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# **Does Management Development Add Value?**

Jonathan Winterton and Ruth Winterton

Work Organization Research Unit, University of Bradford Management Centre, Emm Lane, Bradford BD9 4JL, UK

## **Abstract**

While the act of faith approach to management development assumes that training and development will improve performance, and that attention to the people factor will give organizations a competitive advantage, there has been little systematic study of the business benefits of management development. The extent to which competence-based management development made identifiable improvements to individual, organizational and business performance was examined in sixteen organizations using an in depth embedded case-study protocol developed following the preparatory work of an expert group convened by the Department for Education and Employment (DfEE). Interviews were conducted with senior strategic managers, line managers and members of management work teams, and triangulation was sought with documentary evidence. Case reports were validated with the organizations, then evaluated and ranked by an independent consultancy not involved in the fieldwork. The results provide support for attributing business benefits to management development, particularly in relation to individual and business performance. The performance improvements were found to be most significant where management development is linked with organizational strategy and where Human Resource Development (HRD) systems and processes adopt the management standards developed by Management Charter Initiative (MCI).

## **Introduction**

The importance of management development (MD) has been widely acknowledged in the various reviews of management education and training and has been linked with the attainment of competitive advantage in recent public policy documents (DTI, 1995). There is a broad consensus that the level of training, including that of managers, is inadequate in the UK. The CBI, for example, noted in 1989 that while 24% of top UK managers are graduates, in France and Germany the percentage is more than twice that, and in Japan and the USA, 85% of top managers have degree-level qualifications. The Cannon and Taylor Working Party Reports arising out of the 1992 Institute of Management review of MD, confirmed the need for the effective development of existing managers in order to raise the competitiveness of British industry (Institute of Management, 1994).

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The challenges of organizational changes, especially contracting out, de-layering and empowerment, make the need for MD particularly acute. The situation is seen by managers to

be exacerbated by persistent structural unemployment, competitive pressures from low-wage economies, rapid technological change and standards in education which are inappropriate to the needs of employers. This dynamic environment demands a process of continuous development, as advocated by the Institute of Personnel and Development, and is consistent with the notion of lifelong learning promoted by the European Commission.

Following the adoption of a competence-based approach to vocational education and training, the Management Charter Initiative (MCI) developed occupational standards describing the competences which managers need, and some 10% of UK businesses use these management standards in some way. The standards offer a comprehensive framework of management competences which can be used to structure developmental activities. Despite piecemeal reports of evidence of the benefits of MD, including that which is competence based, the business benefits have not been systematically examined before.

This paper reports on a study undertaken on behalf of the Department for Education and Employment, to investigate what business benefits, if any, could be attributed to competence-based management development (CBMD) in a range of organizations. The research set out to test five hypotheses:

CBMD improves individual performance (IP);

CBMD improves organizational performance (OP);

CBMD improves business performance (BP);

improvements in IP, OP and BP are more likely if CBMD is linked to organizational strategy (OS);

improvements in IP, OP and BP are more likely if HRD processes are based on a common, coherent integrated set of competence statements (i.e. the MCI standards).

The following section offers a critique of the evidence from the literature concerning claimed improvements in individual, organizational and business performance which have been attributed to MD, the assumed benefits of linking MD with organizational strategy and any additional value of basing HRD systems and processes on the management standards. After reviewing the relevant literature, the paper then describes the methodological approach adopted in the study, and outlines the measures of performance addressed.

The next section provides brief examples of the empirical findings of the study. Finally, the overall conclusions relate the evidence to the hypotheses outlined above, note their significance for public policy and offer suggestions for further research.

### Background literature

In Leggatt's (1972) seminal report on the training of British managers, the impact of MD was assessed in terms of the benefits to individual managers rather than to the organization. The adoption of Human Resource Management (HRM), with the emphasis on integrating Human Resource (HR) practices with business objectives (Purcell, 1989) and on raising performance to achieve these objectives (Molander and Winterton, 1994), has inevitably altered the focus of MD. It is now axiomatic that MD should link directly with corporate strategy (Taylor and Thackwray, 1995) and that the benefits to the organization should be identifiable (Mitrani, Dalziel and Fitt, 1992).

