The Relationship between UK Management and Leadership and productivity

Strategic Labour Market Intelligence Report

Penny Tamkin

IES

Aoife Ni Luanaigh

Senior Research Manager

UK Commission for Employment and Skills

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Foreword

In September 2015, UKCES commissioned a consortium of research organisations led by the Institute for Employment Studies (IES) and SQW to prepare a series of a series of strategic labour market intelligence reports on the challenges and opportunities for increasing productivity in four sectors and two cross-cutting themes.

The recent poor productivity performance of the UK economy, especially since the end of the recession of 2008-09, has become a major concern for economists and policy-makers. Unlike previous recessions, job losses were not as high as might have been expected[1] but real wages have declined, falling by an average of 1.7 per cent per year between 2008 and 2014.[2] Productivity growth too has been very modest: this has become known as the 'productivity puzzle'. As a consequence, the UK, which was already some way behind many other major developed economies on this measure, has fallen back even further. The overall level of productivity in the United States' economy is now 31 per cent higher than that of the UK, while Germany's is 28 per cent higher.[3]

A number of possible explanations have been put forward for this. Some commentators believe that businesses hoarded labour on relatively low wages rather than investing in capital, leading to stagnation in output per worker. Others have suggested risk aversion by financial institutions has reduced access to loans for investment. The result, it is argued, has been inefficiency in the allocation of resources in the economy, and an absence of the 'creative destruction' processes that can help drive up productivity.

One thing that is apparent from the data that exists on productivity is that it differs from sector to sector. In recent years, for example, there have been high levels of productivity growth in the transport equipment and administration/support sectors, but falls in productivity in the finance and the chemicals and pharmaceuticals sectors[4]. Any research or commentary on productivity needs to unpack some of the characteristics of sector productivity.

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[1] Unemployment rose from 1.62m in February 2008 to 2.68m in October 2011 on ONS data.
[2] Calculated by the Institute of Fiscal Studies based on ONS Annual Survey of Hours and Earnings. See http://www.ifs.org.uk/uploads/Presentations/Understanding%20the%20recession_230915/SMachin.pdf
[3] Figures from the Office for National Statistics for GDP per hour worked, 2013. Published at http://www.ons.gov.uk/ons/rel/icp/international-comparisons-of-productivity/2013---final-estimates/info-icp-feb-15.html
[4] Cook, J. Pledges, Puzzles and Policies: what's in store for innovation and enterprise?, Viewpoint Series, SQW, http://www.sqw.co.uk/files/5514/3359/6668/Innovation_policy_post-election_-_Viewpoint_final.pdf

In April 2015, Sir Charlie Mayfield, Chairman of the UK Commission for Employment and Skills (UKCES), set up the Productivity Leadership Group, a cross business group of senior leaders seeking to find practical ways to increase the productivity of British business. Business leaders came together in specific sectoral and cross cutting groups to focus on shared problems and opportunities (Manufacturing, Digitisation, Food and Drink, Measurement, Better Workplace Practices, Retail and Creative)[5].

In September 2015, UKCES commissioned a consortium of research organisations led by the Institute for Employment Studies (IES) and SQW to prepare a series of a series of strategic labour market intelligence reports on the challenges and opportunities for increasing productivity in four sectors and two cross-cutting themes (IES, SQW, the Institute for Employment Research (IER), and Cambridge Econometrics (CE)). The research consortium produced six papers:

1. Robin Brighton, Chris Gibbon and Sarah Brown, *Understanding the future of productivity in the creative industries*, SQW
2. Annette Cox, Graham Hay, Terence Hogarth, Graham Brown, *Productivity in the Retail Sector: Challenges and Opportunities*, IES
3. Anne Green, Terence Hogarth, Erika Kispeter, David Owen, *The future of productivity in manufacturing*, Institute for Employment Research, University of Warwick
4. Terence Hogarth and Erika Kispeter, *The future of productivity in food and drink manufacturing*, Institute for Employment Research, University of Warwick
5. David Mack-Smith, James Lewis, Mark Bradshaw, *State of Digitisation in UK Business*, SQW
6. Penny Tamkin and Ben Hicks, *The Relationship between UK Management and Leadership and Productivity*, IES.

We would like to thank the following UKCES colleagues for their assistance with the delivery of the project: Vicki Belt, Duncan Brown, Richard Garrett, Peter Glover, Hayley Limmer, Aoife Ni Luanaigh.

Penny Tamkin (IES), Michael Frearson (SQW), Susan Mackay (SQW)

Project leadership team

[5] The findings of this group have now been reported (see https://howgoodisyourbusinessreally.co.uk/)

The study reported here complements the work of the Productivity Leadership Group and business leaders in all sectors by exploring what we know of the link between **management and leadership** and organisational productivity. In particular, it focuses on some of key elements of the evidence base with regard to management practices, the relationship between management and leadership and innovation, and the role of managers and leaders in workplace practices and high performance working.

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Tables and figures

1 Key issues for Management and Leadership in the UK

High levels of interest in management and leadership practice is linked to the belief that management and leadership capability is of significant importance. The decisions and actions managers take are important to the nature of working practices, the organisational structure and strategies, the degree of innovation and R&D, the organisation and management of the workforce and the mix of skills demanded, and hence the overall success of the business.

This report explores the literature linking management and leadership to organisational performance, and specifically to productivity. In doing so it seeks to encompass both what is leadership and what is management. There is a considerable literature that has sought to clarify the difference between the two concepts and which broadly divides into two camps: that which argues there is a distinctive difference between leadership and management which can be articulated (e.g. Zaleznik, 1977; Bennis and Nanus, 1985); and that which argues that any such differences have been overegged (Bolden, 2004; Gosling and Murphy, 2004; Rost, 1991). These two broad approaches are discussed in more detail below.

As an overview of some of the key evidence of the link between management and leadership and organisational performance, this paper focuses on two main areas: the relatively recent literature which has highlighted measureable aspects of management practices and the rather longer standing literature on High Performance Working Practices (HPWPs). These have tended to develop separately but there is a high degree of overlap in terms of the specific practices studied. HPWPs might be seen as a subset of management practices in that their focus is on people management approaches whereas management practices can include the management of operational issues such as quality, process, organisational performance and so on. For both literatures particular attention is paid to the facilitators and barriers to adoption.

Finally it explores a selection of futures studies to identify common themes in such work and to explore the implications for management and leadership in the future.

2 The background

This section introduces the debate on the differences between management and leadership, the historic roots of concern over management and leadership capability in the UK and touches on some of the literature which highlights the importance of management and leadership to organisational performance.

2.1 Defining leadership and management

It is frequently suggested (see for example Bolden, 2004) that assertions on the differences between leaders and managers began with Zaleznik (1977) who, in a Harvard Business Review article, argued that whereas managers seek order and embrace process, leaders tolerate chaos and ambiguity and are open to information in their search for creativity. In the years that followed, many other commentators sought to further separate the distinguishing differences between management and leadership which Bolden has summarised as being fundamentally a debate about the approach to change – "management is about coping with complexity" whilst "leadership is about coping with change" (Kotter, 1990 in Bolden, 2004).

In a review of the literature, Toor and Ofori (2008) highlight the importance within definitions of leadership of motivating others. They cite Maccoby (2000) who argued that leadership was a relationship (motivating, coaching and building trust) while management was a function (planning, budgeting and evaluating) and Weatherby (1999) who similarly suggested leadership involves motivating people to contribute to the vision whilst management is about the allocation of resources towards the attainment of objectives, setting priorities, designing work and achieving results.

Bolden argues that such distinctions can be criticised on two grounds;

- they frequently appear to denigrate management to the boring and uninspiring. For example Mangham and Pye (1991) stated: 'It results in nothing more than a vague feeling that managing is something rather mundane, looking after the nuts and bolts of the enterprise and leading is something special and previous undertaken by the really important people in the enterprise';
- there is a tendency to assume that management and leadership are carried out by separate roles (see for example Kotterman, 2006) whereas in reality the tasks merge together with managers and leaders both doing elements of each (Mintzberg 1973, 1975 in Bolden, 2004). This also raises the potential confusion between Management

and Managers and Leadership and Leaders. The tasks and practices embodied in management and leadership are not the sole preserve of managers and leaders (the roles) but the terms can sometimes be used interchangeably to suggest they are.

Any study of the impact of leadership and/or management, is dependent to some degree on an understanding of what we mean by those terms. As Bolden (2004) argues, this is however not straightforward and 'there remains a certain mystery as to what leadership actually is or how to define it.' Bolden highlights two fundamental difficulties; firstly leadership is a complex construct open to subjective interpretation, and secondly; how leadership is defined is strongly influenced by the theoretical assumptions made about what leadership is. Some approach leadership from the attributes (or traits) of the individual leaders, whilst others see leadership as a social process emerging from relationships between individuals and groups. Other definitions stress the importance of influence; for example Northouse (2004) places influence as one of four themes (the others are process, group context and goal attainment) and Yukl (2002) describes leadership as 'a social influence process whereby intentional influence is exerted by one person [or group] over other people [or groups]'.

Whilst these debates over meaning and definitions are ongoing (and highly unlikely to be resolved) their implications for research on the impact of management and leadership are less clear cut. Much of the literature makes no attempt at distinguishing between management and leadership and tends to use the terms interchangeably or does not define the use of one term or another. Further, the most robust and detailed studies of the impact of management and leadership on organisational performance, have focused on what is visible and measureable; i.e. what have been termed management practices. We discuss these further in Section 3 below.

2.2 Historically poor management

The debate on UK management capability goes back to the 1980s. The earlier concerns over capability (e.g. Mangham and Silver 1986, Constable and McCormick 1987, and Handy 1987) focused on the education, training and development of British managers, identifying major weaknesses in the system of management development in the UK compared to competitor nations. These reports sowed the seed for repeat ruminations on the performance of managers and leaders in the UK. Hard evidence has been relatively difficult to come by but there have been numerous commentaries which have repeated an overriding message of UK management not being good enough.

A relevant stream of research going back to the early 2000s has highlighted the (frequently negative) views of employees when questioned on the quality of management and leadership in their organisations (see for example studies by the Chartered Management Institute (Horne and Stedman Jones, 2001 and Charlesworth et al, 2003[], the ILM, 2014 and the CIPD, 2014). One of the most recent iterations of this kind of review is that by the CMI (2014) which surveyed just over 2,000 managers – split between CMI members and non-members. Just over half of respondents (51%) said their organisations were poor or could do better at escalating bad news and ensuring that the senior management team received feedback from employees. Public sector respondents were the most negative: 25% said such feedback mechanisms were poor or non-existent, compared to 18% of private sector respondents and 16% of those in the third sector.

In an echo of earlier concerns on management and leadership training and development, the CMI research (2014) also found that views of training were relatively negative; less than a quarter of respondents (23%) ranked their organisations as good or very good in terms of whether staff are trained in management and leadership before, or within three months of, taking on a management role. The use of mentoring and coaching was also only rated as good or very good by slightly less than a quarter (24%) of respondents.

These findings were felt to be of particular concern due to the projected growth in the management workforce by almost 600,000 people between 2012 and 2022. Additional "replacement demand" created by managers leaving the labour market is estimated at some 1,378,000 managers. Combined, that means that almost two million people will enter management roles over the decade, which highlights the importance of training and development for their new roles.[6] CMI conclude that a lack of skills, qualifications and training appears to be one of the principal reasons why UK line managers are underperforming.

The lack of competitiveness of UK managers has also attracted attention from economists. For example Porter and Ketels (2003) stated that UK firms were often slow to adopt modern management practices such as Total Quality Management, and that even once implemented, they then achieved lower returns than other countries. Recent research from the Centre for Economic Performance (CEP) has focused on the exploration of management practices using economic techniques and has highlighted that the UK is mid ranking in terms of the quality of its management and comes below some key competitor nations[7].

[6] Based on IER estimates in Working Futures 2012-22, UK Commission for Employment and Skills, 2014
[7] http://cep.lse.ac.uk/_new/research/growth/management_practices_and_organisational_structures.asp

2.3 Critical role of managers in organisational performance

A growing area of interest is the crucial role of the manager in motivating staff. Rucci et al. (1998) in an American study, found that employee attitudes towards the job and attitudes towards the employer both emerged as key factors associated with customer attitudes and in turn with business results. The line manager emerged as a key link in this chain. Barber et al. (1999) conducted a methodologically similar study in the UK with also similar results. More recently, Purcell et al. (2003) and Purcell and Hutchinson (2007) have used an in-depth case study approach to try and shed light on the HRM-performance link in the UK. The study also showed that the number and extent of HR practices was less important than the effectiveness of their implementation. These studies tend to support the view of managers as motivators of staff who in turn produce better business results.

A major review of the state of UK management and leadership was published by BIS in 2012. This review highlighted the evidence linking management and leadership to a range of organisational outcomes including innovation, employee engagement, employee wellbeing, business survival and economic performance.

In detailed evidence linking management and leadership practices to organisational performance, there have been three clusters of literature that have gathered significant evidence on factors affecting the link and which we report on in the next three chapters:

- Management practices
- Innovation in work organisation
- High Performing Working Practices (HPWPs)

3 Management practices

This chapter focuses on the management practices literature. This literature has attempted to study what has been considered 'a complex construct open to subjective interpretation' through an analysis of inputs and outputs rather than the construct itself which might prove difficult to articulate in a commonly agreed way. The CIPD have published 'black box' studies which have sought to understand the relationship between people management practices and business outcomes. Their use of the 'black box' analogy comes from the 'metaphor of the black box' to describe a device which translates readily understood 'inputs' into readily understood 'outputs', but which is not itself fully understood.' (CIPD, undated). The study of management practices therefore has provided a means to explore the impact of management or leadership capability which for all the definitional difficulties noted in section 2.2 is difficult to do directly.

This approach therefore circumvents the difficulty of attempting to measure the contribution of management capability to organisational performance, something that has been of considerable interest for decades. Translating capability into how it can be measured through its manifestation in management practices, approaches to organisational structure and in workplace innovations has provided a very useful stream of literature.

3.1 Background

Whilst it seems intuitively obvious that management and leadership capability should make a difference to organisational productivity, this is an area that has been relatively short of robust empirical evidence until recently. As Van Reenen (2010) notes, 'no potential driving factor of productivity has seen a higher ratio of speculation to empirical study' (Syverson, 2010, in Van Reenen, 2010).

Some of the most influential and extensive work on broader management practices has been the stream of work by Bloom and Van Reenen from Stanford University and the Centre for Economic Performance (CEP) at the London School of Economics (LSE)[8]. In 2004 Bloom et al. published the first report of their work on management practices – an ambitious study which sought to apply economic techniques to explore management

[8] http://cep.lse.ac.uk/_new/research/growth/management_practices_and_organisational_structures.asp#management_practices_and_productivity

contribution to firm performance[9]. Quite rightly they noted that much of the existing literature was single case study based and lacked the methodological rigour of representative samples or the collection of systematic data. The initial study was followed in 2006 by a more extensive study of almost 6,000 firms randomly sampled from the population of all public and private manufacturing firms with 100 to 5,000 employees from a wide sample of countries. Since then the research has expanded to include public (e.g. Bloom et al., 2013b; Bloom et al., 2014; McCormack et al., 2013) and service sector studies (e.g. Bloom et al., 2012) and causative tests of the impact of management practices in developing countries (Bloom, Eifert et al., 2013).

To measure management practices, CEP developed a survey tool which uses open questions on the quality of management practices within the respondent organisation. Respondents' answers are compared to a marking frame to derive individual practice scores which are then aggregated to an overall score[10]. This tool and the method used to gather the data is described in detail in Bloom et al.(2012), as is how the questions used link to the broader literature on management and performance.

The instrument measures 18 practices along three dimensions:

1 performance monitoring (how performance is tracked, reviewed and discussed)

2 target setting (what targets are set for performance and the degree to which they are stretching and connected and widely understood), and

3 incentives/people management (how talent is attracted, managed and rewarded).

The management scoring grid was developed by McKinsey and Company as an initial diagnostic of a firms' management quality. It utilised a set of core operational management practices that McKinsey felt had a direct impact on firm performance based on the their experience, and which could be easily measured in an initial appraisal (Bloom et al., 2012).

'Best' management practices are defined as those where performance information is routinely collected and analysed, where targets are challenging and linked and where high performers are rewarded and low performers managed.

[9] http://cep.lse.ac.uk/_new/research/productivity/management.asp#2006managementSurvey
[10] See http://cep.lse.ac.uk/pubs/download/occasional/op041.pdf for a good introduction to the methodology

The stream of work based on the CEP survey tool is unapologetically directed at management practices because, it is argued, there is relative consensus of what good practice looks like. It deliberately excludes what are described as the 'strategic' aspects of management, including leadership, where it is felt that there is much less consensus over what constitutes good practice:

Some drawbacks of the World Management Survey

Many important aspects of management are left out. The focus of the WMS questions are on practices that are likely to be associated with delivering existing goods or services more efficiently. We think there is some consensus over better or worse practices in this regard. By contrast, we are not measuring "strategic" aspects of management such as innovation, pricing, advertising, M&A, leadership, the decision whether to enter new markets, shut down existing operations, etc. These are important, no doubt, but we do not feel confident of judging anything to be on average better or worse in this regard. (Bloom, Lemos, Sadun, Scur, Van Reenen, 2014)

Over the last decade this method has been used to gather data from around 10,000 organisations (Bloom et al., 2012) and covers studies across different nations and sectors as well as a number of studies in developing countries. '

3.2 Key messages from practice literature

Ten key findings are highlighted by Bloom et al.,(2012):

1. U.S. manufacturing firms score higher than any other country. Companies based in Canada, Germany, Japan, and Sweden are also well managed. Firms in developing countries, such as Brazil, China, and India, are typically less well managed [see Figure 1 below]

2. In manufacturing, there is a wide spread of management practices within every country. This spread is particularly notable in developing countries, such as Brazil and India, which have a large tail of very badly managed firms.

