can create better training practices but not guaranteed
2004	Michaelis and McGuire	Organisational performance	Telephone survey	1,600 organisations	Positive financial	IiP led to changes in training and development, appraisals and feedback, and organisational objectives
2008	Bourne <i>et al.</i>	Human resource policies	Case studies, survey	10 organisations	Positive financial and non-financial	IiP caused HR to adapt policies, which created a positive organisational social climate and increased employee skills
2008	Cowling	Organisational performance	Survey	2,500 organisations	Positive financial	Not stated
2008	Hoque	Equality of training provision	Archival (database)	Unknown	Negative non-financial	IiP workplaces have greater inequality of training programmes

(continued)

Table I.

Year	Author(s)	Effect tested	Method	Sample size	IiP impact	Main reason for impact
2008	Hoque and Bacon	Training activity	Archival (database)	1,787 organisations	Mixed non-financial	IiP increased the training activity within organisations, though the level of increase varied according to the size of the organisation
2008	Tamkin <i>et al.</i>	Human resource processes and practices	Survey	2,905 organisations	Indirect positive financial	IiP acted as a mediator that created more sophisticated HR processes and practices, which positively affected organisational performance
2009	Burgess and Williams	Investing in and developing people	Case study	1 organisation	Positive non-financial	IiP caused the organisation to implement commitment-based HR strategies
2009	Smith	Organisational performance	Interviews, case studies	3 organisations	None (IiP did not affect organisational performance)	Inverse relationship whereby organisations that pursue business improvement later apply for IiP
2010	Bourne and Franco-Santos	Managerial and organisational performance	Case studies, survey	7 organisations + 509 respondents	Positive financial and non-financial	IiP enhances managerial capabilities and improves the effectiveness of management development practices, which leads to better organisational performance
2012	Cox <i>et al.</i>	Organisational performance	Case studies	10 organisations	Positive non-financial	IiP led to changes in performance management systems, appraisal processes, staff objectives, staff training and strategic communication
2012	Rayton and Georgiadis	Training processes	Archival (database)	Not stated	None (IiP did not affect organisational performance)	Inverse relationship whereby workplaces with high levels of training apply for IiP
2012	Shury <i>et al.</i>	People development, recruitment and hiring training services	Survey	15,004 organisations	Mixed financial and non-financial	IiP helped to introduce and develop practices for assessing management effectiveness, training plans and consulting employees
2012	Winterbotham <i>et al.</i>	Human resource and business strategies	Telephone interviews	1,000 organisations	Positive financial and non-financial	IiP helped to introduce and further develop practices for assessing management effectiveness, training plans and consulting employees

(continued)

Year	Author(s)	Effect tested	Method	Sample size	IiP impact	Main reason for impact
2013	Cox <i>et al.</i>	Organisational change and organisational performance Innovation processes	Case studies	15 organisations	Mixed non-financial	IiP led to management and employees receiving far more training
2013	Harris <i>et al.</i>	Organisational learning	Survey	606 organisations	Mixed non-financial None	IiP helped incremental levels of innovation, but not radical innovation n/a
2014	Rowland and Hall	Organisational learning	Survey, interviews, observation	Unknown	None	n/a
2014	Smith <i>et al.</i>	Organisational performance	Interviews	6 organisations	None	n/a
2014	Wu <i>et al.</i>	Adoption of high performance work practices	Archival (database)	298 organisations	Indirect positive and non-financial	IiP led to organisations adopting HPWS, which positively influenced organisational performance
2015	Smith and Stokes	Reputational impact of the IP logo and symbols	Interviews	7 organisations	Mixed non-financial	IiP was seen as a badge of recognition for training and development practices that have already been integrated

Source: Adapted from Bourne *et al.* (2008)

training), which translated into better financial results. However, in five studies, a negative relationship between IiP and organisational results (financial and/or non-financial) was found (Hill and Stewart, 1999; Watson and Watson, 1999; Ram, 2000; Bell *et al.*, 2002b; Grugulis and Bevitt, 2002), caused by: a general resistance to IiP that translated into wasted efforts and greater uncertainty, which consequently had a detrimental effect on performance; IiP inhibiting organisational learning; and regarding IiP as an inflexible, time-consuming administrative requirement. Finally, five studies found mixed effects of IiP on organisational results (Down and Smith, 1998; Emberson and Winters, 2000; Berry and Grieves, 2003; Fraser, 2003; Hoque, 2003), because part of the research population experienced positive results, while others did not notice any effects.