In practice, there are difficulties in measuring the effects of developing people (Harrison, 1993), and the reported benefits of MD are often anecdotal and confined to a single aspect of

performance. The literature does, however, provide some indication of the nature of benefits which are anticipated from MD in relation to each of the hypotheses outlined above.

### *Individual performance*

MD is concerned with the renewal of individuals and with the continued improvement of their performance. The 1995 Competitiveness White Paper (DTI, 1995, pp. 116–118) argued that:

‘management performance can be improved . . . by spreading best practice . . . developing standards and qualifications for management . . . with linked development and training opportunities.’

It has been noted that managerial control is undergoing a metamorphosis with a new emphasis on learning and collaboration, which gives personnel more control in job performance and goal setting (Walton and Lawrence, 1985). As a result, according to Harris (1989), in addition to the acquisition of technical competences (which will vary significantly between sectors and with enterprise size), managers need to be equipped with generic management skills. Harris cites best-practice examples of where training and development is devolved to line management, who have a charter to improve their subordinates’ competences and where training programmes are evaluated against measurable productivity improvements and reductions in employee turnover.

Given the increasing responsibility of managers for the career development of their subordinates, it is important to identify what aspects of individual performance of *senior* management are significant. The key competences are both functional and behavioural in nature, as Alderson (1993) notes. Senior management must be involved in assessing the performance of individual managers and identifying their developmental needs and opportunities, but the process is not without difficulties owing to differences in perceptions between individual managers and their bosses (Herriot, Pemberton and Pinder, 1993).

### *Organizational performance*

The role of MD in improving organizational performance is clearly related to the concept of organizational development, which builds upon MD with its concern to renew organizations, and to improve the performance of *groups* of individuals. As Downham, Noel and Prendergast (1992) note:

‘when we target teams, individuals still learn, but we also develop collective knowledge that stays within the organization even if a few individuals leave.’

Action learning programmes and, more recently, the learning organization are concepts which have been applied to MD involving groups to improve organizational performance (Casey and Pearce, 1977; Drew and Davidson, 1993).

In 1986, the BAT Industries Group Management Centre attempted to integrate education and skill development for managers, with a view to improving individual performance in implementing organizational strategy, and concluded that business objectives would have been better served if the managers had involved their whole teams in the programme (Butler, 1990). Wille (1990), researching best practice in MD with respect to the relationship between MD and business policy, similarly found that the most effective approaches were those which developed *all employees* and not just a management elite.

Teamworking has become a major focus of initiatives to raise OP, and self-managing teams (SMTs) have been associated with productivity improvements of up to 30% (Hoerr, 1989). The benefits claimed for SMTs include individuals assuming greater responsibility and developing more comprehensive skills, as well as 'a longer term, more strategic perspective' (Mullen, 1992). The introduction of SMTs, linked with de-layering, demands that teams are developed to internalize supervisory roles (Simmons and Blitzmann, 1986), while the manager, supervisor or team-leader role moves away from supervision towards developing team members (Manz and Sims, 1987; Bundy and Thurston, 1990). The empowerment of SMTs has been widely associated with improved OP, but implementation is difficult because 'the approach challenges our traditional ways of managing' (Salem, Lazarus and Cullen, 1992), and necessitates restructuring MD activities (Mullen, 1992). Team-based anticipatory learning, where SMTs develop the necessary skills for future activities, is seen as the key development issue for the next decade (Sashkin and Franklin, 1993), offering a route to competitive advantage (Fulmer, 1992). Feedback is another tool which has been widely used to develop effective teams (Hackman, 1987), and for which positive effects of training have been claimed (Thomas, Wells and Willard, 1992; Lawrence and Wiswell, 1993).

### *Business performance*

While the measurement of BP may involve fewer dimensions than the measurement of individual performance, improvements in corporate performance, which is affected by a whole complex of internal and external factors, as well as wholly extraneous influences, are more difficult to attribute directly to MD or training initiatives. Fonda (1989, p. 50) argued that:

'there are certain things which absolutely must be achieved (critical success factors) if the business is to survive, grow and be profitable. The organisational capability to achieve these "critical success factors" is a result of the management capability of the firm.'

