education and skills

The Development of Management and Leadership Capability and its Contribution to Performance: The evidence, the prospects and the research need

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1: Executive Summary

The executive summary sets out the main conclusions from this review of whether and how management and leadership development contributes to performance, and what further research would help us adopt policies and practices to maximise this benefit.

The conclusions are based on the inferences that can reasonably be made from empirical research, and are, in that sense, evidence based. The reader will find more on the evidence and methods of this in the main report. This executive summary concentrates on the conclusions.

A 'summary of the summary' can be made in these few points:

❑ Management and leadership development can and does, in the UK and elsewhere, enhance performance for economic and social benefit.

❑ It does not currently do so to its full potential, and there are therefore further performance gains to be had from improving it.

❑ This improvement can come as much or more from improving the *precision* with which the management and leadership development investment is made (by individuals organisations and the state), than by increasing the *scale* of the investment – though the latter might usefully grow as confidence in performance benefit becomes more secure.

❑ This is because management and leadership development contributes to performance in multiple rather than a single way, and what is effective varies very much with situation and context. Fitting the right approach to the specific context is the key.

❑ Management and leadership capability is located collectively in organisations, sectors, and regions, and initiatives to develop these, in addition to ones based on education, training and development to create individual capability are needed. Not all capability that exists at the individual level is fully used in collective organisational processes, for a mixture of motivational, organisational and reward reasons.

❑ A major priority for future research therefore needs to be oriented to improving understanding of what forms of management and leadership development work in what situations.

❑ To do this future research in this area needs to be more coordinated, more about effect and impact as well as describing the status quo, more longitudinal (to allow for the identification of effects over time) and involve more evaluation to improve, and learn the lessons from, ongoing practice.

In slightly more detail, the main conclusions from this review are:

This report by the Management and Leadership Development Research Network (MLDRN) for the Leadership and Management Unit (LMU) of the DfES and DTI addresses the question, based on a review of existing literature and research, of how confident we can be, on the basis of evidence, that management and leadership development enhances management and leadership capability, and that this in turn contributes to increased performance.

It is useful to think of management and leadership, and indeed entrepreneurship, together as aspects of organising to achieve productive outcomes, while recognising that these terms helpfully label different aspects of this process.

Management and leadership activity in the UK (and elsewhere) is substantial and the quality of the capability is difficult to assess. The overall conclusion is that (a) weaknesses in management and leadership capability cannot be proved to be a source of competitive disadvantage in economic and social terms for the UK, but that (b) there is an opportunity to gain further advantage from its enhancement.

Therefore, although the research generating the evidence is not as extensive as we would like it to be, it can be concluded with reasonable confidence that management and leadership development can lead to increased management and leadership capability which in turn enhances performance.

Whether it does so in all situations where this might be possible is far from clear, and there is every reason to believe that it could make a bigger impact with more, and more precisely focused, investment. This latter point is important, since it suggests, from a cost benefit point of view, that improving the precision with which investments in management and leadership capability is made, not just increasing the size of the investment, has the potential to enhance benefit.

While the case for the potential for management and leadership development to contribute more can be made, suggesting some support for the argument of a 'tail' of both organisations and people who are not developed to their full management and leadership development potential, the case cannot be made for a particular UK deficit in this respect. In a sense this matters less than the implication that there is scope for adding value. It may be better to think of the opportunity in the UK as being to get distinctive advantage through better leadership and management, both through being good at old forms of business and quick to reap the advantages of new ones, rather than facing a catch-up, deficit situation.

It is also concluded that there is no single form of management and leadership capability that enhances performance in the same way in all situations, and no single way in which management and leadership development creates this capability. Rather there are many different forms of management and leadership development that can generate many different forms of management and leadership capability, which in turn can increase performance in different ways.

Furthermore, the forms of management and leadership development that create different forms of management and leadership capability which in turn create effective performance of different kinds, vary very much with situation and context – public private and voluntary sectors, large and small organisations, different economic sectors and others.

Although it is clear that performance enhancing management and leadership capability can be developed, it is also clear that this is not currently being achieved to maximum effect in all situations. This suggests that there is considerable benefit to be gained through the improvement of management and leadership development methods, and that this is to be achieved not through the applications of universal formulae, but by improving the precision with which the right approaches are used for the right purposes to achieve the right outcomes as they vary according to circumstance.

The management and leadership development that contributes most clearly to performance enhancement is that carried out in or close to companies and organisations, and for managers and leaders who are in or entering posts. It is more difficult to establish this effect for training and education efforts further back in the talent producing value chain – in Schools, Further and Higher Education including Business Schools, as they affect the development of people and their talents at earlier career and life stages. While there is no reason to doubt that education in many forms contributes to management and leadership development it is more difficult to prove and to assess which parts of it make the greater contribution. It also appears that the effect of education on management careers and performance is a mixture of a general and vocational education effect, and probably through providing a signalling and selecting mechanism as well as through developing individual human capital for management and leadership work.

It is also clear that management and leadership capability is not only that which resides with individuals, or in an organisational setting consists simply of the sum total of the capabilities of those within the internal labour market. Important though these are, there is also a collective management and leadership capability that affects performance and transcends individual capability. Firstly this involves connecting individual talent to organisational process through career management and broader human resource management systems to secure the efficiency and effectiveness with which management and leadership capability is used. Secondly, organisations (and perhaps sectors and nation states too) have systems, procedures, cultures, traditions and community-located bodies of practice and understanding that affect performance and transcend the coming and going of able individuals. Management and leadership development must be interpreted to include those kinds of initiatives (organisation change and development, learning organisation, learning society) that seek to enhance leadership capability in the collective as well as the individual sense, in organisations, sectors and whole societies. Although the research and evidence is strong enough to support this point, it is less strong in telling us what policies and practices to adopt to enhance collective management and leadership capability. There is a policy and practice gap to be filled in the development of collective management and leadership capability, and a gap in the evidence based research to steer this process.

As an extension of this point, it is clear that not all the management and leadership capability that exists with individuals is fully utilised in organisational settings. This is because of mixture of motivational factors, revolving around whether people are recognised as having these abilities and are rewarded for using them, and structural issues concerning work planning, career development and organisation design affecting the extent to which individual capability can contribute to collective capability. Human resource management processes that link leadership and management capability utilisation with organisational strategy and processes are critical to reaping the performance potential of management and leadership capability.

Although there has been a significant amount of research and evidence collection to allow for the conclusions summarised here to be drawn, it is, with the benefit of hindsight, and with an eye to what should be done in the future, not as good as it could or should be.

Key general points for useful research to improve the evidence base for both policy and practice are:

- Research needs to be more coordinated, conceptually, operationally and in terms of shared databases to allow for conclusions and knowledge generated to be cumulative.

- There needs to be more longitudinal and longer term research to improve understanding of how effects unfold over time. There is a special opportunity to follow up companies about which data has been collected a number of years ago and sometimes over a number of years.

- Research needs to be more comparative across situations, organisations and nation/state cultures to address the challenge of understanding what works, in what way, and how in different situations. For example, at the level of organisations, effective leadership approaches, and ways of developing these, may vary with sector, size and life-stage of organisations, and at the national level UK practices and their effects on productivity and other performance indicators could be better understood by benchmarking against other nation states.

- More evaluation research needs to be built into management and leadership development initiatives themselves, so that evidence is used to steer and improve, on the base of evidence, their effectiveness, and so that they generate knowledge that can be transferred to other situations.

- More research is needed to understand *how* management and leadership capability contributes to performance, and how the different channels through which this operates are activated in different contexts. This will help to target management and leadership development effort.

- More research is needed to understand the education, training and development processes that are effective in developing management and leadership capability, not in terms of finding universally effective methods, but in terms of finding out what works for what purpose in what situations, and how to fine tune the precise design of management and leadership development in particular situations.

- Useful research for the future needs to be more concerned with understanding the effects of initiatives as well as describing the situation in relation to management and leadership capability. The most up to date and theoretically well informed research methods need to be used, and policy makers and practitioners concerned with management and leadership development need to know how to make the best use of research to optimise the use of the evidence base for their decisions.

- Investments in the development of management and leadership capability are made in a complex combination of ways by individuals, employing organisations and the state. The state is involved directly through education, through its policy setting for the public sector as employers, through indirect measures such as taxation and financial policies that encourage or discourage forms of development investment, and

initiatives like Investors in People and the Management Standards that are intended to support and encourage good practice. Another kind of research, is needed to help consider what combination of these forms of investment and initiative are of most use. This would involve developing and testing a model of the multi-stakeholders investing in, owning, and drawing economic benefit from, management and leadership human capital. The model would be used to consider whether the incentives to invest in this human capital are best distributed to achieve the general good, and draw any appropriate policy conclusions.

2: Introduction

The proposition that the economic and social wellbeing of society, and those in it, is substantially dependent on the effective and efficient performance of organisations of all kinds, that this in turn depends on adequate or excellent management and leadership capability, and that this in turn can be learnt and developed, would be accepted by many as likely to be true in common sense and everyday observation.

It is also the case that organisations of all kinds, Government and Government agencies, and individuals investing in their own development, in the UK and internationally, behave on the basis of this belief, through the very substantial investments that they make in management and leadership education, training and development, and initiatives to support this. Boyatzis *et* al (1996) estimate the global investment as $37 billion.

However Porter (2003) in his recent influential report on the British economy is cautious in being confident that management is a decisive factor in organisational and national performance. From his largely macro-economic perspective and on the basis of international comparative economic data he places a lot of emphasis on the business environment of the company: infrastructure, liberality of economic and regulatory policies, investment traditions and practices. He positions management capability, and particularly the willingness and ability to adopt 'modern management techniques' as much or more as a consequence of investment alongside advanced technology and highly skilled labour, than as a likely cause of making increased investment, up-rating technology, strategic positioning in high added value trading networks and developing workforce skill levels. This debate has the potential for being a purely theoretical and philosophical 'chicken and egg' debate. However the empirical contribution to this debate from this study is to assess the evidence that developed management and leadership capability drives, rather than is driven by, investment, innovation, lifting workforces skills, and taking advantage of circumstances external to the firm. This part of the debate is couched largely in terms of the private sector, but similar principles can be considered to apply to the public and not-for-profit sector in terms of the efficiency and effectiveness with which they achieve their purposes in the large sector of the economy that they occupy.

The aims of the investigation reported here are several. The first is to be clear what we might mean by management and leadership capability (and the place of entrepreneurship in this), and what we can say about its state, quantitatively and qualitatively, in the UK at least (Ch.3). The second is to see how confident we can be, on the basis of evidence, that management and leadership development creates management and leadership capability, which in turn contributes to the achievement of economic and social performance (Ch.4). This question is therefore about *whether* management and leadership development does or can produce economic and social benefit. The third question is, if so: how management and leadership development contributes (Ch.5). It is known that management and leadership operates in a very wide range of contexts: public, private and not-for-profit sectors, organisations of very different sizes, different industrial sectors. It is known that management and leadership is, or could be, carried out by many different kinds of people in terms of diversity categories like age, ethnicity and gender. It is also known that people are involved in management and leadership at different career stages and come to it from differing occupational and educational backgrounds. An extension of the *how* question

concerns the forms of management and leadership development that work in different contexts.

From both a policy and practice point of view the answer to these three main questions are relevant to the decision about how much priority and investment to allocate to management and leadership development and, if this priority and investment is to be made, what form it should take.

The fourth and fifth questions are about research to support management and leadership development policy, operations and theory. The fourth question (Ch. 6) is about how we judge research presented to us, and how we do it. The fifth question (Ch.7) is what the most useful research priories should be now, in the light of this review, and taking into account practical opportunities and current initiatives.

At the core of this review and inquiry is the idea of a possible value chain in which management and leadership development creates or adds to management and leadership capability, and that this in turn, through the creation and maintenance of organisational processes, creates economic and social benefit.

Figure 1 sets this out visually, as explained below:

Figure 1:


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MLD  ═══════▷  MLC  ═══════▷  Performance

  ⇧        ⇧         ⇧       ⇧              ⇧

┌──────────────────────────────────────────────────┐
│                      context                     │
└──────────────────────────────────────────────────┘
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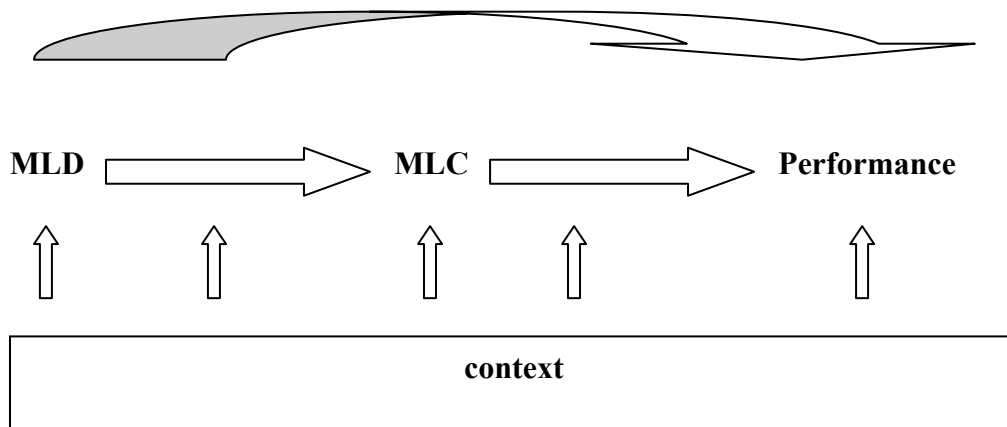
MLD = management and leadership development

MLC = management and leadership capability

Performance = that of or for individuals, organisations or the nation state, includes the achievement of economic and social goals and as variously measured by 'bottom line', target performance, stakeholder satisfaction (e.g. balances scorecards) and other methods.

While suggesting a very simple two link value chain: development creating capability and capability creating performance, this representation allows for some likely complexities:

- Performance may come in many forms and be measured in different ways.

- Management and leadership capability may come in different forms (e.g. located in individuals, teams, organisations, and be for different things (e.g. innovation, efficiency, motivation and commitment).

- There may be many different processes by which forms of capability contribute to forms of performance.

- There may be many different development processes that develop different forms of capability.

- How these processes work may vary with context (economic sector, size or organisation, etc.).

In these terms:

Chapter 3 deals with what management and leadership capability is, and what can be said about its current state – for the UK and generally.

Chapter 4 deals with the evidence-based confidence that we can have that management and leadership development contributes to performance through enhancing capability.

Chapter 5 deals with what we know about how this works and how it varies with context.

Chapter 6 deals with the research issues in making these conclusions evidence based, in a way that improves policy and practice choices.

Chapter 7 deals with the priorities that this review suggests for future research.

3: The Nature and Current State of Management and Leadership Capability

This chapter examines some of the definitional and background issues as background to the following chapters. It addresses the questions:

- What is the population of managers in the UK? (section 3.1)

- What do we mean by 'management and leadership capability'? (section 3.2)

- What do we know about the scale and nature of management development activity in the UK, and how it is changing? (section 3.3)

Chapter overview

The population of managers and leaders in the UK

- We can estimate that there are 4-4.5 million 'managers' in the UK, including those in small firms (perhaps 40% of managers). There is a demand for about 400,000 new entrants to management each year, both to renew and to grow this population.

- Many people who are not occupationally classified as managers carry out management and leadership roles, in particular very many professional workers.

Management and leadership capability

- Our current ideas about the nature of management and leadership have evolved through several decades. New ideas, such as emotional intelligence, tend to add themselves to older ideas, such as planning and organising. The debate about management versus leadership will no doubt continue, but has probably served its purpose. Suffice it to say that the aspects of management concerned with giving people direction and motivating them are now seen as very crucial.

- There has been significant research into attributes of managers who are 'high performers.' However, different researchers have approached this task in different terms. Some have looked at tasks/ activities, some at skills/ behaviours and some personal qualities. Research has usually been focused on improving selection, so has not told us much about the relationship between capability and management development.

- 'Competence' frameworks are used in many organisations as summaries of descriptions of desired management behaviours, often including activities and personal qualities as well. National Management Standards have been in existence for a decade, and have been amended several times over that period; mainly reflecting informed opinion about management and leadership rather than rigorous research. Major employers continue to use their own competence frameworks, even in the public sector, although the National Standards are widely used to accredited vocational management education. The research

summarised in the following chapters shows that competence can be linked to performance and serve a useful way of focusing learning goals.

- Many of our ideas about management and leadership capability come from work on senior managers, and may not apply so well to junior and middle managers. There are also limitations to the evidence base in terms of nationality (much work is American), gender (mostly male) and race (mostly white).

Trends in management and leadership development

- Management and leadership development in the UK is provided by a complex mix of further and higher education, and formal and informal training provided by employers. A range of other suppliers (large and small training companies and management consultancies, professional bodies etc) play into both the education and employer sectors.

- Nearly 100,000 qualifications in management and business are awarded each year, including about 19,000 first degrees and 10,000 MBAs (about 7,500 of these are UK students). There is large raft of varied vocational qualifications - NVQs, certificates, diplomas *etc.* awarded in both further and higher education.

- Management training in employing organisations in the UK has been growing slowly from a low base. Work-based learning approaches (coaching, project work *etc.*) are popular with HR professionals and with individuals, but they are often difficult to support and we have no reliable estimates of the volume of such development activity. The more exciting and innovative approaches to management and leadership development tend to be offered only to small populations - senior managers or those on high potential development programmes.

3.1 The population of managers and leaders in the UK

The UK has a large number of managers and this population continues to grow.

Williams examined the 'stocks and flows' of managers in the workforce for the CEML enquiry and estimated about 4-4.5 million people who might be said to be managers, many of whom work in small firms (Williams, 2001). An estimated 400,000 new managers might be required each year, of which the majority enter from other occupations. About 10% of these entrants to management are assumed to be meeting the growth in this part of the workforce, and the remainder are replacing retirement and other losses. So there is a continuous challenge to supply organisations with the managers they need.

Small firms are a crucial component of the national economy. Perren and Grant (2001) estimate SMEs as employing over 56% of the UK workforce, including over 1.75 million managers.

A detailed analysis of the demographics of management can be found in Bosworth's paper for the Skills Taskforce (Bosworth, 1999).

It is also important to bear in mind that many other workers not recorded as 'managers' by occupation need management and leadership skills. Most professionals manage projects,

programmes or work and often staff while using their professional skills. Only a minority of these would be recorded as 'managers', but they still need management and leadership development.

3.2 Management and leadership capability

3.2.1 Changing ideas about management and leadership

The present debate about 'management' and 'leadership' is not new. There is a long history of research into what management is, what managers do, and what managers need to have in order to do their jobs well. 'Leadership' has been of interest at different times and in different ways.

It may help to start by highlighting some of the key ideas about management and leadership that colour our current views on management and leadership capability. Some of these ideas are based on empirical research, but some are simply making sense of what people perceive to be the changing nature of the managerial or leadership task:

- Work by Mintzberg (1973) showed that management work as actually carried out is not an orderly and pre-planned process, and that managers actually spend their time in a *fragmented* and responsive way. The idea of the manager as 'fixer', problem-solver, and fire fighter is very prevalent in the UK.

- Bass (1985) talked of *transformational leadership*, as characterised by vision, optimism, integrity, intellectual challenge and consideration for individuals. Kets de Vries (1996) writes of the charismatic versus the architectural leader, and Shamir (1995) of the differences between the 'nearby' and the 'distant' leader. Alimo-Metcalfe and Alban-Metcalfe (2003) have examined the idea of transformational leadership in relation to the public sector, covering the elements of innovation, culture and people.

- Argyris has examined the notion of *empowerment* in relation to leadership (1998) and the tension between extracting compliance from the workforce as opposed to raising their internal commitment, especially during change.

- Strebel (1999) has also highlighted the link between leadership and *change* and the delicate balance to be struck between top-down and bottom-up approaches to achieving change.

- Hiltrop (1998) points to the *self-reliance* and resilience needed by leaders, linked with the recently fashionable idea of *'emotional intelligence'* (Goleman, 1996).

- *'Learning to learn'* is seen as an increasingly important meta-skill for managers (Winterton, Parker *et al.*, 2000). Antonacopoulou and Bento (2003) take the idea of learning much further in placing the idea of learning at the heart of leadership: *'Leadership is not taught and leadership is not learned. Leadership is learning.'*, a thought previously also applied to management by Burgoyne (1994).