The mixed results that Bourne *et al.* (2008) identified in their review of the literature can also be detected in subsequent research studies into the effects of IiP. These studies (all conducted in or after 2008, with the exception of two studies, which were not included in the overview of Bourne *et al.*) are briefly reviewed in the following sections. The studies are categorised according to whether they found positive effects of IiP, an indirect (mediating) or mixed effect of IiP, or whether they found negative or no effects of IiP on organisational performance.

Positive effects of IiP on organisational performance

Smith *et al.* (2002) evaluated the reasons that SMEs have to seek IiP accreditation and also assessed the possible benefits of IiP. They found that there were generally positive non-financial effects, specifically a clearer link was established between planning and people development, and training was more closely linked to business needs. The question of whether IiP led to a better competitive position could not be clearly answered. Bourne *et al.* (2008) also conducted research into the effects of IiP, using case studies and a large-scale survey. The authors found that adopting IiP caused organisations to adapt their HR policies, which in turn created a positive organisational social climate. Organisations experienced higher levels of trust, cooperation and people engagement, as well as increased employee skills and behaviour, which was needed for the organisation to change. These changes in non-financial performance also resulted in better financial results. Thus, Bourne *et al.* (2008) concluded that IiP is not only a mechanism for improving employee skills, but can also create the necessary organisational conditions to achieve higher performance. Cowling (2008) compared the financial results of IiP-accredited organisations with organisations that did not have IiP accreditation. He found that organisations with accreditation, on average, generated higher gross profits per employee than a non-accredited organisations. Cowling (2008) also noted that organisations which did not have IiP accreditation, on average, had more to gain financially if they switched to IiP, than organisations which already had IiP accreditation. Burgess and Williams (2009) looked at the effects of investing in, and developing, people using the IiP Standard at the University of Wollongong Library in Australia. The authors identified the following benefits: there was improved staff retention; annual goals and targets were consistently achieved or exceeded; the Library was viewed as a role model within the university and was invited to non-library consultation committees; employees were able to do their job better and contributed more to further improvements; and there was a higher level of engagement and consistency in managerial leadership and development. Bourne and Franco-Santos (2010) compared the performance of seven organisations, some of

which were IiP-accredited and some not, and found that the former achieved better financial performance. This was caused by IiP fostering the enhancement of managerial capabilities (i.e. the knowledge, experience and skills of managers), supporting the development of an organisational learning culture, and improving the effectiveness of management development practices. This in turn facilitated the creation of a high-performing environment, resulting in better perceived non-financial and financial performance which was highly correlated with actual higher profitability. Cox *et al.* (2012) conducted ten case studies into the effects of IiP on organisational performance and found that organisations experienced impact at behavioural and cultural levels, but not in organisational performance. In most cases, IiP led to an improvement in management capability, a greater understanding of the business, clearer job roles, additional training for both managers and employees, greater coherence in people management, and adoption of more formal business planning processes. Winterbotham *et al.* (2012), commissioned by the UK Commission for Employment and Skills, reviewed the experiences with and perceptions of IiP by 1,000 UK organisations, which were either newly accredited or had recently renewed their accreditation. The majority of organisations (89 per cent) reported that IiP accreditation had a positive effect on their organisation, with almost 38 per cent stating that it had a significantly positive impact. The highest impact was found in improved ability of employees to do their jobs, increased workforce productivity, improved quality of products and services, improved customer satisfaction, and improved employee commitment. Around 20 per cent of the organisations stated that IiP accreditation had also led to an increase in profit and sales. The remaining 11 per cent did not identify any effects that could be directly linked to the IiP accreditation.