Hence MD contributes to improved business performance by developing managerial competences and thereby raising the organization's capability of achieving the objectives necessary to satisfy the critical success factors.

A Coopers and Lybrand study (1985, p. 9) found that few companies saw any link between training and competitive success, except in so far as training was viewed as a cost which would reduce profits. In the firms surveyed, training was rarely discussed at board level, with the occasional exception of MD, and Hussey's (1988, p. 59) research suggested that these exceptions were 'more illusory than real'. Berry (1990) similarly argues that despite significant expenditure, few MD programmes really affect an organization's ability to compete.

By contrast, a later Coopers and Lybrand study (1992) provided case studies of MD in SMEs, which demonstrated a variety of benefits including increased turnover and gross margins, a more customer-oriented approach and improved ability to respond to change. Similarly, a survey of MD activity in 510 organizations undertaken by MCI found that 62% of organizations reported:

'improved efficiency, productivity and quality as the main benefits gained from expenditure on developing managers, whilst other gains include better qualified and motivated staff (27 per cent) and improved company profits, at 12 per cent.' (King, 1993, p. 38)

Isolated case studies also demonstrated how development activities can contribute directly to competitive advantage (Downham, Noel and Prendergast, 1992; Carter and Lumsden, 1988).

### *Organizational strategy*

Hussey (1988, p. 69) concluded that most training and MD is wrongly focused and called for:

‘a mental shift from the common idea that training should be for the improvement of the individual because this will benefit the firm, to the concept that training should be for the benefit of the firm and this will benefit the individual.’

If management training is to contribute to the attainment of corporate objectives, and is to be used as a competitive weapon, training needs must be assessed against corporate requirements (ibid., pp. 84– 85) and:

‘the annual training assessment of individuals . . . have to be related to an understanding of the company aims, strategy, the business environment, and the desired company culture.’ (ibid., p. 190)

Hussey’s emphasis of the need for MD to be linked with OS is shared by many authorities (Burgoyne, 1988; Kilcourse, 1988; Michael, 1993; Robinson, 1994).

Despite the substantial expenditure on MD each year in the UK, Miller (1991) suggested that:

‘few companies have yet integrated it into their strategic planning process and it is poorly implemented.’

A survey by the Harbridge Consulting Group (1993) found evidence of improvements in the decade 1982– 92, when the proportion of UK business organizations in which MD was explicitly linked to corporate strategy increased from 33% to 54%. Nevertheless, the Taylor Report (Institute of Management, 1994, p. 47) noted the continued conflict between individualism and corporate goals. The inherent tension is between the need for organizations to encourage empowerment and individual responsiveness while simultaneously promoting corporate cohesiveness and teamwork.

#### *HRD systems and processes*

MD needs are frequently assessed through an appraisal and review process, but Hussey (1988, p. 63) notes that the perceptual boundaries of the subordinate and superior operate as a constraint which can result in managers being:

‘trained to plough the same furrow as their boss, which may not meet the strategic requirement of the firm.’

The evidence from surveys by Peel (1984) and Hussey (1988) suggests that during the previous decade at least, management training and developmental needs were more often identified in relation to individual managers, and rarely involved a top-down assessment in which MD and training was closely linked with the corporate plan.

The Taylor Report (Institute of Management, 1994, p. 49) noted that managers will be increasingly concerned with managing people, the manager will become a coach and responsibility for MD will rest with the individual. Nevertheless, it was recognized that there are substantial obstacles between the rhetoric and reality of management self-development, so that organizations need to create ‘a framework of support and enable self development’ (ibid., p. 77). Such a framework demands that HR needs are defined strategically, especially since the HRD function will become increasingly absorbed into general line- management activities. The role remaining for HR specialists will be as managers of the skills transition, acting as enablers rather than providers, and extracting added value from the HR function (ibid., p. 82).