3. Looking at other sectors, U.S. firms in retail and hospitals also appear to be the best managed internationally, but U.S. (high) schools score poorly.

4. There is a wide spread of management practices in non-manufacturing.

5. Publicly (i.e., government) owned organisations have worse management practices across all sectors studied. They are particularly weak at incentives; promotion is more likely to be based on tenure (rather than performance), and persistent low performers are much less likely to be retrained or moved

6. Among private-sector firms, those owned and run by the founders or their descendants, especially firstborn sons, tend to be badly managed. Firms with professional (external, nonfamily) CEOs tend to be well managed.

7. Multinationals appear able to adopt good management practices in almost every country in which they operate.

8. There is strong evidence that tough product market competition is associated with better management practices, within both the private and public sectors.

9. Light labour market regulation is correlated with the systematic use of monetary and nonmonetary incentives (related to hiring, firing, pay, and promotions), but not monitoring or target management.

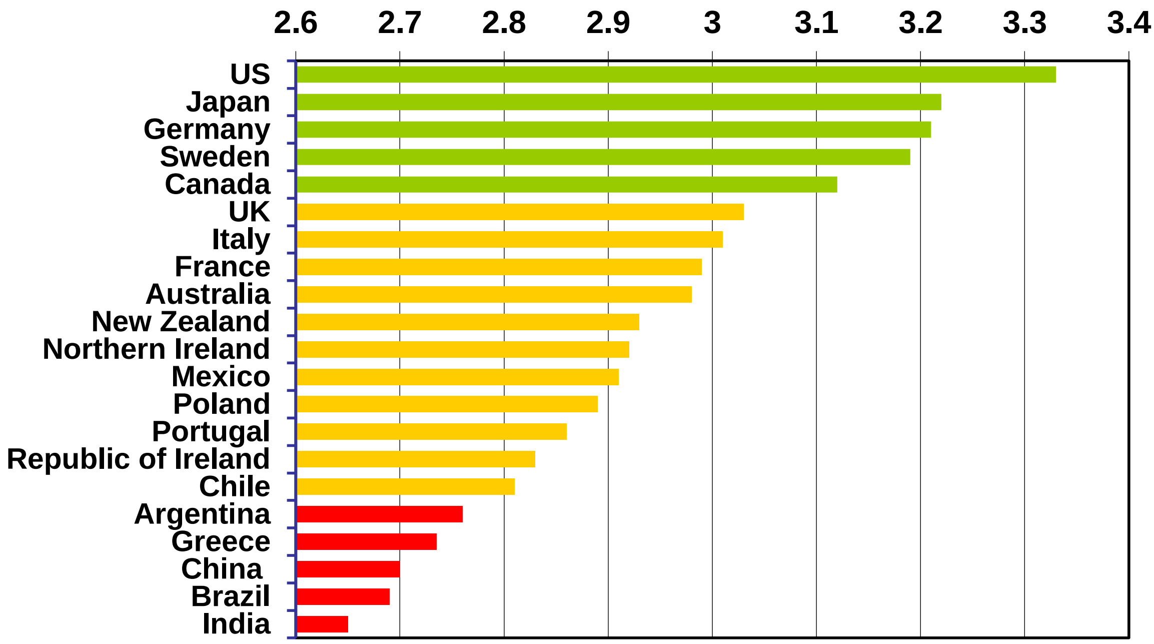
10. The level of education of both managers and non-managers is strongly linked to better management practices.

Source: Bloom et al., 2012

3.3 Distribution of scores

The ways in which management practices scores distribute across countries is shown in Figure 3.1 below. This shows how US firms clearly achieve higher average practice scores than firms from any other country. The UK heads a group of middle ranking countries which are some distance from the average US firm.

Figure 3.1: Management Scores across Countries



Source: Bloom, Sadun and Van Reenen, 2013b

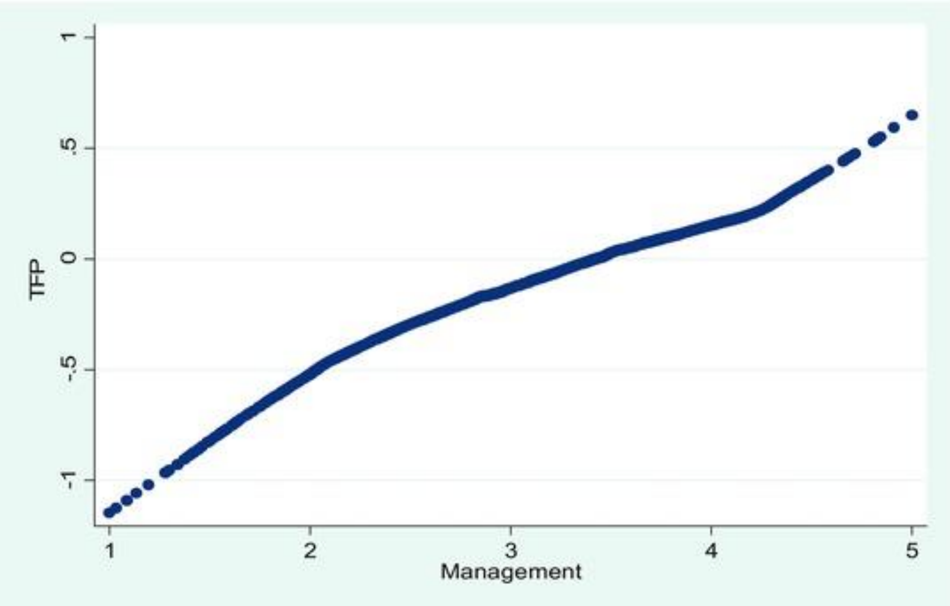
3.4 Link to performance

The management practices literature has consistently found strong and robust positive correlations between management scores and publicly available accounts data (profit, sales growth, survival). Better managed firms tend to do better on a range of variables. For manufacturing and retail firms these variables include sales per employee, profitability, growth of sales, survival, and market value (Tobins Q); for hospitals these include patient outcomes such as mortality rates and for schools variables include pupil outcomes such as test scores. Bloom et al., 2012 find:

- A significant relationship between the sales per employee and management practices (averaged to a single score across all 18 questions). They test various models but their analysis suggests that a one point higher average management score is associated with about 69% higher labour productivity and that this relationship is strong across all regions in the data.
- Profitability, as measured by return on capital employed, is about two percentage points higher for every one-point increase in the management score.
- A one-point increase in the management practice score is associated with 6.7% higher annual sales growth.
- A one-point increase in management practices is associated with a 1.1% reduction in exit (liquidation or bankruptcy).
- Larger firms as measured by number of employees have better average management scores (firms with 100 to 200 employees had average management scores of about 2.7. and this rose with size such that firms with 2,000 to 5,000 employees had average management scores of about 3.2)
- Bloom, Propper, Seiler, and Van Reenen (2010) find management scores were significantly associated with better survival rates from emergency heart attack admissions and other kinds of general surgery as well as shorter waiting lists. A one-point increase in management is associated with a decrease of 0.471 points of a standard deviation in the risk-adjusted mortality rate.
- For schools, a one-point increase in management is associated with an increase of 0.196 of a standard deviation in test scores.
- Bloom et al., 2013 state that across countries, management is associated with Total Factor Productivity (TFP) and accounts for an average of 29% of the TFP gap with the

US. For the UK, some 36 per cent of the TFP gap with the US is due to management. (see Figure 3.2)

Figure 3.2. Management and TFP – Data



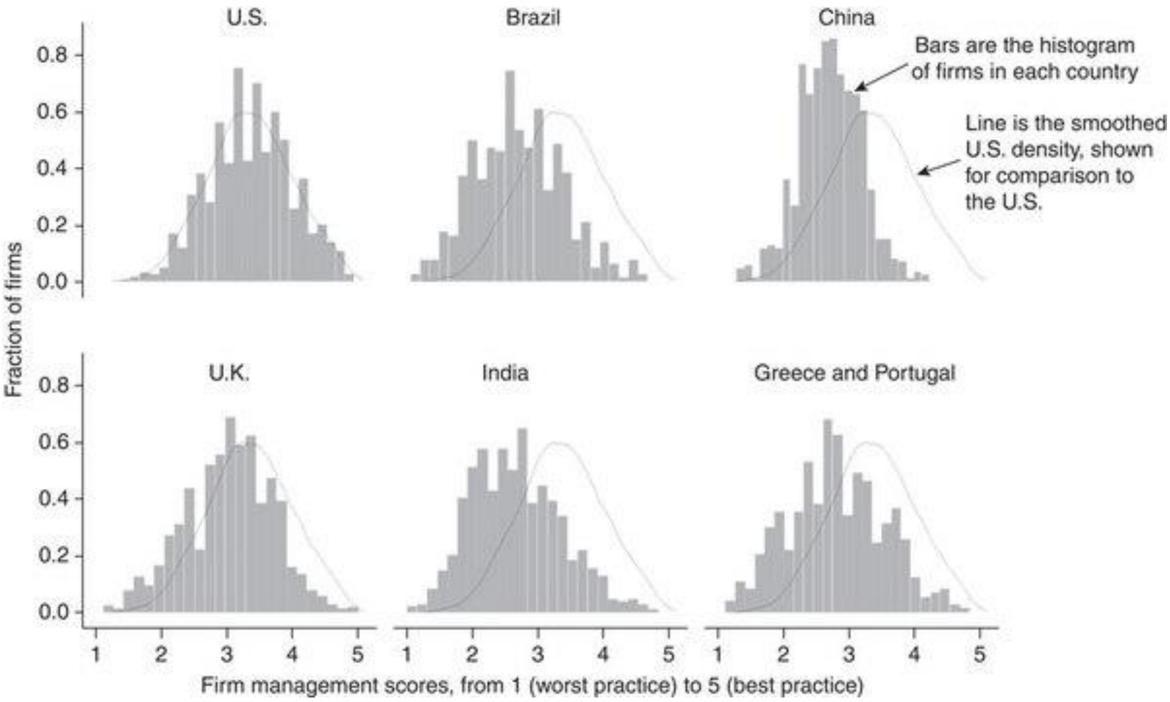
Notes: Management is an average of all 18 questions (set to sd=1). TFP residuals of sales on capital, labour, skills controls plus a full set of SIC-3 industry, country and year dummies controls. N=8314

Source: Bloom, Sadun, and Van Reenen (2013a).

3.5 Spread of scores within country

As well as between-country differences in scores there are within-country differences which help explain cross country comparison data.

Figure 3.3: Management Practices across Firms and Countries



Source: Bloom, Genakos Sadun, and Van Reenen, 2011.

Figure 3.3 shows firm level data on the distribution of management practices within countries (Bloom, Genakos, Sadun and Van Reenen, 2011). The first histogram in the figure shows this data for the United States, where the bars show the actual data and the line is a smoothed fit of the data. This US line is then overlaid on the data for other countries. Comparing distributions for the other countries with the US shows that in all cases there is a greater number of firms laying to the left of the smoothed US line i.e. other countries have a thicker left "tail" of badly managed firms. As can be seen, this difference is greatest in developing countries such as Brazil and India.

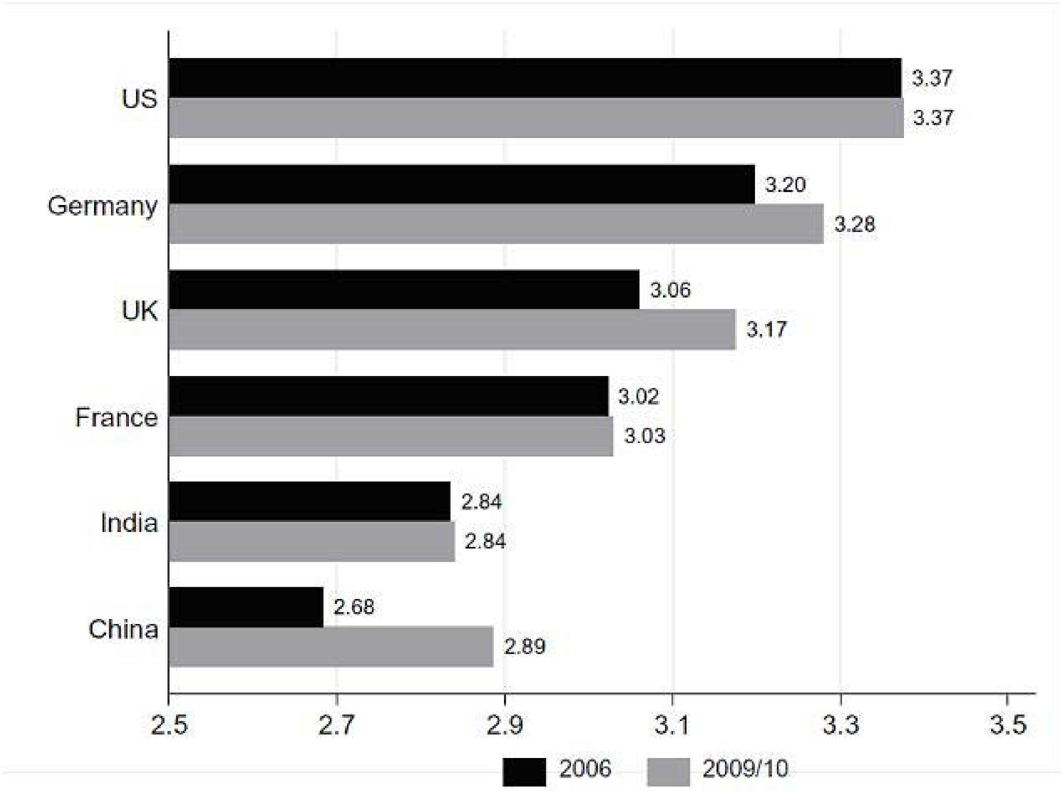
Bloom and Van Reenen (2006) argue that higher product market competition will drive inefficient firms out of the market and allocate greater market share to more efficient firms. Therefore, they expect a better average level and more compressed spread of management practices in environments that are more competitive. This argument is supported by Bloom, Sadun and Van Reenen (2014) who find resources are reallocated towards better managed firms (i.e. they grow and produce a greater proportion of sectoral productivity). They find the US has the highest size-weighted average management score and about a fifth of this "management gap" is due to stronger reallocation effects which rewards better managed firms with greater market share. The impact of these strong reallocation effects is that an extra point on the management index is associated with 360 extra workers in the US compared to only 235 extra workers in the UK, 76 extra workers in Italy and essentially zero extra workers in Greece. This accounts for some 30 per cent of the American managerial advantage. Some of the factors that they suggest might be instrumental in this difference are higher trade costs (associated with higher employment protection and trade restrictions).

3.6 Issues regarding improving practices

Bloom, Lemos et al. (2011) contrasted survey findings from 2006 and 2009 surveys and found that the average scores in UK had risen from 3.06 to 3.17 over a period when US scores were stable. This suggests there was some degree of convergence of scores between the UK and US firms in this period. Scores for German and Chinese organisations also showed improvement whilst over the same period; scores in France and India remained stable (see Figure 3.4).

Respondents to the 2009/10 survey were asked what factors were acting as a barrier to improving management practices. The most common barrier highlighted was difficulty in recruiting managers with the right skills (29% considered that "hiring managers with the right skills" was a major constraint, with a further 23% considering this a minor constraint.) followed by difficulties in hiring other staff with the right skills (considered a major constraint by 19% of respondents), the next most important factor was a lack of knowledge of what management practices to introduce (11% of respondents considered that "not knowing what new management practices to introduce" were a major obstacle, and a further 23% considered this a minor obstacle).

Figure 3.4: Management score changes in all countries



Note: Data from a total of 1,178 firms interviewed in 2006 and 2009/10 (263 US, 118 German, 253 UK, 157 French, 197 Chinese, 107 Indian)

Source: Bloom, Lemos, Qi, Sadun, Van Reenen (2011)

This lack of knowledge as to what practices might be usefully introduced suggests there are information barriers to knowledge dispersion that may be inhibiting the adoption of best practice. Other work e.g. (Bloom et al., 2007) suggests that leaders/managers are unable to accurately assess their own practices. Managers were asked how well managed they felt their firm to be and their results were found to be uncorrelated with their evaluated practice score or firm performance. Managers in all countries over-assess the quality of their practices – some much more so than others. Firms may not only not know what practices might be helpful, they also do not know whether they have a need to improve their practices.

Bloom, Eifert, Mahajan, McKenzie, and Roberts (2009).found that consultancy support to Indian textile firms resulted in changes to management practices and to significant improvement in performance. The reasons given for not making these changes earlier were generally lack of awareness.

Bandiera et al. (2013) exploring data from developing countries found that there was a correlation between the time CEOs spend at work and firm performance. CEOs of family firms spend 8% fewer hours at work than professional CEOs regardless of other factors and this is a contributory factor to lower firm performance.