Indirect or mixed effects of IiP

Douglas *et al.* (1999) explored the motives, financial implications and benefits of IiP as perceived by senior management, middle management and employees of Scottish governmental organisations. They identified differences in perceptions of IiP at all three organisational levels. Senior management was, in general, much more positive about the benefits of IiP, a view not shared by other levels of the organisation. Specifically, employees felt that IiP made little difference to the way they performed their jobs or to the level of customer satisfaction. All levels of the organisation agreed though that IiP encouraged more staff training, which was beneficial for everyone.

Tamkin *et al.* (2008) surveyed 2,905 UK-based organisations with 25 or more employees, to identify correlations between (bundles of) human resource management (HRM) practices, IiP accreditation and organisational performance. The authors found that IiP-recognised organisations invested more in their workforce and had more sophisticated HR processes and practices than organisations without IiP accreditation. The research also found a positive correlation between the application of HR practices and organisational performance. Thus, IiP accreditation was associated with better HR practices, which in turn correlated with better organisational performance. The research suggests that IiP acted as a mediator between HR practices and performance, and therefore had an indirect effect. Hoque and Bacon (2008) analysed whether IiP affected the training activity of organisations, using data from the 1998 to 2004 Workplace Employment Relations Surveys. They found that, in general, there was a positive association between having IiP

and the amount of training that managers and non-managers received in large IiP-accredited firms. However, in medium-sized and small firms this outcome was not found. Hence, Hoque and Bacon (2008) questioned the effectiveness of IiP in these types of organisations. Shury *et al.* (2012) assessed the results of a large-scale biannual survey of UK organisations, the Employer Perspectives Survey (commissioned by the UK Government), which measures how organisations view the benefits of holding IiP accreditation. In the most recent survey, overall opinion on the benefits of holding IiP accreditation was more positive than negative, though a relatively large number of organisations were yet to be convinced about the benefits of IiP. The survey found that IiP had the greatest impact in helping organisations introduce new policies (or further develop their existing practices) related to assessing management effectiveness, developing training plans and introducing processes for consulting staff about changes. Cox *et al.* (2013) investigated 15 organisations, of which 11 planned to use the IiP Standard to improve staff management and support business goals. The remaining four organisations became interested in IiP after experiencing an external trigger factor, including contact with government support agencies and IiP specialists. Overall, these organisations generally did not regard IiP as an immediate solution to a pressing problem, but as a tool to support long-term development of the organisation by: fostering growth and improving people management processes; assisting with securing contracts through public procurement; gaining recognition as a good employer; strengthening the connections between training, people management activities and business goals; developing business and performance management strategies; and gaining national recognition for achieving a well-known standard. The researchers found that seeking IiP accreditation resulted in relatively intensive training and development for managers, causing: significant changes in managerial behaviour; increased volume of training being provided to a wider range of employees; adoption of more intensive employee involvement practices; better information flows and awareness of organisational goals; better cooperation across organisational teams; and less staff turnover. There was limited evidence of IiP transforming management beliefs in relation to people management or cultural change, nor was the improved service quality, sales or productivity directly related back to IiP. This was partly because a number of the companies studied already had distinctive organisational cultures, which were either unaffected or accentuated by IiP. Further, several of the companies were already on an upward trajectory of growth. In a study on the effects of business improvement methods on the level of innovation in small and medium-sized enterprises in Scotland, Harris *et al.* (2013) found that these organisations were prone to use improvement methods that were easier to apply, such as IiP, which could help continuous improvement and incremental innovation, but did not apply more radical innovation in terms of new products and services. Working on the premise that the adoption of high-performance work practices (HPWP) increases the performance of small businesses, Wu *et al.* (2014) undertook research on the extent to which this was apparent in small businesses in the UK, and whether there was a relationship between the adoption of HPWP and IiP accreditation. The authors found that businesses which sought IiP accreditation had generally implemented more HPWP practices than businesses that did not apply for IiP accreditation and, as such, IiP could be seen as a mediator between HPWP and organisational performance, therefore having an indirect effect on organisational performance. Smith and Stokes (2015) assessed the

reputational impact of the logo and symbols on IiP-accredited organisations, in the sense that IiP accreditation encourages customers to purchase products or services from the organisation, and also encourages high-quality job applicants. After conducting interviews at seven organisations, the researchers found that the IiP logo and symbols had little meaning and significance for the interviewees, either when they applied for a job at the organisation or when they worked there. There were mixed views on whether IiP accreditation helped to attract customers, with some interviewees arguing that IiP improved levels of trust, while others disagreed.