The management standards developed by MCI provide a means for basing HRD systems and processes on a common, coherent, integrated set of competence statements. This in turn should facilitate the development of management competences which support organizational strategy and lead to improvements in individual performance, organizational performance and business performance. To the extent that the standards are being adopted, therefore, organizations should be developing more robust HRD frameworks linking MD with organizational strategy. The Harbridge Consulting Group (1993) found that by 1992, 10% of organizations had adopted 'competency based assessment.' A survey undertaken by MCI in the same year estimated that 11% of organizations were using the management standards (King, 1993). Among organizations having a formal system for MD, 20% were already MCI users and a further 18% were planning to apply the standards in the near future.

## Methodology

Methodological difficulty is undoubtedly a major reason for the paucity of systematic investigation of the effect of MD on performance. In recognition of these difficulties, the Employment Department (which merged with Education to form DfEE) established an expert study group in advance of commissioning the research to identify an appropriate methodology for tracing and measuring the business impact of CBMD (Leman *et al.*, 1994).

### *Employment Department study group*

The study group considered a variety of methodologies, rejecting a survey approach or the use of econometric techniques, and recommending case studies to investigate the impact of CBMD and the adoption of the management standards. The research was to be exploratory, investigating the concept of CBMD in actual work settings and attempting to move from an abstract theoretical concept to an operational model. The study would be illustrative, giving examples from those considered to be lead sites in different industrial sectors. Moreover, the study would be explanatory, analysing the *processes* by which CBMD translates into bottom-line results.

The study group offered a tentative case-study design including the data collection protocol, based on an embedded, multiple-case study approach. The three initial hypotheses defined subunits of analysis which would be possible within each case. Five cases were recommended for the purposes of literal replication, and to provide adequate theoretical replication, it was recommended that five further cases should be identified for each conditional hypothesis, and five for the two in combination, making 20 cases in all. The initial protocol specified the required types of written evidence and recommended that detailed interviews should be conducted with key respondents in each organization.

### *Access to suitable organizations for study*

Identifying suitable cases was seen to be a critical aspect of the research, and the criteria for attributing cases to particular categories made it necessary to elicit information from potential case organizations before any fieldwork took place. Contenders for study were identified from discussions with MCI, the DfEE- steering group, and from previous research. The primary factors for selection of cases were to be the criteria outlined in Leman *et al.* (1994, p. 53), in order to provide adequate replication to test the two conditional hypotheses (concerning the relationship between CBMD, OS and HRD). The organizations were to be drawn from a range of different economic sectors, and it was intended that one third of the organizations studied should be SMEs (fewer than 200 employees).

A list of 25 organizations known to have adopted the management standards was supplied by MCI and a second tranche of 18 organizations, known to practise CBMD but not thought to be users of the standards, was identified and contacted in the same way. Difficulties in achieving access, particularly to SMEs, made it necessary to approach 20 Training and Enterprise Councils (TECs) for assistance in identifying suitable organizations. Out of a total of 126 organizations approached, 16 cases were selected for detailed study from those which had agreed to collaborate. Of the 16 achieved cases, 12 (of which 7 had been nominated by MCI) were users of the management standards to varying degrees, and in 11 organizations MD was linked to OS to varying degrees.

### *Operationalizing the case-study protocol*

Once the research was commissioned, the case study protocol from the study group report was operationalized, piloted and refined. The protocol defined the written evidence which was to be examined in relation to each hypothesis, the range of measures of performance to be considered and the interview schedules which were to be used for in- depth, semi-structured interviews with senior strategic managers (chief executive, finance director and head of human resources), line managers and junior managers. The protocol is contained in the official report of the study (Winterton and Winterton, 1996).

In each case, face-to-face interviews were conducted with the three senior strategic managers, and at least four line managers and four team members. Multiple sources of evidence were examined to increase the reliability of data through triangulation. Interview schedules were designed to allow for corroboration through interlocking questions, so the views of senior strategic managers were contrasted with those of line managers, for example. Individuals were encouraged to elaborate at length in interviews and to provide additional information in support of their claims.