3.7 Evidence on the impact of people management practices

In developing their survey approach to measuring management practices, Bloom and Van Reenen (2010) reviewed the evidence linking Human Resource Management activity and productivity. They found a body of research evidence that suggests variations in certain reward practices are implicated in differences in productivity. Van Reenen (2010) summarises this evidence as:

- Studies generally show a positive effect on productivity from incentive pay across many sectors
- Productivity also increases because high quality workers are attracted to organisations offering better incentives
- Incentive pay is generally more effective when combined with other complementary factors e.g. other practices (teams combined with group bonuses for example) or firm characteristics (e.g. people management and information technology)
- There is evidence of perverse incentives e.g. when rewards are tied to specific periods of time and workers manipulate commissions to achieve targets
- Incentive pay schemes are associated with greater productivity dispersion as effects are greatest on the most able workers and this magnifies the effects of the most able workers clustering in those organisations offering the best incentives.

They note that the evidence for other forms of HRM such as self-managed teams, performance feedback and training is much harder to summarise. They find a number of studies which have correlated various aspects of HRM with firm performance and which generally find a positive correlation between HRM and productivity (factors measured include self-managed teams, job rotation, TQM (total quality management, benchmarking, communication, meetings, training etc.). They also note the common use of summary measures of HRM practices (they give the example of Huselid (1995) and Huselid and Becker (1996) who combine questions into two principal components – 'employee skills and organisation' and 'employee motivation'). Such summary measures whilst being very common, mean that detailed examination of the contribution of specific practices is not easy.

While the CEP/Stanford University stream of work has made a considerable contribution to our understanding of management practices, other work on management practices has found a similar positive effect. A longitudinal study by Birdi et al. (2008) explored the impact of the adoption of Strategic HRM practices (to do with empowerment, extensive training and teamworking), integrated manufacturing (TQM, JiT and advanced manufacturing technology) and core lean production practices (TQM, JiT, /advanced manufacturing technology and supply-chain partnering) on productivity over time. To measure productivity they used an augmented Cobb-Douglas production function using data from a UK credit reference agency.

They found significant positive effects on company productivity for empowerment and extensive training but not for the other five practices. Closer examination suggests that the effect of the other practices varies considerably between companies, with some showing significant improvements but not consistently.

An earlier study, Black and Lynch (1997) found that workplace practices are associated with higher productivity but how they are adopted is more important than what particular practice is adopted. They give the example of how adopting a total quality management system has an insignificant or negative effect on productivity unless worker involvement in decision making is high. They suggest that workplace practices that encourage workers to think and interact to improve the production process are strongly associated with increased firm productivity. They also find that worker educational level is associated with better performance.

One of the robust findings emerging from these studies (and many others – see e.g. Reenen 2013 for a review) is the very high degree of heterogeneity between business units in terms of productivity even in relatively homogenous industries. These differences are also relatively persistent - research shows that around a third of plants stay in their productivity quintile over a five year period. Given that management practices appear to make a significant difference to productivity, but show considerable variability, this raises the core question of what supports and hinders the diffusion of management practices.

Implications of findings

- A wide range of studies delivers compelling evidence that management practices make a significant difference to workplace productivity and that the UK has room for improvement. There is also (more limited) evidence that improving practices leads to increases in productivity.

4 Workplace innovation

In this chapter we present the literature on workplace innovation which can encompass management practices but also covers organisational structures and processes, often designed to support organisational outcomes which may be product or service innovation, better quality service or product or greater efficiency.

4.1 Background

The literature on the adoption of innovation includes discussion of social aspects, and therefore can throw a specific light on workplace practices specifically as they relate to new forms of work itself. The Oslo manual raises this in its definition of innovation (OECD, 2005, pp. 47–51) as relating to:

- The introduction of a new product or service;
- The introduction of new production processes such as those enabled by new technology or new work routines
- The introduction of new forms of organisation
- New market behaviour, strategy, marketing methods, or alliances.

A recent report for Eurofound (Cox et al., 2012) specifically explores the role of workplace innovation which is defined as

- 'the implementation of new and combined interventions in the fields of work organisation, HRM and supportive technologies' (Pot 2010:1 in Cox et al., 2012)
- and as 'renewals in the structures, processes or boundaries of a work organisation that achieve savings in the use of labour or capital resources, or an improved ability to respond to customer needs… examples of reforms can be self-managing teams, flatter hierarchies, outsourcing, diversified personnel skills and management systems' (Ramstad, 2009:2 in Cox et al., 2012).

Workplace innovations are specifically focused on new practices within organisations. They often lay the foundations for technological developments because they encompass the process changes required '*to change the beliefs, attitudes, values, and structure of organizations so that they can better adapt to new technologies, markets, and challenges*' (Ramstad, 2008). Therefore studies of workplace innovation can throw particular light on the adoption and diffusion of new management practices and can be an essential element of wider gains in productivity and competitiveness. Workplace innovation is also dynamic: '*Successful workplace innovation depends not on following a linear process of change towards a defined end but on the ability to create innovative and self-sustaining processes of development by learning from diverse sources, by creating hybrid models and by experimentation*.' (Totterdill et al., 2010).

According to Totterdill et al. (2002), who conducted a meta-analysis of 120 case studies across ten European countries, workplace innovation takes diverse forms but is always characterised by:

> '…a clear focus on those factors in the work environment which determine the extent to which employees can develop and use their competencies and creative potential to the fullest extent, thereby enhancing the company's capacity for innovation and competitiveness while enhancing quality of working life.' (Totterdill, Dhondt and Milsome, 2002).

There is evidence workplace innovations are associated with performance gains. Totterdill, (2015) reviews extensive survey and case study evidence that demonstrates that workplace innovation improves performance and innovation. A review of some sixty US articles shows that workplace innovation has a substantial effect on efficiency (Appelbaum, Gittel and Leana, 2010 in Totterdill, 2015)

Some of the literature points out that the introduction of any particular new workplace practice is not sufficient in itself to guarantee performance outcomes. This varies considerably based on organisational objectives for the initiative and organisational context (Boxall and Macky, 2009). Outcomes for workplace innovation are greatly influenced by;

- The quality of the practices
- How the practices are implemented over time, and by whom
- The level of employee involvement and commitment

Boxall and Macky suggest that caution is called for in interpreting findings to date. They suggest that there are indications that improvements in control and communication, and wage gains for employees are associated with better performance but are nervous about the relationships between new workplace practices and work intensification. They suggest it cannot be asserted that any particular practice, such as teamwork, automatically enhances employee autonomy and leads on to positive levels of trust, satisfaction and commitment.

4.2 Work organisation

A specific sub element of workplace innovation is the adoption of new forms of work organisation (see the Oslo manual definition of innovation above). Such new forms of work organisation must be placed in context and Cox et al. (2012) attempt to do so in highlighting that market position is a major influence on business strategies, which in turn influence HR strategies. They utilise the three common generic strategies for organisations to secure competitive advantage described by Porter (1980; 1985):

- cost leadership (i.e. the organisation produces products or services at a lower cost than that charged by competitors)
- innovation (i.e. the organisation produces products or services that are unique in some way)
- quality (i.e. the organisation delivers products or services that are higher quality than those of competitors).

These generic strategies are believed to influence the HR strategies and practices of the organisation to 'fit'. Schuler (1989 in Cox et al. 2012) suggested that there were corresponding generic HRM strategies of:

- 'accumulation' (an emphasis on resourcing that selects the best candidates possible based on attributes beyond technical fit)
- 'utilisation' (an emphasis on technical fit)
- 'facilitation' (an emphasis on collaborative working).

These generic HRM strategies can then be mapped onto the generic competitive strategies. For example, firms following a quality strategy would be expected to adopt a combination of accumulation and facilitation HRM strategies; firms focusing on cost-reduction will adopt a utilisation HRM strategy and emphasise short-term employee relationships, offer low levels of training and development and minimise wage costs; and firms following an innovation strategy will adopt a facilitation HRM strategy to maximise the contribution of employees.

The research undertaken by Cox et al. (2012) identified that their case studies of workplace innovation had certain features of market positioning in common; firstly the case studies showed a preponderance of global or multinational organisations with strong market presence, and secondly their business strategies were not solely cost based. It was also clear that all organisations were under pressure to improve performance, partly driven by an economic downturn which created difficult trading conditions but also to meet the challenges of demographic change and intensified competition, especially within manufacturing industries. Other pressures included ageing workforces and shifting, declining or more erratic consumer demand. Price pressures were felt by many of the case study organisations and an increasingly competitive environment meant that cost considerations had become more important even where the primary competitive advantage comes from quality or innovation. As a result the need for greater efficiency was a common strategic goal.

Cox et al., found that most of the case study organisations did not have a single competitive focus, which was not because of a lack of strategic clarity but rather a need to balance multiple demands created by parent companies and either business or individual consumers. Overall the case studies were strongly focused on differentiation strategies.

Cox et al. concluded:

- In those organisations where innovation was a key element of the business strategy the engagement of the workforce through collaboration was strongly emphasised.
- Others sought to maximise quality of product or service through approaches such as 'lean' techniques or through an emphasis on being an excellent employer with a range of initiatives emphasising staff engagement.
- Where organisations were grappling with specific people related issues e.g. an ageing workforce the focus was on initiatives to deliver solutions e.g. emphasise healthy ageing.

- There were no examples of HR strategies being fundamentally changed because of changing pressures and no evidence that cost pressures were making HR strategies more transactional.

Cox et al. also stated there were some clear sectoral patterns emerging:

- Organisations in knowledge-intensive industries and/or an expanding market tended to focus on innovations focussed on 'talent management' or employer branding which would enable them to recruit and retain staff.
- Organisations in sectors experiencing a more challenging economic climate were more commonly focussed on cost reduction and efficiency improvements.

Cox et al. suggest that pressure is an important factor in the decision to adopt workplace innovations. This pressure may be **external** to the organisation; from clients or competitors or a more general shift in the economic landscape that provides an impetus to improvement which Cox et al. argued is consistent with the mimetic perspective on organisational change identified by DiMaggio and Powell (1983), where trends in product markets can lead to widespread adoption of HR management practices. Additionally, pressures can be **internal**; a desire to be better, more efficient or more innovative, as well as to develop greater consistency between external 'market' brand and internal 'employer' brand. Contrary to the literature findings, Cox et al. found that experiencing fragility in organisational viability combined with cost pressures did not necessarily deter investment for significant innovations (Fombrun, Tichy and Devanna, 1984; in Cox et al. 2012), but noted that a number of the case studies had access to support from large corporate parent companies which may have inspired them to make major innovations.

Cox et al. found sectoral patterns which explained different drivers for change. Organisations in knowledge-intensive industries and/or an expanding market tended to focus on innovations to do with 'talent management' and employer branding. Organisations in sectors experiencing a more challenging economic climate were more commonly focussed on cost reduction and efficiency improvements, typically in a manufacturing context.

4.3 Decentralisation

Decentralisation[11] is one aspect of work organisation that has received interest from economists. It is seen as critical for growth in firm size which in turn is related to productivity and profitability (because of economies of scale). There is a complex relationship between decentralisation and other aspects of practice which makes its study difficult. Caroli and Van Reenen (2001 in Aghion, Bloom and Van Reenen, 2013) find support for three predictions:

- Decentralisation leads to skill upgrading
- If skilled labour is cheaper, organisational change is accelerated
- Skill intensive firms will experience greater productivity growth when decentralising.

Bloom, Sadun and Van Reenen (2010) explored the relationship between management practices, productivity and firm decentralisation. They note evidence of complementarities between ICT, decentralisation and management and find that decentralisation is, unsurprisingly, associated with firm size. They use the idea of Garicano (2000) of the firm as a cognitive hierarchy, where problems are solved in the most efficient way possible i.e. as low down the hierarchy as sensible given the complexity of the problem and the expertise of the workforce. ICT can be hypothesised to exert two opposing effects on decentralisation. Communication technologies might be expected to reduce the costs of communication and therefore increase the likelihood of problems being referred up the hierarchy. Technologies that make the acquisition of information easier should have the opposite effect, making it easier for those lower down the organisation to make decisions. Bloom, Sadun and Van Reenen (2009) find empirical support for these theories and find the magnitude of the effect to be substantial. Bloom, Sadun and Van Reenen also discuss the work of Acemoglu et al. (2007) who hypothesised that decentralisation should be related to the heterogeneity of the industry (greater heterogeneity should be related to greater centralisation) and to the age of the firm (older firms would be expected to be more centralised) both of which appeared to be upheld by their data.

[11] Decentralisation refers to the degree to which decision-making is more evenly dispersed throughout the corporate hierarchy compared to a centralised firm where decision making is taken at the top of the hierarchy.

Decentralisation is also robustly associated with skill levels (i.e. higher levels of skills are associated with greater decentralisation) (e.g. Bloom, Sadun and Van Reenen, 2009 and Caroli and Van Reenen, 2001) and with product market competition (greater competition is associated with greater decentralisation). Interestingly for management and leadership, decentralisation is also positively correlated with trust (Bloom, Sadun and Van Reenen, 2010).

Implications of findings

- Innovations in workplace organisation have also been associated with performance gains. Such innovations appear to be related to product market strategies and organisational skill levels with high added value organisations and those with highly skilled workforces more likely to innovate the organisation of work.

5 Strategic Human Resource Management (SHRM) and High Performance Work Practices

In this chapter we briefly review the considerable number of studies which have explored the relationship between people management practices and organisational performance, such practices have often been 'bundled' together to form distinct systems of practices.

5.1 Background

Strategic Human Resource Management (SHRM) emerged initially in the states as a description of a more strategic approach to managing people that emphasised factors such as commitment and engagement (see e.g. Marchington and Wilkinson, 2008). Guest (1987) differentiated between personnel management and Human Resource Management in terms of how they viewed the psychological contract, locus of control, employee relations, organising principles and policy goals. HRM was seen to incorporate a more organic, flexible, bottom-up and decentralised approach than personnel management, which relied on mechanistic, formal rules delivered in a top-down and centralised manner. SHRM might be seen as a precursor to High Performance Working (HPW) with its emphasis on the practices that result in improved performance.

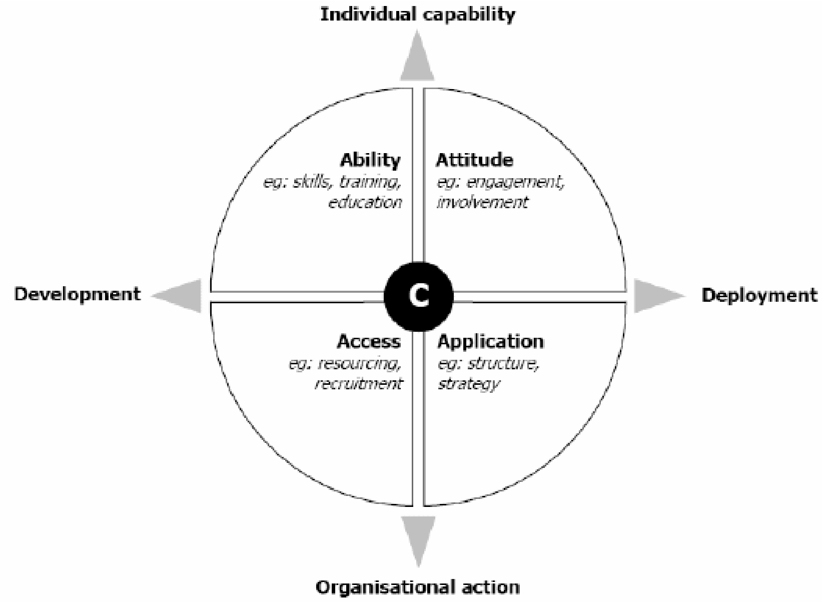
As evidence of the link between practices and performance developed, so too did the distinctive emphasis on HPW as opposed to HRM or people management practices. The concept of high performance embedded in terms such as High Performance Working/Systems/Practices focuses more deliberately on the link to organisational performance through the engagement, involvement and performance of the workforce.

5.2 Definition

High performance working is defined by Belt & Giles (2009) as '*a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment to achieve high levels of performance*' (p 17). The British Psychological Society (2014) describe High Performance Work Systems (HWPS) as '*integrated systems of human resource management practices directed at enhancing the motivation, skills and abilities of workers, and giving workers the latitude to use their skills*'.

Various models of HPW exist. The UK Commission's definition of HPW is built around the 4A model of capability (Tamkin et al., 2005). The model is based around two key dimensions: the development and deployment of capability and the role of individuals and the organisation. This creates four quadrants of activity: ability, access, attitude and application (see Figure 5.1 below).

Figure 5.1: The 4A model of HPW



Source: Tamkin et al., 2005

There are other conceptual models of HPW. For example, the AMO model is built around three themes: ability; motivation; and opportunity to participate. What the models share is a focus on involving both employers and employees in providing a supportive environment and displaying discretionary efforts (Belt and Giles, 2009).

One of the findings of long standing suggests that the introduction of one or two practices does not produce productivity effects whereas the use of bundles of practices together significantly raises productivity (Ichniowski et al., 1997 in Aghion, Bloom and Van Reenen, 2013).

