

# A FRAMEWORK FOR BUILDING MANAGEMENT CAPABILITY IN NEW ZEALAND

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# Executive Summary

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## *INTRODUCTION*

Almost without exception, economies of the world are based on firms that are small or medium in size<sup>1</sup>, and the last decades have seen an increasing focus on the SME sector and its critical role in sustainable economic development. In New Zealand, this is also the case - the SME sector accounts for a large amount of employment, and a significant proportion of GDP<sup>2</sup>.

However, individual SMEs seem to be reluctant to engage in 'developmental activities' such as training and/or other capability-building initiatives. The consequence is that the sector as a whole is usually regarded as one that has not fulfilled its potential.

In response, many governments and industry associations have responded by supplying an ever-increasing array of products and services that seek to maximise firm performance and/or management capability, and develop new dimensions of knowledge and practice (for example New Zealand's BIZ programme) and/or by attempting to answer some of the key questions about why firms do or do not engage in developmental activities.

This project is designed as a first step in enhancing levels of managerial capability in New Zealand firms. The task for the research team was to:

1. Review the literature on management capability, drawing from New Zealand sources where possible
2. Develop a framework for assessing management capability in New Zealand<sup>3</sup> (using international studies/examples where relevant)<sup>4 5</sup>
3. Identify indicators that could be used to measure the levels of management capability in New Zealand.

## *THE LITERATURE*

There is a considerable amount of international research on management capability and related concepts. However, the task of reviewing this literature is complicated by the lack of clarity about the meaning of the terms that are used in any discussion of developmental activities, capability-building initiatives or improved firm performance. In particular, there are debates about the most appropriate way to define 'management', 'education', 'development',

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<sup>1</sup> Although the definition of an SME is usually based on numbers of people employed, the definition varies widely between countries.

<sup>2</sup> Cameron, A., & Massey, C. (1999). Small and medium sized enterprises: A New Zealand perspective. Auckland, New Zealand: Addison Longman Wesley. Also see

Ministry of Economic Development. (2003). SMEs in New Zealand: Structure and dynamics (Update Report September 2003). Wellington, New Zealand.

<sup>3</sup> In this component of the project the researchers will draw upon the work carried out in New Zealand and in the UK, particularly the following reports:

Tamkin, P., Hillage, J., & Willison, R. (2002). Indicators of management capability: Developing a framework. London: Council for Excellence in Management and Leadership.

New Zealand Institute of Management. (2003). NZIM management capability index. Wellington, New Zealand: NZIM.

and how these concepts relate to concepts such as 'training', 'learning', and 'knowledge'. While on one level there appears to be no difficulty about the 'meaning' of these words, and how they relate to each other, assumptions about the link between management education and/or development and management practice, and the link between management practices and company performance have been subjected to challenging critiques.<sup>6</sup>

The implication of this discussion in terms of the task that is the focus of this report are clear: Attempts to engineer a close functional and instrumental relationship between the education/development offered to both prospective and practising managers and their practice *qua* managers is a problem, since it tends to reduce education and management to a set of techniques and functional skills. There are many issues facing managers today that do seem to require more than training in techniques and skills.

Having said this, there are some clear messages from the literature:

1. It is possible to identify managerial competencies that are related to superior managerial performance. These may be clustered as follows:
  - Intellectual/information handling competencies
  - Interpersonal/motivational competencies
  - Leadership competencies
  - Personal competencies
  - Results/Business oriented competencies
2. Current research suggests that specific competencies are needed for:
  - new managers
  - those with and without HRM support
  - those managing in a team based environment
  - global managers
  - senior/middle and line (differentiating strategic and operational skills)
  - those working in jobs in the "new economy"

## ***A FRAMEWORK FOR NEW ZEALAND***

Before the research team could develop a framework for assessing management capability in New Zealand, it was necessary to agree upon a definition of capability.

**For the purpose of this research we consider 'competency' and 'capability' to be 'nested' concepts:**

**Competency is the set of personal characteristics and skills and abilities that can be regarded as being associated with managerial effectiveness. Using this approach competency can be seen as having a minimum or 'threshold' level, an approach that is consistent with both the international literature and the practical difficulties of specifying attainable levels of 'excellence'.**

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<sup>6</sup> Grey, C., & French, R. (1996). Rethinking management education. London: Sage.

Burgoyne, J., & Reynolds, M. (1997). Management learning: Integrating perspectives in theory and practice. London: Sage.

Alvesson, M., & Willmott, H. (1996). Making sense of management: A critical introduction. London: Sage.

**The concept of capability extends the concept of competency, through the addition of the constructs of a) self-efficacy, which acknowledges the movement of potential into action, and b) organizational fit, which acknowledges – at least in part – the role that context plays in management effectiveness.**

- The second key deliverable of this project was a framework for assessing management capability in New Zealand. The research team addressed this task by identifying the factors that have a positive relationship with the development of management capability.
- Their initial attempt produced a long list of factors, as each new piece of research seems to have added to the list rather than provided any rationale for deleting a particular factor. However, the research team was concerned that a list of this type would not be the most appropriate way to respond to the MED's needs, and after a considerable amount of consultation between the team members and the consideration of other issues (such as the specific characteristics of the New Zealand business environment), a second, shorter list was compiled.
- This list was built around four 'themes'; developmental mechanisms; the external environment; individual characteristics; and the internal environment. It was the conclusion of the research team that this was the most appropriate way to categorise the different factors that have a positive relationship with the development of management capability (i.e. their presence or absence will have an impact on whether an individual develops capability or not).
- The factors that make up this list (categorised by the four themes) and their relationship to the central notion of managerial capability are described in *Section 5*.
- The team notes that this diagrammatic depiction of the factors is very similar to that produced by the CEML. This is deliberate – we do not have sufficient evidence available to us to suggest that there is any good reason to reject this approach.

### ***MEASURING MANAGERIAL CAPABILITY***

The third key deliverable of this project was to identify ways of measuring the existence of managerial capability in the different situations New Zealand managers face.

- For the purposes of this task, the research team selected the Page, Wilson, et al. model as a foundation piece. This model (and the list of 21 skills and characteristics upon which it was based) incorporates and integrates both the US and UK competency approaches, and it has been developed using New Zealand defined managers, including those in SMEs. The sample sizes and multiple methods utilised provide reasonable robustness, without the hierarchical limitations and development assumptions of similar international models.
- We should note, however, that this model was not developed specifically for SME managers, nor was it developed with development policy in mind. Against those caveats, we found nothing that presented a more compelling or convincing protocol for New Zealand management.

### ***CONCLUSIONS & RECOMMENDATIONS***

The framework developed in this project was designed to support a further stage of work in the context of a larger scale project on the development of management capability in New Zealand. The research team recommends that this should incorporate some further research, to extend and validate our existing framework. In particular, we propose a qualitative research phase with a range of managers in New Zealand. This will help answer the

questions we have raised about which aspects of the framework could apply to particular groups of managers.

In addition, we are aware that any kind of competence framework or management development initiated requires the buy-in of its participants. Thus it is vital that any framework adopted has been designed, at least in part, by those who will use it and those whose capability is measured and assessed by it. It is particularly important that small firms feel some ownership of this process given research which indicates the barriers to their participation in such frameworks. It will be important to develop good relationships with the sector in rolling out any framework.

In summary, we recommend that the Ministry of Economic Development:

1. Undertakes a qualitative study which explores all aspects of the framework; is in-depth and undertaken with a carefully chosen sample of managers, and which produces an amended framework and in particular focusing on refining the indicators to be feasible and acceptable.
2. Reviews the qualitative phase and its findings with a focus on recommending further refinements.
3. Undertakes a pilot investigation with a focus on quantitative measures to develop the final framework for roll out.
4. Establishes an "expert panel" of stakeholders to help provide a general view of capability and use this document as a prompt for discussions (government policy managers, government advisors who work closely with SMEs, management organisations<sup>7</sup> and relevant owner-managers and SME networks).

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<sup>7</sup> It may be possible to link this to the recently established group Management and Business Capability Coordinating Project Steering Group.

# Section 1: Introduction

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Almost without exception, economies around the world are based on firms that are small or medium in size<sup>8</sup>, and the last decades have seen an increasing focus on the SME sector and its critical role in sustainable economic development. In New Zealand, the SME sector accounts for a large amount of employment, and a significant proportion of GDP<sup>9</sup>. However, individual SMEs are characterised by a lack of resources, and in general SMEs seem to be reluctant to engage in 'developmental activities' such as training and/or other capability-building initiatives. The consequence is that the sector as a whole is usually regarded as one that has not fulfilled its potential.

Due to this emphasis on SMEs globally, the body of knowledge around the sector is growing – as is the recognition of the role of owners and managers in determining the scale and duration of the social and economic contribution made by such firms. Consequently many governments and industry associations have responded by supplying an ever-increasing array of products and services that seek to maximise existing management capability, and develop new dimensions of knowledge and practice (for example New Zealand's BIZ programme).

However, the unique nature of the SME sector with regard to training and development needs and uptake has often meant that this supply is not developing in parallel with 'client' demand. This situation (where there is a mismatch between demand and supply) is being exacerbated by a lack of information about the needs of clients that drive demand, and a lack of understanding over whether these needs are 'latent' or 'expressed'<sup>10</sup> is fuelling the discordance. The situation is made even more complicated by the heterogeneous nature of the individuals who own and operate small enterprises – they are diverse, in terms of ethnicity, gender, age, and levels of experience. This adds to the challenge of a) understanding and b) categorising these needs in some sort of useful way (e.g. by target group).

In recent years much more has come to be understood about why SME owner-managers *do not* engage in training and development (i.e. there has been considerable research into the 'barriers' to training), but this has not been matched by an equivalent growth in

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<sup>8</sup> Although the definition of an SME is usually based on numbers of people employed, the definition varies widely between countries.

<sup>9</sup> Cameron, A., & Massey, C. (1999). Small and medium sized enterprises: A New Zealand perspective. Auckland, New Zealand: Addison Longman Wesley.

Ministry of Economic Development. (2003). SMEs in New Zealand: Structure and dynamics (Update Report September 2003). Wellington, New Zealand.

<sup>10</sup> In this context 'latent' refers to 'real' needs, whereas 'expressed' refers to those 'needs' that are identified by the individual and which may or may not be useful in addressing the fundamental issues necessary for firm growth.



understanding of how, why or when they *do* engage in what are often venture-saving behaviours. This knowledge gap is therefore increasingly urgent, given the ongoing focus by governments around the world on the need to build a knowledge economy that is both globally reputable and sustainable. This is the task that is currently focusing the New Zealand government, and the project that is addressed in this report was designed as a first step in enhancing levels of managerial capability in New Zealand firms. The specific objectives of this preliminary phase of the project are to supply the Ministry of Economic Development with a written research report that:

1. Provides a brief literature review on management capability, drawing from New Zealand sources where possible
2. Develops a framework for assessing management capability in New Zealand<sup>11</sup> (using international studies/examples where relevant)<sup>12 13</sup>
3. Identifies indicators that could be used to measure the levels of management capability in New Zealand.

It is expected that the successful provision of these three elements (the literature review, the framework and the indicators) will supply the Ministry of Economic Development with the appropriate knowledge about, and understanding of, the particular dynamics affecting the owner-managers of New Zealand firms. This will ensure the Ministry is well-positioned to undertake the second phase of the project.

### ***CONTEXT ISSUES***

The project was undertaken in an environment which is characterised by a number of identifiable factors:

Firstly, there is a world-wide trend (in terms of government policy) away from government intervention as the favoured policy position, towards approaches that seek to allow the government to establish its priorities and then work with private sector organisations that can assist in the delivery of the desired outcomes of the policy.

Secondly, there is increasing interest throughout the world in 'management competencies' and capability-building initiatives as a strategy for increasing the ability of firms to contribute to economic development (i.e. as opposed to a narrower and more traditional focus on training).

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<sup>11</sup> In this component of the project the researchers will draw upon the work carried out in New Zealand and in the UK, particularly the following reports:

Tamkin, P., Hillage, J., & Willison, R. (2002). Indicators of management capability: Developing a framework. London: Council for Excellence in Management and Leadership.

New Zealand Institute of Management. (2003). NZIM management capability index. Wellington, New Zealand: NZIM.

Thirdly, there is a considerable amount of international research to draw upon. Despite the fact that much of this research is inconclusive and/or contradictory, the very scale of it means that there are some worthwhile studies and some useful findings.

These three factors (which are examined in more detail in *Section 2: Context*) provide the New Zealand agencies that are interested in firm development and the extent to which firms engage in capability-building initiatives with a basis for undertaking the task of building a sustainable knowledge economy in New Zealand. This task is made easier by the fourth contextual factor; the increasing body of New Zealand research.

### ***KEY CONCEPTS & DEFINITIONS***

However, while the task is in many ways made easier by the international trends described above and the increasing body of New Zealand research that we have to draw upon, it is simultaneously complicated by the lack of clarity about the meaning of the terms that are used in any discussion of developmental activities, capability-building initiatives or improved firm performance. This lack of clarity raises several questions for those engaged in developing a framework and deriving management capability indicators for management in New Zealand.

One set of questions relates to prevalent theoretical assumptions about 'management', 'education', 'development', and related concepts such as 'training', 'learning', and 'knowledge'. While on one level there appears to be no difficulty about the 'meaning' of these words, and how they relate to each other, assumptions about the link between management education and/or development and management practice, and the link between management practices and company performance have been subjected to challenging critiques.<sup>14</sup>

The implications of this discussion in terms of the task that is the focus of this report's critique are clear: Attempts to engineer a close functional and instrumental relationship between the education/development offered to both prospective and practising managers and their practice *qua* managers is a problem, since it tends to reduce education and management to a set of techniques and functional skills. There are many issues facing managers today that do seem to require more than training in techniques and skills.

These debates (and others) are articulated in the literature that is summarised in Section 4. Here the researchers present an overview of what has been written about managerial capability and its related topics – by researchers, by policy-makers and by management development practitioners. In the context of this project, this review

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<sup>14</sup> Grey, C., & French, R. (1996). Rethinking management education. London: Sage.

Burgoyne, J., & Reynolds, M. (1997). Management learning: Integrating perspectives in theory and practice. London: Sage.

Alvesson, M., & Willmott, H. (1996). Making sense of management: A critical introduction. London: Sage.

was the foundation for the research team in the development of the framework of managerial capability for New Zealand and was one of the key project deliverables.

### ***THE RESEARCH TEAM***

The team was made up of researchers from Massey University, the University of Auckland and the University of Otago. In addition to crossing institutional boundaries, the team was made up of individuals from different disciplines. All members work for universities and teach management and all have had considerable experience in management education and/or management development.

### ***THE RESEARCH PROCESS***

The first step in the process was to conduct a comprehensive search of the academic and practitioner literatures for material relating to competencies and its related issues. In order to achieve this, the six researchers in the research team each took responsibility for a specific broad topic area (e.g. HRM, SMEs, management development) as well as looking for additional material on specific topics such as gender, the relationship of organisational change to social changes, etc – issues that were identified as thematic rather than disciplinary.