- Many other studies have looked at specific skills needed by senior managers. They include the ability to see the 'big picture' and deal with relationships (Clutterbuck and Megginson, 1999), and the ability to work across boundaries (Colvin, 1998). The more complex the situation, for example in mergers or business alliances (Garrow *et*

al., 2000), the more a capacity to deal with personal relationships is necessary to enable progress towards achieving the strategic business vision.

- Mabey and Thomson (2000) highlighted some management skills in high demand: managing people, leadership, team working and customer focus. Within leadership they picked out motivation and teamwork followed by strategic vision and delivering results.

We see all these ideas, and more besides, in the current discussion of managerial skills. It is fairly unclear which of all these skills have been shown to link with performance, and which just seem sensible ideas.

- A recent telephone survey of Business Schools conducted by the Institute for Employment Studies asked about the people management and leadership skills which individual managers attending Business Schools were highlighting as their own learning needs. The list included: giving negative feedback; dealing with the tension between 'hard' and 'soft' management styles, delegating well when under pressure; and dealing with conflict and politics (Tamkin, Hirsh and Tyers, 2003). It is interesting to note that Business Schools were unsure as to whether they followed genuine changes in the demands on managers, or whether they themselves 'led' shifts in thinking by finding new angles for training programmes.

Some older empirical work by psychologists has attempted to discover which features differentiate managers who perform well, so as to identify capabilities which link with performance. These studies have looked for features of different kinds and used different methods.

Meta-analyses of high performance leadership competencies

- Schippman and his colleagues (1991) identified 21 main task dimensions of management work, informed by an analysis of 21 research studies between 1949 and 1986. They used an activity-based approach.

- Fleishman and his colleagues (1991) specified 13 leader behaviour dimensions evaluated in relation to 65 classifications of leadership behaviour between 1944 and 1986. This approach is based on describing behaviour in relation to four superordinate operational functions involved in all human work activities: information acquisition; information processing and decision; information storage; physical and communicative action. This cognitive perspective on human functioning tends to downplay the role of emotion.

- Yukl and colleagues (1990) defined 13 specific leadership behaviours or managerial practices. This work was based on factor analysis of the behavioural skills required for effective performance.

- Tett and his colleagues (2000) identified 53 management competencies that reflect a combination of personal attributes and behavioural skills. This study builds on work in 12 earlier studies of managerial performance between 1951 and 1993.

So the definition of what managers and leaders need can be expressed in terms of management tasks; management or leadership skills or behaviours; or in terms of personal

qualities. It is important to think about these different ways of expressing management and leadership capability when seeking to use any of the frameworks on offer. Beech (2003) is in favour of unpicking tasks, personal attributes and skills in order to clarify the objectives, design and measurement of management and leadership development. The knowledge that managers also need to have has been rather neglected in this field of work, although organisations see this as one important critical outcome of career experience (Hirsh, 2003) and, of course, it is largely what Business Schools have taught.

Leadership and management

The term 'leadership' causes considerable confusion. Some people assume leaders are those near the top of organisations and therefore define leadership in such terms, often emphasising strategy and vision. Others use the term 'leadership' to describe the more transformational aspects of management at any level, especially the motivation of employees and the management of change. So in English, the idea of 'leadership' embodies both the heroic leader at the top (Wellington or Nelson) and the brave foot soldier - a pretty confusing mix. Management on the other hand, appears a more mundane and formal affair, the dictionary definition including words like 'direct', 'control' and 'resources.'

Some writers seem to take it as given that leadership and management are distinct. For example, Boyatzis (1993) sees management concerned with competitive advantage, predictable results, and solving problems. He sees leadership as concerned with mission, purpose, change, excitement, and inspiration. Others feel that management and leadership are *'inseparably interwoven in life at work'* (Beech Working Paper, 2003). This debate about whether leadership is different from management has probably now served its purpose in the UK - to recognise that managers need to provide direction and motivate people as well as organise work.

3.2.2 Competencies and frameworks

Boyatzis and others took up ideas about managerial work in the study of 'management competency.'

Boyatzis (1982) was interested in identifying competencies, which he saw as attributes of the individual which are *causally related to effective or superior performance in a job.'* So for Boyatzis, competencies were rather stable characteristics of the person. Many have used a similar approach to identify such competencies, usually by finding high performing managers and using structured interview techniques to elicit the behaviours they show at work which are different from the behaviours of lower-performing managers.

Spencer *et al.* (1992) gives a useful account of the development of this field, especially the work of McClelland, and how it has translated into practice, especially through the consultancy HAY McBer. The resulting HAY McBer model had six broad clusters of competency - achievement competencies (*e.g.* initiative), helping/ service competencies (*e.g.* interpersonal understanding), influence competencies (*e.g.* relationship building), managerial competencies (*e.g.* developing others), cognitive competencies (*e.g.* analytical thinking), and a personal effectiveness cluster (*e.g.* self-confidence).

Derivatives of the work of Boyatzis and McClelland are widely used.

Competence frameworks used by employers

Both the idea of management competencies, and their arrangement in frameworks, has proved very attractive to major employers as part of their approach to HRM.

In translation to use, the idea of 'competency' as a personal attribute became muddled with 'competence' as skills to do a job. However, even though the two spellings and a variety of meanings persisted, by the late 1980s many large employers had developed competence frameworks and were using them in a variety of HR applications.

Hirsh and Bevan (1988) conducted a content analysis of 100 competence frameworks from 40 organisations. Three key features of the notion of competence emerged:

- that competence concerned managers in the context of their organisation and a job role

- that competence was associated with superior job performance

- that competencies were described in terms of behaviours which could be observed in the job

Some of the commonest items in the frameworks examined in the IES research were communication, leadership, judgement, initiative, organising, and motivation. While these frameworks had a strong 'family resemblance' in the terms they contained, their meaning (as defined by more detailed behavioural statements) was quite context specific.

National Management Standards and general frameworks

The ideas of management competence were adopted at national level in the MCI Management Standards, in the 1990s. These were offered as a tool for employers, but also as a framework for structuring management and leadership development in the education sector *i.e.* for the accreditation of vocational qualifications. The standards were first accredited as the basis for qualifications in 1991, and a revised set similarly accredited in 1997.

The original Standards were a complex framework, taking a largely task-based view of management broken down into managing operations, managing finance, managing people, managing information. Each of these main groups was broken down into units of competence and further into elements of competence. For each element, performance criteria and range indicators were produced, for use in assessment. These early Standards were also differentiated for various levels of management - supervisory, first line, middle, and senior management.

Management standards

Nearly ten years on and after several rounds of adjustment, the national Management Standards are now maintained by the Management Standards Centre, part of the Chartered Institute of Management. The current Standards define the purpose of management as *'to achieve the organisation's objectives and continuously improve its performance.'* There are now seven 'key roles' making up the framework - manage activities, manage resources, manage people, manage information, manage energy, manage quality, and manage projects.

A proposed revision of the National Standards (on the MSC website) makes the framework slightly simpler. There is a proposed new definition of the key purposes of management and leadership - *'to provide direction, gain commitment, facilitate change and achieve results through the efficient, creative and responsible deployment of people and other resources.'* 51 skill items are proposed arranged into six clusters: providing direction, facilitating change, achieving results, working with people, using resources, and managing self. It is interesting to note that this rather simpler, more fluid and person-centred framework is closer to those employers have been using for a long time.

Versions of competence frameworks are used across large areas of the public sector, for example the Senior Civil Service (see Cabinet Office website) and the leadership of the NHS.

Employers have struggled with earlier versions of the National Standards and how to use them alongside their own competence frameworks. The complexity of accrediting tailored management learning against the Standards has made such accreditation problematic for employers (Hirsh, Burgoyne and Williams, 2002). This is one of the issues being addressed in the shortly to be released revision of the standards.

As part of the CEML enquiry, Perren and Burgoyne (2002) attempted a meta-analysis of competencies, based on 1013 leadership abilities from the literature which they condensed into 83 nodes into 8 meta-groups, checked out with interviews. Their model contained:

- four sets of people abilities: manage and lead people, manage self, lead direction and culture, manage relationships

- three sets of task abilities: manage information, manage resources, manage activities and quality

- a set of abilities concerned with thinking strategically

They concluded that the link between these abilities and performance is only implied. The framework... *'represents a wide range of opinion of the management and leadership abilities that will improve performance.'*

3.2.3 Issues in relation to management skills and competencies

- Although many skill frameworks used by employers are based on some analysis of good performers, the approach to National Standards has been that of informed opinion. So although national approaches to management and leadership rest on a kind of consensus, we cannot be sure that the resulting definition of capability captures the essence of high performing managers. We also do not know which competencies can be significantly improved by training, or what kind of training may achieve this.

- Organisations behave as though they value knowledge as well as skills, especially knowledge gained through career experience of functions, industries, recurring situations *etc.* (Hirsh, 2003). Approaches to capability have tended to by-pass knowledge and its relationship with performance.

- Psychological research on management and leadership capability has mostly focused on selection or performance management. Using competence-based management development is perceived as effective, but tends to come later than other uses (Strebler and Bevan, 1996), and presents several significant challenges. One is that we really do not know which competencies can be improved by training. Although it is a common belief that all competencies can be learnt – and that advances in learning methodologies make this more so – there is evidence based argument that some characteristics, particularly the emotional and motivational aspects of leadership are more fixed – they can be selected for but not developed (Nicholson 1998). Another is that the assessment of competence is far from easy. A third is that there are tensions between using competencies for performance management and using them for development. To put this last one crudely, why would you confess to the need to develop competencies when your pay rise depends on your showing you are already perfect?

- Although many of the skills needed by managers and leaders are common to the whole management population, they need to take different forms for managers at

different levels and in different types of organisation. The manner in which the CEO of a major corporation leads change will be different from that of a departmental manager in the same organisation and different yet again for the MD of a small firm. Many competence frameworks used are influenced by American research conducted long ago on small numbers of male senior managers. This is one reason why major companies insist on tailoring their approaches, and often differentiating by level of management.

- Many of the idealised attributes of leaders and managers are not really behaviours rewarded at work. As Keep and Westwood put it (2003) there is a *'gulf between what managers do and are required to do by the organisations that employ them, and what theory or even best practice models say they ought to be doing.'* This rhetoric-reality gap presents a real problem for the suppliers of management and leadership development. Boyatzis (1993) may be witnessing this same tension when his data shows that some managers have the skills to act as leaders but choose not to use them.

3.2.4 Ethnic minority groups in management and leadership and gender differences

The number of women in senior management roles remains well below that of men (12% of the female population of working age as opposed to 19-20% of the male population of working age) (Williams 2001). Similarly, there are disparities between the ethnic minorities with some over-represented in management as a percentage of their numbers in the total employed population (particularly Indian ethnic groups) and others (particularly black groups) under-represented. These issues are not easy to address and more legislation is not the answer. The reasons for the differences between ethnic groups in management occupations are little understood. Much more data would be needed to identify key factors. For example, it may be that some groups are over-represented because they tend to start their own businesses and thus become owner managers. The reasons why this might be so in some ethnic minorities but not in others are little understood. There is simply insufficient evidence to say. Similarly, not enough is known about the job choices and career patterns of underrepresented groups. More research is needed if appropriate national strategies are to be introduced.

There are similar problems with gender. Not enough is known about the kinds of jobs held by women. It is possible that they are 'clustered' just below senior management positions and have difficulty 'breaking though' the glass ceiling to rise to the top. On the other hand, it may be (Nicholson 2000) that they deliberately choose more 'female friendly' arenas because they seek less competitive and more caring environments than that found in most management occupations. This idea is also reflected in another recent study which explores what it means to be a woman and a manager (Bryans & Mavin 2003). The study is based on questionnaires and group discussions with women managers, and finds that women are faced with a contradiction: whether to learn to fit into the dominant paradigm of management, or to play a different game.

Research undertaken among MBA graduates found that there were differences between men and women in the effect on their careers (Simpson - see box). Other research supports these findings. Nicholson and West (1988) found that while men valued external benefits such as salary and status, women placed more importance on working relationships and job satisfaction. Gender differences in the management population arise therefore from a complex set of issues and will not be easily resolved.

Gender differences in career effects of MBA

A study of MBA alumni (Simpson 2000) found that the MBA serves different functions for men and for women. For men, the benefits were mainly in terms of enhanced pay and status. For women, they were in terms of personal development, increased confidence and a greater sense of self-worth. Women did progress in the middle levels of management, but less so to the most senior levels. The research suggests that this reflects differences in the values which men and women hold and the way in which they view their own development.

3.3 Management and leadership development: current state, recent and future trends.

3.3.1 Volume and nature of management and leadership development in the UK

Management development consists of a wide range of activities including the following, associated with which there are discernable trends:

- Management training given by employers in the form of courses and, more recently, through e-learning. The trend to e-learning as the latest form of distance learning has been a recent one. There has been some pulling back from this after the initial enthusiasm, and the current preferred approach is blended learning – a mix of e-learning and face-to-face activity.

- Training provided to employers by private training suppliers. This has been a growing trend and is linked to the growing business trend to outsourcing, including HRM and other business functions.

- Management education (often associated with Business education) through open programmes delivered in further and higher education and leading to a wide range of qualifications. This has been a growing and expanding activity over the longer term, which has levelled off or even declined in recent years in terms of UK use. For many Business Schools and programmes (for example full time MBA's) the greater use has been international, particularly the economically developing parts of the world that are not yet self sufficient in management education, and from which study abroad is seen as supporting developing business in the global economy. In terms of potential impact on the large UK management and leadership population, programmes from the Further Education sector are of considerable significance.

- Executive education delivered by Business Schools as part of in-company or consortium activity, which has been an area of recent growth for larger companies.

- Learning in the workplace on-the-job and through career movement, which has always gone on, but is increasingly done deliberately and with facilitation by organisations.

- Management training provided through a wide range of professional bodies as part of accreditation and continuing professional development (CPD). This is an area where

there is a significant perceived opportunity, and some initiatives, and one which was identified by CEML as an area of future opportunity (Perren 2001).

Some of these forms of management development are easier to quantify than others.

We have not included here the literature on organisation development (OD). This has a blurred boundary with management and leadership development. OD interventions may be of considerable significance as leadership becomes more recognised as a collective as well as individual capability in organisational settings (see 7.1).

> Boyatzis *et* al (1996) estimated the value of management development activity as thirty-seven billion dollars worldwide. It was not clear on what this figure was based.

Although national studies have often bemoaned the low access to management education in the UK, based on 1999 estimates over 100,000 qualifications in business and management are awarded in HE and FE each year. This figure is based on a rough and ready addition of the figures given below.

> The CEML advisory group looking at management and leadership development outside HE (2002), mapped this provision and attempted to quantify it where possible. This report suggests:
>
> - 20 million days a year of formal management training in the UK, not including management training for those not classified as managers. This estimate is based on Thomson *et al.*'s (1997) estimate of 4.6 training days per manager in small firms and 5.5 in larger organisations, so these figures are now somewhat dated.
>
> - High use of structured on-the-job training for professionals and managers (CIPD training survey, 2001).
>
> - Numbers of vocational qualifications obtained outside HE in 1999/2000 were estimated, at around 54,300. Over 70% of all these qualifications were at Level 3, with only 9,500 at levels 4 or 5. About 10% of all the vocational management qualifications taken outside HE were NVQs or SNVQs.
>
> - It is interesting to note that *'the number of people achieving management units within other NVQs, far outweighs those achieving management NVQs as such.*

Brown (1999) points to the relative failure of the NVQ structure to impact on management training in the UK. He points to doubts about Standards and the cost/ unreliability of assessment . Thomson, Mabey *et al.* (2001) also point to the 'confused and overlapping qualifications' in management.

In spite of the fragmented nature of management and leadership development provision, the CEML advisory group found 'no evidence of a shortage of learning opportunities, though employers often find it difficult to identify provision that meets their needs.'

A parallel CEML advisory group (CEML Business Schools report, 2002) examined the provision of management and leadership development within the HE sector.

CEML data on management related higher education

- There are about 140,000 undergraduate and postgraduate students in Business and management studies in UK universities (1999/2000).

- 19,100 first degrees were awarded in Business and Management in 1999/2000, although this number rises to over 31,000 using the wider category of 'Business and Administrative Studies'

- Around 10,000 MBAs were awarded in 2000, but only 56% of these were awarded to UK students (many MBAs are overseas students). UK students only accounted for 28% of full-time MBAs. Nearly three times as many home students got their MBA by part-time study as by full-time study.

- In addition to first and higher degrees, universities also offer a range of vocational courses in business and management. In 1999/2000 nearly 5,000 such qualifications were awarded at postgraduate level, plus about 6,800 at undergraduate level (including HNDs).

- Most of the executive education provided to employers by Business Schools is concentrated in a very small number of institutions, at least some of which are of high quality. This form of management and leadership provision tends to be used only for senior or high potential managers.

- There are about 7,000 teaching faculty in Business and Management in HE - a very substantial resource.

When it comes to formal training provision by employers, Thompson and Mabey's studies (1997) suggest a modest increase in formal management development provision by employers over a ten year period to 1996. They concluded '*the priority given by organisations to management development has increased significantly compared to ten years ago, and is expected to increase further in the foreseeable future.*

Mabey and Thomson (2000) estimated 8 days of informal training in addition to over 6 days of formal training per manager, and a training spend of £1000 per manager by organisations able to give figures.

Of its nature, the volume of work-based management development (*i.e.* development other than courses) is impossible to estimate (Woodhall and Welchman, 1998).

It is important when comparing patterns in different countries to realise that their histories of management education vary very widely. Some of these features are reported by Mabey and Gooderham (2003) on the basis of empirical work. The UK spends rather less on management development than the European average in terms of formal training. Some

countries, such as Germany, rely on in-company management and leadership development plus career experience to develop their managers. Others, such as Denmark, have strong systems of vocational education alongside academic education, and much management learning occurs in the education system. The UK emerges rather oddly as having vocational qualifications in management, but HRD professionals who ascribe little value to this way of learning management and leadership. The UK also emerges, as so often, as having a short-term attitude to management and leadership development compared with some European neighbours.

It is worth mentioning here that professional bodies in the UK are starting to become more active in the provision of management and leadership development for people who would be classified as 'professionals', more than 'managers'.

- Perren (2001) in survey for CEML of 149 professional bodies found that these bodies did see management and leadership as important, but that such skills are not often included in membership entry or CPD. Professional bodies in the fields of policy, administration and business support (*e.g.* local government, information, personnel, purchasing and supply) placed higher value on management and leadership than bodies representing other fields of work.

- Fox *et al.* (2001) sought the views of a small sample of professionals as well as some professional associations and some development specialists. The terms 'management' and 'leadership' were used interchangeably. The professionals themselves felt that the most important aspects of management/ leadership were interpersonal/ relationship skills and communication skills. The professional bodies and trainers agreed less on what was important. The trainers used mainly conventional learning methods (classroom, courses) but also learning sets or action learning and e-learning. Coaching was also fairly prevalent. Practitioners favoured informal means of development and selected formal learning on an *ad hoc* basis. Most of the associations had some links with suppliers of management and leadership training. Some accredited university courses in management as part of their CPD offering to members.

3.3.2 Trends in management and leadership development

As we have seen from the quantitative estimates above, UK investment in management and leadership development does seem to be increasing, albeit from a low base. Although on the whole this is good news, there are still many managers, especially in smaller firms, who have no formal management education or training prior to entering work and little in the workplace (Williams, 2001). Both shortages of money and of time impede access to management training by some of those who might benefit from it.

There are also changes in the type of management and leadership development activities being undertaken. IES conducted a review of trends in management development, based on literature and seminars held with about 30 major employers (Hirsh and Carter, 2002). It found that changes in management and leadership activities stemmed from changes in:

- The nature of the challenges organisations perceived for their managers, especially in what might called the 'leadership' aspects of their jobs (as discussed in section 3.2)

- Changing notions of how people learn, especially higher interest in work-based or action learning, and also types of learning engaging managers at a deeper personal level in their learning.

Evidence on general changes in the delivery of management development

- An IDS review of management development (1989) pointed to many of the trends we still see today. There was a strong desire to tailor training and make it useful and this led to arguments for and against on-the-job training as opposed to off-the-job courses. Some companies felt they did best through tailored in-house provision and others joined consortia. MBAs were supported by some companies, with some developing company or consortia MBAs. Secondment was on the agenda in the late 1980s, but mentoring and coaching were not mentioned in this review.