Consequently, HPWS are thought to comprise distinctive bundles of practices (e.g., Combs et al., 2006) such as: high investment and selective recruitment and selection; contingent rewards, based on performance or skills; job design, including self-managing work teams, job rotation, flexible work, and skilled work; decentralised decision making and participation reflected in information sharing, suggestion schemes, attitude assessment, and problem-solving groups; investment in training; career structures; total quality management; job analysis; performance management and appraisal systems; and employment security. Cox et al. (2012) define high performance working practices as typically including workplace innovation across the following main areas:

- Practices which structure work organisation and job design e.g. use of (autonomous) teams, redesign of jobs to enlarge or enrich their content, working-time arrangements including flexible start and finish times and flexible total number of hours, home or teleworking.
- Practices ensuring high level skills are an input into the production process e.g. careful recruitment and selection, training and development including on and off the job training using any means of development e.g. formal courses, self-study, workshop, secondments, mentoring, buddying.
- Appraisal and performance management processes including formal or informal one to one discussions between each employee and a line manager/supervisor, a regular more formal review of performance, which may or may not be linked to pay increases.
- Practices which provide opportunities for employees to participate in and/or influence decision-making through direct or indirect methods. These include individual working groups to improve quality or solve workplace problems, indirect representation through workplace committees or other representative groups, informal and formal dialogue and face to face communication between managers and employees, team /departmental or whole company briefings, employee attitude surveys, knowledge sharing activities and knowledge management systems.
- Practices which provide rewards for performance e.g. profit sharing, employee share ownership, individual performance-related-pay, employee benefits which may financial or non-financial including access to sources of support for health and well-being, career progression opportunities through vertical or lateral promotion.

The link between HPW and management practices is relatively clear and there is overlap between them with regard to the human capital practices embedded in both (managing performance, reward etc.). There are differences too, HPWPs focus more explicitly on the management of people and embed practices within a philosophy of employee involvement and commitment. Management practices embrace a wider range of practices including the control of inventory, the management of quality and setting organisational KPIs (Key Performance Indicators).

The link to leadership is less clear cut. Sung and Ashton (2005) comment that 'leadership' (the term is not defined by them) is crucial in creating, shaping and driving high performing organisations. They place it at the centre of their model which shows how leadership works through three categories of HPWPs: high involvement; human resource; and reward and commitment practices, to achieve organisational objectives. These objectives are shown in the outer circle of the model and include financial performance, innovation or other organisational objectives.

Figure 5.2: HPWPs and organisational objectives

Source: Sung and Ashton, 2005

Other studies (e.g. Tamkin et al., 2010) also suggest that leaders are important in creating the conditions for the adoption of HPW and Purcell et al. (2003) find that good front line leadership is 'critical' in implementing HPW.

The implication is that leaders and leadership can be an important variable in the adoption of HPW but the evidence is predominately case study based and what is meant by leadership is not described consistently. Neither is there any research that we could find that articulates what 'leadership' means in terms of observable outputs/behaviours and thereby been robustly explored in terms of its link with HPWPs and performance. For the time being, the contribution of leadership to HPW is under researched.

5.3 Link to performance

There is now a considerable literature which suggests that High Performance Working Practices (HPWPs) are associated with improved organisational performance (as measured by a range of metrics including financial performance, productivity and safety (Combs Liu, Hall, & Ketchen, 2006; Ogbonnaya, Daniels, van Veldhoven & Tregaskis, 2013). There is also evidence that adoption of "high performance work practices" can also be associated with enhanced wellbeing and job satisfaction in workers (e.g. Van De Voorde, Paauwe, & Van Veldhoven, 2012, Cox et al. 2012).

In an overview of the literature to date, Paauwe (2009) notes that within this field of study, the HRM–Performance relationship has been approached from a variety of perspectives rooted in organisational behaviour, sociology, economics, industrial relations and organisational psychology, with a particular emphasis placed on the impact of various combinations of human resource practices on a range of performance outcomes.

Paauwe (2009) provides a useful historic review of the field which we summarise here to provide a contextual background to the weight of evidence suggesting people management practices are linked to organisational performance. The first systematic empirical studies of the HRM–performance link were published in the mid 1990s (Arthur, 1994; Osterman, 1994 MacDuffie, 1995 and Huselid 1995 all in Paauwe, 2009). In the years that followed, many studies explored evidence on the performance effects of single practices (e.g. personnel planning - Koch and McGrath, 1996; performance related pay - Dowling and Richardson, 1997; Lazear, 1996; McNabb and Whitfield, 1997; training and development - Kalleberg and Moody, 1994 all in Paauwe, 2009), and of bundles or combinations of HR practices (e.g. Arthur, 1994; Guest et al., 2004 all in Paauwe, 2009).

In 1997 Paauwe and Richardson summarised some 30 studies, which substantiated relationships between a range of HR practices, and people management outcomes, such as satisfaction, motivation, turnover, absenteeism and commitment, and also between these practices and organisational performance outcomes such as productivity, quality, R&D. Boselie et al. (2005), reviewed 104 studies, and broadly concluded that HRM systems make a positive difference to organisational performance. Wall and Wood (2005) reviewed 25 US studies and concluded more cautiously that although most studies find a positive link each is methodologically imperfect and therefore the evidence should be treated carefully. Combs et al. (2006), in a meta-analysis of 92 studies reported that an increase of one standard deviation in the use of high-performance work practices (HPWP) is associated with a 4.6 per cent increase in return on assets, and with a 4.4 percentage point decrease in turnover.

Most of the literature recognises the value of a high-performing focus for organisations. However, Lloyd and Payne, in their 2006 report, question the claim that HPWPs provide efficient work organisations, suggesting that a focus on HPWPs has a wide appeal and therefore simply makes for good consensus politics.

The socio-cultural variations in HPWP practices internationally must also be considered as one other reason why the benefits of introducing HPWP widely are sometimes questioned. For example, a practice such as an employee grievance procedure-considered a high-performance indicator in the US (Huselid 1995) is simply a standard legal requirement in many countries (including the UK) and therefore does not differentiate superior performers in these countries (e.g. Boselie et al., 2001 and Boxall and Purcell, 2008). Others have made the point (e.g. Boxall and Macky, 2009) that the process of implementation of such practices is of crucial importance to their impact.

5.4 Factors influencing the link to performance

As the evidence has advanced so theories of how the link happens in practice have also developed from rather simple notions of a link between HR practices and distant indicators of (financial) performance, to more sophisticated and complex ways of theorising and modelling the relationship. These more complex conceptualisations tend to position HR practices as affecting the attitudes and behaviour of employees at the individual level which, in turn, affects behaviours and people related outcomes such as labour productivity and labour turnover which in turn impacts on firm performance (Paauwe, 2009).

Whilst there has been methodological criticism of the literature, there have been a few longitudinal studies that examine whether the introduction of HPWS is associated with subsequent increases in performance. One such longitudinal study by Tregaskis et al. (2013) found that subsequent to introducing HPWS in a manufacturing company, metrics indicating the firm's safety performance and productivity improved, as did job satisfaction and organisational commitment.

There have been a small number of quasi experimental introductions of HR practices with detailed evaluation of results (e.g. Lazear, 2000 in Bloom, Sadun and Van Reenen, 2010, explored the introduction of a pay for performance system in a windshield installers and found productivity increases of around 44 per cent. Bandiera et al. 2008 (also in Bloom, Sadun and Van Reenen, 2010), measured the impact of a change in the incentive pay system for managers and found a 21 per cent productivity increase.)

5.5 Effective adoption of good practice

Several papers discuss how the HR strategies of organisations are heavily shaped by contextual contingencies including national, sectoral and organisational factors, but how it is still worth discussing and aiming for the adoption of 'best practice' in workplace practices. Boxall and Purcell (2000) discuss the need for organisations to be studied in a much more inter-disciplinary or systemic way, valuing key principles in labour management but also taking into account the resource-based view of an organisation at the same time. It is only then that good practice can be effectively implemented.

5.5.1 Size and sector

Stone et al. (2012) have explored the factors affecting adoption of HPWPs by SMEs through survey and interviews. They find that the range of practices are more likely to be adopted by larger than smaller businesses and are more likely to be adopted by organisations in financial and business services, construction and other services. These differences do however tend to be relatively small. Larger differences are found in terms of the qualification levels of the workforce with organisations with higher skilled employees more likely to implement HPWPs. It was also found that high adopters were more likely to pursue strategies of product/service differentiation.

5.5.2 Incremental adoption

Stone et al. found that very few 'adopters' implemented their HPWPs all at once, as a package. Rather in the large majority (91 per cent) their approach evolved over time. The reasons given for implementing HPWPs was either to improve performance (85 per cent), or because it fitted with management style or ethos (64 per cent). Respondents generally found that HPWP adoption resulted in improved quality of service (90 per cent of adopters), followed by increased productivity (80 per cent) and enhancements to innovation and increased output (both 70 per cent).

However, relatively few respondents felt that the adoption of HPWPs had impacted on the attitudes or behaviours of staff (14 per cent reported an increase in staff motivation, and two per cent a reduction in staff turnover).

5.5.3 Alignment with other practices

In their report on the impact of work organisation innovation across Europe, Cox et al. (2012) showed that improvements in workplace organisation were linked to productivity improvements. However, they also found that companies that focused on the implementation of lean management, team-working, flexible working practices, workplace redesign, and employee involvement were most commonly associated with increased company productivity. Efficiency improvements were also most commonly associated with team-working, lean management, and workplace redesign. Improvements in service quality were associated with the introduction of team-working, lean management, flexible working, employee involvement and work redesign HPWP innovation. This can be largely attributed to the innovation practices focusing on the importance of greater customer attention and improving customer responsiveness.

5.5.4 Engaging stakeholders

Totterdill (2015) discusses the need for a new type of dialogue between researchers and practitioners, to ensure that good practice in HPWP is transferring to the workplace from research. The creation of EUWIN (the European Workplace Innovation Network) by the European Commission at the end of 2012 provided an opportunity to address this dialogue

EUWIN was designed to enable employers, employees, social partners, policymakers, consultants, researchers and other stakeholders to co-create a vision of the high performance, high quality of working life organisation, adding knowledge and experience.

5.5.5 Support

Stone et al. (2012) found that a higher proportion of HPW adopters had received relevant advice (30 per cent versus 15 per cent of non-adopters), but this implies that a significant proportion did not receive advice or support relating to HPWPs. The most common source of support was a consultant (used by one-third of those having sought support). A significant minority (40 per cent) of respondents said that external influences or models had been an important factor. A similar proportion of respondents said that they had experienced some degree of employee expectation or pressure.

5.5.6 Culture

Totterdill (2015) conducted a detailed literature review and identified four bundles of practices which appear to be regularly associated with performance impact:

- Work organisation
- Organisational structure and systems
- Learning, reflection and innovation
- Workplace partnership.

What Totterdill also identified is that the practices themselves did not fully explain the effects and that there is a further 'cumulative causation in which empowering workplace practices are aligned at each level of the organisation'. He argues that this creates a mutually-reinforcing impact which emerges from the combination of workplace partnership, shared learning, high involvement innovation, enabling organisational structures and systems, self-organised teams and empowering job design. This mix is hard to quantify but is often described in terms of "engagement" and "culture". Totterdill uses the metaphor of The Fifth Element to capture this combination of practices and approaches.

Totterdill (2015) states that each of the four bundles of practices does not exist in isolation but is influenced, for better or worse, by the extent to which the values and goals that underpin each are supported by those of the others.

5.6 Implications

There has been a growing sophistication of understanding of how people management practices relate to organisational performance and the role of intervening variables such as employee attitudes in the chain of impact. This has shifted understanding away from a universal set of 'best practices' to a more nuanced, contextual approach.

High performance practices are located firmly in a concept that includes work design that enhances autonomy and flexibility, skill enhancement, performance management systems which support regular discussion between employees and managers, means of participating in decision making and reward systems which provide forms of gainsharing for employees. In short high performance working can be seen to embody people management practices that create a sense of mutual gains for employees from better organisational performance.

Bundles of practices have much greater performance effect than single practices (a longstanding finding) but increasingly it is understood that the adoption of coherent systemic bundles of practices is important.

6 Diffusion of new practices

A common finding across the literatures on management practices, on innovation and on HPWPs is that uptake is far from universal despite the evidence of performance benefits. There is interest therefore in the factors that promote and inhibit the diffusion of new practices in management and leadership. In this chapter we explore this evidence for workplace innovation, management practices and HPWPs.

6.1 The dispersion of Management practices

The degree to which new management practices are developed and then adopted is of particular interest as firms seek to improve their productivity, improve their customer offerings and retain competitiveness (Ichniowski et al., 1995; Pil and MacDuffie, 1996 both in Mol and Birkenshaw 2009).

Any literature on how management practices disperse needs to be set in the context of how organisations change. This is a considerable literature and not the focus of this review, but broadly there are a few key theories that stem from organisational studies on how organisations change (Lam, 2005). First, there is an evolutionary change, in which organisations either accumulate a series of incremental changes or are replaced by different organisations. A second model looks at change as punctuated equilibrium where significant changes in the environment force organisations to make periodic radical changes. Finally, in the third model, organisations are in a state of continuous change. This occurs when an organisation builds in the expectation or change. These organisations have a process of continuous learning and strategic choice.

The drivers for organisational change are often explained through institutional theory (e.g. DiMaggio and Powell, 1983 in Mol and Birkenshaw 2009). This frames rationales for adoption of new management practices as either:

- 'coercive' i.e. driven by legislative pressures
- 'mimetic' i.e. where organisations seek to copy each other's products, services or organisational innovations
- 'normative' i.e. where norms of professional practice are transmitted between organisations through a mobile cadre of managers.

Mol and Birkinshaw (2009) noted that the literature on why firms introduce *new* management practices contains gaps. They found in their review, that many studies focused on the diffusion of specific practices across firms (Abrahamson and Fairchild, 1999; Burns and Wholey,1993; Teece,1980;Westphal and Zajac, 2001 all in Mol and Birkinshaw, 2009); there was also a literature on the dynamics of the spread of management 'fads' (Abrahamson, 1991, 1996; Clark, 2004; Gill and Whittle,1993; Jackson,1986 all in Mol and Birkinshaw, 2009); but there were relatively few studies that looked specifically at the causes or consequences of a firm's implementation of new practices. Specifically they felt that there had been a lack of attention on how relations with external and internal partners can help firms implement practices, which then may or may not improve the firm's performance.

Whilst some authors have explored the adoption of new practices as a means to increase performance, e.g. Mol and Birkinshaw (2009) defined such management innovation as: *the introduction of management practices that are new to the firm with the intention to enhance firm performance;* others have viewed the introduction of new practices as driven by the need to conform rather than to reach higher levels of performance (Abrahamson, 1996 in Mol and Birkinshaw, 2009).

Mol and Birkinshaw (2009) showed that the introduction of new management practices generally has a positive effect on future firm performance, but that this varies across sectors (detailed results are not reported for sectors). The authors find that the adoption of new practices is positively related to firm size, to the training level of employees and to the geographic scope of the market (the more international the market, the more likely the firm is to introduce new practices). Innovation is also positively correlated with the sources of information the firm interacts with (internal colleagues, professional peers and market based sources such as customers and consultants). The introduction of new management practices is related to productivity growth and this is greater for smaller firms and those with less educated employees, suggesting that such firms have more to gain compared to larger, highly skilled firms which are likely to be closer to the productivity frontier.

6.2 Facilitators of adoption of work innovation

A range of factors have been identified as supporting the adoption of innovative work organisation.

6.2.1 Organisational cultures

Organisational culture is a manifestation of deep-seated values and beliefs, some of which cannot be readily articulated, but are evident in ingrained norms of behaviour (Schein, 1978; Legge, 2005). Cox et al. (2012) highlight the importance of trust in building cultures which make people more willing to share ideas and in creating climates of communication whereby ideas can circulate (Tushman and O'Reilly, 1997; Kanter, 1988 both in Cox et al., 2012). Ensuring employees are willing to take risks at points when initial ideas and suggestions are being developed is also identified as important (Filipczack, 1997 in Cox et al., 2012). This can be cultivated through making time, space and communication channels available and appointing and rewarding senior individuals who are prepared to engage in this process.

Some authors have identified distinct 'cultures' of innovation which are associated with different sets of HR practices, categorising these as 'inspiring' and 'cultivated' models in contrast to 'controlled' or 'fuzzy' cultures (Lemon and Sahota, 2004). Cox et al. found in their case studies that those adopting a lean methodology within a manufacturing environment were more 'controlled' while whole-organisation approaches were similar to the 'cultivated' model. Some organisations which were well-known for product-based innovation were now seeking to extend this to work organisation innovation.

Aghion, Van Reenen and Zingales (2009) explore structural factors and their relationship with innovation and find that institutional ownership is associated with higher levels of innovation and that this relationship is stronger when product market competition is more intense. They conclude that their findings are congruent with institutional ownership insulating managers from short term pressures and therefore encouraging the risk taking behaviour necessary for innovation.

Bloom, Sadun and Van Reenen 2012 explore some of the research which argues for the economic significance of social capital (proxied by measures of trust) in terms of faster growth. The authors argue that social capital increases decentralised decision making within firms which improves productivity by supporting larger equilibrium firm size. Their research tests this theory through exploring the factors associated with decentralisation and find that trust in a region is associated with greater decentralisation in firms in that region. They also find that the level of decentralisation adopted by multinationals is affected by the level of trust in their home country. Multinationals from high trust countries decentralise more than multinationals from low trust countries. As a consequence high trust regions sustain firms of larger equilibrium size.