An extensive range of written evidence was collected or examined on site, as detailed in the protocol, to investigate whether there were improvements in performance, and to explore the nature of HRD systems and processes. Thus, managers' job specifications gave an indication of the extent to which responsibility for MD was a feature of all managers' roles. Similarly, as evidence of improvements in BP, company accounts were examined, and to demonstrate improvements in OP, minutes of team meetings, for example, were consulted. Corroboration was sought from documentary sources and from individuals at different levels in the organization. The average interview lasted about 90 minutes, and some individuals freely gave further time by gathering substantial amounts of information with the research team.

### *Case reports*

For each organization studied, a dossier was compiled of written evidence and a case report was written in accordance with the protocol. The case reports provided background details of the organization, written to preserve anonymity, details of the organizational strategy, the HRD systems and processes, including roles and responsibilities for management development and any evidence from the interviews and written materials of the improvements in IP, OP and BP which could be attributed to MD by respondents. The case reports were validated with the organization and revised before being evaluated by an independent expert and used in the cross-case analysis.

Performance measures were defined within each organization against the framework of the protocol, since not all measures could be appropriate in settings as varied as mining, manufacturing, insurance and health care. Nevertheless, respondents identified a significant number of performance measures which were common across the range of organizations. For



example, in relation to BP, turnover, profit, productivity, efficiency and quality were measured in most organizations. Respondents provided detailed quantitative data and extensive qualitative evidence relating to performance, which was included in the case reports.

### *Ranking and analysis*

To test the conditional hypotheses, each dimension was treated as a continuum, and an independent expert on the management standards, who had helped design the protocol but was unfamiliar with the (anonymous) case studies, evaluated the *degree* to which MD is linked with OS, and the *extent* to which each organization had adopted the management standards in HRD systems and processes. The validated case reports and written evidence were evaluated against the criteria established by the study group, then ranked by the expert according to the extent of improvements in IP, OP and BP attributable to MD, taking into account the robustness of the evidence. In addition, the cases were ranked in relation to the two defining characteristics relevant to the conditional hypotheses: the degree to which MD was linked to OS and the extent to which the management standards had been adopted in HRD systems and processes.

The rank order of the cases according to the three performance measures and the two defining characteristics was used to structure the crosscase analysis and made it possible to test for any correlation between characteristics and performance improvements measured at the three levels, as well as correlation between the three performance measures. The hypotheses were therefore tested using non- parametric statistical techniques, as reported in the concluding section.

### *Empirical findings*

The evidence assembled in the dossier for each case studied was too extensive to be included in the official report of the research, where the empirical findings are considered in the cross-case analysis and conclusions (Winterton and Winterton, 1996). In this paper, space precludes more than a brief examination of some examples of this evidence, which is considered in relation to the hypotheses outlined in the introduction.

### *Individual performance*

The 16 cases were ranked by the independent expert according to the extent of improvements in IP and the robustness of evidence that this was attributable to MD. The three key criteria used were identified in the report of the study group:

improvements in IP have been tracked (against the management standards);

individuals are clear of the work expectations demanded of them and how their role links to the overall purpose of the organization;

individuals are offered a range of support to improve their performance.

In the best cases the central importance of MD to overall improvement in IP was demonstrated through written evidence and corroborated interviews. It was found that improvements in individual managerial performance were associated with the use of the management standards and the implementation of National Vocational Qualifications (NVQs), which provided criteria for performance, facilitated the benchmarking of best practice and promoted new ways of conceptualizing work tasks. With the standards, individuals take responsibility for, and can track, their own development, and this is associated with increased commitment and motivation.

Where there was most robust evidence of significant improvement in IP attributed to MD, the improvements most often mentioned included personal confidence, awareness of potential and continuous improvement in general managerial skills and competences. Managers reported having a better understanding of organizational objectives and their individual responsibilities. CBMD was seen to empower middle management, to increase individual career advancement and to result in a more methodical approach to developing others. A range of improvements in efficiency was attributed to CBMD, such as better planning and time management, more effectiveness in running meetings, and improvements in project management, change management and problem solving. Improvements in managing people were also cited, especially through raising skills in communications, presentation, leadership and motivation.