> Thomson *et al.* (1997) carried out a large scale survey of management development practice in the UK. Companies reported a move away from 'sheep dip' training and also spread their training input across all levels of management. Although they wished to see management development as a longer-term activity, it was still tactical and short-term in implementation, largely focused on current job requirements. However, over half the organisations supported managers taking further qualifications. The trend to more context specific training such as coaching, mentoring and project working has been widely discussed (see also Horne and Stedman Jones, 2001). However Mabey and Thomson (2000) indicate that formal training is still very important - 33% of large organisations use more informal than formal management learning, 24% both equally, and 42% more formal than informal.

- 360-degree feedback has proved to be a powerful lever for engaging managers with their own need for skill development (Kettley, 1997) and at it is most useful when integrated into a development programme.

- Woodhall and Welchman's study (1998) on 'work based management development' in 31 organisations concluded there was a gap between all the talk of tailored individual learning in the workplace and its implementation. '*Coaching and, increasingly, special projects are the interventions most likely to be consciously promoted, but explicit guidance on using these learning interventions is rare.*'

- A good deal of development activity in the 1990s was directed at the issue of managing or leading change. Doyle (1995) found that the impact of formalised management training activity during change was often resisted due to the residual culture and style of the managers. In seeing management development as part of culture change, Holbeche (1999) discusses the problem of senior management training as appearing remedial. She argues that feedback can help managers to see the need for change, but their willingness may still be lacking.

- There is considerable interest in the use of e-learning, sometimes presented as programmes or modules within a 'corporate university' (Sloman, 2001; DTI, 2000; Burgoyne 2001). Burgoyne found that companies were seeking to use e-learning alongside face-to-face leadership skill development rather than intending to replace personal contact in management development. Evidence from the CIPD training survey (2002) shows that, while e-learning is used by many employers, it tends to be used alongside other training methods and is more used for IT staff than for managers.

Development for senior managers and business executives

- Marx and Demby (1998) found that that standard development programmes still prevail in most companies, with senior managers rewarded to a certain extent by attendance at prestigious Business Schools. However, more individually tailored development such as executive coaching is likely to be more effective. They found a growth of consortia programmes designed to broaden the thinking of senior managers by bringing them into contact with people from other organisations.

- Kettley and Strebler (1997) echo this in their study of the changing role of senior managers. They note that *'formal business education and training for senior managers is increasingly context specific, delivered in partnership with external experts and focused on new business concepts and strategic learning. Many are experimenting with more individually focused approaches to learning including coaching, counselling and personal feedback.'*

- Many companies have defined generic and/or senior management competencies (as discussed in section 8.2), although they vary in the extent to which these really underpin management development. Holbeche (1998) identifies many companies using competency approaches, 360 degree feedback, personal development plans and assessment centres to help link their succession planning processes with corporate and management development strategies. Many companies have also determined a set of generic leadership competencies (*e.g.* BP, Texaco, Smithkline Beecham), but Holbeche warns against 'the limited shelf life of success profiles when business requirements change'.

- Alimo-Metcalf *et al.* (2000) points to some of the same trends in leadership development: emphasis on feedback (including 360 degree feedback), action learning, cross-functional teamwork and the involvement in senior people of delivering development themselves (*e.g.* as coaches or mentors). Mentoring and coaching have received increased attention in recent years, especially for more senior people at one extreme and new joiners at the other. Ford (1991) argues that executive coaching can transform performance by allowing executives to establish their own criteria for improvement.

- Some organisations have used formal mentoring 'schemes' mainly for either graduate entrants or senior managers. Clutterbuck and Megginson (1999) identify mentoring as covering a wide range of different support to individuals. Three common roles are defined as executive coach (a short-term help with specific skills), elder statesperson (sounding board and role model), and reflective mentor (increasing self-awareness through constructive challenge).

- Carter (2001) in a review of the use of executive coaching, shows that this approach is very popular with large organisations and quite attractive to many managers. However, extending its use to wider populations of managers is limited by its cost and the restricted supply of high quality coaches.

An IES review of trends in management development (Hirsh and Carter, 2002) included the following findings:

- Management training still needs to provide a coherent view of what managers need to learn, but delivery needs to be more flexible and to fit into the busy working lives of managers, for example through shorter or more modular training courses.

- The development of inter-personal and leadership skills is a high priority and not easily achieved through conventional formal training.

- There has been a huge growth of interest in more personal forms of development support such as coaching and mentoring.

- Most managers are now told to manage their own careers, but do so with little effective support or information.

- Line managers have been given a number of important roles in the development of their subordinates, but they may not yet be equipped to carry these out, or really be encouraged to develop others.

- High attention is often given to senior managers and 'high potential' staff both in their skill development and in career planning. These approaches are labour intensive and not easy to extend to the majority of the management workforce.

- Career development is a vital form of management and leadership development. Pro-active career management is mainly used for very senior managers or populations of special interest (such as high potential managers or graduate trainees).

4: Does Management and Leadership Development Enhance Performance?

This chapter examines the evidence for a positive effect of management and leadership development on national, organisational or individual performance. It seeks to address the following broad questions:

- Does management and leadership capability make a difference to *national* performance? (4.1)

- Does management and leadership development increase *organisational* performance? (4.2)

- Does management and leadership development increase *individual* management and leadership capability and individual performance? (4.3)

- Does *higher education*, especially higher education in business and management, increase individual management and leadership capability, individual management and leadership performance, or organisational performance? (4.4)

The issues of *how* management and leadership development affects performance in different contexts is dealt with in Chapter 5.

Chapter overview:

Management and leadership capability and national performance

- The UK has tended to ascribe its relatively low productivity to poor quality management, although there is evidence that other factors may be more critical to national economic performance.

- Fewer UK managers have had high-level qualifications (especially degree level) than those in some other developed countries. This has been a function of the generally low historic rate of participation in higher education in the UK - now no longer the case.

- There is really no reliable evidence of the relative *quality* of managers in different countries. Qualifications are not a reliable indicator of management and leadership capability, especially when comparing between countries.

- Other occupations show more serious skill shortages than management, but there is evidence of a 'skills gap' in the quality of UK managers as perceived by employers and by the staff they lead.

Management and leadership capability, management and leadership development and organisational performance

- We have relatively small numbers of studies that provide direct empirical evidence of an effect link between management and leadership development activity and organisational performance. Those we do have are, however, positive about this link, but suggest that it is the coherence of the management and leadership development

effort and top-level commitment to it, which may affect organisational performance more than the volume of management and leadership development activity.

- There is a large volume of evidence on the wider relationship between HRM practices and organisation performance. This seldom looks in depth at management and leadership development but often finds that aspects of employee development, which would include management and leadership development, are important correlates of organisation performance. Again the most recent work tends to emphasise that it is the alignment of HRM with business strategy, the internal coherence of HRM, and the quality of implementation which are probably affecting organisational performance, not just a set of 'best practice' HRM policies.

- There may be 'low skill' business strategies that can succeed in some sectors with low investment in employee or management development.

- The work on HRM provides clear evidence of the importance of people management in organisational performance. In that managers and leaders are nearly always those who deliver HRM through their ability to lead and motivate staff, this is a strong body of evidence pointing to a link between these aspects of management and leadership capability and organisational performance.

Management and leadership development, individual capability and individual performance

- There is very little direct evidence of an effect link between management and leadership development activity and individual changes in capability or performance. This may in part be because little research activity has been directed here. It may also be because 'unpicking' this causal chain is made very difficult by the wide range of contextual factors that affect learning outcomes and their translation into performance outcomes. Small-scale evaluations of management training conducted by employers may now quite frequently measure behaviours before and after training, but these studies are rarely published in the UK.

- Wider research on training and development as part of HRM would seem to indicate that the link between learning and performance is likely to involve employee attitudes (e.g. commitment, the psychological contract, morale) as well as capability. So management and leadership development will need to influence the attitudes of managers as well as their skills.

- Managers and employees believe that training and development of a more active type, closer to work tasks, is more likely to improve performance. However direct empirical evidence that this is the case is still lacking. What goes on before and after a learning intervention is also crucial to its impact.

- In pursuing the link between management and leadership capability and performance we may need to consider wider factors, such as how managers work with each other and the high level HR capabilities needed to align management and leadership to the needs and direction of the organisation.

Business and management higher education and performance

- There is considerable evidence that degree level educational qualifications in business and management confer employment benefits on the individual, and that individuals

choose such courses largely for vocational reasons. In the case of the MBA, short-term salary benefit is higher for full-time courses at prestigious institutions.

- Although graduates often report positively on their learning at Business Schools, this does not translate into positive evidence of improvements in their performance at work. This is not to say that Business School learning does *not* affect performance, but rather that systematic attempts have not yet been made to document such an effect.

- There is very little, if any, published *evidence* that investment in business and management higher education improves organisational or national performance. Courses including practical and interpersonal skill development appear to be somewhat more likely to improve the quality of UK management and leadership compared with those using traditional higher education teaching methods.

4.1 Management and leadership capability and national performance

Many would feel that the question 'Does management and leadership capability make a difference to organisational or national performance?' is hardly worth asking. Managers and leaders, it can be argued, are bound to affect performance both in their direct contribution to better business decisions and better-managed people, and indirectly through their impact on wider institutions and policies both at organisational and national level.

However, we start examining evidence at this point because the national argument about low productivity and its supposed link with poor quality of management has strongly influenced government interest in issues of management and leadership, as witnessed by the CEML enquiry reporting in 2002.

4.1.1 Does management and leadership affect national productivity?

There is persistent concern that levels of productivity are low in the UK. Reports dating back to the 1980s (*e.g.* Handy, 1987; Constable and McCormick, 1987) assumed a fairly simple link between national economic performance and a deficit of good managers. Although the evidence of a link between the supply of managers and this economic under-performance is far from clear, the government's interest in this relationship remains unabated (DTI, 2001).

> Porter and Ketels (2003) have recently reviewed the evidence for causes of the UK's relatively poor productivity compared with other countries. Porter questions to some extent that the UK's economic performance is poor, and more strongly questions that the quality of UK management is the most important determinant of economic performance. Other institutional factors seem likely to be more important. On the issue of management quality, Porter recognises that *'there is always room for improvement'* but also that *'efforts to upgrade management will not however be sufficient to achieve a sustained improvement in UK competitiveness.'* Porter also judges it likely that the issue of management quality should be of more concern at lower levels of management, where the UK management development infrastructure is weaker.

A recent report from SKOPE (Keep and Westwood 2003) also takes a cautions tone. These authors cast doubt upon the efficiency of managerial practices and quote research showing

that only a minority of business process re-engineering programmes added to share values. The same was true for mergers and acquisitions. They use these facts to support their argument that management skills are not adequate. Overall, it has to be concluded that there is clearly a great deal that we do not know about how managerial behaviour affects business performance.

4.1.2 Does the UK have a management skills shortage?

If management and leadership were having a negative effect on the economy, one might expect a clear deficit of management and leadership skills to be reported. The evidence shows that management skills are by no means the biggest skills challenge for the UK.

The National Skills Taskforce examined skill shortages and skill gaps in many sectors. Management skills were part of this study in each sector. Although the sectoral reports of the National Skills Taskforce often mention managers, management skills are not included in the six main areas of skill deficiency identified overall in the UK (basic skills, generic skills, maths, intermediate level skills, ICT, adults with no qualifications) (DfEE, 2000).

Campbell *et al.* (2001) in the 'Skills in England' report reinforce the view that skill shortages are predominantly in technical skills, but they do mention management skills as an employment 'hotspot' along with intermediate level skills, ICT, generic/ transferable skills and numeracy.

More detailed evidence from other studies reinforces the view that there may be qualitative shortfalls in management skills, but such evidence is based on perceptions of management quality by other employees.

- Horne and Stedman Jones (2001) in a survey of 1500 managers found that over a third of managers and almost half junior managers rated the quality of leadership in their organisations as poor (although this survey did have a low response rate). This study also casts doubt on asking top managers their opinion of leadership. Senior managers and executives were far more likely than junior managers to rate the quality of leadership as high.

- Charlesworth *et al.* (2003) in a survey of over 1800 public sector managers found only a third of managers giving a high rating to senior management teams, but 44% giving a high rating to their immediate manager.

- Keep and Westwood (2003) use wider business arguments, for example the low business gains from business process re-engineering programmes and mergers, to argue a lack of managerial skill. These failures are by no means unique to the UK.

There is little reliable data on the quality of UK management relative to that of other countries. The Institute for Employment Studies has recently helped DTI scope the availability of internationally comparative data on the management population and its qualifications (Jagger *et al.*, 2002), which showed just how difficult this task is.

One international difference, which is relatively easy to measure, is the proportion of managers who have higher-level educational qualifications (typically degrees or equivalent).

Johnson and Winterton (1999) reported 18% of managers qualified to degree level. The influential Handy report (1987) posed the argument that managers in the UK have not been well educated compared with their counterparts in other countries.

- Bosworth (1999) in a very comprehensive overview of the stock of UK management highlights the low qualification levels of UK managers relative to those of competitor nations, and comes to rather pessimistic conclusions about the quality of UK management. His conclusions can be taken as pessimistic on the grounds that he does not acknowledge capability that is not formally accredited by formal qualification, and that he may not accept that 'lower' level qualifications could reflect the appropriate capability for many situations.

It seems possible that less higher education may mean UK managers are less well prepared for their work, but the argument is not secure in terms of evidence. It is a function of the UK's educational history and also our broad definition of the occupational group 'manager' that many managers have not in the past had degree level qualifications. This does not necessarily mean that they were not able people of high intelligence and inter-personal skills. The UK now has quite high participation rates in higher education (Campbell *et al.*, 2001), so this situation will in any case change, albeit slowly in terms of the overall stock of managers. Wood (1992) concludes this is likely to lead to some improvement in the quality of managers.

Assessing whether lower qualifications also means low managerial skills relative to other countries is tricky. We have very little reliable evidence as to whether UK managers are 'better' or 'worse' than those of other countries. For example, Bosworth quotes an Australian survey of Asian business executives (Savery *et al.,* 1994) and their opinions of the managers of various other countries. It is hard to know on what direct experience of UK managers such opinions would be based in a study conducted in Asia.

While examining the bit of the chain that may link education to management capability to national performance, it is also worth flagging the dangers of using low levels of education to prescribe *management* education in particular. Section 4.4 shows the evidence for and against the impact of business and management higher education.

4.2 Management and leadership development capability, management and leadership development and organisational performance

4.2.1 Management and leadership capability and organisational performance

Most of the time we take it as given that the quality of managers and leaders affects organisational performance. However, there is little direct evidence of the extent or nature of this impact. The work of Peters and Waterman (1982) was one highly influential example of an attempt to link the nature of management and leadership with organisational culture, as well as with more formal managerial processes and systems. Some of the features of organisations that they saw as causing 'excellence', identified through their case study approach, were motivation, 'bias for action', and productivity through people. By implication they suggest that these in turn are achieved through management and leadership effort.

A different and more focused approach to linking the quality of management with business results is shown in the analysis of the employee-customer-profit chain.

The employee-customer-profit chain

Rucci el *al.* (1998) analysed two quarters of data from 800 stores in the Sears retail group in the US. The data covered business data, customer and employee attitude data. Causal pathway modelling was used to unpick the cause and effect relationships linking employee attitudes, customer attitudes and business results. 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 through a critical item *'how does the way you are treated by those who supervise you influence your overall attitude about your job?'*

Barber et al (1999) conducted a similar study with nearly 100 stores of a major UK retailer. The data collected spanned 65,000 employees and 25,000 customers. Employee satisfaction and employee commitment were related to sales increases. There were also more indirect links to sales through improved staff attendance and increased customer loyalty (linked with customer service). The quality of line management as perceived by staff emerged as an important link in this value chain via its impact on employee commitment.

This evidence would tend to reinforce the high interest in managers as motivators of staff who then produce better business results.

- Cockerill (1993) tried to link management capability with organisational performance. He sought to validate a framework of seven competencies (information search, conceptual complexity, team facilitation, impact, charisma, proactive orientation, achievement orientation) on 150 managers in 5 organisations. He found that the selected competencies were positively related to measures of organisation performance except one, achievement orientation. Overall, the competence of a manager explained about 15% of unit performance in dynamic environments. In more stable environments, there was little relationship between the high performing management competencies and unit performance. This points to an interesting possibility, that we need managers and leaders more when things are changing.

Perhaps the strongest evidence that managers 'make a difference' to organisational performance lies in the research linking HRM with performance (4.2.3 below). The delivery of people management, as conducted very largely by managers, is now well proven to have a strong association with organisation performance, although proving causality is still difficult.

4.2.2 Management and leadership development and organisational performance

While much has been written about the broad benefits of investing in management development, what evidence is there concerning the specific impact on organisational performance of training and development of managers? Empirical studies are still small in number.

Management development and organisational performance

- A management-training programme provided by British Telecom was claimed to have saved the company £270 million. This figure was an estimate made by managers of the value of errors made by untrained junior managers, and waste caused by missed deadlines, customer complaints *etc.* Performance improvements were examined following each training course (Lee, Coaley and Beard, 1993).

- Winterton and Winterton (1996) in an in-depth analysis of 16 UK organisations, looked at the impact of competence-based management development activity on performance. They found a statistically significant relationship between competence-based HRD systems and business performance, especially where the management development activity was linked to business strategy. Although a frequently quoted example, this was a comparatively small-scale study.

- DTZ (1998) examined 127 firms that were using TEC (Training and Enterprise Council) related management development activity. 63% of firms could identify an impact of this development on business performance. The types of impact most often mentioned by respondents were: improved morale of staff, an improved response and greater flexibility shown by managers, and improvements in quality, leading in turn to greater customer loyalty or new business. Indirect impacts were identified to be: an improved management style, better tracking of projects and evaluation of their worth to the firm, and greater understanding of the value of training and human resource development in general. Only 18% of firms felt they could identify 'definite and direct' business impact, and fewer than 9% could quantify this impact. Of the 11 firms that felt able to provide a monetary estimate of the impact of training, nine were involved in the Investors in People process.

- Fox and McLeay (1991) examined the recruitment and selection, management development, performance appraisal, rewards and recognition and career planning processes of 49 UK companies operating in the engineering and electronics sectors. The team were careful to distinguish intent (HRM systems), practice (the reality of how staff are recruited, promoted, rewarded and developed) and the internal coherence of such activities. They found a clear positive relationship between financial performance and the degree of integration between corporate strategy and the human resource management functions *in practice*. So it was the implementation of HR that was the important variable, rather than the supposed systems.

- In a UK study of management training which secured the views of both HRD managers and MBA managers participating in training activities (Mabey and Thomson, 2000), it was found that positive outcomes of management development investment, whether measured by perceived success in achieving objectives, perceived organisational impact or personal satisfaction, could largely be attributed to the way an organisation made its policy choices concerning the setting up and running of management training and development processes. Particularly important in this regard was the commitment given by the company to training activity. Policy statements, high priority, centralised management development systems and responsibility for management development emerged as the key elements of this

visible corporate commitment.

- Thompson (2000) found that company performance in over 600 aerospace establishments was not related at all to total management development spend, but high performing firms spent more of their management development budget on people management skills (27% of spend) than low performing firms (9% of their spend).

- Mabey and Ramirez (2003) have led an EC funded research project analyzing management development in six European countries. Interviews were conducted with the HRD manager and a line manager in 600 private sector organisations. Findings indicate that 25 per cent of variance in organisational performance is explained by three factors: a strategic approach to HRM, a long-term, proactive and strategic approach to management development and, on the part of line managers, a belief that their employer takes management development seriously. These results hold true, irrespective of country, size, sector and growth. Interestingly, neither the presence of management development systems/procedures, nor the amount and diversity of management training activities enhance performance to a significant effect (Mabey and Gooderham, 2003). This study used a seven-item measure of performance, benchmarked by sector, a mean score of that reported by HRD and line managers. A further analysis on a sub sample of 180 companies where financial data was available (from the Amadeus database) discovered that where line managers reported positively on their employer's management development strategy, this explained a modest but significant amount of variance (15%) in firm productivity.

Few studies have taken leadership, as opposed to management, development as their focus.