Once the literature search was complete the team reviewed the material and developed the framework. The third output required by the contract (a set of indicators of competent managers) was developed by the team once the framework was complete. Again, the research team's main focus was on reviewing what has been written by academics, policymakers and practitioners on the issues relating to measurement, and selecting a set of indicators that MED can use as a starting point for further work.

The report structure follows this order. The literature review is summarised in Section 4, the framework is presented in Section 5, and the indicators are described in Section 6.

## Section 2: Context

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As governments around the world have become more determined to develop their respective economies to their maximum potential, they have become increasingly interested in the different ways in which their business sectors can be encouraged to improve performance and contribute to economic growth. During recent decades different approaches to 'economic development' and/or 'business development' have been popular at different times, and while countries clearly vary in their approaches to stimulating economic growth, over this period it is possible to discern a number of identifiable patterns and/or trends.

At an ideological level one of the most important trends is the move away from an unquestioning belief in intervention, towards approaches that are based on the assumption that the market is the most appropriate mechanism to determine need. At an operational level (i.e. at the level where a country's specific ideological approach to economic development is put into practice through business development programmes), there have also been identifiable trends. One trend has been the gradual but consistent move away from strategies that focus on the 'hard' elements of business or economic development (such as assistance to replace out of date equipment – an approach favoured by the Japanese Ministry of Trade and Industry Development as a way of modernising some of Japan's highly traditional industries), towards an interest in 'soft' aspects of development.

These 'soft' developmental strategies focus on the development of human capital rather than equipment or any of the other tangible components of a business. One commonly-used strategy is management training, and a number of countries around the world now provide free or subsidised training on the key aspects of management, as a way of assisting the business sector to build 'capacity' or capability. More recently, interest in capability has turned to identifying the component parts of effective management, through identifying the specific 'competencies' of individual managers and/or identifying the specific skills that they need to manage effectively in different situations.

### ***INTERNATIONAL RESEARCH***

The focus in competency-based approaches and the development of frameworks for identifying competencies has been taking place throughout the world over the last decade or so. For example, in the United Kingdom, there has been considerable research into management capabilities, much of it commissioned by the Council for Excellence in Management and Leadership<sup>15</sup>. In the United States<sup>16</sup>,

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<sup>15</sup> Many of the reports are cited within this document – for a full list of the publications available and a description of the work programme go to the website

Europe<sup>17</sup> and Australia<sup>18</sup> governments and business groups are also pursuing this topic with vigour.

Some of the most important models are presented below and the way in which they relate to previous management researchers is described. More detail is provided in *Section 4: Literature Review*.

### **Summary of frameworks from the literature<sup>19</sup>**

Although the interest in identifying management competencies and/or managerial capability at first looks relatively recent, it actually has its roots in the thinking of the earliest management researchers. Henri Fayol's<sup>20</sup> characterisation of management as encompassing the functions of planning, organising, controlling and commanding and co-ordinating, and Henry Mintzberg's<sup>21</sup> well-known work on managerial roles were both part of a broader interest in developing models that help identify a good or successful manager. Others have built on this early work and developed notions of 'management excellence'<sup>22</sup>, 'core competencies' (or competences)<sup>23</sup> and 'competitive advantage'<sup>24</sup>. Both the Quinn 'managerial approach' and the Prahalad and Hamel 'corporate approach' underscore the need to understand the source of advantage at an individual and business level and to structure both development and utilisation around structured self-awareness. The competency models at the managerial level, however, have been developed for differing purposes, with some being firm specific (and therefore not transferable), and others being generic in nature i.e. referring to competencies that we might expect from all or most managers.

Regardless of the terms used, most of the managerial competencies literature is based on a developmental approach. In other words,

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<http://www.managementandleadershipcouncil.org/>

<sup>16</sup> Davis, B., Hellervik, L., & Sheard, J. (1986). Successful Managers Handbook. Personnel Decisions International. USA.

<sup>17</sup> Jackson, L. (1989). Turning airport managers into high flyers. Personnel Management, 21 (10), 80-85.

Perkins, D. (1992). The strategic management of health services. Journal Of Management Development, 11 (6), 31-38.

<sup>18</sup> Cammock, P. (1991). The characteristics and behaviour of effective and ineffective managers. PhD Thesis: Canterbury University.

<sup>19</sup> This section draws upon Wilson, M. E., & Page, C. A. (1993). Managerial competencies: Concepts, comparisons, and concerns. Geelong, Australia: Australian and New Zealand Academy of Management Conference.

<sup>20</sup> Fayol, H. (1949). Administration industrielle et generale. London: Pitman.

<sup>21</sup> Mintzberg, H. (1975). The manager's job: Folklore and fact. Harvard Business Review. July-August.

<sup>22</sup> Peters, T., J. & Waterman, R., H. (1982). In search of excellence: Lessons from America's best run companies. New York: Harper Row.

<sup>23</sup> Quinn, R. E. (1988). Beyond rational management. San Francisco: Jossey Bass.

<sup>24</sup> Prahalad, C. K., & Hamel, G. (1990). The core competence of the corporation. Harvard Business Review, (May-June), 79-91.

competencies are identified in order that the performance of existing and future managers can be improved. Another point of similarity between the different writers on competencies is that existing managerial practices are most commonly used as the basis for constructing new models of 'desired practices' – an approach that assumes that the way good managers do "it" now is the way it should be done. Both of these points of similarity limit the value of the models that are developed, as they fail to deal with immutable characteristics, such as the personal characteristics of the manager, as well as ignoring the potential impact of the future changes in the business environment.

In terms of the competency models themselves, with a few minor exceptions and omissions, the general characteristics of those developed in each country are very similar. Most are simple lists or diagrammatic representations of the management skills and abilities that are seen as being important for perceived or assessed managerial effectiveness.

Most models also tend to focus on large firms, even though this may not be explicitly stated, or be merely a by-product of the fact that the frameworks are being developed in an environment where an SME may be defined as one that employs up to 250 full-time equivalent staff<sup>25</sup>, or an artefact of the sampling frames used, e.g., NZIM members, senior management teams, or managers from the "top 100" firms.

It should also be noted that there are many critiques of generic managerial models. They have been criticised for being too rigid in approach<sup>26</sup>, for their inability to measure some important variables in management behaviour/performance<sup>27</sup>, and for being too vague and unsubstantiated to be applicable<sup>28</sup>.

Irrespective of these criticisms, the search for frameworks that can help managers to develop their capability (and that will enable the

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<sup>25</sup> Defining an SME as a firm that employs fewer than 250 FTEs is a reasonably standard EU definition, a fact that serves to emphasise the difference between the business sectors of Europe and of New Zealand – and therefore which underlines the different challenges facing government agencies in this country.

<sup>26</sup> Canning, R. (1990). The quest for competence. Industrial and Commercial Training, 22(5), 52-56

Sinclair, J., & Collins, D. (1991). The skills time bomb part 3: Developing a new skills mix. Leadership & Organisation Development Journal, 12(5), 17-20.

Torrington, D., Waite, D., & Weightman, J. (1992). A continuous development approach to training health service personnel specialists. Journal of European Industrial Training, 16(3), 3-12.

<sup>27</sup> Jacobs, R. (1989). Getting the measure of management competence. Personnel Management, 22(6), 32-37.

<sup>28</sup> Furham, A. (1990). A question of competency. Personnel Management, 22(6), 37.

Thorpe, R. (1990). Alternative theory of management education. Journal of European Industrial Training, 14(2), 3-15.

economy as a whole to benefit) continues throughout the English speaking world. The interest is driven by the government agencies that are responsible for economic growth, or by organisations that adopt a more structured approach to human capital development within a particular enterprise. As a consequence, the focus of most of the literature is on developing models that will be appropriate for the particular conditions that exist in different countries.

### ***THE NEW ZEALAND SITUATION***

The New Zealand business sector has significant differences to those of some other countries where interest in competency-based approaches is high. However, the structure of the business population in the United Kingdom (a country which has carried out a large amount of work on competencies) is similar to that of New Zealand. Both countries have large numbers of firms that employ no-one or that employ very few individuals. However, although the proportion of firms in the different size categories is similar, there are far more firms in the UK that have more than 5 employees. The consequence is that the research and other more pragmatic initiatives into the development of management capability in the UK tend to be focused on those firms that in the New Zealand context would be described as medium to large in size. While this is certainly a valid strategy for the United Kingdom, in New Zealand this would leave the majority of firms unrepresented.

**Figure 1: SMEs in the United Kingdom & in New Zealand<sup>29</sup>**

Category		New Zealand		United Kingdom	
Self-employed	zero	172,510	56.36%	zero	5,260,390 69.26%
Micro	1 to 5	78,640	25.69%	1 to 4	1,521,050 20.03%
Small	6 to 49	52,690	17.22%	5 to 49	746,320 9.83%
Medium	50 to 99	1,420	0.46%	50-99	36,040 0.47%
Large	100+	800	0.26%	100+	31,660 0.42%
<b>Total</b>		<b>306,060</b>	<b>100.00%</b>	<b>Total</b>	<b>7,595,460 100.00%</b>

NB: For ease of comparison, these tables use non-agricultural enterprises only

Any competency-based approach developed for New Zealand should have a strong focus on the particular conditions that face the very smallest enterprises, and stress that this large group must be included in any discussion of management capability. This is because there are particular competencies needed by the managers of SMEs as they cope with the consequences of sole ownership (and sole responsibility) and 'integrated functionality' – i.e. the lack of other functional specialists within the enterprise.

In addition to the characteristics of the New Zealand environment that are noted above, (a large number of very small firms, which almost certainly suffer from a lack of functional speciality), the New Zealand environment has a number of other key factors that impact on managers, and on those who are attempting to develop their capability. Some of the most important are:

<sup>29</sup> <http://www.statistics.gov.uk/Statbase/expodata/Spreadsheets/07066.xls>  
Downloaded 11 August 2004

- Changes in the workplace, which have led to a perceived need for enhanced generic skills for all (not just for managers and professionals).
- Flatter management structures and decentralised decision-making, which have raised the need for workers to display judgement, leadership and initiative. In other words, personal traits, such as motivation and initiative, are becoming more important<sup>30</sup>.
- The increasing focus on teamwork, which means that the ability to engender trust is becoming another necessary capability.
- Increasing expectations that managers should be effective operationally, as well as strategically, and should be able to deal with functions beyond their original speciality.
- An increased focus on the need for managers to be innovative and develop niche products and markets.
- Burgeoning opportunities for education, training and development alongside work intensification – leading to a situation where there are not enough chances to take up opportunities.
- The rise of knowledge management, which has raised questions about the nature of knowing e.g. whose knowledge matters? What is knowledge? What is ability, a skill, a capacity?
- A feeling that the traditional set of managerial disciplines (that includes *inter alia* accounting, marketing and HR management) seem ill equipped to deal with the moral and social complexities of e-commerce, biotechnology, human engineering and environmental management issues that confront many managers.
- The increasing importance of cultural diversity, in markets, customers and staff – and therefore knowledge and values beyond one's own upbringing.
- Age and demographics, which have an impact on the changing expectations of those who will later become managers. For example, researchers in management have found that younger skilled workers (so-called 'Generation X') expect, among other things, to be able to combine work with other activities including travel and career breaks. Some employers use work-life balance practices to differentiate themselves from their competition in trying to attract skilled workers.

This brief list indicates the need to go beyond management as the rational application of technique, towards a conception of it as a complex socio-economic, political and moral practice - a conclusion that has significant impacts on the way in which the task of developing competency-based models is viewed by those individuals that they affect.

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<sup>30</sup> Department of Labour. (2004). Developing a human capability framework. Wellington: Department of Labour.



## **New Zealand research**

As already noted, over the last three decades or so there has been a steady increase in the amount of attention being paid to identifying ways that managers can be assisted to improve their performance. This has also received attention in New Zealand and the next section summarises the research that has been done to date on management competencies as well as on related issues such as management development and management education. It is this body of research that provides the specific foundation for the work carried out by this team of researchers.

### ***Management education***

An early attempt to consider the place of management education in New Zealand was presented in a 1985 working paper from the Department of Management Studies at the University of Auckland<sup>31</sup>. Another milestone in the study of management education was the annual conference of the Australian and New Zealand Association of Management Educators, held in Auckland in 1989. Both of these early initiatives included calls for New Zealand-specific models of management. Other landmarks in addressing management educational needs in New Zealand included research into the education, training and developments of New Zealand managers for the 21<sup>st</sup> Century<sup>32</sup> conducted by Otago University, which was similar in intent and ethos to a report by Porter-McKibbon,<sup>33</sup> with an emphasis on practical implications for those responsible for working in the fields of management education/ management development.

### ***Business success***

There has also been recent work on topics that do not always directly address management education or development, but which provide an important resource for discussion on issues that relate to developing competency and/or business or managerial capability. This includes research into the characteristics of successful firms<sup>34</sup>, and

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<sup>31</sup> Inkson, K., & Campbell, C. (1985). Management Education in New Zealand Universities: Review and Proposals (Working Paper No 17 ed.). Auckland: The Department of Management Studies, University of Auckland.

<sup>32</sup> Hooley, G. J., & Franko, G. D. (eds). (1990). The making of New Zealand managers: Management education, training and development for the 21st Century. Dunedin, New Zealand: University of Otago Business School.

<sup>33</sup> Porter, L. W., & McKibbon, L. E. (1988). Management education and development: drift or thrust into the 21st century? USA: McGraw-Hill.

<sup>34</sup> Campbell-Hunt, C., Brocklesby, J., Chetty, S., Corbett, L., Davenport, S., Jones, D., & Walsh, P. (2000). World famous in New Zealand: How New Zealand's leading firms became world-class competitors. Auckland, New Zealand: Auckland University Press.

Campbell-Hunt, C., Corbett, L., & Chetty, S. (2000). World famous in New Zealand: Growing world-competitive firms from a New Zealand base. Victoria Economic Commentaries, 17(1), 1-10.

Campbell-Hunt, C., Harper, D. A., & Hamilton, R. T. (1993). Islands of excellence? A study of management in New Zealand. Wellington, New Zealand: NZIER.

into the relationship between business practice and performance<sup>35</sup>. In addition, the surveys of the New Zealand Institute of Management give important indications of the virtues and deficiencies in New Zealand management<sup>36</sup>. These studies all address 'capabilities' in the organisational sense, as the combined structural and human components of an enterprise that enable effective performance of the organisation, overall.

Taken together, these studies suggest that certain skills are more critical than others and that it is possible to identify these skills, and by doing this, improve the performance of New Zealand firms. For example, the study *World Famous in New Zealand*<sup>37</sup> indicated that 'agility' was central to successful New Zealand companies. The researchers reported that one of the HR practices linked to New Zealand business success is flexible work design, i.e. cross-training, flexible job profiles, and teamwork. What this implies is that the *capacity to learn* rather than the possession of any particular skill is more important to capability building at the firm level. Another important finding was that long-term staffing was important (in terms of its relationship to success), with selection based on personal competencies such as problem-solving, inter-personal skills and commitment to organisational values.