In cases which were ranked lower than the best, evidence was provided of specific improvements in IP arising out of MD activities. In the organizations ranked further down the hierarchy, isolated examples of improvements were cited, but these were more a consequence of *ad hoc* initiatives than the result of operating a coherent MD framework. Towards the lower end of the ranking, there was ambiguity in relation to reported improvements in IP, as well as difficulties of measurement and of attributing improvements to MD. The main problems cited were difficulties in separating individual and team performance measures, and the time and cost of systematic measurement and evaluation. It was also noted that the outcomes of development vary between individuals and that the effect of development cannot easily be isolated when other major changes are taking place.

#### *Organizational performance*

The 16 cases were ranked by the independent expert according to the extent of improvements in OP and the robustness of evidence that this was attributable to MD. The key criteria used were identified in the report of the study group:

improvements in team performance have been tracked (and can be shown to relate to the management standards);

improvements in the use of teams and their specialist roles can be demonstrated;

lower rates of accidents, failures, returns, wastage, complaints, etc. can be demonstrated.

Where there was most robust evidence of significant improvement in OP attributed to MD, the improvements most often mentioned related to quality of service, such as a better focus on customer needs, reduced queues, better telephone standards and improved customer relations. In addition, managers in some organizations cited evidence of more strategic behaviour and identified better procedures and monitoring of actions. Cost reductions, efficiency gains and more effective debt control were also reported.

Where significant improvements in OP were attributed to MD initiatives designed to promote teamworking, extensive benefits were identified including flexibility, awareness of team responsibilities and more effective teamworking. Both interpersonal and interdepartmental relations improved as a result of better communications, and individuals were also said to demonstrate increased commitment and motivation.

There were major difficulties of measurement of OP and of attributing improvements to MD, especially in the organizations which provided less robust evidence. The main problem was that the same measures were used for OP and IP, and OP was often regarded as a function of a manager's performance. It was also difficult to separate OP from BP, and OP was seen to be affected by extraneous factors.

## Business performance

The 16 cases were ranked by the independent expert according to the extent of improvements in BP and the robustness of evidence that this was attributable to MD. The four key criteria used were identified in the report of the study group:

improvements in BP can be demonstrated (and linked to MD and the use of the management standards);

improved returns on staffing costs can be demonstrated;

the organization has increased market share; • share prices have increased for the organization.

The organizations which were ranked highest displayed quantified, written and corroborated evidence of improvements in BP, and respondents were unequivocal that MD had improved all prime measures of business efficiency. The organizations which provided most robust evidence of significant improvement in BP linked with MD, emphasized increased turnover and profit, sales and revenue growth, increased market share and competitiveness. Improvements in productivity, efficiency and quality were important factors, as was decreased unit costs. Other gains reported were reductions in arrears and stock holding, shorter waiting times and queues, and reduced staff turnover.

Where significant improvements in BP were identified, the extent to which these were attributed to MD initiatives varied from the unequivocal cases where improvements would have been impossible without MD, to cases where the contribution of MD was implicit. Between these cases, others showed how MD was the major, but not the only, contribution to success, or how MD was a necessary factor, in conjunction with other changes. Whereas the contribution of MD to improved BP was clearly charted in the cases showing most robust evidence, in the weaker cases, there was little measurement of outcomes and only circumstantial attribution. Evidence was provided of specific improvements in BP, which were largely attributable to MD activities.

In the cases which were ranked below these, organizations had generally made little attempt to evaluate the effect of MD on BP, or improvements were difficult to attribute, although in most cases management believed that MD had contributed to improved BP to some extent. In some cases, there was either little evidence of improvements in BP, or any improvement was not attributable to MD. Problems of measurement of BP were most serious in the weaker cases, and largely arose from the interaction of other factors affecting BP, while difficulties of attribution were a consequence of being unable to produce counter-factual evidence of what would have been the BP outcome in the absence of MD initiatives. The main difficulties identified were that extraneous influences affected BP, and other factors were more important than MD. Since improvements could not be attributed unambiguously to MD, few attempts had been made to measure its impact.