Negative effects (or no effect) of IiP on organisational performance

Hoque (2008) focused on the impact of IiP on employer-provided training, the equality of training provision and the so-called “training apartheid” phenomenon. The latter concept asserts that employees at the bottom of the occupational hierarchy, and employees without any academic qualifications, are less likely to receive training and development compared to their better-qualified or more senior colleagues. Hoque (2008) analysed manager and employee responses to the Workplace Employment Relations Survey conducted by the UK Department of Trade and Industry, and found evidence of greater inequality in training provision by IiP-accredited organisations than in organisations without accreditation, with the IiP Standard not boosting training levels for disadvantaged employee groups and therefore not overcoming the “training apartheid” phenomenon. Smith (2009) looked at three organisations that achieved IiP accreditation after making changes to their existing approaches towards quality performance. However, these organisations did not consider IiP recognition at the time of making their changes but afterwards, and therefore Smith (2009) concluded that it was the change in mind-set and ways of working, rather than the IiP Framework itself, that enhanced organisational performance and profitability, and led to IiP accreditation. Therefore, IiP accreditation was merely a reflection of what had already been achieved in these organisations. Rayton and Georgiadis (2012) used the Workplace Employment Relations Survey database to evaluate the effects of the IiP Standard on employee training. They found that organisations which were less likely to engage in training were also less likely to seek IiP accreditation and, in contrast, organisations with high levels of training were more likely to put themselves forward for the IiP Standard. Smith *et al.* (2014) examined the causal relationship between IiP and organisational performance by interviewing 35 individuals, in six UK-based research organisations that were undergoing IiP, about their perceptions, understanding and experiences. They observed that, although IiP was generally seen as something that enhanced training, development and job satisfaction, in these six organisations this was not the case, nor did IiP function as a catalyst for organisational change. In addition, in the featured organisations there was low-employee awareness of IiP, which could signal that management might have introduced IiP as a symbolic gesture introduced in retrospect. A possible explanation for the lack of causal relationship between IiP and performance could be that five of the six case study organisations applied for IiP accreditation after making significant changes to their existing training and development practices. In fact, these organisations saw IiP as “a recognition badge” for the advancements they had made in training and development. Another explanation could be that the true potential of IiP can only be realised when everyone in the organisation is fully informed about how the IiP Standard works, and what is

needed to get accreditation. Rowland and Hall (2014) reviewed seven international studies on the extent to which performance management systems contributed to organisational effectiveness and competitive advantage. One of the performance management systems under review was IiP and, although this system was generally welcomed by people in the organisation, there was little concrete evidence of any impact on organisational results. In Table I the discussed studies have been summarised.

Analysis of the impacts of IiP

The 41 studies investigating the impact of IiP are summarised in Table I. An analysis of the literature shows that 20 papers found a positive effect (directly or indirectly) on organisational performance, ten found a negative effect (or no effect), and 11 found a mixed effect. Of the 20 studies showing positive results, five of these were positive financially, nine had positive non-financial results, and six had both positive financial and non-financial results. There seems to be a divide in the empirical literature between studies that find an unequivocally positive relationship between IiP and organisational performance, either directly or indirectly (20 sources), and those that find negative, mixed or no effects (21 sources). This illustrates the difficulty in finding a clear causal relationship between improvement techniques and organisational performance (Rosenzweig, 2007; Cox *et al.*, 2013). In this case, it is unclear whether achieving IiP accreditation helps to improve organisational performance, or whether a high-performing organisation achieves IiP accreditation faster than a low performing organisation. It is apparent that, when positive effects are found, in 15 of the 20 positive studies these consisted of non-financial results and in 11 of the 20 studies financial results were (also) found. The trend towards positive non-financial results is linked to the original premise behind IiP, that improving HR practices has a positive effect on the quality of the workforce.