Another report reveals that New Zealand middle managers are looking for leaders with confidence and conviction, who can arouse passions, demonstrate and impart strong positive emotions for work, stimulate people to exceptional efforts and inspire enthusiasm and generate commitment<sup>38</sup>. While 'followers' may expect more and

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<sup>35</sup> Australian Manufacturing Council. (1994). Leading the way: A study of best manufacturing practices in Australia and New Zealand. Melbourne, Australia: AMC.

Knuckey, S., Leung-Wai, J., & Meskill, M. (1999). Gearing up: A study of best manufacturing practice in New Zealand. Wellington, New Zealand: Ministry of Commerce.

Knuckey, S., Johnston, H., (Eds), with Campbell-Hunt, C., Carlaw, K., Corbett, L., & Massey, C. (2002). Firm foundations: A study of business practices and performance in New Zealand. Wellington, New Zealand: Ministry of Economic Development.

<sup>36</sup> NZIM. (2001). New Zealand business trends survey. Wellington, NZ: NZIM.

NZIM. (2002). Skills & competencies making for success: An NZIM fast fax poll. Wellington, NZ: Graham Weir & Associates.

NZIM. (2003). NZIM management capability index. Wellington, NZ: NZIM.

NZIM. (2003). NZIM/Wevers index of human resources management. Wellington, NZ: NZIM.

<sup>37</sup> Campbell-Hunt, C. (2001). World famous in New Zealand: How New Zealand's leading firms became world-class competitors. Auckland, New Zealand: Auckland University Press.

<sup>38</sup>Kennedy, J. C. (2000). Leadership in New Zealand: Findings of the globe study. International Journal of Organizational Behaviour, 4(2), 45-52.

better leadership, New Zealand surveys on leadership<sup>39</sup> revealed that chief executives viewed their organisations through 'rose-tinted glasses' and saw few if any of the difficulties that their subordinates noted. However, top managers thought that only 51% of their immediate subordinates had the capability to move into senior positions and be effective leaders and 42% of middle and senior managers did not consider the development of subordinate leaders to be the organisation's responsibility. Another study found improvements in the quality of human resource management practices in New Zealand, but noted that they were restricted to the operational level<sup>40</sup>.

These studies all offer insights into the development of managerial capability and for competency – a topic that has addressed specifically in a study undertaken over a decade ago.

### ***Management competencies***

In 1993 the New Zealand Ministry of Commerce commissioned research into management competencies, in the wake of the Porter project which had lambasted New Zealand management. The brief to the researchers asked them to provide an overview of the current situation in New Zealand with regard to prevailing standards and thinking on management competence. At that time there was a strong international surge towards the use of management competency standards to guide and direct management education and development. Essentially, the New Zealand government wanted to ascertain whether the views of New Zealand managers as inward looking and under-prepared was apt.

The researchers addressed these needs by conducting a major literature review, running six concept-mapping focus groups on management effectiveness, as well as a subsequent analysis of 'exceptional management' characteristics, and conducting a national mail survey of managers. The outputs from that research included a project report<sup>41</sup> and a research monograph<sup>42</sup>, so that the research could be widely disseminated and act as the focal point for gaining feedback.

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<sup>39</sup> Parry, K. W. (2002). Career development for our leaders of the future: Who should take responsibility? Wellington, NZ: New Zealand College of Management.

Proctor-Thomson, S. B. (2002). Do our chief executives have their finger on the pulse? Auckland Business Review, 4(1), 20-30.

<sup>40</sup> New Zealand Institute of Management. (2003). NZIM management capability index - 2003. Wellington, New Zealand: NZIM.

<sup>41</sup> Page, C. A., Wilson, M. E., & Kolb, D. (1994). Management competencies in New Zealand: On the inside, looking in? Wellington: Ministry of Commerce. Report on New Zealand Management Competencies. Ministry of Commerce.

<sup>42</sup> Page, C. A., Wilson, M. E. & Kolb, D. (1994). Management competencies in New Zealand: On the inside, looking in? Wellington: Ministry of Commerce.

This work (which is summarised in Section 4) provided an important starting point to the project described in this report.

### ***CONCLUDING COMMENTS***

The factors presented in this section provided the context for the project described here. In summary, these are:

- There has been a considerable amount of research undertaken into managerial capability, with the consequence that there are now a number of frameworks that are reasonably well accepted as being consistent with the challenges facing policy makers and others responsible for facilitating business development.
- There has been some New Zealand research undertaken on the topic, which is at least in part a direct consequence of the interest in business development and firm performance demonstrated by the Ministry of Commerce (now Ministry of Economic Development).
- Significant changes in the work place create new and more complex environmental challenges for the managers of the firms.
- Significant increases in the amount of attention being paid to 'performance improvement', 'business excellence' and 'managerial capability', particularly in the context of SMEs.

## Section 3: The issue of definition

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The focus of this project was to review the recent literature and to develop indicators of 'management capability'. However, this task was complicated firstly, by the variations that exist in the definitions of management capability and secondly by the number of related concepts and terms such as 'competence', 'competency', 'competences' and 'competencies'. In addition the research team needed to grapple with the debates within the management community over such issues as 'management' versus 'leadership', and decide how to make best use of the learning that has emerged from recently established fields such as 'management development', 'management education' and 'management learning'.

This section summarises some of the most important issues that emerged as we engaged in this process, and clarifies the position that the research team took in their search for insights into indicators of management capability. We discuss competency and capability, the relationship between leadership and management, and the relationship between management education, management development and management learning.

### ***MANAGEMENT***

Although we wish to avoid infinite definitional regress, management - a central tenet of this research - is either not defined (the majority of the literature), is glibly and unhelpfully defined, e.g., getting results through others, or tautologically defined as the sum of the sub-attributes generated as contributing to "it". Historically, management has been defined in terms of functions and activities, roles and attributions, and is co-mingled with leadership (even more definitionally problematic), organisational structure (e.g., "middle" and "senior" management, "line" and "staff" management) and sub-tasks that may not be "managerial" in nature, (e.g., time management, meeting management) but have the management title appended to connote efficacy or professionalism.

The chaotic nature of definitions of management contributes to a multiplicity of "evoked sets"<sup>43</sup> from which models are constructed, concept maps are generated, and policy is formulated. It may be argued that definition rests on consensus, but there is considerable ambiguity in definitions that rest on compiled abstractions, which is manifest when managerial definitions are tested in commercial settings to answer foundation questions such as, "Is this

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<sup>43</sup> Campbell-Hunt, C., Harper, D. A., & Hamilton, R. T. (1993). Islands of excellence? A study of management in New Zealand. Wellington, New Zealand: NZIER.

Trochim, W. M. (1989). An introduction to concept mapping for planning and evaluation. Evaluation and Programme Planning, 12, 1-16.

management?" It is an even more critical issue in New Zealand organisations, which lack the organisation size and complexity that have traditionally produced external markers of managerial status and the work specialisation of "management". Similarly the chaotic commercial environment and internal workplace reform have transformed the structure and nature of "managerial" work, such that no historical benchmark may effectively capture contemporary or future "management" definitions.

Further, competency models assume not only that management is well understood, but also that it is relatively homogeneous. But aside from some intuitive core competencies (e.g., some ability to communicate is probably desirable), there is substantial evidence, in this research and others, that environmental factors - among them organisational size and life stage - impact, at a minimum on the competencies needed. In addition it is impossible to draw conclusions on the mix and relative importance of characteristics.

We also note that the potential of competence models to embed further, rather than challenge, gendered views of management<sup>44</sup> and probably cultural views too although there is little research to support the proposition.

### ***THE COMPETENCE ISSUE***

While the definition of competency is plagued by similar issues as those confronting the definition of management, there are some additional concerns here as well, that have been well-documented in the attempts to apply competency models to HR systems in organisations, particularly in the area of pay.

The Oxford Dictionary defines both competence and competency in reference to being competent, which is defined as "having the required ability, knowledge or authority; effective, adequate" (Emphasis added). While this definition does capture the cognitive characteristics and applied techniques elements of the competency model presented above, it inherently recognises the contextual nature of competence - in that these abilities and knowledge must be present in the amount required - presumably in the judgement of another - for adequacy or effectiveness in a situation. Thus the level judged 'competent' could vary by organisation and scenario.

The difficulty of assessing competency is articulated clearly in the training and development literature which differentiates training efficacy in terms of knowledge, application and impact. As an example, take the frequently mentioned "competency" of delegation. There are three potential levels of competency - 1) that the manager understands techniques of delegation, and values the potential outcomes of delegation, 2) that the manager actually delegates activities correctly, and 3) that the process of delegation has a positive impact on the organisation. While these are not independent, they are nested and can stop at earlier steps without carry through. As pay-for-skill programmes have discovered, employees may

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<sup>44</sup> Rees, B. (2004). The construction of management: Competence and gender issues at work. Cheltenham, UK: Edward Elgar Publishing.

develop skills to effect a reward, and then not practice them again or not even believe that their practice is appropriate.

Further, competency is often approached in the management literature as if it were a dichotomous variable - managers, or potential managers, either have "it" or they don't. In reality, shades of grey are far more common than black-and-white determinations, and most of the selected literature emphasises establishing thresholds for adequacy and then appraising relative levels of mastery above the threshold. Managers may be either incompetent, that is, do "it" badly; not competent, have no experience, positive or negative; or demonstrate degrees of competency from apprentice to grand master.

Some organisations develop competency lists and descriptions that reflect "Superhuman" performance expectations. These organisations defend such practices by citing research and experience that suggests that employees may interpret "average" goals as something which, having been attained, are the endpoint of endeavour. Aside from representing a rather grim view of human nature, integration with goal-setting literature suggests that "superman" competence levels or "excellences" may de-motivate staff and that moderately achievable levels are more functional. This also leads to the third point, the purpose to which competencies are put.

### ***COMPETENCY***

Using job tasks as the basis for lists of ***competencies*** has been a common approach in the United Kingdom. Since the 1980s the Management Charter Initiative (MCI) has been influential in identifying the levels of activity and sub activity which constitute management. This has been used as the basis for developing frameworks, which have in turn been used to develop qualifications in the United Kingdom. Generally these standards use 'threshold' or minimum standards rather than 'exemplary' standards (i.e. they do not set out to use the performance of 'ideal' managers). In terms of learning, these models could be described as being measures of 'the mastery of learning' rather than of excellence in terms of performance.

By contrast, in the United States the focus has been on the underlying characteristics that allow people to do jobs – not the tasks themselves. The competency literature in the United States has been largely inspired by, and is still dominated by, Boyatzis.<sup>45</sup> Despite this widespread recognition of his contribution to the field, he is often characterised as a purveyor of mechanistic and reductionist lists of tiny elements. However, in his integrated competency model, the higher order competencies are in fact general competences and personal characteristics, not mechanical and separate job outcomes.

The main criticism of these approaches and others like them is that lists and frameworks are often inherently reductionist in nature. This suggests that we can produce an overall performer who is competent by breaking the totality of management into pieces and then learning

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<sup>45</sup> Boyatzis, R.E. (1982). The competent manager. Wiley: New York.

all of the actions required for each piece. This ignores interaction effects, integration requirements, and context. Competence is also assumed to lead to effective management – and organizational - performance, even though there is little evidence of linkage between assessed competence and application (as explained further in *Section 4: Literature review*).

Whether competence is considered job-centred or person-centred, the issue of context arises. Some researchers<sup>46</sup> suggest that competencies, capability and attributes are brought into focus through the 'lens' of organizational competence, that is, they are shaped by organizational culture and capability. This means that the tasks and personal characteristics required to be competent may vary from time (and from organisation to organisation). However, it has been noted<sup>47</sup> that most sets of management competencies have been developed with no recognition of their inherent contradictions and without regard to the importance of contextual factors.

The use of the term **capability** in the project TOR implies a connection between competence and/or capability and the performance of managers, and a relationship between managerial performance and the performance of organisations. However, the term is used in various ways in the literature. For example, some writers see capability as something that arises *from* competence, while others see capability as the precursor to gaining competence, arguing that unless the *capability to develop competence* exists then competence will not develop<sup>48</sup>.

Those who take the latter approach regard capability as being a notion that is broader than competence. By implication capability speaks of the unique nature of organisations and individuals. For example, Cairns<sup>49</sup> argued that capability (as an addition to and a step beyond competency-based training and education), could offer a valuable and pragmatic addition to and a broadening of the rather narrow competency approach. He claimed that this broadening is acceptable in a number of countries as new qualifiers of competency are used such as 'strategic', 'generic' or 'key' (as in key competencies).

This approach was the basis for the 'capability model' developed by Townsend and Cairns<sup>50</sup>, who focused on the need to develop

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<sup>46</sup> Stuart R. & Lindsay. P. (1997). Beyond the frame of management competencies: Towards a contextually embedded framework of managerial competence in organisations. *Journal of European Industrial Training*, 21(1), 26-33

<sup>47</sup> McKenna, S. (1999). Storytelling and 'real' management competence. *Journal of Management Learning*, 11(3), 95-104

<sup>48</sup> See, e.g., Kruger, J. & Dunning, D. (1999). Unskilled and unaware of it: Inflated self-assessments. *Journal of Personality and Social Psychology*, 77(6), 1121-1134.

<sup>49</sup> Cairns, L. (1996). Capability: Going beyond competence. *Capability* 2(2), 1-2.

<sup>50</sup> Townsend, P., & Cairns, L. (2003). Developing the global manager using a capability framework. *Management Learning* 34(3), 313-327.



managers in a global context, and who saw this as providing an opportunity to move to an approach that would allow more flexibility and adaptability. In this more holistic and broad-based approach, values and self-efficacy are core components. Cairns<sup>51</sup> defines capability as follows:

an holistic concept that describes how an individual or organisation applies their ability in a confident manner to problems in new and unfamiliar circumstances as well as familiar situations

In this approach to capability, the concept is seen as including three discrete attributes:

- Ability (current competence)
- Self-efficacy (a belief in one's capability to perform satisfactorily)
- Shared appropriate values (such as trust and/or valuing diversity)

An alternative approach to that described above is offered by Brown and McCartney<sup>52</sup>. They suggest that there are two parts to capability – 'potential' and 'content'. Demonstrated action is the focus of most of the competency frameworks, delivering present action based on existing abilities being implemented. Capability, however, could be future undemonstrated potential to act rather than demonstrated past action.

## ***LEADERSHIP & MANAGEMENT***

As noted in the introduction to this section, one of the debates within the management literature that is relevant to this project is the relationship between management and leadership. This is because a number of writers seem to combine the capability and competency debate with a discussion about leadership or management. This seems to occur as authors attempt to characterise leadership as being largely concerned with personal characteristics (i.e. nearer to capability) as opposed to management (which they see as being more closely related to the notion of competency).

Some key issues are noted below:

While early writers on management (Barnard, etc.) used the terms interchangeably,<sup>53</sup> recent authors tend to distinguish between management and leadership. For example, Kotter<sup>54</sup> suggests that the

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<sup>51</sup> Cairns, L., G. (1997) Defining capability for education, training and industry. Discussion paper No 1, Capable Organisations Research Project. Washington, DC.