Trust has been extensively studied and has been termed '*the lubrication that makes it possible for organizations to work*' Bennis and Nanus, 1985. It is seen as creating an integrative mechanism for social systems, a source of increased efficiency and effectiveness, leading to enhanced social interaction between workers, increased willingness to take a chance on behalf of the organisation and as associated with the psychological contract (Gould-Williams, 2003). Organisational commitment is seen to be an important antecedent of trust (Gould-Williams, 2003) which is in turn affected by personal factors (e.g. age and length of service), job characteristics, work experience and HR practices (which have been the focus of the High Commitment literature). Gould-Williams found (in his public sector sample) that both interpersonal and organisational trust were associated with the extent of the adoption of HR practices. Both interpersonal and organisational trust were in turn associated with perceived organisational performance (organisational trust more so than interpersonal trust).

6.2.2 Organisational Leadership

Leaders are important in developing and communicating an open culture where people can voice suggestions and receive constructive feedback (e.g. Kanter et al., 1997 in Cox et al., 2012). The leadership role in communicating a vision of the organisation as innovative and risk taking has also been identified as important (Amabile and Gryskiewicz, 1987 in Cox et al., 2012). This latter point is also supported in a literature review by AIM (Munshi et al., 2005 in Cox et al., 2012) and concludes that risk taking requires leaders to act both as motivators and organisational architects at different points in the innovation cycle. The creative or explorative phase lends itself to leaders as motivator, and then the phase of exploitation of the innovation favours the leader as architect. There is also evidence that senior leaders not only act to enhance innovative cultures but also appear to recognise that people and organisational culture drive innovation (Barsh & Cappozzi, 2008 in Cox et al., 2012).

Across their case studies, Cox et al. (2012) found that there was widespread agreement that management support was probably the single most important factor in enabling change. Senior leaders often acted as the inspiration for major shifts in company culture and philosophy, especially in countries where seniority confers considerable status and power on top managers. This was not universal however, and a number of the companies' changes were systemic rather than led by any individual, especially where the sites were owned by large multi-national organisations with multiple change champions either being formally appointed or emerging. Many smaller organisations, conversely report leadership being particularly influential in championing innovations (Cox et al., 2012).

Cox et al. also found that when innovations and the training associated with them were piloted with management staff this helped engage managers with the innovations and strengthen their capacity as change agents. Lastly, a major theme running through the case studies was managerial focus on staff as individuals with differing needs and preferences, and a number of the innovations specifically targeted segments of the workforce or sought to accommodate individual needs. Managers reinforced this individual focus through face-to-face discussion. This kind of close contact was also instrumental in fostering the development of trust between managers and staff and creating organisational climates in which employees were prepared to take some risks in engaging with the innovations.

Rice and Caroline (1996) highlight literature that also reinforces the significance of not just middle managers and leaders in the diffusion of innovation, but also that of employees' immediate superiors, and explains why their influence is important:

> 'positive employee-superior communication relationships may be important because superiors articulate an organisation's values and goals, describe how employees can reach these goals, and establish a departmental climate personifying positive aspects of the employee-organisation relationship in the absence of clearly articulated messages from top management' (Allen & Brady, 1997, p 335).

Some of the literature acknowledges that a lack of leadership and managerial commitment to change has been identified as one of the most important barriers to organisational change (Brown, Hitchcock & Willard, 1994; Covin & Kilman, 1999).

6.2.3 Organisational learning

Literature on organisational learning stresses that all organisations are both knowledge-creating and problem-solving (e.g. Argyris & Schön, 1978 in Cox et al., 2012). As some important and valuable knowledge for implementing innovations is tacit (i.e. not readily articulated or transferred between people or contexts), organisations therefore also create a context for the exchange of tacit knowledge (Nonaka, 1994 in Cox et al., 2012). Further, knowledge tends to be cumulative and therefore such a cumulative body of knowledge helps define the organisation and allow it to develop heuristics (commonly defined as rules of thumb which help speed us decision making) for innovation, but it can also hinder the organisation (Hamel and Prahalad 1990; Levanthal and March 1993; Leonard-Barton 1992 all in Cox et al., 2012) by slowing or preventing learning new knowledge when confronted by new situations.

Innovation is heavily dependent on having the capability to learn and adapt. Argyris and Schon (1978) developed an organisational learning model which distinguished between what they termed as 'single loop' and 'double loop' forms of learning. Single loop learning describes incremental forms of innovation where improvements are made to existing approaches. Double loop learning involves more radical questioning of basic assumptions for example about the purpose and goals of the organisation, often with more radical outcomes. Cox et al. (2012) suggest that the systemic adoption of HPWPs[12] is often associated with double loop learning and is characterised by strengthening individual and collaborative learning processes through problem-solving involving autonomy, initiative and communication. Once a significant innovation has been identified, adaptation is likely to be needed to support its implementation or further ongoing change (Hoyrup, 2010 in Cox et al., 2012). The literature on learning organisations stresses the importance of aligning organisational systems and processes, including HR practices, to support learning as a core activity. This would include internal structures, rewards, communication systems, use of IT and harnessing knowledge through external relationships and extensive descriptions of the practices and philosophy are provided by Pedler et al. (1991) and Senge (1990) both in Cox et al., 2012.

Three forms of learning were seen to be important in the Cox et al. case studies:

- Cognitive or knowledge-based learning concerning new 'management processes
- Awareness-raising of the significance and impact of particular topics such as health and work-life balance
- Learning focussed on changing attitudes and behaviours.

12 HPWPs are a range of work practices designed to support High Performance Working a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment to achieve high levels of performance' Belt and Giles, 2009

6.2.4 Networks

Mol and Birkinshaw build on the concept of the reference group in influencing the introduction of new practices. The reference group is the set of comparator firms that a firm looks to when deciding what it should do, which also provides a performance benchmark against which the firm can compare itself and a range of practices it can learn from (Greve, 1998 in Mol and Birkinshaw, 2009). Reference groups are important as they might be seen to shape or inhibit a firm's ambition. The reference group concept is of some standing (Cyert and March, 1963; Festinger, 1954; Wood, 1989 in Mol and Birkinshaw, 2009), and has been used to make sense of how firms make strategic choices such as how to position themselves in a market, how much to pay their CEO, and whether to innovate (Bromiley, 1991; Greve, 1998; Massini et al., 2005; Porac et al., 1999, all in Mol and Birkinshaw, 2009).

Guler and colleagues (2002) present several studies that have established that innovations in management practices spread from one organisation to another following a process of institutionalisation. This is, crucially, driven by social comparison, resource need, or network ties that link potential adopters. The paper recognises the coercive and significant effect of the most powerful organisations- governments and multi-nationals- for the imitation processes that result from the trade ties between countries, especially on the rate of adoption of practices. This results in the competition-based imitation that can be seen in organisations operating within influenced countries.

The report concludes that the trade and foreign investment policies of countries have a significant influence on organisations because they affect the rate at which practices are adopted. Therefore, it is of significant importance that organisations look at both their internal and external cultures before embarking on workplace innovation. What is evident from the report is that organisational practices diffuse across the world in contingent ways, depending on the extent to which firms in each country are exposed to coercive and mimetic effects, a finding consistent with recent social science work arguing that globalisation is a complex process affecting organisations and countries in different ways and to different degrees (e.g., Gereffi, 1993; Guidry, Kennedy, and Zald, 2000; Guillén, 2001).

6.2.5 The experience of overcoming barriers

Interestingly, some of the literature studied for this review pointed to the fact that many organisations that had previously experienced barriers to diffusion of workplace practices were most effective at implementing innovative practices after this experience. Baldwin and Lin (2002) go so far as to suggest that obstacles to innovation should not be interpreted as barriers that prevent innovation, but rather an indication of how successful the organisation, and especially its leadership, is at overcoming them.

Pil and MacDuffie (1996) presents evidence that automotive plants that undergo a major disruption in their operations (the introduction of new models i.e. major product change overs), creating a window of opportunity for various organisational changes, were more likely to adopt innovative, high-involvement work practices. This therefore suggests that organisations that have no major disruptions are far less likely to adopt new workplace practices or innovation successfully. According to the report, organisations that adopt high-involvement work innovation effectively have certain factors in common: they have previously faced serious competition crises; the senior managers/ leaders perceive these crises to have been internal rather than external; they have little previous experience of work reforms; they have neutral or positive views from leadership towards workplace reforms; the organisation has access to a 'learning model' such as a close working relationship with a related organisation/ competitor. All of these factors ensure that the organisational culture is important in the adoption of new workplace practices. Factors associated with poorer management practice

6.2.6 Employee support mechanisms

Poor employee support mechanisms (e.g. lack of time, or funding, or the absence of interpersonal or line management support), which fail to enable employees to cope with and implement changes, have been found to be a barrier to the adoption of new workplace practices. Cox et al. (2012) highlighted a range of literature which suggests the importance of employee support including:

- support as a form of intrinsic motivation contributing to a climate of creativity (Amabile et al. 1996 in Cox et al., 2012);
- the role of 'task support', in providing time, funding and equipment for employees to engage in innovative processes;
- 'socio-emotional support', through providing the interpersonal support necessary to function creatively (Tesluk, 1997 in Cox et al., 2012).

- Cox et al. also suggest the need for a focus on systems of performance review and line management to give clarity on goals for innovation and the means available to staff to achieve them (Tesluk, 1997 in Cox et al., 2012).

There is a large body of literature on the role of line managers in supporting the implementation of changes in HR practices e.g. (Purcell and Hutchinson, 2007; Marchington and Wilkinson, 2010) which stresses the need for appropriate skills and expertise in supporting employees through change.

Cox et al. also discuss evidence of barriers to innovation created in an unsupportive environment. These include workload pressure, cultures of 'segmentalism',[13] a focus on control of actions, decisions and information and lack of supervisor support (Amabile et al., 1996; Oldham and Cummings, 1996; Angle, 1989; all in Cox et al., 2012). Ineffective IT systems and poor and/or limited training opportunities in particular were significant in preventing employees from successfully adopting new innovation at work in the case study organisations.

Other forms of employee support for change include training activity. Inadequate training is a major barrier to successful diffusion of innovation, and the current literature reinforces widely accepted reasons for its significance. Rice and Caroline report (1996) that unrealistic expectations are highlighted as a major reason for training failure, and others have similarly identified training failures e.g. the lack of applicability of training to an employees' daily work and a lack of opportunity for building experience with the new work practice (Brown et al, 1994 in Rice and Caroline, 1996). Brown et al. also highlight the role of reward systems when implementing new workplace innovation, and suggests that difficulty in achieving the right balance between team and individual rewards is another major barrier to best practice implementation. In order to support diffusion of best practices, organisations need to ensure that competition and individual results are not always rewarded over cooperation and team results Brown et al. (1994 in Rice and Caroline, 1996).

[13] segmentalism—"a culture and an attitude that make it unattractive and difficult for people in the organization to take initiative to solve problems and develop innovative solutions" (McLean, 2005)

D'Este and colleagues (2012) suggest that the size of an organisation, and a result, its capacity to effectively and efficiently support workplace innovation, is a significant factor in how readily innovative practices are adopted. Large firms are suited to developing incremental innovative practices through existing hierarchy and employee systems, and are more likely to experience resistance from employees as they have to adjust previous competencies and previously successful organisational practices (Ferriani et al., 2008 in D'Este et al., 2012). Smaller organisations are best suited to diffusing radical transformations due to smaller employee numbers and more nimble existing support systems to work with (Hamilton and Singh, 1992 in D'Este et al. 2012)

6.3 Facilitators of adoption of HPWPs

In the research of Stone et al. (2012) low and non-adopters were also asked what might persuade them to adopt a High Performance Work System. In support of some of the research above which has suggested lack of information and lack of resource were important barriers to adoption, the most popular methods, each cited by approximately 55 per cent of respondents, were: (i) having practical examples of the benefits of adoption; and (ii) financial support. Additionally, some 40 per cent reported that other advice and (non-financial) support would be useful. It is worth noting that the majority of respondents (85 per cent) had not received any advice or support in areas related to High Performance Work Practices.

Other findings from Stone et al., further illustrate how difficult it is to persuade organisations of the potential benefits of HPW. They found that higher rates of adoption would also be driven, according to respondents, by the prospect of better performance and/or an actual realisation of better performance: 46 per cent cited 'a significant increase in orders' and 38 per cent 'an economic upturn' as likely drivers of increased adoption. However, at the same time, a poor economic outlook is not seen as a barrier: only six per cent reported that the (then) challenging economic climate was a barrier which made it 'too difficult' to introduce HPWPs. This appears to indicate that businesses think of HPWPs as something to be implemented in a boom time but would do little to improve their bottom line in a recession. It might also suggest that many businesses are not sufficiently convinced that HPWPs would make a performance difference to them.

Another reason for low adoption may simply be organisational inertia or satisficing behaviour (i.e. feeling that current profit levels are sufficient to meet needs of shareholders and to generate confidence in senior managers): only one per cent were currently considering adopting a system, but there is also evidence that organisations are not actively opposed or cynical about the potential of HPWPs; only three per cent reported that 'nothing' would persuade them'.

Overall, these results imply that a trigger of some form is likely to be needed to start the process of adoption, or even the process of investigating and considering HPWPs further. This trigger may be related either directly to business growth, or more indirectly, by the example of a successful business having adopted HPWPs to facilitate future increased performance or the suggestion of HPWPs by a consultant. This 'demonstration effect' has been the basis for HPW policies in other countries (e.g. Australia).

6.4 Barriers to diffusion and implementation of improved management practices

The management practice literature has sought to understand why some factors which appear to be associated with poorer practice scores are sustained over time. Such factors as noted above include:

- low level of competition
- the form of ownership
- degree to which production is domestic or multinational
- the human capital resources of the organisation
- the degree to which managers are informed about or are aware of the quality of their own practice.

6.4.1 Levels of competition

Many of these identified factors might be seen to affect competitive pressures and generally this body of work has found that competitive product markets are associated with better management practices and with increases in productivity (Nickell, 1996 in Van Reenen, 2010). Van Reenen (2010) also highlights a wide range of economic analysis that shows that increasing competition raises productivity.

Competition has a positive effect through badly run firms exiting more quickly in competitive markets, or through competitive pressures 'raising the stakes' which causes greater incentive to improve management practice. In support of the former 'creative destruction' thesis, Van Reenen (2010) finds evidence of around half of aggregate US productivity growth was due the reallocation of output among plants rather than increases in productivity amongst incumbent plants (i.e. through less productive plants shrinking or exiting). Bloom et al. find that using panel data across four countries, an increase in competition is associated with an increase in management quality amongst surviving firms. Van Reenen (2010) suggests that the 'raising the stakes' argument finds support in the work of Schmidt (1997) who suggested that tougher competition better aligns the interests of managers and firm owners, in that there are detrimental effects for managers of firms going bankrupt.

The impact of competition on improved management practice is not only experienced in the private sector. Work in public hospitals (Bloom, Propper, Seiler and Van Reenen, 2010) finds that greater hospital competition leads to improved hospital management and higher performance in terms of quality (on a range of indicators including mortality rates), productivity and staff satisfaction.

6.4.2 Form of ownership

The finding that **family owned businesses are generally associated with poorer practices** might be seen to be a result of the lack of competition in the selection of the CEO resulting in a less capable appointment than would have been the case in a competitive recruitment. In a more competitive environment this would result in the firm going out of business but several environmental influences diminish the impact of poorer quality management amongst family firms. For example several countries provide implicit subsidies for family ownership of firms – the UK for example provides estate tax exemption for inherited business assets. Family firms also typically have less debt and therefore competition may be less effective in driving them out of business if they are poorly managed. Without debt firms have only to cover operating costs rather than capital costs such as rent on property or equipment (in family firms these are more likely to be owned outright). Bloom and Van Reenen find founder firms also tend to be poorly managed and suggest that this may be because the entrepreneurial skills for start-ups may not be the skills required when the organisation reaches 100 plus employees.

The distribution of the various forms of ownership varies across countries and can account for up to 40 per cent of cross country differences in management practices. For example if the three categories of ownership associated with the lowest management scores are examined (family firms with family CEO, founder firms and government owned firms), these make up about 20 to 30 per cent of firms in the Germany, Japan, Sweden and United States compared to around 75 per cent of the firms in India and 60 per cent of those in Italy, Brazil, Portugal and Greece.

One factor which might also be important is the amount of effort family firm CEOs put into work. Bandiera, Prat and Sadun (2013) using data from Indian CEOs find that the heads of family owned firms devote significantly fewer hours to work (8 per cent fewer) and that there is a strong positive correlation between the hours worked by the CEO, firm performance and CEO remuneration. Family CEOs tend to have more wealth and job security and appear to have a preference for personal leisure over firm performance.

6.4.3 Geographic spread of production

The degree to which an organisation has production facilities in more than one country has also been associated with better management practice scores. **Multinationals are better managed than domestic firms** which export and which are, in turn, better managed than domestic firms which do not export. Further multinationals appear to be able to transport their better management practices into different countries, even when those countries are relatively poorly managed.

6.4.4 Human capital resources

Human capital (measured through the education levels of managers and of workers) is the third factor associated with high management scores. The fact that the education level of workers is of significance might mean (as Bloom and Van Reenen suggest) that management practices are easier to adopt when workers are more educated. They suggest that several of the best practices depend on significant initiative from workers.