A possible explanation for the mixed results could be the varied, and sometimes combined, motives of the organisations applying for IiP accreditation. On the one hand, there are organisations that seek IiP accreditation mainly to earn external recognition for their improved HRM practices (Cox *et al.*, 2013). Gaining IiP accreditation is a “badge” or “a plaque on the wall” which presents the organisation as a good employer and, as an added benefit, can be used in promotional activities to attract potential new clients and staff (Ram, 2000). Consequently, the IiP status can be seen as merely a “by-product” of recognition for the improvements already implemented (Smith *et al.*, 2014). Here, it can be expected that there is a relationship between high-organisational performance, especially in non-financial areas such as employee satisfaction, and IiP accreditation. The positive relationship in this case is not caused by organisations achieving the IiP Standard, but by organisations already demonstrating high performance. On the other hand, there are organisations that want to use the IiP Standard as a catalyst for improvement. By generating enthusiasm for IiP accreditation, organisations can encourage staff to improve their performance in accordance with the IiP guidelines. It is conceivable that this motivation first arose when organisations obtaining the bronze or silver accreditation level started to strive for a higher accreditation level. Achieving a higher IiP Standard then became, almost by default, a catalyst for improvement. Nowadays, the motivation for using IiP as a catalyst for improvement is mentioned more often (Cox *et al.*, 2013) and organisations use the IiP guidelines and the accreditation process to identify the required changes to their practices.

Role of the IiP Accreditation Organisation

It is important to also explore the role that the IiP Accreditation Organisation (i.e. the government-owned organisation behind the IiP Standard) has played in advocating quality standards over the years. As outlined earlier, IiP was originally introduced to help UK organisations improve the way they manage, develop and inspire their workforce by encouraging them to pay more focused attention to their HRM and training practices (Hoque *et al.*, 2005). As such, IiP was positioned as a quality standard for organisations to measure themselves against in relation to their HR practices (IiP, 2015). Therefore, IiP was not initially intended to be a holistic business improvement method, instead it was specifically aimed at improving the HR aspects of organisations. The two main benefits IiP was supposed to help organisations achieve were, first, making a clearer link between planning and staff development and, second, providing training that was more closely linked to business needs (Smith *et al.*, 2002). IiP, at that time, was solely a reward for an organisation that had good HR practices.

However, over time the IiP Accreditation Organisation started to position the quality Standard as an “active” tool which organisations could use to improve HR practices, rather than a “passive” award that organisations achieve retrospectively (i.e. after implementing good HR practices). For Bourne *et al.* (2008), this can be explained because the IiP has followed a lifecycle. In the first phase of the IiP lifecycle, the quality Standard was designed and introduced, with the main focus directed towards developing the specific principles. In the second phase, organisations began implementing the IiP Standard in the UK, and the main focus was directed towards how organisations could better implement IiP, and the impact that it had on the functioning of an organisation. In the third lifecycle phase, when many UK organisations had implemented IiP, the main focus shifted to questions of the value of using IiP and the impact it had on organisational financial performance. There was increased discussion on the value of IiP, and the IiP Accreditation Organisation had to try to find a direct link between implementing IiP and improved organisational results. This was all the more urgent because striving to obtain IiP accreditation involved substantial costs that had to be justified by management seeking the accreditation. A side effect could be that the IiP Accreditation Organisation noticed that marketing this link caused organisations to have even more interest in applying IiP, making it possible for the IiP organisation to be better funded and grow even more (Hoque *et al.*, 2005).