## *Organizational strategy*

The 16 cases were evaluated and ranked by the independent expert according to the degree to which CBMD was linked to OS. The three key criteria used were identified in the report of the study group:

CBMD is a key explicit strand in OS;

a range of CBMD systems and processes are linked to OS;

CBMD is not solely the responsibility of personnel or training departments but a key feature of all management roles.

In the best cases, the links between MD and OS were pervasive. Written evidence and corroborated interviews showed how OS influences MD, and how MD supports OS to achieve commercial objectives. Typically, MD was shown to be an intrinsic part of the business plan, and to support strategic priorities. Business objectives were shown to be linked to OS through defined competences, strategic objectives were mapped on to performance standards, and personal development plans related to business plans. Major changes provide both the opportunity and necessity of linking MD to OS, and MD initiatives respond to changes in the organization's environment. Throughout, the management standards and NVQs provide a structure for the links.

Roles and responsibilities for MD were devolved to individuals and their line managers, with only limited HR intervention, thereby embedding MD within OS. This was typically described as a partnership between individuals and their line managers, with personal development plans agreed in appraisal. The common division of labour was one where individuals accept responsibility for self-improvement, while line managers facilitate MD and provide coaching, mentoring and support. The human resources function was generally limited to strategic issues, policy and advice.

In cases ranked lower than the best, evidence was provided of MD initiatives to support specific aspects of OS. Where extensive restructuring or business process re-engineering (BPR) was taking place, this provided opportunities for linking MD to OS and focused attention on the competences required to achieve the organizational transformation.

Where the links between MD and OS were least clear, problems were identified in establishing such a link. One difficulty was in establishing which competences will improve BP. Also, MD was found invariable to lag OS where this was dynamic, and immediate priorities inevitably took precedence over longer-term strategic MD. An apparent paradox was also highlighted between devolving responsibility for MD and linking it to OS, especially since much MD is focused on the needs of the individual, not the organization.

#### *HRD systems and processes*

The 16 cases were evaluated and ranked by the independent expert according to the degree to which HRD systems and processes were based upon the management standards. The three key criteria used were identified in the report of the study group:

all HRD systems and processes are based on the occupational standards (and for management these are the MCI Standards);

assessment and appraisal systems are designed to inform development rather than punish the incompetent;

every manager in the organization views MD as their own responsibility for their own development and for those with whom they work.

In four organizations, the management standards were comprehensively adopted in HRD systems and processes. In three cases, the management standards had been partially adopted, and were used to a limited extent in some HRD systems and processes. The remaining nine organizations had either not attempted to adopt the management standards or had only made limited progress in this direction, so that they are regarded as non-users.

Where the management standards had been extensively adopted, the HRD systems and processes typically shared certain characteristics. All, or almost all, MD is competence based, and job profiles or job descriptions relate to the competences outlined in the management

standards. All training and development is structured around the MCI competence framework, while appraisal systems are designed to support the attainment of the management standards. The management standards were used less extensively in recruitment, selection and remuneration. Written evidence and corroborated interviews demonstrated the ways in which the standards are used and the benefits of building MD initiatives around the MCI framework.

Where the management standards had been adopted, the major benefit identified was the coherent structure which they provided for training, MD and personal development. Gaps in competence, for example, are more readily identified through appraisal; training and development needs are specified more precisely in relation to the competences required for individuals to meet the needs of the organization; and there are clear criteria for human resource planning and career succession. In addition, MD is linked to a qualifications framework. The research identified some limitations to the adoption of the management standards both in the extent to which they have percolated through an organization and in the range of HRD systems and processes involved. The main limitations were that the standards are not extensively used in recruitment and selection, other than in relation to job profiles, and reward and remuneration systems are rarely linked to the achievement of competences defined in the standards. Additional criteria are sometimes used alongside the standards, especially in relation to specific technical competences, and familiarity with the management standards is less extensive outside the HR specialists.

## Conclusions

Within the limitations of a case-study approach, the 16 organizations provide very positive and highly significant results which demonstrate the business benefits of CBMD. Notwithstanding the difficulty of measuring performance, and especially organizational performance, the three measures of performance are significantly correlated. The overall coefficient of concordance between the rank orders of individual performance, organizational performance and business performance is significant at the 1% level (Kendall's  $w = 0.796$ ), showing that the rank position of an organization in terms of one performance measure is similar to its rank position for another performance measure.