Leadership development and organisational performance

- Barling et al (1996) conducted a study on the effects of transformational leadership training in one region of a large Canadian bank. The study was small but noteworthy for its stringent design. This took pre- and post-training ratings and compared those receiving training (one day, plus four booster sessions at monthly intervals) with a matched sample of managers who did not. Significantly positive impacts were found for those participating in the training when measured by subordinate perceptions of their leadership, subordinate ratings of their own organisational commitment and two aspects of branch level financial performance.

- In a study of the state of leadership in UK organisations, Horne and Stedman Jones (2001) concluded that where systematic implementation of leadership development did exist, this related strongly to the perceived quality of leadership in that organisation and organisational performance. The latter was measured by self-report estimation of financial turnover during the past three years. The leadership development methods perceived as most effective were found to be formal mentoring, project management and 360 degree feedback.

Training and organisational performance

A limited amount of research has been conducted which focuses on the organisational impact of *employee* (rather than management) development or training. Although these studies do not differentiate managers from other employees, they do throw further light on the ways in which development can enhance performance.

Dearden *et al.* (2000) used longitudinal data from the Labour Force Survey and industry-level productivity data to show that investment in training increased the value of each worker in productivity terms far more than it cost in increased wages.

In a study of 319 US business units, Koch and McGrath (1996) investigated whether the amount of formal training undertaken and the extent to which firms promoted from within improved their productivity. They concluded that such effects were indirect because they only occurred when other, more sophisticated HR planning and evaluation, recruitment and selection strategies were used in combination with training.

Macdonald and Smith (1995) found that firms, in their sample of 437 publicly traded companies, with performance management systems (explicit job goals, incentives and feedback mechanisms) and ample learning opportunities to achieve these goals, performed at or above industry averages. This study had a longitudinal element, pointing to a likely causal effect.

Rix et al (1993) conducted a qualitative study of 24 groups of employers and 19 groups of employees, some committed to IiP and others uninvolved. About half of those committed to or recognised by IiP, saw the enhancement in training activity bringing business benefit, although this was not measured in financial terms.

4.2.3 Wider HRM and organisation performance, and management and leadership

Although there are relatively few, though cautiously positive, studies of the impact of management and leadership development on organisational performance, there is a large and increasingly coherent body of data on the link between HRM practices more widely and organisational performance.

There is a 'double relationship' between management and leadership development and HRM in relation to performance. On the one hand HRM is a major area of the application of management and leadership development – HRM is managed and lead, and the evidence that HRM contributes to performance supports the case that good management and leadership in this area contributes to performance. On the other side, from a traditional point of view, management and leadership development is one of many HRM practices, and the evidence that it plays a part in HRM effect, alongside other strands of HRM, is also of importance.

Finally, the HRM – performance research is amongst the most thorough, extensive, and international, so we can draw important lessons from it methodologically.

This field of research is important to the management and leadership development debate in several ways:

- As we will see, training is almost always one of the HRM practices associated with superior organisational performance. This makes it very likely that management training, as part of wider training, makes a positive contribution to organisational performance. Indeed, in a synthesis of research in this area, Becker and Huselid (1998) identify 'management development and training activities linked to the needs of the business' as one of four key HRM systems.

- Managers are an input to HRM as well as an output. Nearly all the HRM processes identified as important in this research are ones which managers need to implement through their personal skills *e.g.* high involvement of employees, performance management *etc.*. Managers are also of course important deliverers of training and development to other staff. So these positive HRM practices rely on good quality managers for their delivery. This argument is especially important in some of the most recent research (*e.g.* Purcell *et al.,* 2003) that emphasises the quality of implementation of HRM.

- This field is starting to lay down some clear markers as to conditions under which HRM is most likely to support high performance. These markers mostly concern 'fit' - of HR processes with each other and of HR strategies with business strategies. Again, this work provides stronger support to the hypothesis suggested in the previous section that management and leadership development is most likely to need this kind of 'fit' if it is to raise organisational performance.

- For an excellent review of all but the most recent of these studies, see Richardson and Thompson (1999). Only a few key studies will be used here to illustrate a much larger published literature.

'High performance' HR practices

The key early studies of HRM and performance were mostly American and looked at whether certain 'high performance', or 'progressive' work practices were associated with higher organisational performance.

- Huselid (1995) examined 13 measures of HR practices for both managerial and non-managerial staff in over 900 firms. The practices selected were so-called 'high performance' work practices (quality circles, profit-sharing, appraisal *etc.*). One of these HRM measures was the number of hours training over last 12 months. Measures of HR and financial performance were reported at company level. Firms employing these practices registered significantly lower staff turnover, higher staff productivity and better financial performance over both the short- and long-term than those firms that did not adopt the 'high performance' practices.

- Another wide ranging study, this time of 590 firms in the U.S. adopting 'progressive' HRM practices, including selectivity in staffing, training and incentive compensation found these practices related positively to perceptual measures of organisational performance. (Delaney and Huselid, 1996). These effects were similar in profit and not for profit organisations.

- Pfeffer (1994) identified five top-performing US firms between 1972-92 based on percentage of stock returns. These companies were characterised by 'high commitment' work practices. Drawing on secondary data from the global automotive industry and other industries, as well as evidence of 'best practice', Pfeffer claimed that people management practices were enduring sources of competitive advantage

(Pfeffer, 1998). One of his seven high performance management practices impacting the bottom line was high expenditure on training.

In these HRM-performance studies, training is often measured in very simple ways, most often training spend or proportion of employees receiving training. Sometimes measures are included for both training for new staff and for experienced employees. Although this evidence points to a possible positive link between employee training and organisational performance, training is not often the employment practice *most* strongly associated with performance in these macro studies. Practices around work organisation and performance management usually come out more strongly. These studies also show *association* rather than causal links between HRM and organisational performance.

Contingency models of HRM

Other researchers have become more interested in the idea that the range of HRM practices which will affect performance depends on the type of business and HR strategies being adopted. They tend to distinguish between 'low road' strategies that rely on cost reduction and 'high road' strategies that focus on quality, variety or service. The empirical evidence here is interesting but less substantial than for the universal 'best practice' approach.

- A longitudinal study of 388 manufacturing organisations in Florida collected data about the age, sales, export performance, life-cycle stage and markets of each organisation, and asked each CEO to judge the degree to which the human resource strategy of his or her company supported international activities (Gomez-Meija, 1988). It was found that the most significant predictor of success in exports, as measured 30 months later, was the human resource strategy of the organisations sampled. For instance, if an organisation gave substantial rewards to those who undertook international activities, emphasised this when recruiting and promoting managers, supported training and development in international business and included this as a dimension of any review of performance, then its exports were more likely to be successful.

- Youndt et al. (1996), in a study of manufacturing plants, found HR practices aimed at enhancing the employee skill base to have the largest impact on productivity in those plants pursuing a quality rather than cost strategy. Banker et al. (1996) found that outcome-based pay schemes were more effective in supporting a customer-focused service strategy where competition was intense and customers more demanding. They also found that such schemes were more likely to result in performance improvements in firms with lower levels of staff supervision.

- Arthur (1994) studied the business performance of Steel U.S. mini-mills. The HR strategies of 30 mills were compared and characterised as 'commitment systems' where attempts were made to shape employee behaviours and attitudes by forging links between organisational and employee goals, or 'control systems' where the goal of HR was to reduce direct labour costs, or improve efficiency by compliance with specified rules and procedures and by basing employee rewards on measurable output criteria. The mills with higher commitment systems (including a higher level of employee involvement in managerial decisions, formal participation programmes, training in group problem-solving etc.) had higher productivity, lower scrap rates and lower employee turnover than those with control systems.

- In a study of 70 automotive assembly plants, representing 24 companies in 17 countries 'lean production systems' were found to be much higher in both productivity and quality than those with 'mass production systems' (MacDuffie 1995). Lean production systems aim to create a skilled, motivated and flexible workforce. It was found that the success of these systems depended critically on such high-commitment HR policies such as decentralisation of production responsibilities, multi-skilling practices, profit/gain sharing, a reciprocal psychological contract, employment security and a reduction of the status barrier.

- Delery and Doty (1996*)* found the financial performance of those banks adopting 3 HR practices, namely profit-sharing, results-oriented appraisals and employment security, was 30% better than the average across 219 banks. '*Banks that were able to align their HR practices with strategy are estimated to have nearly 50% higher ROA and ROE than those banks whose HR practices were just one standard deviation out of alignment. Specifically, banks that implemented a prospector strategy involving high innovation, reaped greater returns from more results-oriented appraisals and lower levels of employee participation than did banks that relied on a defender strategy. Banks implementing a defender strategy performed better if they relied less on results-oriented appraisals and gave their loan officers higher levels of participation in decision-making and voice.'* (1996:826).

Building evidence on HRM and performance in the UK

In the UK, the body of evidence on the link between HRM and organisational performance is also growing.

HRM and organisational performance in the UK

- Patterson *et al.* (1997) in a longitudinal study of over 100 manufacturing companies in the UK, grouped training with other practices affecting the acquisition and development of skills (selection, induction, training and appraisal). This group of HR practices were found to have a strong influence on productivity. 18% of variations in productivity and 19% in profitability could be attributed to people management practices. Human resource practices combined, affected productivity far more than strategy, emphasis on quality, application of technology and R&D expenditure.

- Thompson (2000) conducted a longitudinal study of over 600 establishments in the UK aerospace industry. It showed that firms increasing their use of high performance work practices 1997 and 1999 recorded increases in value-added per employee of from 20 to 34%. Both the number of practices and the proportion of employees covered by practices differentiated between more and less successful firms. The four practices most associated with increased productivity were: formal work teams, appraisal, and broad job grading, individual responsibility for work quality.

It is important to note that most of the studies on the link between HRM and organisational performance have concentrated on manufacturing organisations. In manufacturing, the move in developed countries towards high skill strategies and the increased use of technology to reduce employee costs has been prevalent.

- Hoque's study (1999) of over 200 hotels shows that the high skill/ high training logic may not always apply in the service sector, where lower skill/ cost reduction strategies can also be common. In this study, hotels pursuing a 'quality-enhancer' strategy, HRM practices are strongly and positively related to HR outcomes. In cost-reducer strategies, HRM practices do not appear to affect flexibility, quality or absenteeism measures.

- Guest *et al.* (2000) conducted a study for the CIPD (the Future of Work study) exploring the links between HRM and performance through a telephone survey of 610 HR managers and 462 CEOs in 835 organisations. The data shows an association (but not necessarily a causal link) between HR practices and self-reported financial performance. For CEOs in particular, the effectiveness of HR practices seems more important than their presence. The study also found that many firms had ' *not embraced HRM with any enthusiasm.'* The main effect of HRM was taken to be via its impact on employee commitment, quality and flexibility.

- Most recently, Purcell *et al.* (2003) have used a more in-depth case study approach to try and shed light on the HRM-performance link. Purcell's list of strategic HR elements that apparently have consequences for corporate performance includes: 'careful recruitment and selection (with emphasis on competences); extensive use of systems of communication; team working with flexible job design; emphasis on training and learning; involvement in decision-making with responsibility; and performance appraisal with links to pay.' The case studies also shed more light on how the link works. For instance, in one of the case organisations, Tesco, stores which were otherwise highly standardised in operations, showed a strong association between employee attitudes on a wide variety of job design and HR practices, employee views on the quality of HR management applied to them (especially the opportunity to participate) and store performance.

The Purcell study also showed that the number and extent of HR practices was less important than the effectiveness of their implementation: '*those organisations with the Big Idea that were value-led and managed were much more likely to sustain their performance over the long-term'*. In terms of generating motivation, organisational commitment and job satisfaction, key policy areas were career opportunities, job design, involvement and line manager leadership skills. They conclude that effective firms have a level of sophistication in their approach to people management which helps induce discretionary behaviour (roughly equivalent to 'going the extra mile') and above-average performance.

There appears to be an emerging consensus that there are a number of broad approaches to HRM that can bring performance benefits to most organisations. These include policies designed to build employee commitment to the organisation, and to acquire, build and retain employee knowledge and skills. However, the way in which these broad approaches are most successfully applied is likely to be contingent on the environment, strategic orientation, operational characteristics and history of each organisation. It is the application of HR processes rather than the policy intention which appears the crucial differentiator.

Richardson and Thompson (1999) conclude:

- *'It is unlikely that merely adopting a specified set of HR policies is the high road to organisational success'*

- We need more attention to the intervening links between HR policies and organisational performance, and a more specific understanding of the types of policies which are most effective (*e.g.* what *types* of training).

- *How* something is done is often more important than *what* is done, so we need to look at how clusters of HR strategies are implemented.

4.3 Management and leadership development, individual capability and individual performance

In this section we turn from an organisational focus to an individual level one. We examine the evidence of a link between management and leadership development, management and leadership capability and individual performance. In doing so we exclude management and leadership development delivered in higher education, partly because the extensive study of the MBA rather eclipses the lack of evidence of the impact of MD more generally. The impact of higher education is considered in section 5.4.

So we are here thinking of management and leadership development delivered by or through the organisation's training function. We are also including management and leadership development which occurs in or very near the job - what we might call 'work-based' learning and development.

Compared with the large literature on how HRM, and to some extent management and leadership development, affect organisational performance, there is astonishingly little evidence on how management and leadership development affects individual capability and performance of managers.

Keep and Westwood (2003), looking at the same question, find very little evidence that the supply of MLD is addressing the right skills, improving skills, or impacting on performance.

4.3.1 Impact of HRM and management and leadership development at individual level

Just as there is evidence that HRM relates to organisational performance, so there are some studies showing the link between HRM practices and outcomes at the level of the individual employee.

These give us some clues at to the nature of general links which are likely to occur between HRM practices and the performance of individual managers and leaders. A few of these studies have looked at managers, but more have looked at the whole workforce.

Impact of HRM and management development on individuals

- Gratton, Gratton et al (1997; 1999) conducted in depth case studies with seven large, UK based companies, in which they sought to examine the linkages between business strategy, intended HR strategy, strategic HR context, realised HR interventions and outcomes. The outcomes included such measures as organisational commitment (*'the ambience of the firm in terms of morale, satisfaction and shared commitment'*) and

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competence ('*skills needed for new jobs, a positive attitude towards change and learning'*). The research team found mixed evidence for the linking of individual performance to business goals. For instance, training that focused on short-term business needs was pursued by all the companies as a way of creating a flexible and multi-skilled workforce, but longer term embedding of people management processes was far less consistent.

- In their CIPD study, Guest *et al.* (2000) built into their model of strategic HRM, measures of employee attitudes and behaviour. They were able to confirm a relationship between so called high-commitment HR strategies and positive employee responses. This finding supports those of Guest (1999) who also found a strong impact of HRM on feelings of fairness, trust and other elements of the psychological contract, as expressed by employees.

- In their exploration of a quality programme in a retail organisation, Rosenthal et al (1997) discovered that it was associated with positive effects on individuals. Several months after the training associated with this programme, staff remained committed to it and displayed this commitment in their behaviour. The authors conclude that: '*This investigation provides no support for the view that, if a company's objectives of improving service quality are realised, they are achieved through some combination of sham empowerment, work intensification and increased surveillance'* (Rosenthal et al 1997: 497). On the contrary, the study found that a majority of employees endorsed the quality programme and half said that they engaged in the sort of behaviours required by the programme. The quality initiative made sense to them and they were prepared to commit themselves to it in practice.

- In the study of 16 organisations by Winterton and Winterton (1999) referred to earlier, they separated out the improvements resulting from management development at an individual performance level from those at an organisational level. These clustered in three areas: specific managerial skills and competence (like project and change management, leadership and motivating others, communications and presentation skills and so on); personal confidence and a sense of empowerment; and thirdly, understanding how to develop others. Where management development made: 'an unambiguous contribution to improvements in IP [individual performance], this was frequently associated with the use of Management Standards and the implementation of NVQs/SNVQs' (1999:107).

- Strebler and Bevan (1996) in their study of competence-based management development found that this approach to management development had high *perceived* value on a self-reported basis, but there was little empirical evidence of improved capability. This was partly because reliable assessment of competencies is still difficult in practice.

- In an evaluation study of IiP, three quarters of those employers anticipating training benefits said they had achieved them: these included better induction, training being better related to business priorities and changes in the way training was carried out (Hillage and Moralee, 1996). They also found 60% reporting improved workforce outcomes (understanding, skills, commitment etc.) and a large majority reporting some direct or indirect improvements in such key areas as quality and productivity or

anticipating these in due course.

- The DTZ (1988) study of UK 88 firms identified some benefits of management development which would seem to indicate change at the individual level, especially improved staff morale, and flexibility shown by managers.

- In an early and rare example of a meta-analysis of many different management and leadership development interventions, Burke and Day (1986) examined 70 managerial training studies. In examining their assessments of effectiveness, measured often by ratings of skill or of performance, management training was found on average to be 'moderately effective.'

- Bramley (1999) in a wide review of the literature found no empirical evidence to support the case for off-the-job management education, nor for generic management courses. He concluded that the most useful kind of development is found in work-based activities such as giving detailed feedback on performance, setting learning objectives and goals, and individual action planning. This kind of activity focuses on individual development which is closely related to key priorities at work, rather than being more generic or focusing on personal development.

4.3.2 Does capability necessarily lead to performance?

It may be that we should not expect to find research that demonstrates a simple link between management and leadership development, capability, individual performance and organisational performance. There are several other factors that are likely to intervene in this relationship.

Capability may not always be used

The HRM literature highlights the likely importance of employee motivation and commitment to the organisation as strong links in the HRM-organisational performance chain.

- Boyatzis (1993) used empirical data to show that having leadership competencies does not necessarily mean you will choose to use them. He suggests that the difference between management and leadership is part a matter of attitude, and that more management development needs to be aimed at encouraging people to enact the role of leader, not just giving managers the skills.

The important issues of training transfer are further considered in chapter 5.

Individual and team capability

The link between management and leadership development, individual capability, individual performance and organisational performance tends to ignore the possible importance of how managers work with other people in networks and teams. Organisational culture and its social relationships are likely to influence the extent to which a manager can translate his or her capabilities into performance. Positive cultures, good management processes and networks

may make the organisational benefit of capabilities much higher than the 'sum of the parts' of individual managers.

- Day (2001), for example imports the concept of 'social capital' into management learning, claiming that management and leadership development is potentially a vehicle for increasing the social capital of the organisation (in the sense of managers having extra collective value through their relationships) as well as its human capital (in the sense of individual capability).

So if individuals perform well as a result of development, this may lie in their ability to have improved networks and relationships with others in the organisation (and sometimes outside it too). The organisational benefit may also lie to some extent in this social capital as well as the simple addition of individual capability.

Holistic rather than mechanistic approaches to capability

Another tension present in seeking to examine the micro links between individual learning and corporate performance concerns assumptions about the nature of individual capability. Some adopt a very analytical approach to individual capability, seeking to find competencies which are linked to particular aspects of individual performance, linked in turn to managerial behaviours of corporate priority (see for example working paper by Beech, 2003, Burgoyne 1990).

However, there is an equally strong employer interest in much more personal start points for management learning on the grounds that the learning itself will be more relevant and vivid to the individual and therefore has the potential to bring about much greater changes in performance. Much management and leadership development activity does not attempt precise mappings between individual behaviours and corporate performance, although it may well emphasise a small number of behaviours or attitudes believed to be of increasing importance.

We see this more holistic approach in the rapid rise of coaching and mentoring, which inevitably attend to each individual's perceived development needs, even when starting from a competence-based analysis (Hirsh and Carter, 2002). Some leading employers have invested in programmes which are intensely personal, hoping that they will feed through to corporate performance through their deep emotional impact on the individuals concerned. The BAe Strategic Leadership Programme, exposing participants to intense experiences of culture in different countries, is an example of such a *'personal journey',* not designed to have a *'deliverable result in strict business terms.'* (Davidson, 2001).

The holistic approach does not necessarily mean that it is not helpful to name and assess specific areas of competence and capability, rather it means that we should not see them contributing independently of other competences and capabilities to performance. Any specific competence influences performance through its interaction in a network with other competencies having a joint effect. It may still, none the less, be possible to identify areas of weaknesses in the network of competencies that undermine the effectiveness of the whole – as exemplified in the next section.