However, even the sixth version of the IiP Standard does not cover every aspect that is relevant to businesses. Attention needs to be given to all areas of business in order to achieve sustained improvement in performance and transform an organisation into a HPO (de Waal, 2012). Given these shortcomings, it cannot be expected that the IiP Standard will always be related to financial performance, let alone that a causal relationship can be found. At best, a relationship between IiP and non-financial performance in the area of HRM could be anticipated, as well as IiP acting as a mediator for higher organisational performance. The overview in Table I shows a move in this direction, as just over half of the studies do not find a causal relationship between IiP and organisational performance. Of the 17 studies that do find a causal relationship, eight identify a relationship with financial performance, with the others mainly finding a relationship with non-financial performance. As Hoque *et al.* (2005) point out, another reason could be that – as IiP is a voluntary Standard – there is room for organisations to “return to business as usual” after obtaining the IiP accreditation, and therefore not achieve lasting improvements in performance. It seems that the IiP Accreditation Organisation has realised these issues, as the sixth Standard is different from the last few

versions: there is less emphasis on making a direct link to organisational performance and more emphasis on its role as a mediator and catalyst for improving HR practices, as part of the transformation of an organisation into an HPO.

Conclusion, limitations and future research

The paper raises the question of whether looking for a causal relationship between the IiP Standard and organisational performance is a relevant issue. After all, if it is acknowledged that IiP was originally intended to be a quality standard against which organisation could be evaluated and subsequently rewarded for excellent HRM practices, rather than a fully grown holistic business improvement method, it questions the relevance of exploring this issue. At its core, the IiP Standard consists of a set of indicators related to HRM practices, agreed upon by experts, which together provide a yardstick against which organisations can be measured. Essentially, the experts could have chosen any type of indicator because these were supposed to be evaluation criteria for HRM practices, not business improvement tools or techniques. The experts at IiP have chosen, and regularly updated, criteria that represents the best of their knowledge about the contemporary field of HRM, but these criteria are still not comprehensive enough to cover all relevant aspects of high performance. Therefore, both IiP proponents and opponents should stop regarding IiP as a business improvement tool and start treating it for what it is: a reward for good HR practice with, at least in 50 per cent of cases, an added bonus of improving organisational results. Hopefully the introduction of the new sixth Standard makes clear that these guidelines will help organisations become a high-performing organisation within the field of HRM.

The limitations of the research primarily lie in the particular studies investigated. While a thorough search has been aimed for, potentially valuable studies into the effects of IiP may have been missed. Further, it is apparent that most of these studies have been carried out in Britain, so there is little knowledge about IiP effects on non-British organisations. Future research could therefore explore the impact of IiP in non-British settings, to better understand IiP impacts internationally. The notion that organisations adopt IiP for two main reasons, obtaining benefit by association or obtaining benefit by practice, provides another possibility for future research on the link between the reasons for implementing IiP and the organisational results achieved. A difference could be expected because, for instance, organisations that adopt IiP in order to benefit by association are unlikely to benefit in terms of performance, as in these cases IiP has had no part in improving organisational practice. The recent introduction of the new sixth version of the IiP Standard offers another avenue for research. The effects of this new Standard should be closely monitored to see whether the move towards a high-performance framework will change perceptions of whether IiP increases organisational performance.

References

- Alberga, T., Tyson, S. and Parsons, D. (1997), "An evaluation of Investors in People Standard", *Human Resource Management Journal*, Vol. 7 No. 2, pp. 47-60.
- Bell, E., Taylor, S. and Thorpe, R. (2001), "Investors in People and the standardization of professional knowledge in personnel management", *Management Learning*, Vol. 32 No. 2, pp. 201-219.
- Bell, E., Taylor, S. and Thorpe, R. (2002a), "Organizational differentiation through badging: Investors in People and the value of the sign", *The Journal of Management Studies*, Vol. 39 No. 8, pp. 1071-1085.