6.4.5 Lack of information

Another possible reason for the relatively slow diffusion of management practices is borrowed from work on process technologies. In this field one causal factor for slow diffusion is information. Management practices have been considered by Bloom et al. (2013) as a technology; like technologies they are often difficult to adopt without support and firms also learn from each other which means not all will adopt simultaneously. Evidence from the management practices survey work amply illustrated that managers cannot accurately report how good their own management practices are which suggests a lack of information may be one factor inhibiting spread.

6.4.6 National or sectoral factors

The CEP research also suggests there are a range of other contingencies which may of importance here. The fact that different practices have different emphasis in different nations suggests that some degree of contingency operates. An obvious possible reason for this national degree of specialisation is labour market regulation and Bloom et al. (2013) find in support, that tougher labour market regulation is negatively correlated with incentives management scores but not with management practices in other areas. Van Reenen also discusses the relatively long tail of low productivity plants in India as suggestive of structural differences in the Indian economy that is more forgiving of low productivity than in the US.

There is also evidence of sectoral differences e.g. firms in highly skilled industries tend to devote more time to incentives/people management practices than on monitoring. Practices also shift over time as the environment changes – for example using data rigorously and systematically has been facilitated by the fall in the real cost of IT. There is also evidence that ICT has a much larger effect on the productivity of firms which have complementary organisational structures (Van Reenen, 2010) and is higher for firms with better people management practices (Bloom, Sadun and Van Reenen, 2007).

6.5 Barriers to the diffusion and implementation of work organisation innovation

Despite the evidence of organisational benefits of implementing HPW practices, successive studies make clear that the spread of these effective practices is limited. For example, the 2010 European Working Conditions Survey (EWCS) reveals several findings in relation to barriers to adoption of good workplace practices (Eurofound, 2012). The number of organisations investing systematically in workplace innovation is at best 15 per cent across the EU (see for example EPOC, European Foundation, 1997). In part this would appear to be because of difficulties of implementation; studies of failed workplace innovation emphasise the role of "partial change" in undermining the introduction of empowering working practices (Cassell et al., 2002).

The literature suggests a number of factors appear to inhibit the spread of innovative forms of organisation which include a predominance of social and cultural issues including managerial and leadership support for change.

6.5.1 Unsupportive organisational culture

Much of the literature states that an unsupportive organisation culture that does not support sustainable change and creates barriers to learning is a major factor in preventing effective diffusion of innovation. Cox and colleagues (2012) state that developing a supportive culture to embed work organisation innovation was central to the case studies in their report. Organisational culture was taken into account when planning the implementation of new workplace practices; the organisations that adopted a lean methodology within a manufacturing environment were more 'controlled' while whole-organisation approaches were more organic in their development.

Some organisations that featured in the Cox et al. (2012) case studies displayed great focus on shifting engrained attitudes and behaviours in order to inspire and motivate employees and managers to support and drive forward the implementation of new workplace practices. In supportive organisational cultures, considerable informal and on-the-job support and training was provided through coaching and individual discussions with line managers and informal peer to peer learning.

Piecemeal adoption of collaborative work group discussions to identify collective improvements to work processes did not facilitate collective learning to make systemic changes. Several Cox et al. (2012) case study organisations stressed the importance of widespread adoption of such work group discussions, and recognition that the process of learning was cumulative and often took place over a long period of time. If openness to change does not become a characteristic of behaviour at all levels of the workforce and an inherent part of the organisational culture, organisations will not readily adopt workplace innovation.

In organisations with a culture that is unsupportive to change, organisational practices can become institutionalised to the point that it is difficult to implement anything new. If employees of such an organisation regard a new workplace practice as illegitimate or inconsistent with the organisational culture at the point that the innovation is introduced, then effective implementation becomes a significant challenge (Rice and Caroline, 1996). Organisations that demonstrate a strong attachment to a particular professional culture are more likely to resist innovation that is not recognised as legitimate or valuable by employees (Rice and Caroline, 1996).

6.5.2 Lack of effective social dialogue and industrial relations systems

Social dialogue[14] and industrial relations systems which fail to support quality of relationships between managers and employees are a key barrier to the diffusion of workplace innovation.

Cox and colleagues (2012) reference case study evidence that shows that the presence of social dialogue and involvement of worker representatives made a valuable and helpful contribution to the implementation of the organisational innovations. A lack of active participation of worker representatives prevents any initial problems or difficulties in implementing the innovation being dealt with in a timely manner. Through consultation, this can then result in resistance to change on both sides. A lack of open and dual channels of communication between managers and employees at all levels typically does not allow for different types of concerns about HR innovations to be addressed through the most appropriate route and in a timely manner.

6.5.3 Persistence of management problems

It would appear that the successful innovation and implementation of new working practices is a challenging process. Some managerial practices are genuine innovations and we would expect there to be a diffusion curve as they spread and to also be affected by informational constraints, competition, human capital, adjustment costs, incentives etc. Solid finance, high-skilled and engaged staff; good networks and a concrete understanding of market needs must align in order for innovation to be adopted (D' Este et al. 2012). When this complex range of capabilities and capacities are considered, it is unsurprising that management issues persist in this area. It must also be considered that some areas

[14] 'Social dialogue includes all types of negotiation, consultation and exchange of information between, or among, representatives of governments, employers and workers on issues of common interest.' – ILO http://www.ilo.org/global/about-the-ilo/decent-work-agenda/social-dialogue/lang--en/index.htm

of management innovation are still poorly understood, and this can contribute to organisations not fully understanding the task in hand.

Given this complexity it is unsurprising that the processes of creation and implementation of both practices that are adapted from elsewhere and those created in-house need greater consideration and study in future (Management Innovation, 2008).

6.6 Barriers to diffusion of HPW practices

Similar to the findings on the spread of management practices and on workplace innovation, there are very similar findings on the factors which have acted to inhibit the uptake of HPWPs. and other research. Research conducted in the past ten years has tended to illustrate piecemeal rather than systemic adoption of HPWPs (see for example Totterdill et al., 2002).

Cox et al. (2012) suggested that piecemeal rather than systemic adoption of HPWPs was the norm and that this was based on some attempt to make rational decisions, rather than lack of awareness although they also state that lack of appreciation of the full benefits may be an obstacle. Stone et al. (2012) identified that one of the two most cited reasons for not adopting (more) HPWPs, reported by just under 30 per cent of respondents overall, was that the business was too small; this was especially relevant to the smallest organisations in their sample (88 per cent were in the 10-24 size-band).

Cox et al. (2012) also highlight absence of pressure from customers as a dominant factor. Additional barriers include reluctance to change organisational culture, incompatibility with organisational strategy and lack of proof and difficulty of measuring impact (Business Decisions, 2002 in Cox et al., 2012). Other obstacles which they commonly found in their analyses of the difficulties of implementing HPWPs included reluctance of middle managers to delegate responsibilities, reluctance and lack of skills among line managers to implement HPWPs, and sometimes reluctance among employees to take on additional responsibilities, notably if rewards and opportunities for influence are not clear. Cox et al., therefore conclude that HPWP adoption must be seen within a political rather than simply economic context.

6.6.1 Lack of information

A lack of proof and appreciation of the full benefits of the adoption of HPWPs may be an obstacle, as is reluctance to change organisational culture, incompatibility with organisational strategy, reluctance of middle managers to delegate responsibilities and give up power, reluctance and lack of skills among line managers to adopt new responsibilities, reluctance among employees to take on unfamiliar/unclear responsibilities, and difficulty of measuring impact (Totterdill et al, 2002). Stone et al. (2012) found that just under 30 per cent of respondents overall had not considered HPWPs; this applied to a quarter of the 10-24 size-band, and approximately one-third of each of the larger size-bands. The third most cited reason was that a HPW system was not necessary, as their existing systems and staff were as proficient as required (17 per cent of respondents).

6.6.2 Lack of resource

However Cox et al. (2012) found this failure to adopt was based in part on rational decisions rather than simply lack of awareness. For example, Cox et al. (2012) highlight the financial implications of introducing HPWP's as a key barrier to adoption of the practices, particularly for smaller, less sophisticated organisations or those with pressing financial challenges. For these organisations, it may be much harder to find the time and resources to make desired investments and changes.

6.6.3 Leadership and management failures

Evidence indicates that successful implementation of HPWS requires the commitment of a strong senior management team (Tregaskis et al., 2013). This is because it requires system-wide thinking and total commitment. Also, there is conflicting evidence as to whether HPWS on their own lead to the intensification of work (Van De Voorde et al., 2012), or whether HPWS benefit from enhanced worker job satisfaction, commitment and motivation (Ogbonnaya, Daniels, Connolly & Van Veldhoven, 2013).

On balance, organisations are most likely to benefit from HPWS when senior managers are strongly committed to integrating HPWS with a broad range of human resource management practices.

Others have highlighted the role of leadership and management in reinforcing a positive and consistent message. Some organisations struggle to adopt new practices if issues are rarely attributed to internal problems, and if organisational learning is not given due attention and priority or if there is a lack of acknowledgement of the need to change in certain areas throughout an organisation (Guler and et al., 2002).

6.6.4 Mutually reinforcing barriers

The limited density of workplace innovation can be understood in terms of several mutually reinforcing factors (Totterdill, Dhondt & Milsome, 2002) including:

- A tendency to view innovation purely in terms of technology;
- Low levels of awareness of innovative practice and its benefits amongst managers and external partners
- Poor access to methods and resources capable of supporting organisational learning and innovation;
- Uneven provision across Europe of knowledge-based business services
- The failure of education and training to provide knowledge and skills relevant to new forms of work organisation.

Aghion, Bloom and Van Reenen (2013) note that firms may find it hard to adjust their organisational structure because of complementarities between sets of organisational practices. Firms therefore choose and develop clusters of practices which 'fit' together and therefore change either means changing a large number of practices or none at all.

6.7 Implications of findings

The review has looked into what appears to limit the diffusion of new management practices. It has focused on the barriers to uptake and diffusion of improved management practices, and has also considered why problems of management practices have remained so persistent. This is a critical issue as there is 'evidence from a wide range of industry sectors that the systemisation of management innovations will be a critical factor for 21st century companies'. (Feigenbaum and Feigenbaum, 2005).

Amongst the factors that are seen to support the dispersion of good practice are:

- A culture of trust facilitating the sharing of ideas and cultures of communication
- Institutional ownership insulating managers from short term pressures and thereby facilitating risk taking
- Trust facilitating decentralisation of decision making and therefore speeding decisions and enabling firms to grow
- Trust is in turn, built by effective HR management practice and by leaders who understand the importance of trust and play a role appropriate to their position on the innovation cycle
- Leaders can also play a key role in catalysing and supporting change, and managers in supporting individual staff through the change process
- Ensuring that organisational systems and processes are aligned to new work organisation innovations and effort is put into on-going adaption
- Having appropriate networks to facilitate organisational learning. The role of the network in raising (rather than inhibiting) ambition is important and this suggests developing wider networks (of global/exporting rather than domestic organisations) as well as engaging with experts
- Difficulties and disruptions can provide the catalyst to consider new ways of working

A range of factors are identified as being related to poorer management practice. These include:

- Lack of resources, emotional support or clarity of goal or process
- Cultures that encourage internal competition, control, ineffective IT systems or lack of training
- Family or public forms of ownership
- Lack of competitive pressures on the organisation enabling poorer performing organisations to survive.

A range of factors have been identified as inhibiting the diffusion of good management practice and innovations in work organisation:

- Regulatory environments that inhibit the operation of competitive markets e.g. tax subsidies for inherited businesses or labour market regulations that inhibit organisations ability to hire and fire
- Domestic firms are less likely to adopt good practices (which may be a mix of reference groups and lower levels of competition)
- Less skilled/educated managers and workforces
- Lack of information amongst managers of what makes an effective practice and information on how their own practices compare
- Ad-hoc rather than systemic adoption of new processes and practices
- Poor systems of worker representation, worker involvement and workforce dialogue

Reasons for the failure to adopt HPW practices include many of the same barriers to the adoption of wider management practices:

- Lack of understanding of the benefits
- Lack of resource to implement
- Poor leadership and management understanding, commitment and skills
- Poor support networks
- Rigidities in HR systems and processes which inhibit change

7 A changing world

The debate on capability is thrown into even starker relief by concerns over the changing demands made of managers and leaders. John Kotter (2003) for example has talked of the challenges of 21st century leadership within an environment of constant change and others have commented on the increasing complexity of organisations (e.g. Pettigrew and Fenton 2000). So the job is getting harder.

A summary literature review established ten recent papers that were relevant to understanding the future world of work and management practices. These papers included generic studies around the future of the working environment as well as focussed studies on the future of leadership and management. The papers examined discussed either broad issues (Insights, 2014), or more specifically the world of work (CIPD, 2014; ILM, 2014; PWC, 2014; UKCES, 2014) or the role of leadership and management (CMI, 2014; PWC, 2008; 2014). Other papers also explored specific industries such as the NHS (King's Fund, 2011) or manufacturing (Foresight, 2014) and the implications that trends in the future world of work will have for managers and leaders within these sectors.

There are many futures studies and each takes a slightly different perspective on what the future holds. The Future of Work (UKCES, 2014) for example identified four local and global trends affecting businesses and which will have a significant impact on jobs and skills in the UK. These trends were:

- Emerging economies are acquiring stronger representation in global production chains;
- Demographic change and migration are changing the face of the workforce;
- Technological developments are slowly dissolving the boundaries between sectors and are changing traditional modes of working;
- Organisational structures in business are evolving and becoming more flexible and more networked.

The challenge for employers will be to develop the skills needed to create resilience and the capacity to innovate in the face of intensifying competitive pressures and market volatility. The ability to attract, develop and retain global talent will increase in importance as a competitive factor. In turn this raises the importance of managing skills and talent across global business networks and supply chains, to adapt to open business models and more flexible employment arrangements. An increasingly multi-generational workforce with different values will highlight the skills for leading and managing four-generations, and the skills for facilitating collaboration across multiple generations and their values, will be in increasing demand.

Other futures work (Accenture, Great Places to Work[15], CIPD[16], ILM[17]) also highlight the importance of HR/people management trends:

- The rise of the extended workforce. Companies will be increasingly composed of an ever-shifting, global network of contractors, business partners and outsourcing providers.
- The global talent map loses its borders. With a mismatch between areas of supply and demand of jobs globally, companies will be composed of highly diverse workforces.
- Social media drives the democratisation of work. Social media is pervading the workplace and making it easier for employees to exchange information and ideas online.
- The nature of work is changing in ways that make cultivating a strong personal connection difficult. Technology has created virtual workplaces with workers now more widely dispersed and working at different times of the day. CIPD work shows that a lack of trust acts as a drag on productivity[18].
- Ageing workforces will increasingly be the norm. As a result the wellbeing and engagement of older workers will be key.
- Increasing growth in flexible working options. Flexible working is likely to become the norm (although not without possible negative responses from trade unions and others). The latest Workplace Employment Relations Study reported a sharp rise in the proportion of workplaces using zero-hours contracts – up from 4% to 8% between 2004 and 2011.
- Employee attitudes to careers and work in general are changing. Comparing employee preferences about their 'ideal career' in 2014 with those of 2005, only 28% would like work to be central to their lives, down from almost half of employees saying the same in 2005 (CIPD, 2014). Only a third are striving for promotion into more senior roles (compared to 55% in 2005).

[15] Robert levering and Marcus Erb – Emerging trends in people management, outlook 2011. Great places to work
[16] CIPD, Unum The future workplace; key trends that will affect employee wellbeing
[17] ILM, 2014, 2020 vision; future trends in leadership and management, ILM.
[18] CIPD/ACAS, 2015, Workplace trends of 2015 What they mean for you

- Shifting performance management systems and processes. The ILM survey highlighted managers' views that the means of measuring and rewarding performance is likely to become increasingly sophisticated, this is coupled with recent HR press suggesting a move away from rankings towards more flexible and fluid dialogue based approaches[19].

Meanwhile some things remain remarkably consistent. Whilst there is evidence of growing interest in valuing employability over stability this is still a minority view and tellingly, most strongly held by those in more stable employment i.e. larger organisations (ILM, 2014). The CIPD has seen little change in the value attached to job security (about three-quarters of employees choose it over being employable in a range of jobs), and see a preference to stay with the same employer for a long time (86%).

Across all the literature a detailed synthesis revealed five broad influencers that are likely to impact on the workforce in the future and consequently on the skill sets required by managers and leaders (see Table 7.1). These were:

- a greater focus on efficiency and productivity in times of fiscal restraint;
- the continuing technological revolution,
- the globalisation and diversification of the workforce;
- the rise of 'Generation Y' and multi-generational workforces;
- an emphasis on worker health and well-being;

Each of these influencers is discussed in turn alongside the implications this will have for the characteristics and skills required by future managers and leaders.