<sup>52</sup> Brown, R., B. & McCartney, S. (2004). The development of capability: The content of potential and the potential of content. Education and Training, 46(1), 7-10.

<sup>53</sup> such as Barnard, C. (1968). The functions of the executive. Cambridge: Harvard University Press.

Selznick, P. (1957). Leadership in administration: A sociological interpretation. NY: Harper and Row.

<sup>54</sup> Kotter, J. P. (1990). A force for change: How leadership differs from management. London: Collier McMillan.

manager creates order and consistency, and management consists of planning, organising and controlling only; the leader develops the vision of the future business, determines the scope of the company's activities, communicates this to the staff, and motivates others to achieve long term goals. The leader manages the required change.

Most managerial competence models introduced in *Section 4: Literature Review*, cover elements of leadership. In the literature, leadership and management are separate but interrelated concepts<sup>55</sup>. The nature of the relationship is debated, as is there relative status differentiation.<sup>56</sup> For example, research that sought to identify different types of leaders (e.g. consensus versus charismatic)<sup>57</sup> was later reframed as a debate of managers *versus* leaders. In this context 'leadership' refers to the articulation of mission, direction setting, vision and strategic thinking, while management refers to the administrative functions of achieving the goals, administering of policies and procedures, and monitoring and controlling, and leadership was exalted over management.

In their work on capabilities vs. competencies, Korac-Kakabadse and Korac-Kakabadse<sup>58</sup> present management as being concerned with routine decisions while leadership is concerned with critical ones. Most leaders, they claim, are good managers but good managers are not necessarily good leaders. The issue relates to capability in that managers are seen as the caretakers of the status quo, and relate to others in role terms not in 'relational' or 'transformational' terms. Leaders are self-confident mature individuals who understand themselves and how they differ from the group. They focus on values, expectations and context and are inspirational in their approach. Other writers on leadership (Morden<sup>59</sup> Bennis<sup>60</sup> Higgs<sup>61</sup>) make similar points. Higgs lists five competence areas for a leader; envisioning, engaging, enabling, inquiring and developing, along with five personal characteristics; authenticity, integrity, will (drive), self-belief and self-awareness.

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<sup>55</sup> Gilmore, T. N., & Krantz, J. (1991). Understanding the dynamics between consulting teams and client systems. In K. Devries (ed), Organizations on the couch: Clinical Perspectives on Organizational Behavior & Change (pp. 306-330). San Francisco: Jossey-Bass.

<sup>56</sup> Some writers suggest that this reflects an over-valuing of leadership over management.

<sup>57</sup> Zaleznik, A. (1977). Managers and leaders: Are they different? Harvard Business Review, 55(3).

<sup>58</sup> Korac-Kakabadse, N & Korac-Kakabadse, A. (1997). Capabilities v Competencies: The differentiating leaders debate. Journal of Managerial Psychology, 12(7), 441-447.

<sup>59</sup> Morden, A. (1997). Leadership as competence. Management Decision, 35(7), 519-526

<sup>60</sup> Bennis, W. G. (1969). Organization development: Its nature, origins and prospects. Reading, MA: Addison-Wesley.

<sup>61</sup> Higgs, M. How can we make sense of leadership in the 21st century? (2003). Leadership And Organisational Development Journal, 24(5), 273-284.

For the purposes of this report, we do not differentiate leadership and management, as the SME environment does not have the division of structures, personnel and responsibility that implicit in the management v. leadership debate.

### ***‘MANAGEMENT EDUCATION’, ‘MANAGEMENT DEVELOPMENT’ & ‘MANAGEMENT LEARNING’***

There is a rough consensus on distinctions between ‘management education’, ‘management development’ and ‘management learning’, (a relatively recent addition to the lexicon), although some authors use development as an all-inclusive umbrella term and others use learning as a more inclusive term.

Thomson et al<sup>62</sup> use the term management development ‘in a comprehensive sense to encompass the different ways in which managers improve their capabilities’. Whereas management education may refer to formal, structured learning in an institutional context, and management training can be used to mean acquiring knowledge and skills related to work requirements (also by formal means), they use the term ‘development’ to go beyond the sum of these. They imply that management development is ‘a wider process than the formal learning of knowledge and skills, which includes informal and experiential modes of human capital formation. Management development is thus a multi-faceted process, in which some aspects are easier to identify and measure than others’.

Fox<sup>63</sup> makes similar distinctions, but with different terms. In his view, management education is largely provided by university and management schools and subject to the critical rigours of the wider academic and research community. By contrast, management *development* is a subset of human resource development (HRD) which is largely provided by the private sector in the form of in-house management development, training and development. Management education tends to be more theoretical, emphasizing a body of knowledge, whereas management development tends to be more practical, emphasizing a repertoire of skills. Fox also presents the notion of management learning, ‘a new ‘disciplinary’ area of knowledge and practice’, which is

both a subject area and a research community which studies management education and development, HRD and training and development, as well as informal managing and learning processes. Management learning is not the same as HRM, or personnel management, but is wider in the sense that the *learning and managing process*, which it seeks to understand

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<sup>62</sup> Thomson, A., Mabey, C., Storey, J., Gray, C., & Isles, P. (2001). Changing patterns of management development. Oxford: Blackwell.

<sup>63</sup> Fox, S. (1997). From management education and development to the study of management learning. In J. Burgoyne, & M. Reynolds (eds), Management learning: Integrating perspectives in theory and practice (pp. 17-20). London: Sage.

and better manage, are more pervasive human processes than the management of employees in large organizations...<sup>64</sup>.

Management learning recognises that 'formal education and development activities are merely the tip of a learning iceberg'<sup>65</sup>.

Another approach to these related concepts<sup>66</sup> notes that at policy level in the corporate sector, competencies are valued as an alternative to academic education, the rise of vocational qualifications is approved of, as is the role of government and corporate institutions. At the operational level, the education sector is marked by a concern with effectiveness of management education methods, processes in teaching and learning, development of new and innovative forms of management teaching/ learning, whereas in the corporate sector the concern is with the evaluation of corporate training methods, investigating natural learning at work, mentorships, organisational learning and the effectiveness of management development and HRM.

### ***CONCLUDING COMMENTS***

Developing a framework for indicators of 'management capability' obviously requires clarity over basic terminology. We have summarised the important dimensions of these basic terms, developed the definitional basis for this report, and follow through with further elaboration of these issues in the following section. There are many different ways of articulating capability and the measurement of capability poses many problems. Management competence is not something that can be developed in isolation from its context. It is necessary to define managerial capability in the New Zealand, which is dominated by SMEs and where leaders almost always have to be managers and many managers need to be leaders.

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<sup>64</sup> *ibid*, p 23

<sup>65</sup> *ibid*.

<sup>66</sup> Easterby-Smith, M., Thorpe, R., & Lowe, A. (1991). Management research: An introduction. London: Sage.

## Section 4: Literature review

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This research is intended to provide the Ministry of Economic Development with the appropriate knowledge about and understanding of the dynamics affecting managerial capability in New Zealand enterprises. We used the varied expertise in the team and examined current knowledge and awareness of all the issues that may impinge on developing New Zealand managers. This meant an overall search of both the academic and practitioner literatures. Each of the six researchers in the research team took responsibility for a specific area; SMEs, HRM, management competency and approaches within the field, critical perspective on the field, and finally, special issues identified as 'cross-cutting' themes such as gender, emotional intelligence, cultural intelligence and literacy.

Once the results of the literature search became clear it was apparent that the problem of definition was a substantial one, hence our choice to present it independently in Section 3. After analysis of the literature, the team developed the framework that is presented in Section 5. The third output required by the contract (the development of a set of indicators of competent managers) is presented in Section 6. We note a relative lack of work in the area in New Zealand and recent work done in Britain, particularly by the Council for Excellence in Management and Leadership (CEML)<sup>67</sup>. We present a brief overview of the field, but draw attention to the role of SMEs, cross-cultural issues, critical management and gender.

This literature review follows the allocation of tasks, viz, SMEs, HRM, management competency and approaches within the field, the critical perspective on the field, and finally, special issues identified as 'cross-cutting' themes such as gender, emotional intelligence and cultural intelligence and literacy. Finally, the 1993 work on competencies in New Zealand is summarised.

### ***SMALL & MEDIUM ENTERPRISES***

The 'SME literature' is increasingly a distinct literature in its own right, however, it contains material on all of the functional areas that are of concern to those owning and operating small and medium enterprises. For the purpose of this review the literature on management in SMEs was examined for material that relates to competency, even though this term may not be used. In the following section some general comments are provided on small firm management, followed by a summary of the material that directly relates to competency.

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<sup>67</sup> Council for Excellence in Management and Leadership, London.  
[www.managementandleadershipcouncil.org](http://www.managementandleadershipcouncil.org)

## Managing the small firm

The descriptive definition of a small firm (i.e. one that is independently managed by owners who own most of the shares, provide most of the finance and make most of the principal decisions), highlights a small firm paradox<sup>68</sup>. The typical small business owner-manager possesses limited functional skills, but business survival demands knowledge of a wide range of subjects. Because it is impossible for one person to do everything, small business owners/managers generally have to rely on certain outside advisors, such as accountants, bankers and lawyers, to supplement their skills. A number of commentators have noted that there are a number of other key differences in the way the owner/manager of a small firm operates.

Large businesses are often more formal and or systematised in the way they approach the various aspects of running a successful business. They also use more formal procedures, are more bureaucratic, have complex planning and decision-making systems, are dominated by professional staff, and have larger customer bases<sup>69</sup>. Small firms by contrast have limited resources and are characterised by independence, a distinctive managerial style, personalised ownership, and their operations are on a small scale/scope<sup>70</sup>.

The implication of these differences is that small firms can be flexible, able to develop and act on dynamic strategies and have high innovatory potential<sup>71</sup>. The flipside is that small firms can be isolated from developments in technology and new thinking in management practice, and stuck on the treadmill of survival. These factors mean that some small firms are unable to maximise the potential of the many advantages that they potentially have.

Underpinning many of the differences between large and small firms is the generalisation that large firms tend to have more resources – both in financial terms and in respect of the expertise and knowledge embedded in their staff. In relation to best practice, the presence of greater resources can provide large firms with greater opportunities to experiment with different ways of doing things, and the time for employees to access new ideas and participate in the networks that enable them to be learned about and discussed.

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<sup>68</sup> Cameron, A., & Massey, C. (1999). Small and medium sized enterprises: A New Zealand perspective. Auckland, New Zealand: Addison Longman Wesley.

<sup>69</sup> Ghobadian, A., & Galleary, D. (1997). TQM and organisation size. International Journal of Operations and Production Management, *17*(2), 121-163.

<sup>70</sup> Schollhammer & Kuriloff, 1979, cited in Coviello, N. E., Brodie, R. J., & Munro, H. J. (2000). An investigation of marketing practice by firm size. Journal of Business Venturing, *15*, 523-545.

<sup>71</sup> Hudson, M., Smart, A., & Bourne, M. (2001). Theory and practice in SME performance management systems. International Journal of Operations and Production Management, *21*(8), 1096-1115.

## Definitions of competence

The issue of competence is touched upon in the SME literature, but only in passing – with most references simply pointing the reader in the direction of the debate in the general management literature. However, most of those who raise the issue are doing so in order to make a specific point; that whether competencies are defined broadly (following the United Kingdom approach) or narrowly (following the United States) is irrelevant. What is important is that any discussion of competencies takes account of the specific characteristics of SMEs, such as those identified in the previous section. This is not the situation at present, at least in the United Kingdom, where some researchers comment on the fact that management development continues to be supply-led and ignores needs of SMEs<sup>72</sup>. This comment is made both in a general sense and in relation to specific frameworks such as the MCI which, it is argued, was developed with little input from small firms<sup>73</sup>. In addition while there is an acknowledgment that it is difficult to distinguish between personal (or *management*) competencies and *organisation* competencies<sup>74</sup> this is even more difficult in small firms, where the owner/manager can be such a dominant force.

Alternatively, other researchers have commented that despite identified differences between small and large firms, some research shows considerable overlap between competencies identified as being important for both<sup>75</sup>. An interesting perspective on defining competencies at the organizational level (in terms of 4 generic elements - technology, people, organisation, culture) is provided by Drejer<sup>76</sup>. Within the SME, owner-managers often rely on embedded capability in their firm, family and friends, as well as their own competencies.

## Getting firms to engage in development

Over recent decades and in many parts of the world, SMEs have become seen as an appropriate sector to target by governments that are interested in economic development. During the 1980s this focus was on the role that the sector can play as potential employers, but in recent years, the focus has turned to the way in which SMEs can drive economic growth in other ways. A key element of realising this

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<sup>72</sup> Bolden, R. (2003). Leadership development in small and medium enterprises. In Proceedings of the 48th ICSB World Conference (p. CD-ROM).

<sup>73</sup> Loan-Clarke, J., Boocock, G., Smith, A., & Whittaker, J. (2000). Competence-based management development in small and medium-sized enterprises: A multi stakeholder analysis. International Journal of Training and Development, 4(3), 176-195.

<sup>74</sup> Murray, P. (2003). Organisational learning, competences, and firm performance: Empirical observations. The Learning Organisation, 10(5), 305-316.

<sup>75</sup> Martin, G., & Staines, H. (1994). Managerial competences in small firms. Journal of Management, 13(7), 23-34.

<sup>76</sup> Drejer, A. (2000). Organisational learning and competence development. The Learning Organisation, 7(4), 206-220.

potential is based on the hope that small firms will see growth as a desirable goal, and will engage in 'developmental activities' as a way of achieving this goal.

With this in mind, in many parts of the world small firms are now encouraged to increase their turnover (particularly through exporting), aim for 'business excellence' and engage in 'best practice'. At the same time there has been a growing realisation that there is a relationship between *firm performance* and *managerial action*. While the precise nature of this relationship has not been defined, there is a growing literature that is based on the assumption that if managers engage in developmental activities (such as management development), their firms will benefit through increasing their growth capability<sup>77</sup>.

This has been the underpinning for government agencies to focus on the development of capability within firms (i.e. by focusing on the owners and/or managers of these firms) as a way of achieving the desired outcome i.e. growth. There is an increasing use of competency-based approaches in a number of countries<sup>78</sup>, particularly in the context of manufacturing<sup>79</sup> and a commitment by government to competency-based approaches such as NVQs (national vocational qualifications) and the MCI (management cluster initiative)<sup>80</sup>.

This assumption is strongly supported, and there is some evidence that suggests that the adoption of competency frameworks is positively related to organisational performance<sup>81</sup> and that management development can be used as a strategy for growth.<sup>82</sup>

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<sup>77</sup> Devins, D., Johnson, S., Gold, J., & Holden, R. (2002). Management development and learning in micro business: A 'missing link' in research and policy. Leeds, UK: Policy Research Institute, Leeds Metropolitan University.

Small Business Service. (2004). Building the capability for small business growth. London: SBS.

Small Firms Enterprise Development Initiative. (2002). Small businesses: Skills assessment 2002. Sheffield, England: SFEDI.