4.4 Evidence for the impact of higher education in management and leadership on capability and performance

There is a large literature on the impact of higher education on student employment, and some related to capability (or skills), but very little on subsequent job performance. The impact of MBA study on performance has been of high interest, especially in the US.

We summarise the evidence on higher education in terms of its different types of impact:

- The employment and career impact of Business School study (Section 4.4.1)

- The individual learning and skills impact (Section 4.4.2)

- The impact on individual performance at work (Section 4.4.3)

- The impact on organisational and national performance (Section 4.4.4)

In this section we do not present evidence on the quality and impact of management and leadership development given in further education, mainly because there is very little evidence in this area. A CEML advisory group (CEML, 2002, 'Building Future Supply') produced an overview of the very diverse provision of management and leadership development outside HE. Its evidence on the volume of such supply in given in section 3.3. This working group found it difficult to assess the quality of management education outside HE. It concluded that quality was likely to be very variable.

Universities, especially through Business Schools, supply degrees and vocational programmes in Business and Management at several levels. The two prevalent qualifications are first degrees in business and management, and MBAs. Information on the scale of provision in HE, and the various qualifications taken, is given in section 3.3.

4.4.1 Employment and career impact

There is considerable evidence that qualifications in business and management confer employment benefits on the individual, and that individuals choose such courses largely for vocational reasons.

- Purcell and Pitcher (1996) found that 65% of final year undergraduates in Business Studies chose their degree on 'vocational' grounds *i.e.* expecting it to improve their employment and career opportunities. This was second only to engineering and technology. Likewise studies of MBAs in the UK show very clearly that career improvement is a major motivation for such study (Thomson *et al.*, 1998).

There is a reasonable amount of evidence of the positive impact on salary and career progression for graduates of first degrees in Management and Business Studies and MBAs. In comparing Business and Management with other subjects at first degree level in the UK, it is very important to take into account the lower than average entry qualifications of the overall undergraduate intake into Business Schools. Taking this into account, the value of a business degree to the individual seems significant, although it may not outweigh the cost and time of study.

Impact of business and management degrees on salary and career

- HESA First Destination data shows low relative unemployment rates (around 6% in 1999/2000) for first-degree graduates in Business and Management and a high percentage (nearly 80%) directly entering paid employment.

- The IER/Purcell large cohort studies of UK graduates (Purcell at *al.* 1996 and 1999; and IER 1999) in all subjects show that, both initially and up to three years out, graduates from a first degree in Business Studies graduates had relatively high levels of employment compared with other subjects. After graduation, Business Studies graduates had roughly average earnings, lower than engineering and technology, mathematics and computing and law, but higher than other sciences, social sciences, arts and humanities. They were also satisfied with their jobs and careers, and three years out were the most likely to be in management jobs (40%). Three years out they were more likely than graduates of mathematics, computing, medicine and engineering to be in jobs not normally done by graduates, but were faring better in this regard than those who had studied arts or humanities. Business studies had a 'significant earnings premium' compared with other subjects after taking entry qualifications into account. This was also the case for degrees in mathematics, computing, engineering and medicine (IER, 1999).

- The smaller scale but more recent CEL surveys of graduates (2002) show that first degree graduates in Business and Management have average employment rates after six months compared with other subjects, and 94% were in full-time employment after three years. They were less likely than the rest of the sample to be employed in a traditional graduate job after three years (57% compared with 63% overall). Three years after graduation 74% of management studies graduates were in a job related to their career plan - the same as for the sample overall. Graduates in management and engineering were rather more likely to be in a supervisory role than other graduates (51% for management studies, 55% for engineers and 46% overall). Both in the short and longer term, management studies graduates earned similar salaries to the sample overall. For all the employment outcomes, those with poorer entry qualifications do much less well, and this gap widens over the three-year period. Management studies students in this sample had significantly weaker entry qualifications than the overall sample. Taking this into account, their performance in the labour market was above average for their prior attainment. Work experience during study emerged as a key factor influencing employment outcomes.

- AMBA (Association of Masters in Business Administration) surveys (*e.g.* Thomson *et al.*, 1998; AMBA, 2000) show positive career benefits of MBA study, although the pay benefit varies according to institution and mode of study, with the largest pay benefits for two-year full-time programmes. Salaries are also heavily influenced by some sectors, especially finance and consulting. There is more evidence for the MBA providing a one-off lift in salary at the end of study than a sustained salary advantage. There is also a tendency for MBA graduates to move out of the public sector. MBAs work for smaller organisations as well as large ones.

- Baruch and Peiperl (2000) in a matched sample of managers with and without MBAs in four UK organisations found that only those who had attended a 'top' Business

School had higher salaries.

- Dunkin and Enbar (1998) claimed that in the US, it took on average 3.7 years to recoup the individual cost of taking an MBA graduating in 1998 (with 5.7 years for Harvard). Dugan et al. (1999) in a large survey found on average the MBAs in the US did earn more, but only if they had been to the more prestigious schools. Livingston (1971) comparing Harvard graduates with other senior managers with similar years of work experience did not find the Harvard graduates earned more. Taken together, this suggests that either the salary advantage accruing to prestige MBA's last for the initial years of their post MBA career, but not into later years, or that MBA's of this kind get individuals onto career tracks leading to senior management posts, which they might not otherwise have achieved, but when they get there they are working alongside others who are similarly valued by their employees, who have not needed the MBA to reach this position. It may be that one or other of these explanations apply, but it could be that there is an element of truth in both.

- MBA-Direct, the candidate registry operated by Executives-Direct, contains over 5,000 detailed Career Profiles of alumni from accredited business schools around the world (although the majority are from the UK and continental Europe). These Profiles provide a growing and useful database on employment, careers and salaries. Current data confirms the strong interest MBAs have in working in consultancy and financial services, and in General Management roles. The majority of MBA-qualified managers and executives come from industry and move to professional services after graduation, but professional services are also a strong source of MBA candidates, while manufacturing remains a strong employer of MBAs. MBAs take their qualification later in the UK than their European neighbours.

- We have very little evidence of the longer-term career benefit of first or Masters degree study in Business and Management. Pfeffer and Fong (2002) offer some negative evidence on this from the US, claiming that MBAs may not do better in career or pay terms longer term than those without an MBA, except in the case of graduates from top-ranked programmes. We have a lack of good data on this in the UK.

Given the generally positive employment evidence above, especially in relation to first degrees, it is disappointing that employers do not say that they specifically seek graduates with degrees in Business and Management (CEML Business Schools Report, 2002; AGR 2001). Rather the general picture is of employers looking for first-degree graduates with good general cognitive and social skills, which they often test for themselves using assessment centres. Employers do not treat business and Management as a 'vocational' degree in the way that, for example, engineering would be *i.e.* placing value on the specific knowledge and skills acquired. Much the same argument seems to apply in the MBA recruitment market, which employers see as another way they can find 'talent', more than specific knowledge or skills.

So although Business and Management students seem to fare quite well in the UK labour market, we have no strong evidence that this is because employers value these courses per se or the skills or knowledge gained through them.

Given that, on average, Business and Management Studies undergraduates gain entry with lower than average entry grades, and hence show evidence of added vocational educational value by not being disadvantaged by this later in the labour market, it may also be the case that some employers prefer to recruit people with earlier educational success, who they can train themselves, to those with seemingly more relevant vocational qualification from a weaker previous educational background.

4.4.2 Individual learning and skills

This section of evidence looks at the acquisition of skills and knowledge from higher education study of management and business.

Higher education, employability and leadership skills

Across higher education, not just in business and management subjects, there is growing interest in developing generic skills, many of which would be relevant to managers. The term graduate 'employability' is now used as shorthand for this issue.

Universities have found it difficult to address the issue of generic skills and employability in a coherent fashion.

- Some examples of good practice have been published by Universities UK with CSU (Morey, 2002). The Skills-Plus programme, funded by HEFCE, is taking a somewhat broader approach, through four universities working with a number of departments to discover how 'employability' might really be influenced by the higher education curriculum. This programme is taking as its start point the relationship between some desired outcomes ('efficacy beliefs and strategic thinking'), a few key factors (self-awareness, some skills, subject understanding), and specific aspects of the teaching and learning process (*e.g.* project work, team work, presentations). The aspects of teaching and learning most likely to enhance employability can then be audited and enhanced. This appears to be a refreshing and promising approach.

At MBA level also, Business Schools vary considerably in the extent to which they support the practical development of inter-personal skills rather than only teach the theory of leadership, change management etc. Some Business Schools have reputations built more on their expertise in subjects like business strategy and finance than on their expertise in the theory and practice of managing other people.

The impact of Business and Management studies on personal capability

Some useful studies report on how students of first degrees in business and management and MBAs, perceive their learning, and its impact on their skills and confidence.

Impact of business and management HE on personal capability

- Purcell and Pitcher (1996) showed final year Business undergraduates felt they had gained 'enterprise' skills (*e.g.* interpersonal skills, team working) more than students in other subjects, but did not feel especially strong on personal development (*e.g.* self-confidence, self-awareness) and rated their specialist knowledge lower than students in all other disciplines. The follow up study in 1999 showed that the 'enterprise' skills

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- especially ability to prioritise tasks, interpersonal skills and ability to work in teams - were those which graduates generally found most needed once they were at work.

- Baruch and Peiperl (2000) in a matched sample of managers with and without MBAs in the same organisations in the UK, found that those with MBAs self-reported higher levels of skills and self-esteem. However, as this did not translate into other work-related outcomes, it could be they were just more generous self-assessors.

- A range of largely US studies has examined the learning gain from Business School study, usually focussed on MBAs. These often show a lack of development of interpersonal and practical skills. In a rare matched sample study of US graduates taking an MBA with those who did not, Kretovics (1999) found learning gains from the MBA but no significant difference from other graduates in interpersonal and communication skills, even though the university had been prioritising such learning. Minzberg and Gosling (2002) observed that '*contemporary business education focuses on the functions of business more than the practice of managing.*' A disappointing feature of a UK survey of MBA alumni (Thomson *et al.*, 1998) was that only a fifth of respondents saw their role in developing others (a crucial aspect of modern leadership) as very important.

- Boyatzis *et al.* (1996) set out to show that a more skill-based MBA programme could increase levels of competence in a targeted way, and claimed to achieve this through a fairly radical re-design of a programme and controlled comparisons with a more traditional MBA programme. This experiment showed several areas of skill improvement *e.g.* information gathering and initiative. The 'leadership' competence was not increased by the new experimental programme except for non-native English speakers. Boyatzis concluded that competency development needs: an individualized assessment and development program; an atmosphere of interpersonal support for exploration; and opportunities to experiment and explore competencies in work settings.

One key limitation of the research evidence on the impact of Business Schools on individual capability is that it relies so heavily on self-reported assessments of skill. Another is that this research is rarely over significant time periods.

4.4.3 Impact on individual performance at work

Do those who have undertaken management education actually perform better as managers? This is a central question in the general criticisms of Business Schools in the US. These often revolve around the lack of fit between what is learned on an MBA and what it takes to be an effective leader in practice (e.g. Livingston, 1971; Pfeffer and Fong, 2002).

There are fewer examples of attempts to link Business School education with individual performance in the workplace. Some examples are given below and show a very mixed set of evidence, far short of a strong case for positive performance impact.

Business and management HE and individual performance

- In a study for the Association of Business Schools (Hirsh *et al.* 2002), some unpublished evaluations were collected from Business Schools and employers. Among these, two UK companies found no association between the subject of first degree among graduate recruits and their subsequent performance as assessed by the organisation. Several organisational evaluations of Business School programmes showed that individuals saw a greater performance difference in themselves than that seen by others in the organisation. In one case a change seen as positive by participants - becoming more questioning and challenging - was seen as negative by others at work.

- Baruch and Peiperl (2000) found no performance difference between managers with and without MBAs in four UK companies. In the US, Leonhardt (2000) found that Boston Consulting Group consultants hired without MBAs received on average better evaluations than their peers who had gone to business school. Pfeffer and Fong (2002) cite similar examples from McKinseys, Monitor Consulting and investment banking.

- Sloan (2001) surveyed over 300 people who had attended open general management programmes in US Business Schools and 45 company clients for custom-designed programmes. This study did show some evidence of impact on performance as self-reported by the open programme participants (39% of whom responded to this question) and by nearly two thirds of the managers responsible for custom programmes.

- Studies of managers/ entrepreneurs in small firms (*e.g.* Perren and Grant, 2001) have shown that such managers do not find traditional Business School teaching useful in addressing their business issues. A new generation of offerings to entrepreneurs may be starting to address these learning needs more effectively. Some anecdotal evidence of this kind is already appearing on Business School websites in the form of individual accounts of linking learning to business challenges.

So there appear to be some tensions between the very largely positive feedback from students on their learning at Business Schools and how easily this can be linked to improvements in their performance at work. This is not to say that Business School learning does *not* affect performance, but rather that systematic attempts have not been made to document such a linkage.

It may also be that linking learning in higher education back to the workplace is more difficult than we assume.

A study of the impact of an in-company MBA for Bass plc (Burgoyne, 2002) revealed these kinds of difficulties, even in a programme which had paid considerable attention to action learning and organisational as well as individual learning. It was "*hard to get all the elements of the programme: MBA, mentoring and continuous assessment, to work at once, and in an integrated way.*" The participants also appeared to have rather traditional expectations of the educational experience, and saw it in terms of getting a qualification rather than an opportunity to maximise their learning.

4.4.4 Impact on organisational and national performance

We have anecdotal, but no systematic or analytical published, evidence that some companies justify the whole cost of MBA programmes through the financial benefits of projects. Some companies have commissioned Business Schools to conduct Return on Investment analysis of programmes (usually MBAs), but this information tends to remain confidential.

Some organisations see the link between management education and organisational performance more in terms of recruitment and retention of the best quality graduates. The recruitment argument, evident in some of our interviews with employers, is that if some of the best school leavers enter Business Schools which set high intake standards, or if some of the best graduates take MBAs, then it is sensible to recruit in these markets to get some of these very talented people. The second attraction and retention argument is that the development offer of the organisation once people are employed is a key factor in both attracting the best employees and retaining them (Winter and Jackson, 1999). Some employers respond to this argument by offering part-time study (often for an MBA) as part of a graduate development scheme to help in recruitment. Some respond to requests for support with MBA study from existing employees as a retention strategy. It is clear that employers do apply such strategies, but there is little evidence of whether they are cost-effective and drop through to increased corporate performance.

Much of the American literature on Business Schools points to the need for stronger relationships between Business Schools and companies in order to make the link between management education and organisational performance stronger. Prince (1999), for example, argues that Business Schools need to be far more radical in using their own techniques of business strategy to rethink how they run their own core business - teaching. Prince is critical of the real focus on the customer as *'falling way below industry standards',* and acknowledges that universities often do not see a real need for their Business Schools to change. The same tension between the temptation not to rock the boat if the Business School is making money, and the need to seriously re-engineer how business is taught is equally evident in the UK, where employers are still critical of the extent to which Business Schools really address their needs (CEML Business Schools Report, 2002).

5: How can Management and Leadership Development Work?

Overview

The overall conclusion of the review of the evidence on *how* management and leadership development works is that it works in different ways in different situations. The practical implication of this is that to get the benefit of management and leadership development requires the design of appropriate approaches for specific situations rather than the adoption of a universal model of best practice.

This point applies to both the process by which management and leadership development create management and leadership capability and the processes by which the utilisation of this capability contributes to performance.

Evidence about the first link suggests that development needs to fit and support a *variety* of learning strategies on the part of learning individuals and groups. These are however likely to include a high proportion of *experience and action based learning processes. Context sensitive methods,* like coaching, mentoring and action learning have a special part to play. *Formal and informal* learning methods need to be designed to support and complement the *natural* learning that goes on in the execution of all management and leadership work.

While the form of management and leadership capability that contributes to performance in specific situations varies with those situations, there are underlying 'building block' capabilities that these tend to draw on, and it is useful to think of a changing overall set of capabilities some of which carry more weight than others in specific situations. Many or most capabilities can be learnt, but some, more to do with will and motivation may be more fixed in people, or set in early life.

The overall form of management and leadership capability does change with changes to the nature of society and the economy. There has always been an important role for the softer, more human leadership oriented capabilities, but these have been given more emphasis with some movement towards the knowledge economy and the enhanced importance of managing knowledge work. However there is also a pluralisation of organisational work and forms (rather than a universal shift to the knowledge economy) which adds to the diversification of the nature of management and leadership capability. Aspects of management and leadership capability that relate to entrepreneurship, creativity and innovation have increased significance in many situations.

The ways in which management and leadership development contribute to performance, and the ways in which they can develop, does vary by the sector and size on the organisational side, and gender, ethnicity and other diversity categories for learning individuals and groups. Learning methods and approaches are particularly different for smaller organisations. The difference between the public and private (and voluntary) sectors undergoes change and there is variety within these categories as well as between them. The differences are best thought of in terms of the different ranges of management and leadership capability that they draw on in different circumstances. Capabilities concerned with working politically and in networks outside organisational settings appear to be increasingly important in both private and public sectors, with specials significance in the public sector in comparison with previous practice.

The effectiveness of management and leadership development in organisational settings is strongly influenced by the culture and HRM practices of those organisations, and is both shaped by, and influences, these factors.

5.1 Effect of learning environment and challenges faced

There are a number of key factors in the learning environment which will affect how individuals learn. These include personal learning styles, the teaching methodology used and the size of the groups involved.

Considerable attention has been given to the notion of learning style mainly originating with the work of Kolb. (Kolb 1984). The main ideas are summarised:

Learning styles

Among the most influential and well-known classifications of learning styles are:

- Myers-Briggs: classifies learners along dimensions of extrovert or introvert; sensing or intuiting; thinking or feeling; judging or perceiving

- Felder-Silverman: learners can be sensing or intuitive; visual or verbal; inductive or deductive; active or reflective; sequential or global

- Kolb: classifies learners as having a preference for concrete experience; abstract conceptualisation; active experimentation; reflective observation

- Honey & Mumford: developed from Kolb's theory, there are four types – activists, reflectors, pragmatists, theorists

Source: Caley et al 2001

- Sadler-Smith (2002): uses three categories for learner preferences- verbal imagery; holist-analytical; and rational-intuitive.

However learning 'styles' are better thought of as learning 'strategies' that individuals can change and develop, and may vary much more with context than the term style, as an individual personality characteristic, implies.

In consequence a variety of different teaching methodologies are now being used in management and leadership education and development. Different practitioners favour different options. Methods include simulations, case studies, action learning, and outdoor adventure. Taking the literature as a whole, there is no evidence to show that any one method is the most successful. All indications are that multiple methods will produce the most effective management learning. No one method has the sole answer. Some examples of different methods are given in the boxes below.

Simulations

There are several kinds of simulation, the main ones being: computer-based electronic simulation (widely used in teaching marketing, sales and strategy); role play (often used for leadership development); and project-based simulation (often used for complex business situations) (Caley et al 2001). One study found that for teaching strategic management, project-based simulations where participants worked in small teams to develop a new business initiative were rated as more effective by participants than either case studies or action learning sets (Jennings 2002).

Problem-based learning

Problem-based learning is another respected method. This involves the learner in responding to the totality of a situation and looking for clues. Students learn through doing, direct the learning experience themselves and pursue independent enquiry in order to learn. The student has to take into account the complex context of the problem when finding a solution (Savin-Baden 2001, Boud and Feletti 1997).

Project and action learning

A large study of HR departments in over 430 organisations was carried out using survey methods plus some individual interviews (CIPD 2002). It found that respondents believed project and action learning to be the most effective methods.

Action learning was developed after the Second World War by Reg Revans (Revans 1998) in order to provide management development which would be relevant to the workplace and to the real life problems faced by managers. The method draws upon the shared learning which happens within the group as members work towards finding solutions. Members are working on actual problems arising from their jobs rather than on artificially produced case studies or simulations. This means that the topics reflect the real life situations in which managers find themselves. Such situations are often 'messy', complex, contextualised and unique. This method of learning allows all these factors to be brought into the equation.

Although this method is popular and respected and has many advantages, it can be difficult to find any objective measures to assess the learning. Individuals commonly report personal growth and development as a result of participating in action learning sets. However this does not always translate beyond the individual into organisational growth (de Loo 2002).