- Bell, E., Taylor, S. and Thorpe, R. (2002b), "A step in the right direction? Investors in People and the learning organization", *British Journal of Management*, Vol. 13 No. 2, pp. 161-171.
- Berry, C. and Grieves, J. (2003), "To change the way we do things is more important than the certificate on the wall: does Investors in People represent an effective intervention strategy for organisational learning?", *The Learning Organization*, Vol. 10 Nos 4/5, pp. 294-304.
- Bourne, M. and Franco-Santos, M. (2010), *Investors in People, Managerial Capabilities and Performance*, Centre for Business Performance, Cranfield School of Management, Cranfield.
- Bourne, M., Franco-Santos, M., Pavlov, A., Lucianetti, L., Martinez, V. and Mura, M. (2008), *The Impact of Investors in People on People Management Practices and Firm Performance*, Centre for Business Performance, Cranfield School of Management, Cranfield.
- Burgess, S. and Williams, I. (2009), "Investing in your people works – can 40,000 organisations be wrong?", *Library Management*, Vol. 30 Nos 8/9, pp. 608-618.
- Cowling, M. (2008), *Does IiP Add Value to Businesses?*, Institute for Employment Studies, Brighton.
- Cox, A., Higgins, T., Tamkin, P. and Ni Luanaigh, A. (2012), "Evaluation of Investors in People: employer case studies", Evidence Report No. 59, UK Commission for Employment and Skills, London.
- Cox, A., Higgins, T., Barnes, H., Tamkin, P., Jones, R., Luanaigh, A.N. and Garrett, R. (2013), *Evaluation of the Investors in People Standard: Employer Case Studies (year 2)*, UK Commission for Employment and Skills, London.
- de Waal, A.A. (2012), *What Makes a High Performance Organization: Five Validated Factors of Competitive Performance That Apply Worldwide*, Global Professional Publishing, Enfield.
- de Waal, A.A. (2013), *Strategic Performance Management, A Managerial and Behavioural Approach*, 2nd ed., Palgrave Macmillan, Basingstoke.
- Douglas, A., Kirk, D., Brennan, C. and Ingram, A. (1999), "The impact of Investors in People on Scottish local government services", *Journal of Workplace Learning*, Vol. 11 No. 5, pp. 164-169.
- Down, S. and Smith, D. (1998), "It pays to be nice to people: Investors in People; the search for measurable benefits", *Personnel Review*, Vol. 27 No. 2, pp. 143-155.
- Emberson, M. and Winters, J. (2000), "Investors in People: how a large public sector organisation in the UK dealt with a new national training initiative", *International Journal of Training and Development*, Vol. 4 No. 4, pp. 259-271.
- Fraser, S. (2003), "The impact of Investors in People on small business growth: who benefits?", *Environment and Planning C: Government and Policy*, Vol. 21 No. 6, pp. 793-812.
- Grugulis, I. and Bevitt, S. (2002), "The impact of Investors in People: a case study of a hospital trust", *Human Resource Management Journal*, Vol. 12 No. 3, pp. 44-60.
- Harris, R., McAdam, R., McCausland, I. and Reid, R. (2013), "Levels of innovation within SMEs in peripheral regions: the role of business improvement initiatives", *Journal of Small Business and Enterprise Development*, Vol. 20 No. 1, pp. 102-124.
- Hill, R. and Stewart, J. (1999), "Investors in People in small organizations: learning to stay the course?", *Journal of European Industrial Training*, Vol. 23 No. 6, pp. 286-299.
- Hillage, J. and Moralee, J. (1996), "The return on investors", Report No. 314, Institute of Employment Studies, London.
- Hogg, G., Carter, S. and Dunne, A. (1998), "Investing in people: internal marketing and corporate culture", *Journal of Marketing Management*, Vol. 14 No. 8, pp. 879-895.