<sup>78</sup> Garavan, T. N., & McGuire, D. (2001). Competencies and workplace learning: Some reflections on the rhetoric and the reality. Journal of Workplace Learning, 13(4), 144-163.

<sup>79</sup> Barber, C. S., & Tietje, B. C. (2004). Competency requirements for managerial development in manufacturing, assembly, and/or material processing functions. Journal of Management Development, 23(6), 596-607.

<sup>80</sup> Loan-Clarke, J., Boocock, G., Smith, A., & Whittaker, J. (2000). Competence-based management development in small and medium-sized enterprises: A multi stakeholder analysis. International Journal of Training and Development, 4(3), 176-195.

<sup>81</sup>Heffernan, M. M., & Flood, P. C. (2000). An exploration of the relationships between the adoption of managerial competencies, organisational characteristics, human resource sophistication and performance in Irish organisations. Journal of European Industrial Training, 24(2/3/4), 128-136.

<sup>82</sup> MacMahon, J., & Murphy, E. (1999). Managerial effectiveness in small enterprises: Implications for HRD. Journal of European Industrial Training, 23(1), 23-35



However, there are also those who argue against the assumption that training will improve performance<sup>83</sup> or who question whether the link between competencies and organisational performance has been proved<sup>84</sup>. There is also evidence that indicates that the benefits of Management Development accrue to individuals not to firms<sup>85</sup>. This may be more of an issue in larger organisations where management talent is more 'portable'. A Dutch study suggests that participation in management training can have a positive effect on business growth, but only through its energising effect on participants<sup>86</sup>. Others suggest that the benefits are real, but are narrow in terms of their outcome; resulting in increased business volume rather than 'venture growth' overall<sup>87</sup>.

This key assumption (that there is a clear relationship between managerial action and firm performance) has given rise to research into a whole set of questions about the way in which the managers of small firms engage in developmental activities. For example, in terms of management training, Patton and Marlow (2002) have examined the reasons why managers do not invest in training, and suggest that managers make a training investment when prompted by problems – not as part of a strategic decision. Other researchers suggest that a firm's use of management training can be explained by external structural variables (industry, turnover, size); internal structural variables (written plan, performance assessment) and policy variables<sup>88</sup>. Similarly, Loan-Clarke, Boocock, Smith, and Whittaker (1999) found that investment in management training and development is influenced by type of ownership, size, the number of managers and level of family management. An important recent

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Maxon, R. C., & Stone, K. E. (1977). A strategy for developing effective management training. Journal of Small Business Management, 15(3), 9-13.

O'Dwyer, M., & Ryan, E. (2000). Management development issues for owners/management of micro-enterprises. Journal of European Industrial Training, 24(6), 345-353.

<sup>83</sup> Westhead, P., & Storey, D. (1996). Management training and small firm performance: Why is the link so weak? International Small Business Journal, 14(4), 13-24.

<sup>84</sup> Murray, P. (2003). Organisational learning, competences, and firm performance: Empirical observations. The Learning Organisation, 10(5), 305-316.

<sup>85</sup> Loan-Clarke, J., Boocock, G., Smith, A., & Whittaker, J. (2000). Competence-based management development in small and medium-sized enterprises: A multi stakeholder analysis. International Journal of Training and Development, 4(3), 176-195.

<sup>86</sup> Schamp, T., & Deschoolmeester, D. (1998). Strategic and operational planning attitudinal changes and the survival and growth of business start-ups revisited. Strategic and Operational Planning, 4(2), 141-177.

<sup>87</sup> Chandler, G. N., & Hanks, S. H. (1994). Founder competence, the environment, and venture performance. Entrepreneurship Theory and Practice, spring, 77-89.

<sup>88</sup> Thomson, A., & Gray, C. (1999). Determinants of management development in small businesses. Journal of Small Business and Enterprise Development, 6(2), 113-127.

study<sup>89</sup> reports that the cognitive style of owners of high growth SMEs differs from that of other owners. This finding has potential implications for the design of programmes that target this group.

There is also research that reports on the attitudes that the owners and managers of small firms have towards frameworks such as the UK's NVQ – in an attempt to understand some of the barriers to firms engaging in this particular 'developmental activity'. This study<sup>90</sup> shows that firms are ambivalent about the NVQ and feel that it lacks relevance, particularly to small firms, as their needs are different from the research base used to develop the framework.

More specifically, research into identifying the factors that influence the adoption of competency models<sup>91</sup> found that competency frameworks were more likely to be adopted in organisations that have sophisticated HR strategies. Their use is also influenced by a firm's size, ownership structure and environment.

Research of this type (i.e. into the reasons why firms do not engage in developmental activities such as training and NVQs) is complemented by research that seeks to identify ways of getting small firms to engage in these activities. Devins and Gold (2002) suggests that a useful strategy is for staff of the support agencies to focus on developing relationships with owner/manager participants. Similarly, the Council for Excellence in Management and Leadership (2002), recommends that trusted intermediaries (such as accountants, bank managers, etc) can be used to persuade the managers of small firms to engage in developmental initiatives. However, this view (which implies that the firm's current support network is the most appropriate network to use) is challenged by others<sup>92</sup> who present a model of how to encourage micro-enterprises to reach beyond their usual network of support and advice.

The assumption of all these studies is that if individuals can be persuaded to engage in training and/or other appropriate developmental active, then the firm will benefit, through enhanced 'capability' and improved performance. The literature contains few contrary views, however, New Zealand researchers,<sup>93</sup> warn that it is

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<sup>89</sup> Sadler-Smith, E. (2004). Cognitive style and the management of small and medium-sized enterprises. *Organization Studies*, 25(2), 155-181.

<sup>90</sup> Smith, A., Whittaker, J., Loan Clark, J., & Boocock, G. (1999). Competence based management development provision to SMEs and the providers' perspective. *Journal of Management Development*, 18(6), 557-572.

<sup>91</sup> Heffernan, M. M., & Flood, P. C. (2000). An exploration of the relationships between the adoption of managerial competencies, organisational characteristics, human resource sophistication and performance in Irish organisations. *Journal of European Industrial Training*, 24(2/3/4), 128-136.

<sup>92</sup> Devins, D., & Gold, J. (2002). Social constructionism: A theoretical framework to underpin support for the development of managers in SMEs? *Journal of Small Business and Enterprise Development*, 9(2), 111-119.

<sup>93</sup> Linowes, R. G., & Dixon, B. R. (1992). International Note: Small business management development for a newly deregulated economy: The case of New Zealand. *Journal of Small Business Management*, October, 131-136.

difficult for management development training to be effective because there is a lack of a base level of understanding and/or managerial skill amongst the managers of small firms that attend courses.

### **Criticisms/limitations of competency-based approaches**

Within the literature on SMEs, a substantial amount exists on the limitations of competency-based approaches. In addition to the general concerns about their generalisability<sup>94</sup> and the need for the various tools and frameworks such as the IIP, MCI, management standards and NVQs to be verified<sup>95</sup>. There are also those who comment on more specific issues, such as the tendency for competency-based approaches to be too mechanistic<sup>96</sup>, especially in the context of small firms, and too hard to measure<sup>97</sup>. A specific criticism identified by the latter groups of researchers<sup>98</sup> is that these approaches are not developmental – they merely accredit *current* levels of competence.

### ***THE BROADER HR CONTEXT***

Much of what has been written about competencies comes from the HRM literature and a review of this literature provides both context and caveat for the development of indicators of management capability. The context is about the people management expectations and processes that are both antecedents and consequences of capability. The caveats relate to the inadvisability of looking at management skills outside of the wider context of the organisation and of its internal HR systems and processes in particular<sup>99</sup>. HRM is also an important context as managers need skills for themselves but also need to be sufficiently skilled to be agents for the development of these skills in others - this particularly in relation to career development and learning.

The assertion that “people are our greatest asset” has been common in HRM literature for some time. Authors still disagree as to whether the potential competitive edge afforded by skilled and knowledgeable employees can best be realised by specified contingent HRM “best practices” or by adherence to basic sets of principles associated with

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<sup>94</sup> Stuart, R., Thompson, J. E., & Harrison, J. (1995). Translation: From generalizable to organisation-specific competence frameworks. Journal of Management Development, 14(1), 67-80.

<sup>95</sup> Smith, A., & Whittaker, J. (1998). Management development in SMEs: What needs to be done? Journal of Small Business and Enterprise Development, 5(2), 176-185.

<sup>96</sup> Smith, A., Whittaker, J., Loan Clark, J., & Boocock, G. (1999). Competence based management development provision to SMEs and the providers' perspective. Journal of Management Development, 18(6), 557-572.

<sup>97</sup> *ibid.*

<sup>98</sup> *ibid.*

<sup>99</sup> Mabey, C. (2002). Mapping Management Development Practice. Journal of Management Studies, 39(8), 1139.

managing people. Evidence has been slowly gathering that the existence of particular HRM practices and principles does indeed add to an organisation's bottom line<sup>100</sup>, although some authors suggests it remains equivocal.<sup>101</sup> However, evidence of the take up of such good (best) practice is still limited and there remains a gap between organisational actions and what the literature suggests. United Kingdom evidence suggests that the majority of private sector companies have less than half of core HR practices in places and many have very few indeed.<sup>102</sup>

HRM literature emphasises the importance of context. The training based on some model of leadership and/or competences is only individual development and assumes that such skills can simply be taught or acquired and used to provide good leadership for others. In fact what is more important is to look at the specific context and challenges and work out what qualities are required in that situation<sup>103</sup>. A recent search of HRM journals suggests that competence-based HRM has faded from prominence.<sup>104</sup> This may be the result of a focus on environmental change, the lack of evidence of competency-based impacts on organizational effectiveness and/or general policy changes at national and industry levels.

Besides the individual and general context there are specific environmental issues in the development of managerial capability, and one of them is HR practice. The 'effect of environmental and business imperatives' is likely to be mediated by some aspects of human resource **management**, which will logically precede and influence **management development** policies and practices.<sup>105</sup>

Recent discourse on career emphasises the shifting of career development responsibility from the organisation to the individual, although recent concerns on retention have prompted something of a rethink. People need better information and advice to take career decisions (managers included).<sup>106</sup> Too often only the high potential

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100 Heskett, J., Jones, T., Loveman, G., Sasser, W., & Schlesinger, L. (1994). Putting the service value chain to work. Harvard Business Review, March April, 164-176.

101 Beer, M., Spector, M., Lawrence, & Quinn-Mills, L. (1984). Managing human assets. New York: Free Press.

102 Guest, D. E., Michie, J., Sheehan, M., & Conway, N. (2000). Employment relations, employee attitudes and performance: An analysis of the 1998 workplace employee relations survey. Issues in people management series. London: IPD.

103 Boydell, T., Burgoyne, J., & Pedler, M. (2003). A manager's guide to leadership. London: McGraw-Hill.

104 Dubois, D. D., Rothwell, W. J., King Stern, D. Jo., & Kemp, L. K. (2003). Competency-based human resource management. London, Eurospan: Davies-Black.

105 Sonnenfeld, J. A., & Peiperl, M. A. (1988). Staffing policy as a strategic response: a typology of career systems. Academy of Management Review, 13(4), 568-600.

106 Hirsh, W., & Carter, A. (2002). New directions in management development. (Report No. report 387). Brighton: Institute of Employment Studies (IES).

group have their careers actively managed.<sup>107</sup> Thus if organisations want to grow their own management talent they need to link career development to capabilities. Individuals are now more likely to move around to acquire skills they think they should have. Thus there is tension between the 'situatedness' of capability requirements (i.e. what firms might want) and the individual desire to develop more transferable skills to maintain future employability. Career planning and knowing where to get advice and information may be a key capability.

We note that many CEOs are still to be convinced in practice of the benefit of a people based approach. There are different roles in organisations and line managers are fundamental to HRM as operational responsibility for such typical "personnel" tasks, like recruitment, performance management, absenteeism management, career management, succession planning, training and development and even reward management are devolved to them, despite the fact that they are not always equipped to cope. Should the required level of performance be pitched at exemplary employees or simply the fully capable?<sup>108</sup>

We also note that in the context of this project where the researchers have been asked to identify appropriate indicators of competent managers, the literature suggests that different indicators are required for:

- new managers;
- those with and without HRM support;
- those managing in a team based environment;
- global managers;
- senior/middle and line (differentiating strategic and operational skills); and
- jobs in "new economy" sectors that may require differing styles and culture.

The literature also indicates that managers are not necessarily well equipped to identify their own training and development needs<sup>109</sup>. They tend to under-estimate and under-value "soft" skills and personal development matters; they are reluctant to name

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<sup>107</sup> *ibid.*

Holbeche, L. (2000). Work in progression. *People Management*, 6(12), 44-47.

<sup>108</sup> Dubois, D. D., Rothwell, W. J., King-Stern, D. Jo., & Kemp, L. K. (2003). *Competency-based human resource management*. London, Eurospan: Davies-Black

<sup>109</sup> Mabey, C., & Thomson, A. (2001). *The learning manager*. London: Institute of Management.

Antonacopolou, E., & FitzGerald, L. (2001). The paradoxical nature of the relationship between training and learning. *Journal of Management Studies*, 38, 327-350.

themselves as learners<sup>110</sup> seeing learning needs as “deficit” and they focus primarily on technical skills including the technical skills of managers. Furthermore, line managers often direct their learning activities to their reading of what their managers requires of them, missing opportunities for other development that might be available to them. The implication of this is that of the many ways in which perceptual or objective indicators may be developed (critical incidents, evidence of learning/development acquired and used, development of staff, innovations, 360 feedback) many are missed. It would appear that, given that managers are not convinced of their personal development needs, self-reporting, would not be reliable. It appears that context is important, and we concur with Billett<sup>111</sup> who argues that the competence approaches focus too much on outcome and insufficiently on process, and, furthermore, fail to take into account the complexity and situatedness of vocational (including managerial) knowledge.

The conclusion from the HRM perspective is that any competence/capability framework must be designed in consultation with users of it. Competence or other capability frameworks enacted without buy-in can quite easily be subverted, particularly where they are not related to managerial performance management and to reward. There is little evidence linking managerial reward to the adoption and utilisation of particular skills; rather it is more directed to output and effort. Organisations tend to want their frameworks to deliver their own strategic objectives.

### ***MANAGEMENT COMPETENCY***

There are three main approaches to managerial competence. The behavioural approach identifies those behaviours required for minimal and superior performance. The standards approach is based on a functional analysis of the job and describes minimum standards required for quality of a performance outcome. The third approach investigates situational factors influencing individual competence.

A recent investigation<sup>112</sup> into managerial competences across national borders in Europe suggested that it is possible to identify managerial competencies that are related to superior managerial performance. These may be clustered as follows:

- Intellectual/information handling competencies
- Interpersonal/motivational competencies
- Leadership competencies

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<sup>110</sup> Boud, D., & Soloman, N. (2003). "I don't think I am a learner": Acts of naming learners at work. *Journal of Workplace Learning*, 15(7), 36-331.

<sup>111</sup> Billet, S. (1998). *Understanding workplace learning: Cognitive and socio-cultural perspectives, current issues and new agenda in workplace learning*. NCVET, Adelaide: Boud D.