Findings such as these indicate that some teaching tools appear to be more effective than others, at least for some topics and some circumstances. No one strategy will work for all managers and all types of subject area and tailored courses for different contexts and audiences are likely to be the most effective.

5.2 Formal and informal development approaches

5.2.1 Mentoring and coaching

Mentoring and coaching are referred to throughout this report in the context of other issues. However, it is difficult to find evidence assessing their independent value. They generally form part of a wider portfolio of development opportunities offered by large companies, consultancies and Business Schools. Recent research by the School of Coaching at the Industrial Society indicates that coaching for senior staff has become very common but that the benefits are seldom evaluated (see box).

> **Use of coaching for top team managers**
>
> Coaching was used by 60% of the respondents to the survey. In large organisations (over 2,500 employees) as many as 80% were using coaching for senior managers. However, only 27% of firms undertook any evaluation of the benefits of coaching. (Reported in Anon 2002).

The very fact of the popularity of mentoring and coaching is evidence of demand and suggests that managers do find them useful. One example of a study of mentoring in Business Schools which undertook research into outcomes did find positive results (see box).

> **Mentoring of students**
>
> One example of a study of mentoring of students in US Business Schools (Schlee 2000) found improvement both in students' knowledge and in their attitudes as the result of mentoring programmes. The measures used were, however, limited and there is a need for better and more quantifiable measures which can be used to assess the outcomes of mentoring experiences (Bennis and Thomas 2002).

A recent study in UK of undergraduate business management programmes found similarly positive satisfaction with the experience from both students and academics (Stewart & Knowles 2003). Another study of a group of managers undertaking a coaching programme also found that participants reported a number of important gains in competence (Wales 2003). Other research also suggests that managers feel very positive about mentoring and coaching activities (Clutterbuck & Megginson - see box). More research is needed to widen the evidence-base beyond that of subjective self-report so that the effectiveness of coaching and mentoring can be better assessed.

Managers report high levels of personal satisfaction with mentoring

Clutterbuck and Megginson (1999) provide narrative accounts of the impact of mentoring for senior managers. Individuals were able to point to critical incidents in the relationship, and critical aspects of their performance which they believed were affected.

5.2.2 Management development and organisational strategies

Mabey and Thomson in a recent survey (2000) found that there had been a shift from informal to formal methods of management development in large organisations over the four years since their previous study in 1996. These trends have been discussed in Chapter 3. However, this shift may now have peaked and informal methods such as coaching may be increasing. Evidence for this is so far anecdotal and more ongoing research would be useful in this context. Mabey and Thomson also found that low organisational priority for management development was an important barrier to take-up (2000 - see box) and identified the importance of both individual and organisational drivers to development.

Mabey and Thomson (2000)

The research found than the drivers for management development were: having a company strategy that placed a high priority on management development; the individual's need to be able to do the job; and the motivation and desire to progress. Barriers to development were time and low organisational priority. Finally, the study found evidence that management development was rated by HR professionals as having had a high impact on the organisation in 42% of responses. Organisations that reported improvements in management development also reported improved financial turnover compared with other organisations in their sector.

Mabey and Thomson also found in a subsequent survey (2001 - see box) that many firms do not have a management development budget. Other studies have also shown that in many companies the link between executive development and business strategy is weak (Siebert & Hall 1995).

Looking at kinds of development, Mabey and Thomson (2001) also found that most managers preferred a mixture of structured and unstructured development, with some on-the-job elements and some external courses and seminars.

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Mabey and Thomson (2001)

The research found that more than half the firms who responded to the survey did not have a management development budget. The kind of development rated most highly was on-the-job training. Also highly valued were external courses and seminars. Most managers preferred a mixture of structured and unstructured management development.

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5.3 Capabilities needed for specific aspects of management and leadership

5.3.1 Management competences can be taught

A number of studies have shown that core managerial competences can indeed be taught (Newman and Milne 1992). However, current MBA programmes may not always be achieving this and there is a need for varied methodologies within MBA programmes (Boyatzis et al 1996 – see box).

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How management competences can be taught

Boyatzis et al (1996) found in their research that for management competences to be acquired, programme design needed to incorporate: individualised assessment and development activities; diagnostics of present competences; and opportunities to experiment and explore the use of different competences in 'work' settings. They also found that the person must desire to change and that the programme must relate to the individual's belief systems and personal learning goals.

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Several other studies have also shown that the MBA does give positive learning outcomes (see for example Kretovics 1999). The MBA therefore does seem to be effective for some people and some outcomes. However, it is recognised in the literature that the measures used to assess management learning outcomes are not fully satisfactory. More research is needed to develop better tools if learning is going to be adequately assessed.

5.3.2 Creativity and the management of change

Creativity and the management of change are interconnected issues. The management of change requires innovative (creative) approaches. Similarly, creativity will itself lead to change. Despite a lack of consensus about what creativity is and how it varies between individuals, it is widely believed that creativity can be taught, or at least fostered (Sternberg 1999). Creativity is increasingly becoming part of the curriculum in higher education and there are a number of approaches to how this can be achieved (Dewulf & Baillie 1999).

Some authors are sceptical of these approaches. A recent comment in a report from SKOPE (Keep & Westwood 2003) for example comments negatively on management development courses where students play with Lego. On the other hand, other writers such as Chia (see box) see innovative methods as necessary for developing the 'entrepreneurial imagination'.

The 'entrepreneurial imagination'

Robert Chia (1996) in his work argues strongly for the need for managers to develop what he calls the 'entrepreneurial imagination'. The manager today must be adaptive, able to *think the unthinkable*, and able to work in an unpredictable and volatile environment. Chia maintains that poetry, art and literature are necessary for developing the critical sensitivity that leaders need. He quotes a Japanese management development programme where 100 of the brightest and best were picked out for the training. The training consisted of retreating high in the mountains to learn the art of tea pouring and observe the movement of carps, so that they would develop a keen sensitivity to subtle relationships and recursive patterns.

Not only is there debate about how to foster creativity in an educational setting, there is also little known about how to embed creativity within the organisation. This is an area which is little researched. There do, however, seem to be certain factors in an organisation which can promote creativity (Roffe 1999 – see box).

How organisations can foster creativity

Roffe (1999) found that key factors in the organisation which encourage creativity are: having reward structures which support creativity not conformity; support for risk taking and change; tolerating mistakes; and giving recognition for new ideas and innovations.

Corporate creativity is also part of the management of change. An organisational culture which is open to creativity will be open-minded, encourage flexibility, respect diversity, and stimulate the expression of ideas.

The need to manage change, both that which is internal to the organisation and that which is happening externally in the social, economic and technological environment and which affects the organisational context, will require new management development activities (Winterton et al 2000 – see box). This is likely to include different kinds of courses, more experiential learning and more focus upon people management skills.

Winterton et al (2000) in a wide-ranging literature review examined social, technological, economic and political change and future trends. They recommend greater targeting of SMEs, the need for providers to offer other kinds of learning beyond that which is qualificatory, in particular the use of experiential learning, greater focus on people management skills, and greater focus on managing change, developing vision, and increasing enterprise.

They conclude that more management development will be needed in order for managers to respond to changing times and suggest that a norm of 10 days per year rather than the present average of 2 or 3 is needed.

5.3.3 Need for more than basic competences

Basic competences are not enough for the changing external environment. A recent review of the literature (Swain 1999, see box) finds that although Business Schools are able to, and do, teach basic managerial competences, they also need to develop new kinds of products to meet today's needs.

Literature review

Swain (1999) reviews the literature and concludes that at the level of basic business competences, universities can deliver useful courses. However, she argues that in today's environment of continuous change, the MBA is no longer adequate in terms of either relevance or mode of delivery. Business schools need to develop additional cutting-edge programmes and extend their range of services and products. They need closer client relationships and to locate their research within real-life situations within workplaces.

Not everything can be taught, however. Mabey and Thomson (2000 - see box) found that experience, personality and inherent ability were the most important factors in making an effective manager. Beech's work (Beech 2003 see Appendix d) also provides strong evidence for the importance of innate factors. He found that intelligence is the single most important predictor of management performance.

Mabey and Thomson also found that the kinds of skills that will be most needed in this century will be the 'softer' skills - leadership, people management, team working, customer focus (Mabey and Thomson 2000). More research is needed into how far these reflect innate factors such as personality and how far they reflect attributes which can be learned.

Skills and abilities needed by managers

A substantial study for the Institute of Management (Mabey and Thomson 2000) found that management development is not the sole most important factor in making a good and effective manager. Other factors such as inherent ability, personality and experience were more important. They also found that the skills most in demand were managing people, leadership, team working and customer focus. Functional and technical skills are not unimportant, but it is these 'softer' skills that will define the successful managers and leaders of tomorrow.

In addition to having basic management competences, then, managers need 'softer' skills, and also need to be able to innovate and respond to change. The consensus from a number of studies (for example De Geus 1997, Fitz-Enz 1997, Ulrich 1997) reflects Mabey and Thomson's findings and shows that the key factor for successful organisations in the new millennium will be having leaders who have excellent people management skills and an understanding of behavioural issues. There will also be a need for strategic HR specialists

who are able to create an environment of continuous learning and improvement. It is increasingly important that strategic HR factors are input into the formulation of business strategy.

5.4 Effect of organisational and managerial support

5.4.1 Organisational context

There is general agreement that learning will be constrained, or enabled, by the nature of the organisation, its structures, size, objectives and people (see for example Argyris 1994). Argyris draws attention to the informal rules and assumptions which operate in the workplace and the ways in which these affect behaviours. The effectiveness of management development will be facilitated or inhibited according to the context within which it is to be used.

The importance of organisational support for development has been indicated by a number of studies. The effectiveness of 360º feedback activities for example has been found to vary with context, and also with individual's beliefs (Mauer et al 2002 - see box).

Effectiveness of 360º as development

The effectiveness of 360º feedback was found to be significantly affected by a number of factors: a work context supportive of skill development; the belief of the participant that it is possible for people to improve their skills; and a belief that they themselves are capable of improving and developing (Mauer et al 2002).

Similarly, the effectiveness of other programmes was also found to vary with organisational context (see boxes).

Organisational culture

A study by Kessels and Harrison (1998) found two main factors in the development of successful programmes for managers at the strategic level. Firstly, the involvement of key stakeholders is needed in the design, delivery and evaluation of programmes, so that there is shared understanding about goals and methods. Secondly, without an organisational context in which transfer of learning from the programme to the workplace is facilitated, impact may be negligible.

Need for buy-in from participants

This research reports an attempt to introduce a competence-based development programme into an NHS Trust. The initiative was ultimately unsuccessful because of resistance from participants (Currie 1999). An ethnographic study of what happened concluded that unless there was congruence between the context of the organisation as perceived by the participants and the development initiative being introduced the initiative was likely to be unsuccessful. Unless there is buy-in from the group, the programme will be ineffective.

Importance of the ethos and practice of the organisation

A similar study on middle managers in the FE sector (Boyatt and Currie 2001) also found that a competence-based approach was not effective because it was at odds with the ethos and practice of the organisation. It has to be concluded that tailoring programmes to the particular context is essential if they are going to work. Not only does the content of the programme need to be appropriate to the way in which people see themselves and their organisation, but also its legitimacy needs to be established at the outset through negotiation with participants about the content and process of the course. Imposition of a pre-determined framework does not work.

Organisational context also affects learning itself

The context of the organisation affects learning in a number of ways. Research by Antonacopoulou (2002) found that a restricted view of learning at the organisational level limits individual learning and that individuals' learning is directly affected by the organisation's practices. Where the organisation's culture, even when it purports to promote learning, actually discourages learning because of the boundaries it sets to the processes of learning, learning is reduced.

5.4.2 Effects of transformational leaders

A recent study by Bono and Judge (2003) uses a strong evidence-base to show that transformational leaders do affect the extent to which individuals perceive their activities to be important, feel more job satisfaction, are more willing to help out, and do better at a simple task. Similarly, Shamir et al (1998) found that leaders who emphasised collective identity had followers who were more likely to see their work as fulfilling, important and enjoyable. More research is needed into how effective training programmes can be developed to enhance these capacities in leaders.

It is also important to involve line managers in development activity if it is to be effective (see box).

> **Involvement of line managers in development**
>
> A recent report from IBM (Ready & Conger 2003) illustrated the way in which IBM's managers are held responsible for leadership development. Line managers know that they will not be considered for senior posts unless they have demonstrated skill in developing leaders. IBM uses mentoring and coaching, in combination with planned on-the-job experiences, as their preferred methods for management and leadership development. This development is based upon a competency framework. Although this report is a case study rather than evidenced research, it provides insight into the kind of organisational framework which may help to improve leadership capacity.

5.5 How management and leadership development affects performance

Much of the research considered in Chapter 4 to test the claim that management and leadership development affects performance also gives clues as to how the process by which it does so might work. This area of research is revisited here with this 'how?' question in mind, rather than the 'does it?' question of Chapter 4.

5.5.1 Ways in which HR practices affect performance

There is a good deal of research indicating that HR practices do impact upon business performance (see for example Richardson and Thompson 1999, Cooper 2000) although the methodology is not uncontested. One CIPD overview (2001) has found that people management practices do affect performance but that piecemeal change delivers little benefit. HR practices need to be cohesive and aligned with business goals and company strategy, according to the findings of this study. Another key research study, looking at a wide range of companies with over 100 employees from a number of different sectors, similarly found that HR practices are a key determinant of management development processes (Mabey 2002). It also found that successful firms used a variety of formal, informal and external approaches to development. No one method was seen to work best.

A further study by Winterton and Winterton (1999) found a statistically significant relationship between competence-based HRD systems and both individual and business performance. A major benefit of using competence-based systems (job profiles, management development and appraisal systems were all related to competence-based standards in these companies) was that there was a coherent structure, that gaps in competences were more easily spotted, training needs could be specified more precisely, and there were clear criteria for HR planning and career succession. Such systems therefore can have real and measurable benefits.

Overall the literature supports the view that business performance is only improved when the right fit between business strategy and HR practices is achieved. There is no one best practice HR strategy that will fit all contexts. Swain (1999) takes the view that HR departments need to change their focus from activities to organisational outcomes and instead of asking questions like 'how many were trained?' need to develop measures to find out whether training reflected enhanced performance or had any organisational outcomes. This is an area where more research is needed.

Much of the evidence base for the connection between HR practices and performance is statistical and the *how* and the *why* of what makes for successful outcomes are not well understood (Mabey 2002). There is a need for further research which will look at the intervening steps and see what mediates between the two variables *strategy* and *performance*. Process-based research of this kind would enable the development of learning tools which would help practitioners to make better decisions about personnel and development investment.

High-level HR capabilities needed to realise organisational performance.

Mabey's working paper for this review (2003) also draws attention to some particular capabilities which may have an especially crucial role in the link between individual capability and organisational performance. These capabilities need to be present in the HR function and the leadership team. They are:

- Effectively linking people development to business strategies

- Effectively influencing senior managers to take HR seriously

- Building learning into everyday work

- Developing managers who can manage strategically

- Effective management of people and resources

While the last two are very evident in competence frameworks and in management and leadership development (as explored in Chapter 3), the first three may not be adequately addressed in management and leadership development or in the HR function.

5.5.2 Relating management development to performance

Some of the difficulties in establishing a link between management development and organisational performance have already been discussed in Chapter 4. It is widely recognised that there has been for some time an overall weakness in the management literature in the area of being able to relate management development to organisation performance (Marshall et al 1993). A report from the DfEE in a study of 127 firms (DfEE 1998) looked at the business benefits arising from management development activity. It found an almost universal inability to measure benefits that were directly attributable to management development. A similar lack of evidence of the business benefits arising from Business School activities was found in a report carried out on behalf of the Association of Business Schools (Hirsh et al 2002).

This lack of a clear link may be one of the reasons why some firms are reluctant to invest in management training. This is an area which needs further research. Nevertheless, although there are few well-evidenced studies looking specifically at the link between management development and performance there has been a small amount of research which has succeeded in showing a relationship.

One example is a thorough and strongly evidenced piece of research by Marshall et al 1993 (see box) which showed a clear link. The authors found that management training did have an effect on business performance. They concluded that the use of an external consultant in SMEs, who could help them to appraise the business and could also provide management development, was effective in producing business benefits. However, this study was carried out some time ago and more up-to-date research is urgently needed.

Use of consultants for management development in SMEs

Marshall et al (1993) examined a government initiative to provide financial assistance for consultants to be employed to help SMEs to train and develop their management staff. This research found that there was a link and that the intervention did have an effect in improving business performance. Using a complex methodology the study was able to show that the changes observed were actually due to the programme and not to general business change. Main gains reported by the SMEs were: increase in overall training and development which continued after the end of the project; better organised business planning and workforce planning; more self-confident management; culture change in management approach to T&D. It can be concluded therefore that the use of an external consultant to appraise the business and provide management training can indeed have a profound effect on SMEs.

There are also other studies looking at the overall link between training (all kinds of training rather than management development) and business performance. Although the link is difficult to demonstrate, there are again a small number of studies which have succeeded in showing the connection. One good example of a well-evidenced study found that training loans did have an effect on business performance (Fraser al 2002). The research looked at SMEs that received government training loans. It found that training loans did have a measurable affect on survival of the business, on growth and on turnover. More research is needed which can look in a similar way at interventions which have concentrated on developing managers rather than the whole workforce in order to provide better evidence that this is also true for management development.

5.5.3 Difficulties of establishing a clear link

As will be discussed in chapter 6 on methodology, it is intrinsically difficult to establish the effects of management development, but some studies are better than others, and we can draw overall conclusions by looking across them.

Even when an intervention appears to have been effective, the results may not be reliable. An example of this is another well-evidenced study on developmental feedback systems in an organisation also casts doubt upon the validity of 360º as a development tool (Bailey & Fletcher 2002). Changes in subjective views (how managers saw their own competence) did not relate to having had the feedback. More longitudinal studies of this nature would help achieve a better understanding of when 360º works and when it does not. At present the research data gives at best mixed results.

Unreliability of 360º feedback

The study looked at 104 managers in an organisation and their managerial competence ratings as assessed by self, bosses, and subordinates. Over the period of the developmental feedback programme (two years) significant increases in competence were perceived both by managers themselves and by their subordinates. (Bosses also reported Increases but these were small and not statistically significant.) However, further statistical analysis showed that managers' improved self-assessments were not related to having undergone the 360º feedback but to other factors. The research indicates that neither manager's own improved self-assessment nor those from subordinates can be shown to be due to real improvements in competence. (Bailey and Fletcher 2002)

While other studies referred to in this report come to more optimistic conclusions about the effectiveness of 360º feedback (Horne and Stedman Jones 2001, McEvoy and Beatty 1989, Bass *et al* 1996, Hazucha *et al* 1993, Fletcher and Baldry 1999, McCauley and Lombardo, 1990 Siefert *et al* 2001, Mabey (2001) this suggests that this conclusion needs to be taken with some caution. The best overall conclusion is that 360º feedback can have beneficial effects it cannot be assumed that it always does and in all circumstances. Whether it does or not should be taken to depend on features of the situation (Mauer et al 2002) in which it is used, details of the methodology with which it is applied and the extent of performance gain to be had – with already highly capable managers there will be less scope for improvement.

Similarly, a study by Guest et al (2000) found that HR professionals and CEOs did not agree either about the effectiveness of HR practices or about how well the organisation was performing financially. These results cast doubt upon studies which rely on asking one or two people in the organisation about the effectiveness of management development or its influence on performance. Research is urgently needed to provide better measures and which can give more reliable results.

A recent report from the Kellogg Foundation (see box) confirmed this view, indicating that while learning outcomes were often measured, data about impact at behavioural and organisational level were unavailable.

Insufficient evidence about the impact of leadership development programmes

A recent report from the Kellogg Foundation (2002) examined 55 Leadership Development programmes in the USA. It found that there was insufficient evidence about how effective leadership development programmes are and that not enough was being done to evaluate their impact. It also found that few leadership programmes have a theory of change, in the sense of being able to articulate what the outcomes of the programme will be and what the impact of the programme will be, either in the short or the longer term. Most programmes concentrated on developing the capacities of individuals. While they *desired* that there would be impacts on organisations and communities, they did not attempt to demonstrate any linkages of this kind. This was partly because of lack of resources, and partly because people did not know how to evaluate this effectively.