*Table 1. Spearman rank correlation coefficients*

<i>factor</i>	<i>OP</i>	<i>BP</i>	<i>OS</i>	<i>HRD</i>
<i>IP</i>	0.635	<b>0.797</b>	<b>0.863</b>	0.611
<i>OP</i>		<b>0.650</b>	(0.411)	(0.170)
<i>BP</i>			<b>0.658</b>	0.548
<i>OS</i>	0.575			

Notes: For 14 degrees of freedom,  $R_{s(0.01)} = 0.645$ ,  $R_{s(0.05)} = 0.456$ .

**Correlation coefficients in bold are significant at 1%**, others are significant at 5% (results in brackets are not significant at the 5% level).

IP = rank in terms of evidence of individual performance improvements attributed to MD.

OP = rank in terms of evidence of organizational performance improvements attributed to MD.

BP = rank in terms of evidence of business performance improvements attributed to MD.

OS = rank in terms of evidence of link between organizational strategy and MD.

HRD = rank in terms of evidence that HRD systems and processes are based on the management standards.

Moreover, as Table 1 shows, each pair of performance measures correlates at the 5% level or better, especially in the case of individual performance and business performance (Spearman  $R_s = 0.797$ ). Of the three performance measures, organizational performance was found to be the most problematic, but the significant rank correlation coefficients suggest that organizational performance can be captured adequately by individual performance and business performance measures.

The results of the rank correlation also provide support for the conditional hypothesis that MD is more likely to improve performance when it is linked with organizational strategy. The Spearman rank correlation coefficients between organizational strategy and both individual performance and business performance are significant at the 1% level. Paradoxically, there is no significant correlation between organizational strategy and organizational performance, which may reflect the difficulties of measurement and attribution already identified with organizational performance. In the case of individual performance and business performance, these results offer unambiguous support for the importance of linking MD to organizational strategy in order to realize business benefits.

The rank correlations further support the conditional hypothesis that MD is more likely to improve performance when HRD systems and processes are based on the competence statements in the MCI standards. The Spearman rank correlation coefficients between HRD and both individual performance and business performance are significant at the 5% level, although again there is no significant correlation between HRD and organizational performance. In the case of individual performance and business performance, these results again offer support for the importance of developing MD around the management standards in order to realize business benefits.

### *Policy implications*

Three policy implications follow from the above conclusions, relating to the performance measures which should be used to monitor the business benefits of CBMD, linking CBMD to organizational strategy and adopting the management standards.

The performance measures which are most reliable for monitoring the business benefits of CBMD are individual and business performance, which correlate with, and therefore probably also incorporate, the less tangible organizational performance measures. The strength of the link between CBMD and both individual and business performance suggests that the policy of promoting CBMD could be supported by the message that *developing people contributes to business success*.

Performance benefits are more likely to arise from CBMD where this is strongly linked with organizational strategy. The link between CBMD and organizational strategy should be seen as complementary to the value of developing people since this is the mechanism through which the development of individuals contributes to business performance. In policy terms, these findings provide further support for the *Investor in People* approach, through which development is linked to business strategy.

Performance is improved additionally where organizations adopt the management standards as a framework for development within HRD systems and processes. The additionality is important and provides support for further promoting the MCI standards, encouraging their adoption by

organizations to provide coherence in CBMD and to support mobility within the managerial workforce.

#### *Further research*

While a high degree of confidence can be attached to the conclusions from this research, within the limitations of a case-study approach, further investigation could corroborate the business benefits of CBMD, through, for example:

a linear tracking study, using a comparable case- study approach revisiting the 16 organizations in 12 months and 24 months as the CBMD becomes more embedded;

a survey of a stratified sample of organizations, using a postal or telephone questionnaire, to explore the extent of MD and associated IP improvements, and how far such improvements correlate with *Investors in People* and the adoption of the MCI standards.

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