<sup>112</sup> Iversen, O. I. (2000). *Managing people towards a multicultural workforce: An investigation into the importance of managerial competencies across national borders in Europe: Differences and similarities*. Lysaker, Norway: Norwegian Institute for Human Resource Management (NIPA).

- Personal competencies
- Results/Business oriented competencies

The research concluded that there was a new type of manager emerging. Traditional competencies such as decisiveness, ascendancy and independence are low rated, whereas 'soft' competencies like the ability to motivate, leadership and the possession of a customer-orientation, are highly rated. It also concluded that competencies related to superior managerial performance can be identified and are largely similar regardless of regions, branch and firm size. We now deal with the three major approaches, prior to briefly considering a reflective approach.

### **Behavioural approach**

The different models within the behavioural approach are primarily based on the study of the competence (competent behaviour) of outstanding performers. Competencies are variously defined in terms of underlying personal characteristics like traits, knowledge, skills and motives of the individual holding the job which have been causally related to superior performance. Boyatzis<sup>113</sup> identified competencies that distinguished superior managers across organisations and functions. He focuses on the person in the job but emphasised the interdependence of effective job performance with the individual's competencies, the demands of the job and the organisational environment. He distinguished between threshold competencies and superior competencies. Threshold competency is competence in terms of characteristics like generic knowledge, skills, motive, trait, self-image, social role or skill.

Spencer and Spencer<sup>114</sup> analysed 20 years of data from Boyatzis' and McClelland's research and also categorised competencies into threshold competencies - essential characteristics, knowledge or basic skills that every employee in a job needs in order to show a minimum of level of efficiency – and competencies that distinguish superior from average performers. They claim their model is a generic profile which fits all managerial jobs reasonably well but none precisely. These profiles were subsequently integrated into the New Zealand based research on competencies undertaken in the same year.

Schroder<sup>115</sup> followed up on Boyatzis' research and the connection between the individual's competence and the work context or organisational environment was further developed. Schroder distinguished between the external environment and the internal environment and distinguished between three classes of competencies; entry level competencies, basic/threshold competencies, and high performance competencies. Schroder used a different method of identifying competence and measuring performance than was used by McClelland and Boyatzis. From

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<sup>113</sup> Boyatzis, R. E. (1982). The competent manager. NY: Wiley.

<sup>114</sup> Spencer, L., & Spencer, S. (1993). Competence at work: Models for superior performance. New York: John Wiley & Sons.

<sup>115</sup> Schroder, H. M. (1989). Managerial competence: The key to excellence. Dubuque, IA: Kendal/Hunt.

Schroder's point of view, a manager's success should be measured by the performance of the group/department they are in charge of, and not by their career advancement. It is also noted, given the importance of context in the HRM discussion above, that Schroder emphasises that all senior managers do not need all the eleven competencies he identified, but that a team or work group needs to reflect capability in most of the competencies. This is of some consequence for the SME sector. Schroder suggests that one of the most significant competencies a manager needs to have is self-awareness of his or her own strengths and weaknesses so that they can be complemented by others. Schroder's research typifies the hierarchical development model for large firms.

Cockerill<sup>116</sup> based his research on Schroder's model and found a significant correlation between Schroder's eleven competencies and long-term organisational performance. He found that the need for the competencies increased with a faster rate of environmental change, more complex environments and higher managerial levels. Later research<sup>117</sup> has found the eleven competencies to be discrete, stable and valid dimensions of managerial behaviour, and, claims Cockerill, that the competencies can be measured reliably and correlate positively and significantly with organisational performance. This parallels the impact analysis conducted on the New Zealand competency model developed in parallel with Schroder's initial modelling.

A competency framework developed by Dulewicz in the end of the eighties dominates the work in the United Kingdom and many other researchers have used this competency framework in their work. From 45 competencies, Dulewicz and Herbert<sup>118</sup> have empirically identified 12 independent competencies that are related to superior managerial performance. High-fliers differentiated on planning and organising, managing staff, assertiveness and decisiveness, and achievement-motivation. However, the use of advancement/career as a performance measure is contested. The research supports the view that some of these competencies are relevant across sectors and national borders.

As Iverson suggests, the conclusion must be that the behavioural approach is relatively well documented and grounded in research. However, the generic approach to management competencies has been criticised for being too static, the approach is retrospective, and

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<sup>116</sup> Cockerill, T. (1989). The kind of competence for rapid change. Personnel Management, 21 (9), 52-56.

<sup>117</sup> Cockerill, A. P., Schroder, H. M., & Hunt, J. W. (1993). Validation study into the high performance managerial competencies. London: London Business School.

Chorvat, V. (1994). Toward the construct validity of assessment centre leadership dimensions: A multitrait -multimethod investigation using conformatory factor analysis. University of South Florida: Unpublished Doctoral Dissertation.

<sup>118</sup> Dulewicz, V., & Herbert, P. (1992). The relationship between personality, competencies, leadership style and managerial effectiveness. Henley working paper: HWP 14/92.



there is no guarantee that the competencies that led to superior performance yesterday are the same competencies needed for the business environment of tomorrow.

As noted previously, we have made a choice in the development orientation of this report to focus on threshold competencies rather than the 'super-competences' referenced in the models outlined above. This reflects a more realistic and practical approach to managers of small firms, as well as New Zealand indications of resistance and demotivation resulting from 'super-competency' targeting<sup>119</sup>.

### **Standards approach**

The standards approach is primarily concerned with defining a minimum level of accepted performance in a specific job or position and focuses on job outputs. The focus is on the job, not on the individual holding the job. Through a process based on functional analysis the necessary output competence of a position or job is identified. Basically the process starts with identification of the key roles and elements in the job, and is followed by a description of acceptable standards or performance criteria and finally identification what kind of competence is necessary to perform the job and meet these standards. The analysis has to be conducted on a number of different jobs, and based on that, standards are developed for each job or group of jobs. This approach has dominated the competency work in the United Kingdom the last 10-20 years and standards have been developed for around 85% of the corporate workforce. However the approach has been heavily criticised and many UK firms to day are using behaviour-based competence models.

The standards model has been met with substantial criticism, specifically:

- it disaggregates the management role into parts that do not add up to the total role
- the importance of context is not taken into consideration
- it is individually focused, ignoring the fact that many managerial outcomes are the result of people working together
- it assumes that each unit of competence is of equal importance
- it is too static and assumes that what managers used to do is what they should continue to do
- it tends to ignore the importance of knowledge and personal competencies
- a national standard is unchanging, and can not be adjusted according to the priorities of the employer or the business environment

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<sup>119</sup> For example, the competency model at BNZ initially targeted superior levels of performance and was found to demotivate staff; similar indications have arisen in performance appraisal models that are seen as not valuing basic level of competency.

- national standards are threshold competencies and do not lead to focus on development or higher level competencies which high performance managers require
- it ignores process competencies that allow for the outcome to take place.

More recently, there are complaints that the apparently economical notion of competence has become exhaustively defined and constrained. Wolf<sup>120</sup> points out that the process of inventing NVQs (national vocational qualifications) has become increasingly unattractive to employers as a basis of either their own training programmes or as a way of certifying employees. It has also become increasingly questionable as a suitable approach for a world of rapid technological change and fluid job boundaries. The model is also largely untested in professional areas. It concentrates heavily on functional competence and tends to ignore personal competence and knowledge. Very little has been done to include the ethics and values dimension except in the health sector.

### **Situational approach**

The situational, or contextual, approach emphasises the importance of situational factors, as well as trying to identify a link between certain situational factors and competencies needed for superior managerial performance. Some of the research within this approach use behaviour based competence definitions and could be included in the behaviour approach. The difference is that their research is more aimed at exploring whether situational factors are influencing the competencies required for superior performance, rather than factors related to an individual. In the broadest sense this approach could also include the work from the culture literature like Hofstede (1980) and Trompenaars<sup>121</sup> (1993). However, these authors put more emphasise on cultures and values and how these influence organisational practice.

Some writers claim that the situational factors from job to job vary so much that it is impossible to make a generic list of managerial competencies that are relevant for most managerial positions<sup>122</sup>. Conversely Spencer and Spencer<sup>123</sup> argue that 'superior managers of all types and levels share a general profile of competencies. Managers of all types are more like each other than they are like the individual contributors they manage.' It seems that some situational factors, like size of the firm and national embeddedness could influence what kind of competence is required for successful job performance, and

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<sup>120</sup> Wolf, A. (1994). Measuring the competence: The experience of the United Kingdom. *European Journal of Vocational Training*, 1, 29-35.

<sup>121</sup> Trompenaars, F. (1993) Riding the waves of culture. Nicholas Brealey: London

<sup>122</sup> For example, see, Barlett, C. A., & Ghoshal, S. (1997). The myth of the generic manager: New personal competencies for new management roles. *California Management Review*, 40(1), 92-116.

<sup>123</sup> Spencer, L., & Spencer, S. (1993). Competence at work: Models for superior performance. New York: John Wiley & Sons.

other competencies will be relevant across situational factors. However, the link between situational factors and required competence remains unclear.

Thompson, Lindsay and Stuart<sup>124</sup> illustrated the importance of context and culture by developing a framework to measure competence among top-level managers in small and medium-sized enterprises (SMEs). Their opinion is that neither the traditional standards approach nor behavioural approaches are sufficient for competence development, since 'neither approach adequately defines managerial competence in terms of the context of the organisation, its culture, marketplace and business environment'. However, Thompson et al. concludes that a comparison between their findings with the MCI personal competence model (MCI, 1990) and other major frameworks (i.e. Boyatzis, 1982; Schroeder, 1989) indicate a sufficient similarity in terms of face validity for the core competences, and sufficient difference to indicate that the adoption of a multinational or US-developed list would miss some key competencies required in an SME<sup>125</sup>.

### ***ALTERNATIVE APPROACHES: THE REFLECTIVE PRACTITIONER***

Finally we consider the role of reflection. Schon<sup>126</sup> (1983, 1987) challenges the technical-rationality behind many competence models with his 'reflective practitioner' approach. His approach is based on 'knowing in action' (a form of acquired tacit knowledge) and 'reflection'. Professionals apply 'artistry' in re-framing and resolving many day-to-day problems which defy the simple application of scientific principles. Reflection, he says, is a vital part of the process. He argues that reflection is the primary competence necessary for acquiring all other competencies and to maintain a cycle of continuous improvement in professional performance. When it comes to learning and development, other authors have also emphasised the need for reflection in the learning process<sup>127</sup>. Schon's work has influenced how later researchers look upon competence.<sup>128</sup>

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<sup>124</sup> Thompson, J. E., Stuart, R., & Lindsay, P. R. (1996). The competence of top team members: A framework for successful performance. *Journal of Managerial Psychology*, *11*(3), 48-66.

<sup>125</sup> SME is defined as up to 250 staff and 20m minimum revenue.

<sup>126</sup> Schon, D. (1983). *The reflective practitioner: How professionals think in action*. London: Maurice Temple Smith.

<sup>127</sup> Argyris, C. (1982). *Reasoning, learning, and action: Individual and organizational*. San Francisco: Jossey-Bass.

Honey, R., & Mumford, A. (1986). *The manual of learning styles*. Maidenhead: Peter Honey.

Sadler-Smith, E. (1996). Learning styles: A holistic approach. *Journal of European Industrial Training*, *20*(7), 29-36.

<sup>128</sup> Chivers, G., & Cheetham, G. (1998). The reflective (and competent) practitioner: A model of professional competence which seeks to harmonise the reflective practitioner and competency-based approaches. *Journal of European Industrial Training*, *22*(7), 267-276.

A number of authors mention competencies that are thought to overlie or overarch other competencies. Some of these terms are 'meta-qualities'<sup>129</sup>, 'meta-skills'<sup>130</sup> and 'meta-competencies'<sup>131</sup>. Typical examples of meta-competencies are communication, creativity, problem solving, learning/self-development, mental agility, and analysis.<sup>132</sup>

### ***THE CRITICAL PERSPECTIVE***

A central problem in establishing management capability indicators is the complex and contested nature of the primary concepts of 'management', 'education' and 'development'. There is substantial debate about what they encompass as well as related terms such as learning and training, and the means-ends debate is not settled. Thomson<sup>133</sup> argue that there might be convergences across the world in management education and development, based on globalisation and common expectations of managers across the world, and the fact that corporate cultures are becoming more influential than national cultures. The situation though is also seen as a certain sector of North American society imposing its views on the world<sup>134</sup>, with dire consequences.<sup>135</sup>

Despite the efforts of professional institutes, it remains arguable whether management is a quantifiable, manageable and teachable

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<sup>129</sup> Reynolds, M., & Snell, R. (1988). Contribution to development of management competence. Sheffield: Manpower Services Commission.

<sup>130</sup> Hall, D. T. (1986). Career development in organisations. San Francisco: Jossey-Bass.

<sup>131</sup> Linstead, S. (1990). Developing management meta-competence: Can Distance Learning Help? Journal of European Industrial Training, 14(6), 17-27.

Hyland, T. (1991). Taking care of business: Vocationalism, competence and the enterprise culture. Educational Studies, 17(1), 77-87.

Nordhaug, O. (1993). Human capital in organizations. Oxford: Scandinavian University Press.

<sup>132</sup> Cheetham, G., & Chivers, G. (1996). Towards a holistic model of professional competence. Journal of European Industrial Training, 20(5), 20-31.

<sup>133</sup> Thomson, A., Mabey, C., Storey, J., Gray, C., & Isles, P. (2001). Changing patterns of management development. Oxford, Blackwell: Management, organizations and business series.

<sup>134</sup> Clegg, S. R., & Ross-Smith, A. (2003). Revising the boundaries: Management education and learning in a postpositivist world. Academy of Management Learning & Education, 2(1), 85-98.

<sup>135</sup> Douthwaite, R. (2000). The growth illusion: How economic growth has enriched the few, impoverished the many and endangered the planet. Dublin: The Lilliput Press.

Klein, N. (2000). No logo. London: HarperCollins.

Rifkin, K. I., Fineman, M., & Ruhnke, C., H. (1999). Developing technical managers--first you need a competency model. Research Technology Management, 42(2), 53-58.

subject at all.<sup>136</sup> Yet, the standard textbooks on organizational studies and strategic management give the impression that management possesses a body of knowledge that has 'developed' in the sense of being a rational accumulation of insights gleaned from a 'free market' of contesting rigorously reviewed research results. These views are an inadequate understanding of the practice of management today.<sup>137</sup> Grey (1999) questions the taken-for-grantedness of management as an organizational function and an occupational group and launches his analysis by first quoting Drucker<sup>138</sup>: 'Management will remain a basic and dominant institution perhaps as long as Western Civilisation itself survives', and then Koch and Godden<sup>139</sup>: 'There is a strong case that management... could finally die out sometime early in the twenty-first century'. Grey is one of many who argue that management should be understood as a construction of reality rather than as a reality in its own right.

This is the view taken by proponents of critical research, and their approach is valid, many traditional conceptions of management education are not just undesirable but inaccurate<sup>140</sup>. For example, the assumption in much managerialist work of rationality in organisation or markets (an assumption which came into management from classical economics and sociology) has been widely challenged.