Most programmes were able to demonstrate that individual changes in skill, knowledge, attitudes and perceptions did occur. They were not able however to demonstrate changes in leadership behaviour beyond these immediate outcomes.

5.5.4 Proxy measures of capability

Although the link between training and development and management capability has proved difficult to establish, there is empirical support for the impact of training and development in general on such things as trust perceptions, job satisfaction, goal and organisational commitment, discretionary behaviour, ability to cope and so on (e.g. Tansky, 1991; Holton, 1996; Saks, 1996).

Factors such as these might be viewed as 'proxy' measures of capability enhancement, and indeed are integral parts of the People and Performance model (Purcell et al, 2003). This model traces the impact of training (training as a whole, not just management development) upon individuals' skill, motivation and opportunity to participate, which in turn links to commitment, satisfaction and discretionary behaviour to help the firm be successful. Based on a study of 12 UK organisations, the research concludes that sophisticated approaches to people management can help to induce discretionary behaviour in employees and do contribute to above-average performance. Caution must be exercised however in drawing firm conclusions from these results, given that some of the research reported above indicates the possible unreliability of reports about effects.

5.6 Management and leadership development and factors linking with capability and performance impact

This section reviews the evidence which demonstrates (or implies) linkages between management and leadership development and enhanced capability at the individual level. Existing literature here indicates a number of features both of the management and leadership development activity, but especially of the organisational context, which make it more likely that management and leadership development will have a positive effect on capability and performance.

5.6.1 Management and leadership development which incorporates feedback

Management and leadership development that includes feedback can lead to a number of positive outcomes including improved capability. It might be expected that the use of 360-degree feedback would improve the individual and organisational benefits of management training. This is because such an intervention has the potential for improving capability in at least three ways: increasing the accuracy of training needs diagnosis, deriving a more focused personal development plan and motivating the individual to address their development needs.

- Multiple sources of feedback improve accuracy and relevance for the individual, who is then more likely to act upon the data provided by colleagues. In support of this, the improved validity of multi-rater over single-rater assessments has been established (Riggio and Cole, 1992; Furnham and Stringfellow, 1998) and 360 degree feedback has been shown to be predictive of improvement in future performance (McEvoy and Beatty, 1989).

- 360-degree feedback is primarily a diagnostic tool, and a condition of effectiveness is that relevant training and/or coaching which helps individuals increase their skills and self-efficacy in the development areas highlighted follow it. Alimo-Metcalfe (1998) cites a study by Bass *et al* (1996) that found an improvement in managers who attended a leadership training programme after receiving 360-degree feedback, but only on those dimensions that the participants had selected to work on. They conclude that effective learning transfer is highly dependent upon focused effort around personal improvement goals and plans. This finding is supported by a study by Hazucha *et al* (1993). They found that those managers receiving less favourable feedback ratings investing more effort in development activity than those receiving more favourable feedback first time round, and skill increases as a result of 360 degree feedback

- A further condition, leading to improved capability, is the opportunity for participants to discuss their feedback with the individuals who provided it (Antonio, 1996). This enables the manager to uncover reasons behind the ratings given, understand discrepancies between self-ratings and that given by others and to discuss ways of improving certain behaviours in the future.

- Siefert *et al* (2001) suggest that repeated feedback is a condition which facilitates individual learning; this is because it keeps the target areas salient, it allows precise tracking of progress on certain behaviours and improves the raters' understanding and appreciation of the skills they are evaluating.

- Fletcher and Baldry (1999) note that it is possible for greater rater-ratee agreement (congruence) to result from raters' assessments remaining the same on separate occasions while self-ratings move from being more lenient and less congruent towards being less lenient and more congruent as a result of repeated feedback. In other words, a by-product of repeated 360-degree feedback on similar behaviours is to increase individuals' self-awareness, bringing it more into line with the views of their colleagues.

- Managers who have more accurate self-assessments (i.e. see themselves as others see them) are more likely to be promoted (McCauley and Lombardo, 1990).

- Walker and Smither (1999) studied 252 managers who received five annual iterations of an upward feedback programme. Their capability improved more in years when

direct reports indicated that the manager held a feedback meeting than in other years. The researchers concluded that meeting with subordinates to discussing their strengths and weaknesses enhances a manager's likelihood of enhancing performance over time.

- In their study of 17 managers in a savings bank, Siefert *et al* (2001) investigated the effects of multi-rater feedback and subsequent training on a specific example of managerial behaviour, namely 'influencing tactics'. Eight managers in an experimental group, who had received relevant training following their 360 feedback, were rated as significantly better in the use of these core tactics to influence subordinates than a control group who had received their 360 feedback, but no subsequent training. This suggests that effective learning transfer for leadership behaviours results when diagnosed by 360 degree feedback

- In Mabey (2001) both interview and questionnaire data reveal that, while the content of the 360 degree feedback is unsurprising for the majority of managers, it does have the effect of catalysing more focused self development activities. Many examples were given of managers addressing weaknesses highlighted by the 360-degree questionnaire, making progress in areas of personal development and receiving positive feedback from colleagues as a result. More noteworthy is the finding that participant managers register different aspects of the training and development that they have experienced consistently better than a comparative group of non-participant managers. It can be surmised – though not conclusively – that this more favourable appraisal of development undertaken is due to a more accurate diagnosis and enhanced motivation arising from their 360-degree feedback. Finally and least expected, this positive experience of a management feedback and development intervention leads to significantly more favourable assessments of the organisation as a whole.

5.6.2 The contributory role of organisational processes and climate

Almost as important as the content of management and leadership development is quality of the management development processes which precede, support and reinforce the development activities. Research suggests that these processes play a big part in capability enhancement.

- Employees produce the most creative work when they work on complex, challenging jobs and are supervised in a supportive, non-controlling way (Oldham and Cummings, 1996).

- In a UK study, HRD managers were twice as likely to rate management development as having high organisational impact where fast-track development was used (Thomson et al, 2001). Jones and Whitmore (1995) found those engaging in the personal developmental activities recommended by the development centre were more likely to advance in the organisation than a comparator group who were not selected.

- Research on adult learning tells us that development is likely to be more enduring and effective when certain features are in place: these include the timeliness and relevance of the training, opportunities for learning transfer, mechanisms for review and feedback and reward and recognition for any behaviour/attitude modification. When 125 line managers in the Thomson et al (2001) study were asked to evaluate their

experience of these different aspects of their training and development, just over two-thirds were very positive that the development was relevant to the job and that the learning had been transferred from the development to the job. However, generally speaking, they did not believe that developmental progress was reviewed by the organisation, that the reward and recognition policies in the organisation reinforced the training, or that the business impact of the development was assessed.

- A survey of 500 people (managers and non managers) in seven organisations, Tannenbaum (1997) revealed that those individuals with a greater awareness of the big picture (clarity about goals and direction; understanding about how their job and unit relates to these goals) reported higher levels of self-competence. High performance expectations, supportive policies and practices and toleration of mistakes during learning were all factors contributing to this big-picture awareness.

- Tafleur and Hyten (1995) described the impact of a variety of learning experiences upon job performance, particularly as it related to service quality. Where the learning incorporated task checklists, feedback, goal setting, training, job aids and bonuses for quality, this led to an increase in performance as measured by accuracy, timeliness and overall customer satisfaction.

5.7 What makes a good manager, leader, and entrepreneur in differing circumstances?

To address this issue we have to briefly revisit some of the definitional and conceptual issues about capability discussed in chapter 3.

Distinctions are made in the literature, research and amongst practitioners between management, leadership and entrepreneurship, but at the same time it is argued that these are all linked or part of the same thing. The best conclusion that can be drawn is that there are meaningful differences between the practices carrying these labels, but that they blend together in different proportions in different situations in the work of organising organisations to be effective. On top of this there is considerable semantic overlap. For example the management of innovation has much in common with entrepreneurship, what are often referred to as the soft skills of management (judgement and working through people) have much in common with what is presented as the heart of leadership. On the other hand when leadership is divided into the transactional and the transformational then the transactional arm of leadership appears to have much in common with what others would label management. On top of this the semantics change over time; for example the discussion in the 1960's and 1970's on management as opposed to administration (Simon 1957), mirrors the more recent management – leadership debate (Kotter 1990). In the administration – management debate the former is the maintenance of useful routines, the latter to do with messier processes of change and dealing with people. In the management – leadership debate management is cast in the administrative maintenance role, and leadership takes on the role previously attributed to management. In addition to this there are cultural variations in the acceptability of terms in different economic and work sectors. For example, outside the world of private sector business: the public sector including health and education and the professions (which can be extended to include knowledge worker based organisations) the term leadership tends to be more acceptable than the term management which has had a very mixed reception in these domains. To add to the complexity a more international perspective, which may be necessary in the context of globalisation even if the prime concern is with the organisational performance in the UK economy and society, shows

that that terms like management and leadership do not necessarily have direct equivalents in, for example French, German and Japanese languages, and the work labels given to those involved in organising organisations in these nation states and cultures are different. Finally, there are other work terms, like Director, Chief Executive, Chief Executive Officer used differently within Anglo-American culture to refer to people and roles that we would associate with leading and managing.

For the purpose of this analysis, we suggest that the CEML (2002) position that it is unhelpful to split management and leadership (and by extension entrepreneurship) is the most useful one to take, but within this broad family of activities concerning the organisation of organisation there are some differentiated activities, which ultimately integrate, which are work considering separately but with this in mind.

5.7.1 Entrepreneurial skill

The question of entrepreneurial skill and how it can best be developed is a key issue in the current policy and economic environment. While the development of skill is part of the overall learning situation and can be taught in a variety of ways, skill development is also dependent both upon the context in which it is taught and the context in which it is used. Little is known about the nature of entrepreneurial skill and whether it can be taught or is innate.

If entrepreneurial ability is not innate, then it can be developed. One report has studied entrepreneurs and found that rather than being highly risk-taking individuals as has previously been thought, in fact they have different cognitive perceptions of business situations to those of others. They perceive opportunities where others see risks, rather than actively seeking the risk and being natural 'risk takers' (Palich and Bagby 1995). This finding has implications for management development. Whereas personal propensities such as a tendency to risk-taking are believed to be innate and largely impervious to change (Nicholson 1997), psychology suggests that cognitive processes *can* be developed in learning situations. If successful entrepreneurs are operating by different cognitive processes and these processes can be identified and taught, then their successfulness is likely to increase. As Palich and Bagby say (p 435), "It stands to reason that those who seek opportunity are likely to find it."

5.7.2 Leadership skill

A great deal has been written about the nature of leadership and the skills and behaviours leaders need to have (see for example Horner 1997). Horne and Jones (2001) in a strongly evidenced study found eight key characteristics of leadership of which inspiration was seen as both the most important and the most lacking. A considerable range of methods was considered effective for leadership development.

Characteristics of leadership

Horne and Jones (2001) found eight key characteristics of leadership. The most commonly desired was inspiration, which was also seen to be the most commonly lacking. Managers rated the quality of leadership more highly if they were in organisations that have a clear and systematic approach to leadership development. There was also a positive association between leadership development and financial turnover. Where leadership development was recognised as a priority, turnover was likely to be increasing.

The primary task for a good leader was seen to be to shape organisational goals and to unlock the potential of others to achieve them. However, it was also recognised that this model of leadership was not always appropriate and in some circumstances there was a need for leaders to be strong and directive. The methods considered most effective for leadership development were formal mentoring, action learning and 360º feedback. However, intensive high level training programmes, job rotation in-house, secondment to another company, informal mentoring, cross functional working and project management were also considered to be effective tools. These findings suggest that a variety of methods are needed.

Leadership lies not only in the quality of the individual but also in the situation. There may be many effective styles of leadership. It follows therefore that in some cases rather than seeking to develop different leadership behaviours in people, a leader can instead be appointed to a position which suits their leadership style (Schein 1985). Organisational culture also matters. Leaders must be able to adapt to change and will be more effective in an organisation where the organisational culture responds positively to change than in an organisation where change is resisted (Baron 1995).

Leadership can also be *transactional* or *transformational*. In transactional leadership leaders use power to achieve task completion by followers (Burns 1978). In transformational leadership, the leader motivates followers and engages them in the processes of the work to be completed (Bass 1985). There is however no single consistent definition of a successful leader arising from the literature. There are no clear answers. There is widespread belief that interventions (training and development activities) will help to develop and improve leadership within organisations. On the other hand, trait theories show that there are significant correlations between personality traits and successful leadership (Stogdill 1974, Bentz 1990). As personality traits are stable over long periods of time, this suggests that innate personality traits are an important part of leadership capability.

Other recent theories suggest that leadership is no longer a process in which leaders are individuals who have followers, in a situation in which dominance and/or influence are the primary vehicles of leadership. Instead, leadership is seen as a social process where leadership involves coordinating efforts and moving together as a group (Drath and Palus 1994). Whereas in the past, leaders used to direct and command, it is suggested that now they need to influence and support (Horner 1997).

5.7.3 What managers need to learn

A considerable body of theory exists about what managers need to learn and the competences they need to acquire. For example, Senge (1990) in his seminal work found that managers need four kinds of learning: to attain personal mastery; to surface mental models and challenge them; to build shared visions; to facilitate team learning. As has already been discussed above, Business Schools are able to, and do, successfully teach basic management competences. However, as has also been discussed above, managers need a wider range of skills than those that can be taught through formal courses.

Argyris and Schön (1974) made a classic distinction between *espoused theories* and *theories in use*. They found that managers need development which will help them become aware and responsive to feedback through what they call *double-loop learning*. Managers often only look for, and are only able to accept, feedback that fits in with their pre-conceived notions. Management developers need to help managers to step outside their taken-for-granted world and seek genuine feedback about the outcomes of their actions.

5.7.4 Changing management skills

A report for the Skills Task Force (Johnson & Winterton 1999) found that the managers of the future will need to be able to respond to continuously changing environments. They will need both formal and informal learning processes, and will need both know-how (skill, competence, tacit knowledge) and know-that (propositional, cognitive knowledge) (Collin 1997).

There has been a shift away from manufacturing and primary industries and this is expected to continue (Johnson & Winterton 1999), as is the shift away from manual and low skilled occupations and towards professional and managerial occupations. These authors quote data to show that employers systematically under-estimate the difficulty they will have in recruiting to managerial positions. They also show that there have been increasing difficulties for employers in recruiting to managerial occupations. They suggest that these data indicate that there is a shortage of managers. In addition, qualifications among managers have traditionally been low in the UK (CBI 1989) although it is not clear whether this reflects a lack of skill or simply a different pattern of qualificatory behaviour (CEML report, Williams 2002). However the proportion of qualified managers is rising (Johnson & Winterton 1999).

Johnson & Winterton also conclude that different skills are needed by managers in SMEs to those needed in larger organisations. They point to the high failure rates of SME start-up as evidence of the management skills gap in SMEs. On the other hand, Storey and Westhead (1994) find that there is no clear empirical evidence to support the view that increased management training in SMEs will result in improved business performance. This must be seen therefore as an area of conflicting views in which firm conclusions are difficult to draw.

5.8 Management and leadership in the public sector

It is widely believed that public service management is not as good as it could be. A recent research study undertaken by the PIU (Strategy Unit, 2001) concluded that the public services do not attract or keep the best leaders. It also reported that there is little data in the public sector about the career progression, turnover or wastage of public sector leaders.

Partly in response to such concerns, there are many new leadership colleges being set up for the public sector. There is however no evidence at present as to how effective they are. The report recommends a number of strategies for the public sector including more active recruitment of leaders, better selection processes, better rewards (not only financial but in terms of recognition and other benefits), a secondment scheme, and new strategies to develop leaders so as to widen the pool available.

It has also been suggested that generic competences are not applicable across different sectors (Currie op cit and Boyatt and Currie op cit). Much more research is needed about what is effective in terms of development for leaders in the public sector.

Research undertaken by the Association of MBAs (AMBA) has suggested that public sector managers tend to leave the sector when they gain an MBA (Stephens 1999). It is not clear why this is so but it seems likely that they choose to take the MBA with a view to moving into the private sector. If so, this has worrying implications for management capacity in the public sector.

It is also the case that the public services have seen many reforms in recent years (Charlesworth et al 2003). These reforms are based on principles of accountability, the development of a framework of standards, more devolution to local levels, building local capacity and offering more choice for customers. To respond to these changes and pressures, managers in the public sector need different skills from managers in the private sector. This is particularly so in the areas of partnership working and dealing with the political dimension (see box).

Managers in the public sector

A large survey of public sector managers was carried out by Charlesworth et al (2003) on behalf of the Chartered Management Institute, following on from the work of CEML. More than half the respondents in the survey felt that recent reforms had directly improved service delivery. The key attributes they wanted to see in their leaders were clarity of vision, integrity and sound judgement. However only 30% of respondents could see leaders with these attributes within their own organisations. Managers in the survey did not appreciate the importance of partnership working (less than half regarded it as a key public leadership skill). Nor did they appreciate the importance of having the skills to develop effective relationships with politicians (less than a quarter regarded having the skills to manage the political dimension as a key public leadership skill). There was also a lack of creativity and innovation perceived within either top teams or line managers.

A wide range of performance indicators has been put in place in the public sector, but there appears to be little or no research relating these to management or leadership development. This is an area in which further research is needed. Charlesworth's report indicates that leadership in the public sector is seen as poor, that leadership development in the public sector tends to be old-fashioned and out of date, and that leadership development is given a low priority in the public sector. Leaders in the public sector need to learn how to work in partnership with other organisations, to work with the political dimension, and to develop frameworks that put users and citizens as the heart of their change agendas.

Outcomes in the voluntary sector are even more difficult to assess than in other sectors. This is a specialised area and one where additional research is needed. The Kellogg report (2002) found in the USA that community leadership outcomes are the most difficult to evaluate. Community programmes usually have little prior assessment of capacity and find it difficult therefore to determine whether there has been any impact. Similarly, in the UK, more work is needed to identify the development needs of voluntary organisations and to look at how their effectiveness could be assessed.

5.9 Size of organisation

A significant body of literature indicates that the management development needs of small firms are different to those of large firms. Details of some of the literature on this topic are given in Perren (2003) (see Appendix A). The literature he review suggests that SMEs find management development too 'supply led', that informal approaches to management development are highly valued, that 'learning through doing' may often be the most appropriate for SMEs, and that there are unique features of business support required by small firms. This evidence is largely based on the views and perceptions of small business people themselves. Whether they would benefit from more formal development if they were willing and able to use it is an open question but the reality is that they do not use them very much, and this is not for the lack of them being on offer. The practicalities of being away from work for significant periods, and costs in many cases, are barriers, and it certainly appears that small business people tend to have developed the learning strategy and style of learning by doing and seeking informal support and advice from those that they know and trust in their personal social and business networks. In addition for many (but not all) small business people the attractions of gaining qualifications in management and leadership are less than for managers in larger organisations where formal qualifications may be more important for getting selected for jobs and career progression within organisations. The CEML conclusion was to offer more support for approaches that 'go with the flow' of informal support for learning and learning by doing (see CEML 2002). Following up the initiatives that are known to have followed from this would be a useful future evaluation research activity.

Overall, the literature suggests that the best approaches to management development for small firms will lie in the short course or individual business coaching models. It has been known for some time that it is difficult to get SMEs to engage in management development (see for example Stanworth and Gray 1991). Henderson et al (2000) in a small descriptive study found that time rather than cost was the limiting factor for SMEs in undertaking management development. Other writers have suggested (Thomson et al 1997) that SMEs would undertake management development if they saw the value of it and if it served their interests. An interesting case study of an initiative involving business coaching found that this was an effective way of gaining the interest of SMEs. These findings showed that the key factor was trust and that where a relationship of trust was built up between the company and the coach, effective change and learning did take place (Devins and Gold 2000).

It has also been found that managers of SMEs have different needs to those of other firms. Gibb (1983) showed that owner/managers have very different attitudes to development from those of managers in larger firms. The owner/manager is unlikely to view development as a personal gain, or as career development. He or she is not looking for the same kinds of rewards or returns from development as a manager in a larger firm. Rather, development is

seen in terms of gains to the business (Gibb 1983) and only development that is seen as directly related to this will be valued.

Similarly, managers in micro-enterprises have their own particular needs. Little work has been done on micro-enterprises, but one interesting study in Ireland (where 90% of firms are micro) of firms with ten or fewer employees found some interesting results (see box, O'Dwyer and Ryan 2000).