Table 7.1 Themes elicited from the papers:

Document	Themes explored	Underlying themes identified
• CMI (2014) Management 2020: Leadership to unlock long-term growth. CMI: London	• Current state of UK management and leadership • Expectations of the future generation of employees • Changes in the working world in 2020 • Management and leadership traits to ensure high performing organisations	• Efficiency of organisations and leadership and management skills. • Expectations of multigenerational workplaces • Advancement in technology • Globalisation and migration

[19] E.g. http://www.personneltoday.com/hr/end-annual-appraisal-whats-next-performance-management/; http://www.managers.org.uk/insights/news/2015/august/are-we-seeing-the-end-of-appraisals;

Document	Themes explored	Underlying themes identified
	• Values as well as efficiency in organisations. • Bridging the gap and ensuring more efficient organisations in the future world of work	
• CIPD (2014) Megatrends: The trends shaping work and working lives. CIPD: London.	• Long term trends that have shaped the UK labour market- including rise of knowledge based services, technological change and globalisation, demographic change, diversity in employment relationships and what future generations will expect in the workforce.	• Globalisation and migration • Expectations of multigenerational workplaces • Advancement in technology • Efficiency of leaders and managers and the skills sets and competencies they require
• Foresight (2014) What role will leadership play in driving the future of UK manufacturing? Government Office for Science.	• Leadership and manager styles and traits and their association with higher performance. • Global comparisons of leaders and managers skill sets and qualifications. • Deficit in management practices in the UK. • Characteristics of future leaders and barriers to enhancing leaders. • Global comparisons of the productivity of the manufacturing industry	• Efficiency of leaders and managers and the skills sets and competencies they require for effective leadership and management. • Globalisation of the workforce and competencies required by leaders and managers to manage this.
• ILM (2014) 2020 Vision: future trends in leadership and management. ILM: London.	• Flexible working practices • Management of working relationships within organisations as well as with stakeholders and other organisations globally • Core functions of good leadership and management in changing times. • Employees reluctance to remain in a 'job for life.'	• Technological advancement and management of flexible working practices • Efficiency of organisations and leadership and management skills. • Expectations of multigenerational workplaces

Document	Themes explored	Underlying themes identified
	• Ways in which employees performance is measured and rewarded.	
• Insights (2014) Our Future World: An analysis of global trends, shocks and scenarios. Centre for Future Studies: London	• More from less- efficiency with depleted natural resources • Divergent demographics and health issues • Migration and changing of jobs, longer commuting • Advancement in technology	• Efficiency of organisations and leadership and management skills. • Globalisation and migration • Health of workforce • Technological advancement
• The Kings Fund (2011) The future of leadership and management in the NHS: No more heroes. The Kings Fund: London.	• Need to reduce costs of the NHS whilst also increasing efficiency, consumer care and changing ways in which it operates. • A breakdown of leadership styles and the need for numerous leaders rather than one 'heroic leader.' • Need to reduce the numbers of managers whilst also increasing their efficiency. • The need to develop future managers and leaders that understand the NHS context	• Efficiency of organisations and leadership and management skills.
• Munir, F. Hicks, B. Yarker, J & Donaldson-Feilder, E (2012) 'Returning employees back to work: developing a measure for Supervisors to Support Return to Work (SSRW).' Journal of Occupational Rehabilitation, 22(2) pp-196-208.	• Managers competencies for managing long term sickness absence of employees whilst absent from work and when returning.	• Employee health and well-being
• PWC (2008) How leadership must change to meet the future. PWC: London.	• Globalisation and leadership • Shaping organisations so they become more efficient in a competitive and globalised market	• Efficiency of organisations and leadership and management skills. • Globalisation and migration

Document	Themes explored	Underlying themes identified
	• Need for leaders to anticipate change and show the appropriate skills to manage this change and diversification	
• PWC (2014) The future of work: A journey to 2022. PWC: London.	• Economic shifts and globalisation of the workforce- focus on the Blue, Green and Orange 'worlds' of work. • Social responsibility of organisations and their appeal to employees • Health of workforce and management through data	• Globalisation and migration • Technological advancement • Health of employees
• UKCES (2014) The future of work: Jobs and skills in 2030. UKCES: London	• Stable trends that shape the future of UK jobs and potential disruptions. • Future trends include emerging economies, demographic change and migration of people, technological advancements and organisational restructuring.	• Efficiency of organisations and leadership and management skills. • Globalisation and migration • Technological advancement • Expectations of multigenerational workplaces

7.1 A greater focus on efficiency and productivity

For organisations to successfully compete within a global market it is imperative they are efficient, productive and can attract the best employees. This may be particularly pertinent for organisations such as the NHS who have been subject to enforced cost cutting measures whilst conversely seeing an increase in demand for their services. As a consequence the Kings Fund report (2011) states that NHS organisations are expected to find four per cent efficiency savings a year for four years, a target that no other healthcare system in the world has ever achieved. This will place considerable burden on the ability of managers to manage productivity and efficiency.

CMI place some of the reasons for the productivity gap firmly at the door of poor and ineffective management and (with reference to CEP data) point out that the UK lags behind its competitors in terms of productivity with output being 21% lower than the average across the rest of the G7. Potential problems with management and leadership were highlighted in a recent CMI survey, with 43% of the managers surveyed rating *their* manager as ineffective (CMI, 2014). The CMI estimated these poor practices were costing UK businesses over £19.3 billion a year in lost working hours and were a major factor in holding the UK back from achieving its full economic potential. This is also supported by reports such as Foresight (2014) which also drew on the management practices work of CEP[20] that has highlighted lacklustre performance by UK managers.

7.2 The continuing technological revolution

Since the turn of the century, the technological revolution has transformed our existence and global trends suggest this will continue to rapidly increase (Insight 2014). This technological revolution has enabled new and innovative businesses to develop that in turn create jobs for younger workers but also enable existing organisations to run more efficiently; although conversely it must be acknowledged that the advancement of technology and IT automation has also led to the redundancy and extended periods of unemployment faced by employees in certain professions (UKCES 2014).

Information and Communication Technology (ICT) is now ubiquitous within businesses with 94% of businesses having internet access, 93% having broadband connection and 81% having a website in 2011 (CIPD, 2014). As people and industries continue to demand new forms of technology that will enable them to work and live more efficiently these figures are likely to increase further. For instance UKCES (2014) has outlined how various sectors

[20] Details of the survey can be found online at www.worldmanagementsurvey.com

such as health and construction will become increasingly technology-related and it is important for older workers as well as those from 'Generation Y' to embrace these changes if they are to remain competitive in the labour market. They have outlined how businesses that have recognised the changes that technology brings have been better positioned to take advantage of the potential opportunities it presents.

The global increase in the use of the internet as well as the development of a variety of devices that can connect to this resource means that employees will be able to work flexibly and from a broad range of geographical locations. For instance the ILM survey (2013) found that the vast majority of UK organisations (94%) offered some form of flexible working and it was standard practice in half of these organisations. Whilst this is advantageous for employers given Generation Y's desire for more flexible working times and patterns (CMI, 2014) as well as global trends that predict longer commuting times and distances for employees in the future (Insight 2014), the rise in zero hour contracts in the past decade (CIPD, 2014) may not be welcomed by employees who fear for their job security. It is worth noting that most of the futures studies reviewed downplay the potential 'dark side' of trends i.e. their potential negative impact on employees. Continuing to offer forms of employment in the future that are enticing to future employees who are demanding a better work-life balance (UKCES, 2014) will ensure organisations are able to retain talented employees both from the 'Y Generation' and those older workers that will also be crucial for its success.

ILM asserts that giving workers greater control over their working day, enables them to feel more empowered and this can lead to increased engagement and productivity levels in addition to reducing the overheads for organisations (ILM, 2013). This is important for organisations currently but may also be pertinent in the future when there is an emphasis on remaining efficient within a competitive and globalised market as well as a need to retain top young talent who may be more inclined than workers of previous generations to regularly change organisations.

The widespread use of technology will result in the development of large data sets that can be used to analyse staff emails and social media to gauge staff engagement and manage performance as well as assess the intelligence and emotional stability of potential recruits and identify employees who are considering leaving long before their notice is handed in, potentially allowing organisations to act to lower staff turnover. This raises some ethical concerns over how this data is stored, managed and used and also highlights the importance placed on individual employees to uphold the organisation's values and ethos throughout their daily lives (UKCES, 2014).

7.3 The globalisation and diversification of the workforce

Global trends have identified up and coming markets throughout the world and the emergence of a 'new middle class' in countries such as India and China. These emerging economies are acquiring stronger representation in global production chains.

For instance the Foresight report (2014) identifies co-ordination as one of four key factors necessary for UK firms to compete internationally in what they term 'the global manufacturing race'. This need has been exacerbated by manufacturing firms becoming more networked (rather than hierarchical), and therefore manufacturing work becomes more complex and adaptive and markets and competition constantly shift. The implications for leaders is that they need to work through others who may not be in the same firm with a consequent increasing emphasis on coordination. Foresight assert that the coordination challenge is also accelerated by the pace at which UK firms are merging and acquiring other businesses citing the 2012 PWC CEO survey which found that over 40% of UK CEOs planned on making a domestic deal and 30% a cross-border deal within the next few years (PWC, 2013 in Foresight, 2014). ILM (2014) identifies the increasing influence of the East Asian economies, notably China and South Korea, in in creating the conditions for new forms of capitalism in part due to a longer term view and an emphasis on and commitment to long term relationships between customers, businesses and their suppliers (Smith, 2013 in ILM, 2014).

Several studies have suggested that the impact of globalisation will also lead to shifts in migration of employees. For instance CIPD (2014) figures show that since 2004, there has been a considerable in-migration of people from Central and Eastern Europe and these have had a distinct effect on the labour markets in some areas of the UK and some sectors such as agriculture, by ensuring that certain forms of seasonal agricultural production can remain economically viable. Between 2004 and 2012 the proportion of non-UK born workers in the lowest skilled jobs doubled from one-tenth to one-fifth (CIPD 2013 cited in

CIPD 2014). There are also future issues with high skilled migrants. The CIPD (2014) report that Asia is now producing a greater number of science and engineering graduates than the US and Europe combined. Foresight (2014) argue that a liberal immigration policy is essential for future prosperity of UK manufacturing. When it comes to skills and skilled leaders and managers, policymakers should also work they raise concerns over current levels of skills drain from the UK – citing that, over 70% of technology post-graduates are overseas students who might be forced to leave the UK at the end of their studies depending on government policies towards high skilled migrants. Foresight argues that highly skilled migrants should be seen as a source of international talent and expertise for UK firms thereby potentially raising the performance of UK manufacturing firms.

The workforce will also become more diversified in terms of the age and gender of employees. As a consequence of rising retirement ages and longer life expectancies, it is predicted that by 2020, there will be five generations working alongside each other in the workplace. In addition to this, legal moves to support the position of women in the workplace such as the Sex Discrimination Act and Equal Pay Acts as well as a series of legislative steps to ensure and enhance maternity rights and parental leave have raised the employment prospects of women (CIPD, 2014). As a result, CIPD (2014) figures show that the UK workforce is now split almost evenly by gender with women making up nearly 47% of all employment compared to 37% in 1971 (although there are still significant differences in terms of pay and access to senior positions compared to men).

7.4 The rise of ‘Generation Y’

By 2025, it is estimated that ‘Generation Y’ will account for 75% of the workforce. The Centre for Creative Leadership stated that there were concerns with what they termed rather strongly as Generation Y’s strong sense of entitlement, inability to communicate face-to-face, lack of decision making skills, poor self-awareness, low work ethic and tendency towards overconfidence. In addition to this, only one UK student studies abroad for every 15 international students in the UK, which leads to concerns that people from ‘Generation Y’ will lack the global mind-set necessary for success in an increasingly interconnected world.

This largely negative view needs to be contrasted with other research which suggests the differences have been overstated. PWC (2013) for example, in a study of the attitudes of its own workforce, found that whilst there were some differences (Millennials placed a higher priority on workplace culture and on being supported and appreciated at work) they found no differences in terms of desire for flexibility or in Millennials' commitment to work. The UKCES (2014) also found that on the whole employers were happy with the preparedness for work of education leavers. Views on the level of preparedness increased with the level of educational attainment (over eight in 10 employers found university graduates well prepared for work (81 per cent) and over half of employers found 16 year-old school leavers to be well prepared for work).

Attracting and retaining young employees will be a priority for future organisations. These young employees, termed 'Generation Y' are seen as creative and open-minded, multiculturally aware, technologically savvy, confident, able to collaborate and ethical (CMI, 2014). In addition to this, this younger generation of people have higher rates of educational participation with the number of young people in full time education doubling in the past 20 years (CIPD, 2014). This higher level of education and associated higher skills are a potential benefit to UK employers and will ensure that they can continue to be innovative, maximise competitiveness and implement improved management practices. However current trends are of higher rates of unemployment among young people (currently running at over 18 per cent) and this is coupled with relatively high turnover (one in three workers in the UK remains in a job for less than two years with younger workers more frequently changing jobs) (CMI, 2014; CIPD, 2014). The latest Skills and Employment Survey estimated that 22 per cent of graduate respondents were 'over-qualified' for their jobs and UKCES (2014) highlight that due to the ageing workforce and older workers reluctance to retire, young workers can become trapped in low-level entry positions. The CMI (2014) demonstrated that a particular weakness of organisations was their inability to recruit young people and school leavers, meaning much of this potential talent was lost or went undeveloped.

8 Implications of futures studies for management and leaders

Some of the futures studies have directly explored the implications they see for leaders in terms of identified trends (CMI, 2014; ILM, 2013; Kings Fund, 2011; Foresight, 2014; PWC, 2014).

8.1 Skills

The CMI (2014) reported on the top ten traits required by managers to be effective in the 21st Century. Equipping managers with these traits was seen to be important in ensuring they can effectively manage the challenges they are likely to face in the modern world, including globalisation, diversity, sustainability and digital technology (Pegg, 2014 cited in CMI, 2014). These traits are:

- A clear sense of purpose
- Strong values and personal integrity
- Commitment to developing others through coaching and mentoring
- Champion of diversity
- Ability to engage and communicate across all levels
- Self-awareness and taking time to reflect
- Collaborative, networked and non-hierarchical
- Agile and innovative, technologically curious and savvy
- Personal resilience and grit
- Excellent track record of delivery.

A survey by ILM (2013) also highlights the skills managers currently prioritise in their own development including clear communication, effective planning and problem solving as well as decision making and listening. All of these traits were felt to be essential both now and in the future; managers will require the skills and capabilities to ensure excellent results but also the ability to demonstrate the appropriate behaviours that reflect the values and purpose of the organisation.

8.2 Development

Previous work by the CMI (McBain et al., 2012) matched levels of management and leadership development to perceptions of business performance and found a positive association. For example, the alignment of HR and business strategy, commitment to Management and Leadership Development, and the effectiveness of HR practices together explain 32 per cent of the variance in people performance (measured from survey responses on engagement workforce productivity, ability to attract and retain key people). The alignment of HR and business strategy, MLD budget and the effectiveness of HR practices together explain 14 per cent of the variance in business performance (measured from responses on productivity, growth, growth, quality etc.).

Futures studies have outlined the various training programmes that managers can undertake or development approaches they can implement to ensure they can successfully maintain the efficiency of the organisation going forward. They include:

- Mentorship programmes or buddying programmes where current managers provide on-going support and coaching for employees wishing to embark on a management role. The CMI note that only 24 per cent of organisations rate their mentorship schemes as good or very good at helping managers to improve practical skills or make an impact at work (CMI, 2014).
- Excellent feedback mechanisms between employees and managers as well as the development of an organisational climate where all staff feel comfortable identifying and challenging poor practice that may be hindering the efficiency of the organisation (Kings Fund, 2011).
- Robust tools that enable organisations and managers to measure and develop their skills. For instance, the CMI (2014) have released a Management 2020 Benchmarking Tool available for managers to benchmark their organisation against best practice in terms of purpose, people and potential. Similarly the Foresight report (2014) has developed a R.A.C.E framework that demonstrates how organisations and managers in the manufacturing industry can develop 'Resilience,' 'Agility,' 'Co-ordination,' and the ability to 'Equip the leadership pipeline' so that they are better prepared to face the changing future world of work.
- Education programmes such as MBAs or business related education. In the manufacturing industry for instance, Foresight (2014) report a positive link between education of CEOs and revenue growth (for example whether each CEO holds a PhD is positively associated with revenue growth; this result is significant at the 1% level for

a one-sided t-test) yet at present the UK ranks poorly among competitor nations in terms of the proportion of managers and non-managers with degrees.

- Leadership training that is provided in the context of the organisation. This leadership development will focus on roles, relationships and practices in the specific organisational context and will require future leaders to engage in conversations and learning with people who share that context (Kings Fund, 2011). This was seen as particularly important in sectors such as the NHS who operate under media scrutiny and are required to engage with professionals who have a huge range of professional interests. This may prove to be challenging – the CMI report that over two thirds (71%) of employers surveyed (CMI, 2014) provide either no training or inadequate training to new managers and only 23% of organisations rank as good or very good in terms of whether staff are trained in management or leadership before or within three months of taking a management role.

8.3 Maximising tenure

As part of the Foresight research (2014) a large-scale CEO profile dataset was created, covering 600 manufacturing firms across three countries: the UK, the United States and Germany. The dataset profiles CEO characteristics including age, education and tenure for both the largest 100 manufacturing firms (defined by revenue) across the three countries and separately for a randomly selected set of small and medium-sized manufacturing firms.

The Foresight report finds that the number of years each CEO has been in his or her role is positively associated with revenue growth, and this result is highly statistically significant (at the 1% level for a one-tailed t-test). They urge caution however due to the small size of their dataset. The Kings Fund also reference research that has demonstrated higher performing health sector organisations have longer-serving leaders (Baker, 2011 cited in Kings Fund, 2011):

> "One of the other key findings from Ross Baker's work is that high-performing health care organisations were also characterised by having long-serving leaders at the top and managing transitions between chief executives in order to maintain strategic direction (Kings Fund 2011)."