An exploration of management competency should address the problem that management continues to be a rationalist positivist enterprise focussed on functional efficiency despite the considerable evidence that, in the larger social context is dysfunctional. Under the influence of the US, perspective on organisations and management is reduced to a set of universal principles and analytical techniques which is neither context specific nor culturally sensitive<sup>141</sup>. This presents problems for an ethical, socially responsible management development and education. The description of Australia as 'merely another field experiment in the global laboratory of universalising US management theory' an observation based on dominant textbooks

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<sup>136</sup> Grey, C., & French, R. (1996). Rethinking management education. London: Sage

<sup>137</sup> Alvesson, M., & Willmott, H. (1996). Making sense of management: A critical introduction. London: Sage.

Burgoyne, J., & Reynolds, M. (1997). Management learning: Integrating perspectives in theory and practice. London: Sage.

<sup>138</sup> Drucker, P. (1955). The practice of management. London: Heinemann

<sup>139</sup> Koch, R., & Godden, I. (1996). Managing without management: a post-management manifesto for business simplicity. Sonoma, Calif.: Nicholas Brealey Pub.

<sup>140</sup> Grey, C., & French, R. (1996). Rethinking management education. London: Sage.

<sup>141</sup> Easterby-Smith, M., Thorpe, R., & Lowe, A. (1991). Management research: An introduction. London: Sage.

and journals, ought to be of special interest to New Zealanders<sup>142</sup>. Ken Dickson wrote an article on this for New Zealand in the 1990s.

Cunningham, Dawes and Bennett (2004) identify a range of problematic premises, presumptions, presuppositions and practices in management education and training. The first item on their list is 'management exists as a subject or as a field of human activity – and it will continue to exist indefinitely'. This might be a good point of departure for a discussion on management capability.

Although much development takes place outside higher education, business degrees continue to lay claim to being a major source of management capital. A useful recent framework of management education<sup>143</sup> suggests four basic models of management education. *Academic liberalism* pursues objective knowledge about management with an academic approach to learning, and a technicist approach to management. *Experiential liberalism* holds learning should be rooted in manager's experience and context and acknowledges learning as social process, importance of language, and the meaning of experience as socially constituted. *Experiential vocationalism* or 'new vocationalism' assumes that education should produce outcomes in line with economic and organizational requirements. Education itself should operate like a market - another business producing economic capital in the form of tangible and definable knowledge and skilled human resources. *Experiential/critical* draws on critical and post-modern theories to develop a body of critical knowledge and skills that enable reflexive knowledge and doing. Considering these models illuminates the dilemma that management education needs to be engaged in the world of managers but disengaged from the instrumental and oppressive practices.

Particularly, it is claimed that experiential liberalism and the experiential critical school seems to offer most potential for developing managers.

their pedagogies enable the complexity and non-mechanistic nature of managerial practice to be fully address, and they build on the way managers learn 'naturally' at work<sup>144</sup>

They do NOT solve the problems of identity in learning, and of the gendered, ethnocentric and elitist nature of prevalent pedagogies and management practices. This concern is addressed in the following sections.

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<sup>142</sup> Clegg, S. R., & Ross-Smith, A. (2003). Revising the boundaries: Management education and learning in a postpositivist world. *Academy of Management Learning & Education*, 2(1), 85-98.

<sup>143</sup> Holman, D. (2000). Contemporary models of management education in UK. *Management Learning*, 3(2), 197-217.

<sup>140</sup> Burgoyne, J., & Hodgson, V. E. (1983). Natural learning and managerial action: A phenomenological study. *Journal of Management Studies*, 20(3), 387-399.

## *ISSUES*

We now consider the various special issues that have a bearing on competence but which do not usually form part of the mainstream literature, such as gender and emotional intelligence.

### **Gender**

Efficient management is seen to require masculine qualities.<sup>145</sup> In this way, appeals to efficiency in the interests of economic health are also a means of maintaining or re-establishing male hegemony in the face of feminism. In this situation women can find it very hard to reconcile their values with dominant organizational demands<sup>146</sup> One resulting tendency is that structural inequalities and institutionalised oppression gets reduced to personalized distress, and the pathologising of women, 'with the emphasis of getting them into better shape in order to engage more effectively with existing structures'<sup>147</sup> Parallels with what Morley indicates with respect to women in education can be found with respect to ethnicity in many countries, and will probably be found with respect to Maori and other marginalised groups in New Zealand.

Rees<sup>148</sup> argues that competence frameworks are gendered. She argues for the possibility of competence being used as tool for reflexivity rather than control, briefly introducing Schon's views on reflection in action as a way of organisational members gaining more awareness of self and others. It seems that in an organisation where there is more reflexivity, there is less chance of the competences becoming disciplinary and "the approach seemed valid as a tool of organisational growth". Her question remains that in their claimed objectivity are they really benign and helpful or are they playing their part in constructing new taken-for-granted realities of organizational life? She finds that far from competence frameworks being objective and empowering, they continued to reflect the organization's past, they were used for "partitioning, ranking and enclosing" individuals and indeed can be interpreted as disciplinary practice. While in many cases women remain primarily responsible for household tasks and caring for family, many fathers now want more involvement with these activities.

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<sup>145</sup> Leonard, P. (1998). Gendering change? Management, masculinity and dynamics of incorporation. *Gender and Education*, 10(1), 71-84.

<sup>146</sup> Coyle, 1989, p. 22, in Kerman, 1995, p. 138.

Kerman, L. (1995). The good witch: 'Advice to women in management'. In L. Morley, & V. Walsh (eds), *Feminist academics: Creative agents for change*. London: Taylor and Francis.

<sup>147</sup> Morley, L. (1994). Glass ceiling or iron cage: Women in UK academia. *Gender, Work and Organization*, 10(2), 137-153.

<sup>148</sup> Rees, C. (2000). Training and new forms of work organisations. In H. Rainbird (Ed), *Training in the workplace: Critical perspectives on learning at work*. Basingstoke, Hamps, UK: Macmillan Press.

## Emotional intelligence

Original research on emotional intelligence<sup>149</sup> examines its role in enabling individuals to perceive, express, understand and manage emotions. Mayer and Salovey (1990) have an assessment (MSCEIT) which has been linked to transformational leadership (Bass & Avolio's operationalization) in Australian research. Goleman adds an empathy dimension and suggests the EI is developable (consistent with his links with Boyatzis) where the original (and considerably more robust) research was on fixed personality factors dimensions. While 'EI' has been linked to leadership effectiveness, there are limited ties to the competency literature.

### ***MANAGEMENT COMPETENCIES IN NEW ZEALAND***

As noted in *Section 2: Context*, in 1993 the New Zealand Ministry of Commerce commissioned research into management competencies. The researchers were asked to provide an overview of the situation in New Zealand at that time with regard to prevailing standards and thinking on management competence. At that time there was a strong international surge towards the use of management competence standards to guide and direct management education and development. Essentially, the New Zealand government wanted to ascertain whether this would be a good approach for raising the standard of managerial effectiveness at a national level.

The researchers addressed these needs by conducting a major literature review, running six concept-mapping focus groups, separately investigating the 'super-competences' of exceptional managers, and undertaking a national mail survey of managers. The outputs from that research included a project report and a research monograph<sup>150</sup>, which was printed by the Ministry so that the research could be widely disseminated and act as the focal point for gaining feedback. The researchers involved also used this as the foundation for an ongoing research programme that continued to validate and extend the model in the New Zealand context.

In a broad sense the research revealed that New Zealand managers were like most other managers overseas. They were buffeted by uncertain times and a rapidly changing business (and global) environment. Ironically, like their overseas counterparts, at the time the research was being undertaken, they were being told to look outside their organisations in terms of long term strategic planning,

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<sup>149</sup>Mayer, J., DiPaolo, M., & Salovey, P. (1990). Perceiving affective content in ambiguous visual stimuli: A component of emotional intelligence. *Journal of Personality Assessment*, 54(3), 772-782.

Mayer, J. D., & Salovey, P. (1991). A broader conception of mood experience. *Journal of Personality & Social Psychology*, 60(1), 100-112.

Caruso, D., Mayer, J., & Salovey, P. (2002). Relation of an ability measure of emotional intelligence to personality. *Journal of Personality Assessment*, 79(2), 306-321.

<sup>150</sup> Page, C. A., Wilson, M. E. & Kolb, D. (1994). *Management competencies in New Zealand: On the inside, looking in?* Wellington: Ministry of Commerce.



yet they were so busy coping with short term day-to-day issues that they were wholly focussed inward on the organisation. They were also being told that they were not as effective as they should be, yet there were no recipes or development programmes that had the magic cure.

A constant theme in this research was pressure (from employers, educators, trainers and government) to acquire a specific set of demonstrable and measurable skills, and there were literally hundreds of skills an effective manager was supposed to have. Another constant theme that emerged from reviewing the international literature was the concern of many researchers that lists of management competencies seldom included the softer, less demonstrable and measurable attributes of an effective manager, such as credibility, valuing of others, and leadership qualities. Competence was a term that was abused and misused, and subject to intense debate on issues such as how to accurately define its key dimensions and how to identify competence at an individual, organizational, or national level.

In order to organise the international research literature presenting various models of management competence and integrate that data with the New Zealand findings, a simple 2x3 matrix was developed. The matrix represented three specific domains of managerial activity related either to an individual, or to the individual's interactions with others in the organisation, or to do with matters pertaining to the organisation as an entity. In order to recognise the importance of both 'hard' technical skills and the important softer personal characteristics the matrix reflected these two dimensions of individual input. By the time the project was completed, a list of 78 skills and characteristics had been identified as being consistent items, either implicitly or explicitly, across most models of management (generic) or managerial (individual) competence.

### **Extending the initial research**

Rather than add just another unattainable list of managerial skills and attributes to the already overloaded arena, at this point the research was extended, to allow the researchers to reduce the number of skills and characteristics and attempt to explain where and how they might be best applied by all managers in a generic sense. The matrix served as the basis for that subsequent research<sup>151</sup> and has so far proven to be statistically robust and welcomed by managers in New Zealand based management development initiatives as simple, achievable, and having real life relevance in their day-to-day work activities.

### **Reducing the list of skills and characteristics**

The second phase of the New Zealand competency research focused upon distilling a core set of skills and characteristics from the lengthy list developed in the first phase of research. An expert panel of management practitioners and academics independently made

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<sup>151</sup> Page, C., Wilson, M., & Inkson, K. (2003). It's the situation I'm in: The influence of context on managerial effectiveness. *Journal of Management Development*, 22(10), 241-862.

suggestions for keeping items as is, combining items as conceptually similar, or removing redundant items from the list. This left a total of 78 core skills and characteristics considered as crucial for someone to be perceived effective as a manager.

A questionnaire was then developed that asked managers to assess the effectiveness or ineffectiveness of a manager they knew well in terms of these 78 skills and characteristics, and also asked them to rate each skill and characteristic in terms of how important it was to managerial effectiveness. Multiple discriminant analysis of the survey data confirmed that scores in the 78 skills and characteristics predicted rated effectiveness and ineffectiveness of the assessed managers. Furthermore, the analysis revealed that there was a set of 21 skills and characteristics that were especially powerful in predicting levels of managerial effectiveness and ineffectiveness. These skills and characteristics identified were:

### **Figure 2: Managerial effectiveness (skills & characteristics)**

- Credibility
- Manage immediate /current change
- Conceptual thinking
- Positive attitude
- Work under pressure
- Role model
- Goal/Results focus
- Value people
- Verbal communication
- Influence others
- Responsiveness
- Adaptability
- Critical thinking
- Perceptiveness
- Interpersonal skills
- Influence people
- Business planning
- Create strategic vision
- Communicate vision
- Communicate objectives
- Delegate
- Self/Time management

### **Identified competencies and the Page & Wilson matrix**

At this stage the researchers had a workable model and a list of 21 skills and characteristics considered as being central to managerial effectiveness. Their next step was to fit the 21 skills and characteristics into the model to explain how the skills and characteristics can be applied for best results. To do this they used several groups of managers encountered in conference forums and industry workshops. These managers from diverse backgrounds and industries independently allocated each of the 21 items into either a self/other/organisation and technical skill/3personal characteristic category, to build a picture as to the best fit for each skill and characteristic. Correspondence analysis on this data forced each skill and characteristic into its strongest domain and dimension.

**Figure 2: A two dimension, three domain model of managerial effectiveness**

Dimension	Strongest Domain of Application		
Technical Skills	Self Self/time management Work under pressure	Organisation Interactions <i>Verbal communication</i> Communicate objectives Communicate vision Delegate	Organisation Focus <i>Manage immed/current change</i> Business planning Goal/results focus Create strategic vision
Personal Characteristics	<i>Conceptual thinking</i> Critical thinking Initiative/proactive Perceptive Positive attitude Responsiveness/adaptability	<i>Influence others</i> <i>Value people</i> Interpersonal skills Role model	<i>Credibility</i>

The Page and Wilson model of managerial effectiveness in the figure above provides New Zealand managers with the key 21 skills and characteristics needed to be effective as a manager, and indicates where each skill and characteristic is best applied. This research encompassed large and small businesses and sole operators in all realms of profit and not for profit organisations, so might make a useful platform for building a model of managerial effectiveness in SMEs in this current research.

**Contextual issues**

Page and Wilson also conducted research to investigate the external influences operating on the ability to be effective as a manager<sup>152</sup>. With all the best technical skills and personal characteristics, if external influences are not right, the ability to be effective must be hindered. The research indicated that the key contextual influences that either help or hinder effectiveness are:

- Organisation culture
- Role and position
- Relative strength or weakness of the organisation resource base
- Domestic/spousal support (linked to ability to undertake management development, particularly of female managers)
- Quality of external professional support

***CONCLUDING COMMENTS***

International research into management competencies does not allow for definitive and precise conclusions. Although several frameworks have been developed, there are variations in content, and differences

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<sup>152</sup> Page, C., Wilson, M., & Inkson, K. (2003). "It's the situation I'm in": The influence of context on managerial effectiveness. Journal of Management Development, 22(10), 241-862.

of methodology and measurement. However, there is general consensus on the importance of context.

The research undertaken in New Zealand (and most specifically the 1993 study) developed a workable model of managerial effectiveness at the level of the individual. The model provided a core set of 21 skills and characteristics and showed where each can be most usefully applied. These skills and characteristics have been identified and tested in New Zealand, and include the needs of SMEs, but do not specifically focus on SMEs. In addition to this generic core, the researchers identified the contextual factors that will mean that additional skills and characteristics will need to be adopted if managers are to be successful in their organisations.

For the purposes of this project, it should be noted that the manager operating in an SME is working within a specific, contextual situation that requires further attention. In light of recent research into gender<sup>153</sup> this might also be considered a contextual issue. Although the research has come a long way, we have not yet addressed the all important measurement issues. In particular, despite all the attention to management competency, and the more recent consideration of context, almost all research is linked to *perceived* management effectiveness, rather than any validated performance outcomes.

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<sup>153</sup>ibid.