Needs of managers in micro-enterprises

O'Dwyer and Ryan 2000 in a study of micro-enterprises in Ireland (where 90% of firms are micro) looked at firms with ten or fewer employees. They found some interesting results. Owner/managers were found to be cautious about training and felt that they would not understand it and would not be able to identify with the issues or content. They wanted to listen to someone who knew about running a small business, not someone from a large company or a consultant. They had the same doubts about business coaching and mentoring as about more formal courses.

Their main reasons for not participating in coaching and mentoring programmes were that they doubted that the mentor would have the right kind of small business experience. Their doubts about courses were that they would be too academic or too general. These owner/managers were only interested in topics related to their immediate business concerns. They saw themselves as business people rather than as professional managers. The research concluded that short workshop format sessions, specifically focused on particular subject areas of interest, would be the most likely kind of initiative to be welcomed.

Other research has found that management development initiatives were more effective in some SMEs than in others (see box).

Factors limiting the effectiveness of management development in SMEs

Factors which limited the effectiveness of the intervention in the Marshall study (Marshall et al 1993) were size (very small firms with a small management team benefited less), pre-existing weak management structure, and managers' lack of previous experience of management training. The study also recommends careful targeting, to avoid 'deadweight' (giving the money to firms who would have invested in training anyway).

5.10 Dominant organisational culture

A large literature exists on the 'learning organisation' and the nature of organisational culture is widely understood as being crucial to management effectiveness. Kilmann (1996) offers the following definition of a learning organisation (p 208): *A learning organisation describes, controls and improves the processes by which knowledge is created, acquired, distributed, interpreted, stored, retrieved and used, for the purpose of achieving long-term*

organisational success. He draws both on TQM (total quality management) and BPR (business process re-engineering) in his discussion of the factors which are relevant.

Bramley (1999) found a number of factors in the organisational context which are more important than managerial skill in determining how the work will be done. These factors included the structure of the organisation (who reports to whom), the organisational climate (how people relate to each other, whether individuality is valued, what support and encouragement is given), the design of the work (whether it is stress-inducing, what aspects are seen as key results areas), and whether good performance is actually rewarded (both in terms of recognition and praise as well as promotion and pay). These things will affect how managers behave far more than the knowledge and skills they may acquire through development. What is needed therefore in his view is development related closely to the workplace, focusing on giving feedback on performance and working towards individual development plans.

Another study, this time a case study of training in a large organisation, found that contextual factors were highly significant in terms of learning. Although this study (Martin et al 2001) was not a study of managers but of training for all employees, it is included here as illustrative of the kinds of contextual factor which may be important. It is not known if these factors also apply to managers but if they do, there are clearly important implications for training and development. This study found that informal and tacit learning was more important than formal, 'embrained knowledge' (a term derived by Blackler 1995) as a source of innovation. Much learning at work was found to be informal and socially produced, or else socially constrained. Greater weight therefore needs to be given, conclude these authors, to how group and organisational variables influence learning when designing learning interventions. These findings corroborate the views of situated learning theory (see for example Lave and Wenger 1991) and the analysis by Blackler (1995) of different kinds of knowledge.

Blackler distinguishes between embrained (cognitive) knowledge and the embedded knowledge of communities of practice which is both informal and tacit. Senge (in an interview with Zenke 1999) has argued that knowledge creation occurs in working teams and that individual learning is frequently a by-product of what goes on in really innovative teams. Senge points out that individual self-development and learning is not the ultimate goal, and that if it becomes so, the organisation is vulnerable to having that knowledge leave with the individual.

6: What is the Strength of the Evidence?

Overview

The priority of this review has been to draw conclusions from a survey of evidence based research. In general a very large proportion of the literature and debate is only weakly, or not at all, evidence based suggesting that more attention needs to be paid to this in general. Secondly, much more if the evidence base is descriptive – showing how things are, rather than providing evidence of effects of policies and actions in relation to management and leadership development. That is largely because the former is easier (though not without its difficulties) and quicker and more economical to carry out. Investigating effect and impact is also technically and methodologically more difficult, and in general needs more longitudinal research. The overall conclusion is that the future will be best served buy a greater emphasis on more research supporting evidence based policy and practice in general, and, within that, more of the kind of research that increases our understanding of effects and consequences of policies and actions.

For the purpose of this review a pragmatic approach has been adopted – of necessity. Evidence-based investigation will be taken to mean anything that gives some basis for confidence in a response to a question because it is based on observation and analysis.

In this review, as in others of a similar nature, an inspection of literature, reports, articles, books and increasingly web based material suggests that only about 20% of these can be regarded as evidence-based, even using a broad and pragmatic definition of this. We will use the term 'speculative', in contrast to 'evidence based' to describe the literature and reports that constitute the remaining 80%. We define speculative literature as that which explores and articulates ideas about how things might or could work, or could be interpreted and judged, or justified as courses of action.

While this review is primarily concerned with evidence-based material, and what can be reasonably concluded from an overview of it, speculative material is taken to be of some use.

Speculative material can be assessed at least for the inner consistency and logic of their arguments and analyses, and also as a source of ideas about how things do or could work which could be suggestive of questions, propositions and prescriptions that could be usefully addressed by more evidence based investigation in future inquiries.

Policy- and practice-oriented inquiry is about getting a better answer to a big question rather than a precise answer to a narrower one. The aim is often to achieve an incremental improvement to the evidence base for a choice that is going to have to be made by one means or another.

Purer more 'academic' research tends to narrow the question to make it more answerable and to come up with a cautious and often tentative answer.

For the purposes of this review we take the most satisfactory evidence-based inquiry to be that which either:

- Relates input to output, or action to effect in a way that gives some confidence that an effect has taken place in a defined situation and context. Such inquiry often has a quantitative and statistical element and a basis for believing that an effect has taken place.

- Detailed observation based accounts of process as they unfold or are triggered by deliberate action, with regard to situation and context. Such inquiry will tend to be more qualitative, but may include quantitative and statistical elements to the extent to which the phenomena and processes described have a quantitative dimension.

Each of these are taken to be of equal value, and the most satisfactory kind, of evidence-based research

Less satisfactory but useful in the absence of anything better are:

- Conclusions drawn from consensus amongst a group of people who can be regarded has having experience and expertise on the issue in question.

Still occasionally useful after this are:

- Arguments grounded in examples of events and phenomena to give some anchorage in 'reality' to the argument and analysis at least some points, or based on opinions that have some apparent basis in the experience of those expressing them.

Beyond this, for the purposes of this review, is material outside the boundary of our pragmatic definition of evidence-based inquiry.

Speculative material we divide into that which:

- Has some internal logic, rigour and consistency, and theoretical coherence, perhaps drawing on theoretical propositions that have some evidence based justification elsewhere.

- Material that is weak or defective in terms of these criteria.

For the purposes of this of this review only material with a clear quantitative or qualitative evidence base, and rigorous speculative material making useful suggestions has been included.

Weaknesses of methodology: one of the difficulties of demonstrating a link between management development and organisational performance lies in finding a strong methodology. Management development is not an area in which the preferred method of 'hard' science - the double blind randomised controlled trial – can be used. Research is generally post hoc and researchers usually have no control over the intervening variables.

The difficulties of finding adequate methodologies to study the effectiveness of management development programmes has meant that many studies rely mainly on a methodology based on self-report about the impact of the programme. Self-report – individuals saying that the programme has been useful, or that they and their organisation have benefited - is not the

same as showing a link to actual performance. Little research has been done either to show the link between management development and changed behaviours in the workplace, or the further link to organisational performance. Indeed, there is some limited evidence to suggest that individual's reported gains do not necessarily translate into business terms (see box). It is important for research to try and establish a better understanding of what does work and how learning can be translated back into the working environment.

Measures of programme effectiveness

A research study looking at assisted training programmes for MDs in SMEs (McMullan et al 2001) found no link between their subjective views of the programme's effectiveness and business performance. Those who thought the programme had been effective were no more likely to show improved business performance after the intervention than those who did not think the course had been effective, although there was a link between the intervention and performance of the businesses overall. There are two possible explanations for these results. The programmes may be effective but individuals may be poor judges of what they have learnt and therefore judge the programmes inaccurately; or the programmes may be ineffective but because of self-selection bias (the fact that successful people may be more likely to undertake programmes) appear to be related overall to performance. More research is needed to find out what the causal relationships are.

New methodologies are needed both to demonstrate the link between development and organisational performance and to demonstrate the intervening step, to show that development produces changes in management capability. The most common measure of the outcomes of management development is to use course satisfaction sheets or other self-reports of learning, but evidence relating course satisfaction to actual learning having been achieved is hard to find. New methodologies are needed to develop this line of research. One study of MBA and undergraduate marketing students used the methodology of customer satisfaction research and was able to show that learning was strongly related to course satisfaction (Guolla 1999). It may be that research using more sophisticated methods like this is needed in order for worthwhile results to be found.

Similarly, a study by Warr et al (1999) of workers undergoing training (not managers) found that trainees' reactions to training were actually related to learning outcomes, but not to changed behaviour at work. This may or may not apply to managers - there is insufficient research evidence here - but it does illustrate some strands in the literature which have sought to relate training outcomes to transfer of learning into the workplace. More work needs to be done specifically with managers on this topic.

Our assessment is that there are promising new methodologies that are appropriate to this area, based on the position known as 'critical realism' in academic and social science circles (see Sayer 1999). This manifests as research and evaluation methodologies to deal with phenomena that deal complex networks of effect and the emergent properties of people and their behaviour, for example Pawson (2002), Pawson and Tilley (1997).

7: Priorities for Future Policy and Practice Research

This Chapter, summarised in the overview, deals with the kind of research (in terms of outcome and method) that is needed for the future, and the issues that these could be most usefully focused on. In terms of management and leadership development these cover education, training, development and organisational development, processes that affect people prior to, in early and all stages of work and management/leadership careers and activities initiated and invested in by the state, employers and individuals.

Overview

Our recommendations on further and future research cover three general points on the kinds of research that will most effectively support policy and practice in relation to management and leadership development in the future. These are followed by a comment on what seems to be the most important gaps in our current understanding and some specific points on research opportunities that we see as a result of this review.

The first three points are:

- the need for more evidence based research in general (7.1),

- the need for more research that helps us judge what leads to what (about effect) as well as how things are (description) (7.2),

- the balance of research on corporate management and leadership development and the effect of education, training and development as provided external to organisations (7.3).

The most important gaps in knowledge, as seen from this review, are reported in 7.4. 7.5 sets out some specific research challenges and opportunities that we see as a result of this review.

The general argument for investing in research on management and leadership development is that the public, corporate and individual investment in this development is huge, and the intended benefit even greater. A general principle of evaluation is that spending 10% of a development budget on evaluation more than pays for itself by improving the efficiency and effectiveness of the remaining 90% investment (this principle is currently being taken seriously by the National Health Service Leadership Centre and the National College for School Leadership).

7.1 The need for more evidence based research in general

As mentioned in other sections of this report, (see for example the review on small business research – Chapter 6 on methodology and Perren 2003), a very large proportion of the literature and reports on management and leadership development is not, to any significant degree, evidence based. Where it is, it is so in a relatively weak form.

In Chapter 6 we suggest that the most useful research is based on rigorous quantitative research to show initiative – impact effects, and qualitative research to show the processes

through which these work. After this comes consensus of informed opinion, and finally speculative work, which is useful, if theoretically sound, in identifying initiatives worth testing and evaluating.

7.2 Research on effect as well as situation

We make a distinction between research that is largely descriptive – reports how things are (Chapter 3 in this report is mostly centred on this), and research that suggests what leads to what in terms of management and leadership development initiative and effect (the main thrust of chapters 4 and 5).

Effective policy and practice needs both – an accurate fix on how things are (descriptive), and some basis for deciding what initiative will change the situation in a desirable direction (effect).

Our suggestion is that future research puts more emphasis on research that increases our confidence in our understanding of effects, as well as giving accurate reports of the state of affairs (which we emphasise as being of continuing importance).

To deliver these new priorities some desirable features of future research are:

- More longitudinal research – in some cases using historical data already collected. Longitudinal research give a better basis for assessing effects. There are some useful historical data sets that could be followed up, which means that some results of this kind could be had without having to wait for years.

- A more integrated overall research strategy, so that the results can be put together by systematic review and synthesis to give policy makers more confidence in their understanding of what works. Research in this field is piecemeal, and would give greater value if coordinated within a research strategy.

- More longitudinal and integrated databases maintained over time and serving multiple purposes.

- The ability to make international comparisons on the basis of longitudinal and comparable databases.

7.3 Corporate good practice and external education, training and development support.

It will be clear from the rest of this report that we have found it helpful to think of the contributions to management and leadership development to be of two broad kinds, and channels of effect.

Firstly there is that which is done within organisations and companies, driven by their own policies and plans (even though possibly supported and delivered with high degrees of outsourcing), and secondly the external education, training and development provision that feeds the management and leadership labour market, provided continuing education and development at all career stages and supports more general good practice (Investors in People just as an example).

Both of these are difficult to investigate, as this report shows, and it is the former that gives us much of the confidence to say that management and leadership development can have beneficial effects.

Education, training and development and other initiatives external to the organisation are more difficult to 'prove', in terms of effects, arguable because the value chain from these to performance is more complicated, some of the effects are longer term, and these create even greater challenges in terms of finding viable research methodologies.

Our recommendation is that research on both these broad topics is needed, and special efforts need to be made to stimulate more useful research on the latter.

7.4 Priorities and relative knowledge gaps.

It will be clear from this review that in general the quality and usefulness of evidence-based research can be improved across the whole spectrum of issues that can be addressed.

In relative terms however, two areas stand out as special gaps, at least from the point of view of the literature and reports that we have been able to access dealing with management and leadership development. These should be given special priority in future work.

The first is the link between management and leadership capability and individual performance, and the second our understanding of the mechanisms by which management and leadership capability might affect organisational performance.

One conclusion from much of the general evidence is that not all that gets learnt by people in the way of management and leadership capability gets used to contribute to performance and create value. Understanding how to make better use of this resource could be great practical as well as theoretical significance and potentially a very cost effective way of getting more value out of management and leadership development.

The former is surprising given the effort that seems to be put into assessing management and leadership capability, at the individual level, on the one hand, and the measurement of the performance of individuals on the other. This suggests that research using existing data for a more general purpose could be an 'easy win'.

It is possible, on the second point, that what is needed is a review of the management and business studies literature in general, rather than just that related to management and leadership development.

Standing back from this literature, there appear to be a number of overarching ideas about how capability might contribute to performance from the execution of management and leadership work. Some of these, particularly those related to human resource management, have been touched on in this work. They are:

- increasing operational efficiency (leanness, re-engineering)
- innovation – of services and products
- increasing employee commitment

- developing and utilizing skills and abilities other than those of management and leadership

- knowledge management

- locating organisations activities in the context of the broader system of which they are a part.

Further investigation of the effects and effectiveness of these processes in different contexts, initially making best use of existing research is recommended as useful. One reason for this is that the education/learning processes at the beginning of our value chain may be better planned and designed if there is a fuller understanding of the mechanisms by which capability can translate into performance.

Further research of this kind on the channels of influence between management and leadership capability and performance will provide one of the necessary ingredients for a new kind of research on management and leadership development methods, and the design of programme to deliver these. This will seek to understand what methods work for what purposes on what contexts, and to enable the design of programmes that do not have as their end point the development of capability but push forward from this into supporting the application of capability to adding value to performance.

7.5 Specific opportunities and challenges

Section 7.2 above argues for more research that tests for the effects and effectiveness of management and leadership initiatives, as well as giving helpful descriptions of the status quo. It suggests more longitudinal and comparative research to make this possible.

Some specific topics and foci for this kind of research, formed on the basis of this review are set out below for further consideration:

- More evaluation of executive development – i.e. that for in-career managers and leaders, and possibly more accessing of evaluations of this kind that do not enter the public domain. This is because a high proportion of managers/leaders take on this work mid career, and it is the best prospect for having an impact on a reasonable timescale. The CEML (2002) main report mentions 2010 as a target date for impact of the implementation of its recommendations, executive development is one of the main ways of achieving this given the nature and turnover of the management and leadership population.

- To do this, more research is needed to develop and improve the methods and practices of evaluation itself, and to disseminate this. Most organisations are known to be unhappy about the evaluation they do and want help in doing it better.

- More research on 'organisation development' initiatives as they address collective as well as individual leadership and development capability (social as well as human capital). Most public and private sector organisational leadership development initiatives, and arguable all of the education based support, focus on the development of the capabilities of individuals. Many now see the need to convert individual capacity into collective capacity. The barrier is finding trustworthy methods for doing this.

- Research on the effectiveness of management and leadership development can only be as good as the ability to define and measure the performance that it is expected to enhance. More work is needed on the nature of performance and its measurement itself in both the private and public sector, in terms of both social and economic goals. In addition practical and economic methods of performance measurement are needed, and given the amount of effort that goes into organisation performance measurement in general it should be possible to take advantage of these existing measures for research on management and leadership development effectiveness.

- As an extension of 7.5.4, it is noted that many studies in practice rely on the reliability and validity of self-report measures of performance and process. It would be useful to research how reliable these methods are, or under what circumstances they can be taken to be reliable.

- There is considerable speculation and some evidence that natural, informal, work based and context sensitive development processes for management and leadership development are particularly effective in some contexts, and a growing movement for their use. Research on the effectiveness of these methods would have considerable practical use, and also a theoretical one since the indication of this review is that management and leadership, and the development of the capability for them, are situational and contingent. This kind of research would help us understand how.

- The CEML investigation (see Perren L. and Grant P. 2001), suggests that effective ways of developing management and leadership capability in small business are yet to be found. A recent approach based on the concept of 'incubator units' appears to be a new approach that is felt to be promising (see Hirsh W, Burgoyne J and Williams S 2002). An evaluation of this combined with an investigation of the processes by which leadership and management capability is developed and used in small business is suggested.

- Education does appear to be associated with management and leadership career progression, and by implication effectiveness, but it is not clear whether the effect is through learning or the use by employers of qualification to signal and screen people with greater potential. To the extent that there is a learning effect it is also not clear whether the effect is one from general education or the learning of specific vocational capabilities. The different effects of education via general ability development, specific ability development, signalling and screening of talent is capable of investigation, largely using existing data sets and newer statistical techniques. The question has considerable policy implications in terms of understanding how the educational system can best support the economy through management and leadership.

- The new Management Standards appear to have been established with extensive and thorough consultation with experts and the synthesising of consensus amongst them. An opportunity will arise to research them further by tracking their launch and use, and the performance effects of their use. This would further validate the standards and inform their further modification and use.

- Investors in People have launched a guide to good practice for organisational leadership and management development. As an organisation level initiative a follow

up evaluation to track its use and effects would provide useful evidence on organisation rather than individual focused leadership and management development. See Investors in People (2003).

- The more macro research discussed in this review suggests that it might be the case that organisational attention to management and leadership development may have its effect more through increasing motivation and commitment rather than enhancing skill and ability. The research was not specifically designed to test this, and it would be useful to investigate this more systematically as it has important implications.

- Although it has been argued that it makes sense to consider management and leadership as aspects of the same thing (see section 7.2) it is the case that very different development traditions have grown up around leadership and management respectively. A comparative evaluation of these approaches would inform decisions about how to combine development approaches for management/leadership capability.

- The idea that some aspects of management and leadership capability may be largely innate, and hence not susceptible to development, has revived in recent years after a long period in which it has been assumed that it is all learnable (Nicholson 1998, 2000). Since much rests on this question, in terms of what is sensible for investment in development, this should be investigated further in the context of contemporary management and leadership.

- Whether those aspects of management an leadership that are to do with innovation and creativity can themselves be codified, both in terms of their form and their development, of whether these can only be left to emergent and unplanned processes. Management, leadership and entrepreneurship are variously seen as combining different 'hard' and 'soft' skills. Whether these are equally easy to measure, or measurable in the same way, is a question of practical and theoretical importance.

- Further work to investigate the performance effects of adopting the corporate management and leadership good practice frameworks that have been developed through consultation and examining high performing organisations (for example Reichwald R. and Moeslein K. 2003, James and Burgoyne 2001). This would include the practices involved in making the best use of management and leadership capability within organisations, an opportunity highlighted by this review.

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