- Hoque, K. (2003), "All in all, it's just another plaque on the wall: the incidence and impact of the Investors in People standard", *The Journal of Management Studies*, Vol. 40 No. 2, pp. 543-571.
- Hoque, K. (2008), "The impact of Investors in People on employer-provided training, the equality of training provision and the 'training apartheid' phenomenon", *Industrial Relations Journal*, Vol. 39 No. 1, pp. 43-62.
- Hoque, K. and Bacon, N. (2008), "Investors in People and training in the British SME sector", *Human Relations*, Vol. 6 No. 4, pp. 451-482.
- Hoque, K., Taylor, S. and Bell, E. (2005), "Investors in People: market-led voluntarism in vocational education and training", *British Journal of Industrial Relations*, Vol. 43 No. 1, pp. 135-153.
- IiP (2015), "IiP website", available at: www.investorsinpeople.co.uk/ (accessed 16 February 2015).
- Michaelis, C. and McGuire, M. (2004), *Investors in People: Impact Assessment*, Databuild: Research and Solutions, Birmingham.
- O'Neill, M.A. (1996), "Investing in People: a perspective from Northern Ireland Tourism – part 2", *Managing Service Quality*, Vol. 7 No. 6, pp. 292-300.
- Ram, M. (2000), "Investors in People in small firms: case study evidence from the business services sector", *Personnel Review*, Vol. 29 No. 1, pp. 69-91.
- Rayton, B.A. and Georgiadis, K. (2012), "Workplace self-selection into Investors in People", *Applied Economics Letters*, Vol. 19, pp. 1455-1458.
- Rosenzweig, P. (2007), *The Halo Effect ... and the Eight Other Business Delusions That Deceive Managers*, Free Press, New York, NY.
- Rowland, C. and Hall, R. (2014), "Management learning, performance and reward: theory and practice revisited", *Journal of Management Development*, Vol. 33 No. 4, pp. 342-356.
- Shury, J., Vivian, D., Gore, K., Huckle, C. and Belt, V. (2012), *UK Commission's Employer Perspectives Survey 2012*, UK Commission for Employment and Skills, London.
- Smith, A.J., Boocock, G., Loan-Clarke, J. and Whittaker, J. (2002), "IiP and SMEs: awareness, benefits and barriers", *Personnel Review*, Vol. 31 No. 1, pp. 62-85.
- Smith, P.J. (2000), "Implementing Investors in People: a case study from the NHS", *Journal of European Industrial Training*, Vol. 24 No. 5, pp. 275-280.
- Smith, S. and Stokes, P. (2015), "Signs and wonder", *European Journal of Training and Development*, Vol. 39 No. 4, pp. 298-314.
- Smith, S.M. (2009), "Enhancing performance with Investors in People recognition: exploring the alleged link", *Development and Learning in Organizations: An International Journal*, Vol. 23 No. 2, pp. 16-18.
- Smith, S.M., Stokes, P. and Wilson, J.F. (2014), "Exploring the impact of Investors in People, a focus on training and development, job satisfaction and awareness of the standard", *Employee Relations*, Vol. 36 No. 3, pp. 266-279.
- Spilsbury, M., Moralee, J., Hillage, J. and Frost, D. (1995), "Evaluation of Investors in People in England and Wales, Report No. 289, Institute for Employment Studies, London.
- Tamkin, P., Cowling, M. and Hunt, W. (2008), "People and the bottom line", Report No. 225, Institute For Employment Studies, University of Sussex, Brighton.
- The Hambleden Group (2001), *Investors in People: A Practical Tool for Business Growth*, Hambleden Group, London.
- Watson, T. and Watson, D. (1999), "Human resourcing in practice: managing employment issues in the university", *Journal of Management Studies*, Vol. 36 No. 4, pp. 483-504.

Winterbotham, M., Shury, J., Gore, K., Huckle, C., Skone James, A. and Jones, R. (2012), "Research to support the evaluation of Investors in People: employer survey", Evidence Report No. 54, UK Commission for Employment and Skills, London.

Wu, N., Bacon, N. and Hoque, K. (2014), "The adoption of high performance work practices in small businesses: the influence of markets, business characteristics and HR expertise", *International Journal of Human Resource Management*, Vol. 25 No. 8, pp. 1149-1169.

Further reading

Hair, J.F., Anderson, R.E., Tatham, R.L. and Black, W.C. (1998), *Multivariate Data Analysis*, Prentice-Hall, Upper Saddle River, NJ.

Martin, L. and Elwes, R. (2008), *Investors in People: Realising Business Ambitions through People in Times of Change*, COI Strategic Consultancy, London.

Corresponding author

Andre de Waal can be contacted at: andredewaal@planet.nl