8.4 Values, ethos and ethics

The CIPD suggest that future leaders must understand the importance of managing employees and driving forward the success of the business whilst still respecting the values and ethos of the organisation. This latter aspect reflects shifting expectations of managers; it is not just the results they produce but the way in which those results are delivered that matters (CIPD, 2014). The CIPD suggest his is particularly important in a time where workers are beginning to lose trust in their managers - citing their survey (2014) of employees in the banking sector which found that only half of them believed the actions of their junior managers were in line with their employer's values.

PWC also raises the importance of ethics for business leaders which they suggest may also be particularly relevant in a future world where there is a focus on the green agenda. For instance they cite their own research that finds 65% of people around the world want to work for an organisation with a powerful social conscience (PWC, 2014). Leaders must therefore also seek to maintain values whilst striving for efficiency.

8.5 Managing diversity better

Both the CIPD and the ILM raise the need for leaders to develop the skills to manage increasingly diverse workforces and to work in increasingly globalised business environments (CIPD, 2014; ILM, 2014) if the potential opportunities these bring are to be realised. The CIPD particularly raises the challenges of managing diversity better for teamworking and staff engagement (both potentially relevant for organisational performance). The Kings Fund (2011) report highlights in the context of healthcare, that there is a need for colleagues from diverse professions and with competing perspectives to work together collaboratively to effectively meet organisational aims. The CMI (2014) state that 'diversity is not just a policy but a way of thinking'. This suggests that organisations should consider positive action programmes to advance employees from diverse backgrounds and positions of lower socio-economic status to advance into senior leadership positions (CMI, 2014).The CMI (2014) sees women as 'the world's great, untapped economic resource'. The report refers to calculations from the European Commission that suggests if female employment rates matched those of men [based on participation rates and a matched job profile], GDP would increase by 5% in Britain and America and 9% in Japan by 2020, The CMI suggest such data strongly suggests that managers will need to draw out and develop their female talent over the coming years. The CMI also cites research from Credit Suisse that better gender balance is good for performance (companies with women on their boards outperformed those with men-only boards during the downturn, notching up 14% net income growth on average, compared with 10% for those with no female director on the board),

At a more macro level, leaders must explore ways in which their organisation can be structured so that it is enabled to work across borders and can run efficiently while continuing to expand. The Foresight report (2014) suggests that as manufacturing firms become larger and more geographically dispersed due to the globalisation agenda, it is important that leadership is not confined to the top level but distributed throughout the firm. This requires training cohorts of managers in key positions to ensure that activities are aligned with strategy and with changing market conditions. In the NHS (Kings Fund, 2011) the need is identified for shared leadership both within each organisation and across the many parts of the NHS to enable it to deliver its goals. The Kings Fund suggest this requires health sector organisations to have leaders at many levels working collaboratively in the design of new practices and innovations that will benefit it in the long-term.

This requires managers to have the cultural sensitivity and awareness as well as a diverse skill set in order to facilitate collaborations across multiple generations and multiple populations of employees (UKCES, 2014). A recent survey by ILM (2013) showed that organisations were becoming more aware of this, with a third of managers surveyed having received training in relationship management in the past 12 months.

8.6 Managing flexibility

As a consequence of the erosion of location-based and time-based work (UKCES, 2014) future managers will be required to manage teams who work remotely and not necessarily to a strict 9am-5pm timeline. To ensure they can do this effectively, managers will require the technical proficiency to comfortably use various computer devices and collaborate virtually with employees as well as the people management skills and emotional intelligence. The ILM found around half (51 per cent) of managers they surveyed recognised flexible working as a future trend and expected it to become the norm within five years (ILM, 2013). The ILM (2013) recommends that with the increase in flexible working, managers must trust their reports more and avoid micro-management. To do this they will need to adjust their style and techniques and learn to measure performance on outcomes rather than hours worked. Similarly, the CMI conclude that 'new technology doesn't only demand new technical skills – increased connectivity between people puts a premium on managers' personal, communication, network-building and collaboration skills'.

8.7 Long term rather than short term

The CMI state that leaders must refocus and look to adopt policies and approaches that fit into the long term strategic plan of the organisation rather than focus on short term results that frequently rely on cost cutting measures (CMI, 2014). This will ensure their organisation can remain productive and sustainable within the global market. Leaders need to transmit these long-term plans to their managers and encourage them to make mistakes and learn from them. This will enable the business to develop more innovative methods that will allow it to grow and become more productive and efficient (CMI, 2014). Evidence suggests that this is beginning to filter through into the management practices of organisations. For instance an ILM survey (2013) purported to show that 45 per cent of managers had become more long-term in their outlook over the last five years. This requires leaders to identify future managers in waiting and then coach and develop them accordingly (Foresight, 2014).

9 Conclusions

Whilst there is a long debate on the differences (or similarities) between management and leadership there is a great deal less clarity on what research tells us of their individual impact on organisational performance. In many cases research studies do not differentiate between the two concepts, using the terms interchangeably or focusing on what is measureable in terms of activities of managers and leaders i.e. the practices they implement within organisations to manage the enterprise. Such 'black box' studies seek to resolve the difficulties of having to define what has been described as a complex construct, seeking instead to study what are more readily understood inputs and outputs.

So whilst there emerges a commonly held understanding that management tends to focus on ensuring performance in the current state and leadership is more inclined towards steering the organisation to a desired future state, the detail is hotly debated. There is further confusion over the relationship between managers and management versus leaders and leadership with the terms either suggesting they are synonymous (i.e. managers practice management) or as quite separate and overlapping constructs (i.e. managers will practice aspects of both management and leadership). In terms of exploring the relationship with organisational performance, the distinction is not helpful as it is rarely made explicit in the evidence base. We therefore review the evidence on management and leadership as if it were a single, overlapping concept.

However defined, the evidence suggests that two issues are particularly important to this discussion on the relationship with organisational performance:

- The practices of managers and leaders are correlated with organisational performance. Studies have explored the role of the line manager in motivating staff or driving engagement (important links in the chain from management practices to individual and organisational performance), and of the links between management and high performance working practices and organisational performance.
- UK management and leadership performance may not be as good as that of our peer comparators and this coupled with the evidence of its importance to organisational performance gives cause for concern.

There are three key areas of literature that link management and leadership to organisational performance that we focus on in this paper; on management practices; on workplace innovation; and on HPWPs. The conclusions from each are summarised below:

9.1 The conclusions from the management practices literature

The stream of work by Nick Bloom and colleagues at both Stanford University and the Centre for Economic Performance at the LSE has provided a rich data source on the spread of practices across firms and countries and how these relate to organisational performance. Whilst some 18 practices are examined in detail, these distribute over three key areas; monitoring performance; target setting and people management practices and are frequently reported as an aggregated single score. Higher scores are related to better organisational performance.

The data consistently finds that management practices in the US are better by some distance than in any other nation, with the UK mid table amongst developed economies. Management practice scores are also higher in multinationals than domestic companies and in publicly traded companies compared to publicly owned organisations. Scores are higher in those organisations with a professional (externally recruited, non-family) CEO than in founders or their descendants.

A range of factors appear to contribute to these differences. The data shows that a key element of the US advantage is a relatively small tail of poorly performing firms compared to other nations, this appears to be partly due to reallocation effects – in the US better performing firms are more likely to grow and produce a greater share of sectoral productivity, this in turn is a reflection of the level of product market competition in the US economy and on low trade costs associated with employment protection and trade restrictions. The fewer restrictions placed on free trade of goods and people, the higher the forces of competition which appear to be associated with better management practice. Better management scores are also associated with the educational level of managers. More educated workforces are also associated with better practice scores.

9.2 The conclusions from the workplace innovation literature

Innovation is often described in terms of the introduction of new product and services but workplace innovation is a form of innovation that sheds further light on the implementation and impact of management practices. These include the implementation of processes and practices enabled by new technology or the introduction of new forms of organisation such as flatter hierarchies, outsourcing, team working etc. Evidence suggests that such forms of innovation can be associated with performance gains but how such changes are implemented appears to be an important factor in this link. Implementation has been associated with product market strategies with work organisation innovations tending to 'fit' with business and HRM strategies.

9.3 Conclusions from the HPW literature

High Performance Working differs from the literature on management practices in that it emphasises a philosophical approach to managing which emphasises employee involvement and commitment to support higher performance. The associated practices tend to bundle into coherent groups of practices; for example those seeking to raise skills, those supporting gainsharing[21], and those emphasising participation. The general consensus is that such bundles of practices are associated with higher levels of organisational performance providing the practices differentiate (i.e. are not so commonplace that all organisations have them) and have been well implemented. The adoption of HPWPs tends to be incremental, aligned with other practices and broader strategies, engage stakeholders, and to be embedded in a sympathetic culture.

9.4 Factors affecting the diffusion of practices

Firms are hypothesised to adopt new management practices because either they are driven by legislation or other pressures, OR they seek to copy other organisations approaches, OR because norms spread through firms as managers move across organisations. A range of factors can influence adoption including climates of trust and openness, a leadership which emphasises innovation and risk taking, support structures including training and support for learning across the organisation. Having good links and networks with other organisations can also support learning between organisations.

Barriers to transfer include poor employee support mechanisms which might include lack of resource, motivation, interpersonal and line manager support and insufficient goal clarity. Larger organisations can be less nimble when it comes to implementing changed practices. The management practice literature identifies a range of factors affecting dispersion of best practice. The lack of competition is key, in part because poorly managed firms continue to survive for longer in less competitive or protected markets and because greater competitive pressures drive greater managerial effort. Family owned firms seem less likely to implement new practices (likely to be a result of management quality and effort) as are less educated managers and workers (perhaps indicating that some management practices are easier to adopt with more educated workers).

[21] Gainsharing encompasses practices that give employees a share of the gains from improved performance

Greater information is also helpful to transfer, for example having access to others and thereby sharing best practice, having clear understanding of the status of practices within the firm and what practices can make a difference. There is also evidence of both national and sectoral effects which suggest labour market regulation may play a part in making certain practices less effective (and therefore attractive).

Barriers to improving management practices at the level of the organisation can be divided into those factors that organisations are conscious of – these include difficulties in recruiting those with the right skill and uncertainty over what practices should be introduced; and those that organisations are ignorant of – chief amongst these is an inability to self-assess quality of management practices.

Similar findings have emerged from studies exploring the spread of HPWPs which in addition have highlighted management and leadership failures. HPWPs may be particularly demanding of managers and leaders as the emphasis is on a philosophical approach and widespread commitment and because activity needs to be coherent and aligned with organisational strategy.

9.5 Conclusions from the futures literature

A range of trends have been identified from futures studies which might affect management and leadership:

- Increased globalisation will be reflected in more diverse workforces and supply chains and increasingly global talent market
- A complex network of shifting relationships between organisations, partners and contractors may become the norm
- Work itself is likely to be defined by Increasing flexibility
- Shifting attitudes to work may lead to a decline in the numbers of those interested in the most senior of roles

9.6 Implications for management and leadership

The impact of these changes suggests that management and leadership capability will be more important for organisational performance than before.

We suggest:

- Increasing internationalisation of firm ownership and growing globalisation are likely to drive improvements in management and leadership capability in global firms.
- Increasing internationalisation will demand strategic, innovative, and global mind-sets, amongst leaders (Karp and Helago, 2009, cited by BPS, 2014).
- If emerging nations begin to become commonplace in the supply chains of more developed nations, choosing partners carefully from those developing countries will be important. Generally management and leadership skills are lower than in developed nations but in China at least, appear to be improving fast.
- There is evidence that international organisations can export their leadership and management practices to their foreign based operations. As a relatively high trust country the UK should be able to positively export a range of practices linked to organisational performance. Given the high rates of foreign ownership amongst UK businesses and trends which suggest future globalisation, there is also an opportunity for UK based businesses to gain from the management practices of their owners (especially US owned international organisations).
- Management and leadership will increasingly become a dispersed activity crossing organisational boundaries, with workforces increasingly flexible in time and location and therefore more remote from their managers. Managing remotely will need better communication skills, processes and improved management practices to maintain quality and productivity.
- Workforces will become increasingly diverse and globalisation may increase the likelihood of periods of overseas tenure for the most talented managers in multinational organisations. The ability to manage within different contexts and cultures may become more important.
- Managing multi-generational work forces will become the norm meaning increasing emphasis on flexibility and catering to different life stage and life preference demands.

  Many of these trends have implications for trust levels which will act to reduce productivity unless dealt with. Openness and transparency are both culturally more valued and technically more essential as the opportunity to uncover information becomes easier.
- The shifting place of work in the lives of people, coupled with reduced trust levels may raise the importance of the creation of meaning by managers and leaders.
- Ethics will remain an important factor in safeguarding organisations from reputational damage. In increasingly networked organisations this may also mean managing the

ethics of partners and suppliers if not to be left with reputational damage from the actions of others. This may have implications for management practices especially those focused on performance monitoring to ensure organisations are producing as expected.

- The ability to adapt to and adopt rapidly changing technologies will remain a source of competitive advantage and is likely to affect all sectors.
- Improving management practices is correlated with improving performance and therefore suggests that there is all to play for; shifting management capability should be an important aim for all organisations
- The growing complexity of work may increase the importance of maximising devolvement of responsibility through organisations and thereby relying increasingly on the skills and capabilities of the wider workforce. This has implications for trust and management practices again highlighting the importance of management skill and organisational cultures.

9.7 What might organisations do in response

The literature is clear that effective management practice can make a significant contribution to organisational performance. This is true regardless of size of organisation or sector or nation. The literature also suggests that many UK organisations are underperforming in this regard but probably don't realise it.

Given strong evidence that good management and leadership are important to organisational performance, organisations should do everything they can to attract and appoint the best managers and leaders they can. This might mean four sets of approaches; firstly organisations should seek to spot and develop their most talented future leaders through effective succession management and development. Secondly they should also develop effective recruitment and selection processes and practices and ensure they are an attractive employer so that the best are motivated to join the organisation. Thirdly organisations should ensure that their best people want to stay through effective retention practices (as there is some evidence that tenure may be associated with effectiveness). And fourthly organisations should ensure that management and leadership performance is effectively managed so that there is a strong impetus to perform well. The evidence suggests that labour market competition is important for levels of management capability, so open selection processes that find and appoint the very best will help develop a high performing management cadre.

Finding and keeping the best people is not just something that applies to managers and leaders. The evidence also suggests that a well-educated workforce is also important – better practice may be easier to implement with a more capable workforce.

Improving management practice is another important step. For many organisations understanding that practices can be improved and knowing where and how to start are important first steps. The literature we have reviewed offers considerable tips and hints on what seems to make the difference. The management practices work has identified a range of 18 practices which have been correlated with improved organisational performance in many different settings. Organisations can now benchmark themselves against the practices using a simple tool available from the World Management Survey website. The benchmark data is separated for manufacturing organisations, hospitals, schools or retail organisations which are the four areas that have been subject to detailed scrutiny to date, but many of the questions are very similar across the different sectors and organisations from other areas would still find much to learn here. Understanding (and accepting) how internal practices compare to the best, provides an opportunity to address shortcomings (http://worldmanagementsurvey.org/).

This benchmarking data also can help steer organisations in terms of *what* practices can be prioritised which have been seen to help improve management practices in other firms. On the whole the management practices literature focuses on operational and people management practices that are relatively straightforward to adopt and therefore can provide a roadmap for organisations that wish to improve performance. Whilst HPWPs and workplace innovation can also contribute to improved performance, they can be harder to adopt because to be really effective they need to be implemented in coherent bundles of practices and to be aligned with a sympathetic culture. For those with the greatest distance to travel they can seem daunting. For other organisations already making progress on management practices, there is evidence that HPW and workplace innovation can deliver further competitive advantage.

There may be other sources of data that firms can turn to, to help break down the informational barriers that discourage better management and leadership practices. Typical of these are networks of other firms (the higher performing the better) so sectoral or regional networks can all help managers and leaders be inspired by other organisations. The movement of managers between organisations can bring different and better practices and learning from what key competitors are doing can also help raise the game.

In an increasingly networked world and one where supply chains may be more globally dispersed than in the past, partner organisations should be chosen with care to ensure their management practices are effective. The evidence suggests that management practices in developing nations and amongst domestic organisations and family owned businesses may be less sophisticated on the whole. Supply chains can also provide a source of information on how to help improve existing practices.

Whilst the evidence points to the value of relatively tangible management practices there is also evidence that the softer side of management and leadership is important. Once decisions are made on which practices to implement the process of implementation is also key to their effectiveness. This suggests attending to clarity of communication and offering appropriate support including training to those affected. Some practices also appear to be dependent on workplace culture to thrive. For example maximising decentralisation appears to be important for growth (and the accompanying economies of scale it brings) and making decentralisation work effectively is dependent on trust levels in the organisation and employee skill levels (and so further supports the importance of finding and appointing the best people possible).

Some practices cut across several of the literatures reported here and feature in research on workplace innovation, High Performance Working and management practices. These include various reward practices and the evidence strongly indicates that reward systems that give employees a share in the performance gains of the organisation appear to be correlated with better organisational performance. Such reward practices may in turn relate to cultures of empowerment and autonomy which underpin the HPWPs literature.

The evidence from this review strongly suggests that management and leadership capability is a key driver of organisational performance, and far from being a mysterious and 'complex construct open to subjective interpretation' and therefore difficult for organisations to define and improve, it can be clearly expressed through its practice where there is considerably more clarity and less contention over what good looks like.

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