# Section 5: A framework for developing managerial capability in New Zealand

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The second task for the research team was the development of a framework for assessing management capability in New Zealand (using international studies/examples where relevant). The principle international framework used by the research team was the one developed by the United Kingdom-based Council for Excellence in Management and Leadership<sup>154</sup> (and the adaptation of it provided to the research team by the MED<sup>155</sup>). This framework has four components, where the researchers who developed it:

1. identified factors that help develop management capability (and selected appropriate indicators that relate to these factors)
2. identified and selected appropriate indicators of management capability
3. identified and selected appropriate indicators of the application of capability
4. identified and selected appropriate indicators of business activity and outcome

The focus of the project described in this report was on the **first two components only**, i.e. on identifying the factors that have 1) a positive relationship with the development of management capability (the topic addressed in this section of the report) and 2) identifying appropriate indicators of management capability itself (the topic addressed in the next section of the report).

However, before either task could be addressed, the team needed to agree upon the way in which they used the terms 'management capability' and 'management competency'. This exercise (of developing a set of definitions that were specific to the project and the New Zealand environment) produced the following conclusion:

This approach integrates the Townsend and Cairns (2003) capability model with research carried out in New Zealand and internationally in the area of competencies, and position managerial capability between the broad areas of managerial competence and organizational capability.

In addition to clarifying their position on the relationship between competency and capability, the team needed to agree upon the type

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<sup>154</sup> Tamkin, P., Hillage, J., & Willison, R. (2002). Indicators of management capability: Developing a framework. London: Council for Excellence in Management and Leadership.

<sup>155</sup> S. Knuckey, personal communication, 8 April 2004.

of models that they regarded as having most relevance to the New Zealand situation. Their conclusion was that:

**In the SME-dominated context of New Zealand, we have relied upon models that have been tied to managerial effectiveness rather than purely conceptual models. We have specifically chosen NOT to use 'pyramid' or stepped approaches to competency, as they make implicit assumptions about development through a hierarchy that is antithetical to the SME environment<sup>156</sup>.**

**It is important that we also note that while our model identifies the personal competencies and capabilities of management, we are assuming that individuals who are managers will have a foundation of functional expertise in business<sup>157</sup>.**

### ***FACTORS THAT INFLUENCE THE DEVELOPMENT OF MANAGEMENT CAPABILITY***

Once agreement had been reached on the key issues described above, the research team moved onto identifying the factors that have a positive relationship with the development of management capability – i.e. their initial focus was the same as that of the CEML researchers. Their review of the international literature provided them with the basis for this exercise. It should be noted that their initial attempt produced a lengthy set of factors, as each new piece of research seems to have added to the list rather than provided any rationale for deleting a particular factor.

However, the research team were concerned that a list of this type would not be the most appropriate way to respond to the MED's needs, and after a considerable amount of consultation between the team members and the consideration of other issues (such as the specific characteristics of the New Zealand business environment), a second, shorter list was compiled.

**This list was based on the one provided in the CEML report and MED's adaptation of it, as until empirical research is undertaken with New Zealand firms, it was felt that there was no convincing reason to abandon this approach entirely.**

This list was then organised around four 'themes' or sets of the factors that have an influence on the development capability of a single individual. These four themes (and the factors that made up the list) were:

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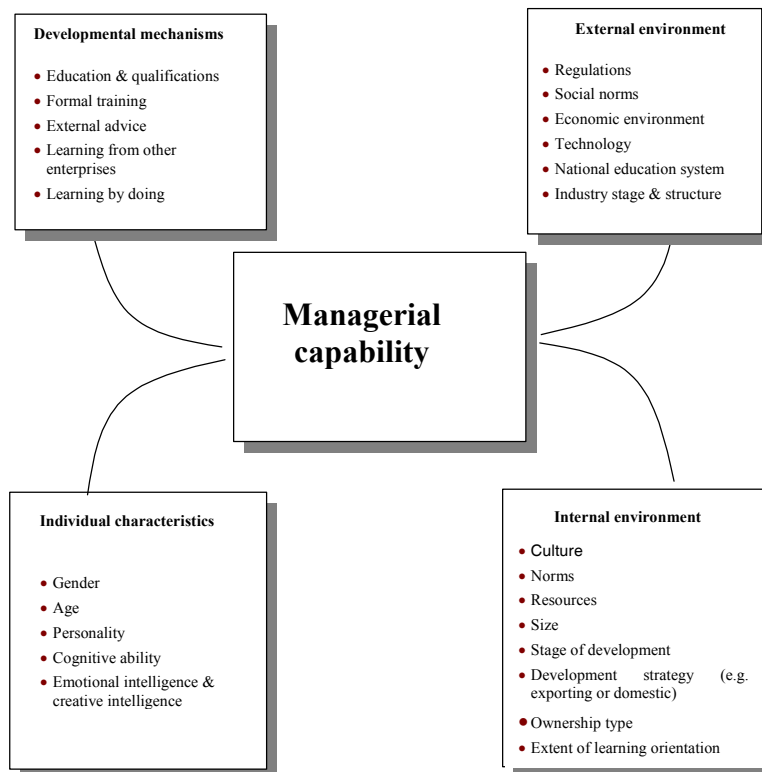
<sup>156</sup> For example, the MCI framework assumes that managers develop first as technical professionals, then as team leaders and supervisors, then as middle managers, and finally as senior managers. This hierarchy of organization and development is inapplicable to an SME.

<sup>157</sup> This is consistent with life cycle models that chart the development needs of entrepreneurs as they, and their organisations, become more formalised and 'managerial'.

1. **Developmental mechanisms** (i.e. 'inputs' into capability-building that the individual can engage in voluntarily - such as training or learning on the job).
2. **The external environment** (i.e. influences that come from outside the firm and influence *the way* individuals engage in capability-building initiatives development - such as technology - or whether an individual will engage in these activities – such as social norms).
3. **Individual characteristics** (i.e. characteristics of the individual that influence *whether* they will engage in capability-building initiatives - such as gender and age – or that influence the way in which they will engage – such as emotional intelligence - or the degree to which they will be benefit - such as cognitive ability).
4. **The internal environment** (i.e. influences that come from inside the firm that influence *whether* they will engage in capability-building initiatives - such as ownership type – and *the way* individuals engage in capability-building initiatives development - such as stage of development).

The factors that make up this list (categorised by the four themes) and their relationship to the central notion of managerial capability are depicted in Figure 4.

**Figure 4: Factors that relate to the development of capability**



**Again, we emphasise that this diagrammatic depiction of the factors is very similar to that produced by the CEML. This is deliberate – we do not have sufficient evidence available to us to suggest that there is any good reason to reject this approach.**

In fact, we note that the CEML matrix summarizes much of the existing literature with regard to education and development, and its contribution to managerial capability. In addition, both the CEML framework and the contextual literature highlighted in the prior two sections of the report reinforce the importance of both general socioeconomic infrastructure factors (such as those that are implied by the single factor “the economic environment”) and firm-specific factors (such as the “stage of development” of the firm).

We have articulated these factors in Figure 4 and added to them the ‘theme’ of individual characteristics, including intellectual and/or cognitive ability.

**We should make very clear that on the basis of our review of the literature we cannot assess which of these factors (and/or themes) plays a greater or lesser role in whether managerial capability is developed; most models incorporate them in a complex milieu.**

**Nor does the way in which we have presented these factors (grouped in terms of four themes) suggest that these are distinct and independent factors. Both intuitively and empirically, we can assume there is strong interaction between types of factors and individual elements.**

For example, we might expect that socio-economic factors would influence both demand and supply of development, as would social norms and business orientation. Cognitive ability would limit or enhance uptake of managerial and technical knowledge. The list of potential interactions and relationships is almost infinite in number and complexity. However, identifying the relationships and determining the extent of their influence was beyond the scope of this first phase of the project.

### ***INDICATORS OF MANAGEMENT CAPABILITY***

The next task for the research team was to identify ways of measuring the existence of managerial capability in the different situations New Zealand managers face (i.e. expanding upon the central ‘box’ in Figure 4). This task is addressed in the following section of the report.



## Section 6: Capabilities for New Zealand managers

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This section addresses the second element of the RFP, where the researchers were asked to “identify indicators that could be used to measure the levels of management capability in New Zealand”. Here the focus was on the central ‘box’ in Figure 4, as depicted in the previous section, i.e. the research team was concerned with identifying the different facets of managerial capability.

### *INDICATORS OF MANAGERIAL CAPABILITY*

For the purpose of this final task, we used the list of 21 skills and characteristics that were found to be associated with managerial effectiveness in the work by Page, Wilson et al. as the foundation for our thinking. Why? While this list (see Figure 2) incorporates and integrates both the US and UK competency approaches, the related model (see Figure 3) has been developed using New Zealand defined managers, including those in SMEs. The sample sizes and multiple methods utilised provide reasonable robustness, without the hierarchical limitations and development assumptions of similar international models.

**We should note, however, that this model was not developed specifically for SME managers, nor was it developed with development policy in mind. Against those caveats, we found nothing that presented a more compelling or convincing protocol for New Zealand management.**

Figure 5 (which starts on page 60) is based on this model and its 21 component skills and characteristics. The table lists each factor, then provides a list of potential ‘indicators’ or ways of measuring whether a factor is present or absent and whether it is strong or weak.

Three types of measures are detailed. The first involves psychometric testing, that is, the use of established tests that measure key individuals’ attributes validly and reliably. Although not all areas of management capability have such measures, where they exist we have highlighted them, as these are often-overlooked sources of diagnostic information.

The second category of measures is self-assessment, which generally involves the individual rating themselves (on a scale or other measure) or, alternatively, responding to key questions and prompts for a behavioural summary. Both may suffer from what has been termed ‘unknowing incompetence’<sup>158</sup> as those who are truly unskilled in an area often do not recognize the deficit. Thus self-assessments

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<sup>158</sup> Kruger, J., & Dunning, D. (1999). Unskilled and unaware of it: Inflated self-assessments. *Journal of Personality & Social Psychology*, 77(6), 1121-1134.

are useful for gaining reflection on skills, but also limited by individual's lack of self-awareness and relevant comparators.

The last category is assessment by others. This may involve similar rating scales to the self-assessment (as we see in 360 degree feedback), more structured methods such as behavioural event interviewing and repertory grid comparisons<sup>159</sup> or assessment centres which attempt to use standard, structured situations to assess management capability independent of context. Assessment centre approaches often use robust personality and general intelligence measurements in addition to behavioural assessments.<sup>160</sup>

## ***A CAPABILITY FRAMEWORK***

Management models of competency and capability are generally developed with the intent of establishing the status quo (through some sort of diagnostic exercise) and then using this diagnostic as the rationale for developing management ability. At national and regional levels, such models are used as the basis for devising generic 'training needs analyses' to assist in developing programmes that meet the needs of managers, in combination with lists of skills that relate to the functional knowledge that is required in a business setting, and/or a set of underlying personality and general capabilities.

While the competency/capability literature has often focused on developable skills, underlying abilities play a fundamental role. Personality factors underpin many of the emerging management competencies, from emotional intelligence<sup>161</sup> to resilience and flexibility<sup>162</sup>. Traditionally, the single most robust predictor of management performance has been general intelligence<sup>163</sup> and we take for granted that managers have basic fundamental characteristics of cognition and emotion that underpin the additional competency development. As Page, Wilson and Kolb (1994) noted, competency models have often developed as pyramids with 'higher order' skills and abilities added to necessary pre-requisites, including balanced personality factors, basic perceptual and cognitive skills and IQ/EQ.

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<sup>159</sup> Rippon, S. (1993). Competencies of New Zealand senior managers. Victoria University of Wellington: Unpublished doctoral thesis.

<sup>160</sup> Bartram, D. (2004). The great eight competencies: A criterion-centric approach to validation. Surrey, UK: SHL Group.

Schmidt, F., & Hunter, J. (2004). General mental ability in the world of work: Occupational attainment and job performance. Journal of Personality & Social Psychology, 86(1), 162-174.

<sup>161</sup> Bartram, D. (2004). The great eight competencies: A criterion-centric approach to validation. Surrey, UK: SHL Group.

<sup>162</sup> Page, C. A., Wilson, M. E., & Kolb, D. (1994). Management competencies in New Zealand: On the inside, looking in? Wellington: Ministry of Commerce.

<sup>163</sup> Schmidt, F., & Hunter, J. (2004). General mental ability in the world of work: Occupational attainment and job performance. Journal of Personality & Social Psychology, 86(1), 162-174.

Our capability framework has been developed from the existing New Zealand competency framework<sup>164</sup> with the addition of self efficacy and value congruence (Cairns, 1997).

As noted previously, we have expanded the New Zealand competency framework, with Townsend and Cairns managerial capability logic. If we were to express this as a 'formula' it would appear as:

<b>CAPABILITY = COMPETENCY + SELF-EFFICACY + FIT WITH VALUES</b>
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It should be noted that this is not a model that has been developed specifically for SMEs; no such model has been developed to date, in New Zealand or elsewhere to the best of our knowledge.

While intuitively attractive, from the perspective of policy, this formula needs to be extended with definitions and measures of these capability elements. In many cases, the elements themselves could occasion an entire literature review and discussion at least as detailed as the one presented here on competency and capability. While signalling the need for more detailed work, we have presented an overview of these elements and potential measurement options in Figure 5. Each requires additional work on construct definition and criterion measures to construct valid instrumentation. The list that appears in the table below is a first pass at integrating a very diverse literature into possible indicator modes and measures.

We also note a number of caveats:

- While the psychometric instruments listed have greater reliability and validity than the self- and other- assessment methods proposed, they are likely to be difficult to implement in practice as they require licensed practitioners, controlled administration and greater expense than less formal forms of assessment/measurement. The limitation of self-report is both social desirability biases and lack of insight into competency (that is, someone who is not skilled at something is often also unable to understand what good performance in that arena would be like and therefore poorly equipped to self-assess).
- The 360 degree review process often uses similar questions to the self-assessment process, but draws on a potentially wider base of expertise in making judgements. There are social desirable issues as well as 'halo' effects (can we identify and differentiate areas of less competence in someone we believe is a 'good' manager). While some psychometric measures may also suffer from social desirability effects, this is generally less of an impact, particularly given the behavioural observation emphasis of most. The trade-off in indicators is between ease of administration and acceptability which favours self-report

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<sup>164</sup> Page, C. A., Wilson, M. E., & Kolb, D. (1994). Management competencies in New Zealand: On the inside, looking in? Wellington: Ministry of Commerce; and Page, Wilson, Meyer & Inkson, 2003, as well as the stream of competency based research by Page, Wilson and colleagues, 1993 to 2004.

and 360 degree processes, versus validity and reliability which favour structured psychometric assessments.

- Although the initial brief did not require the research team to develop the questions that could be used to measure managerial capability, it was also clear that it would be helpful if a selection of sample questions were developed, as an indication of how the research that was reviewed in the literature review could be used as the basis for the development of an instrument for assessing existing capability.

For each of the capability elements profiled below, the most practicable assessment method is highlighted in bold, and where a question-based method is indicated, one or two sample questions are used as exemplars. **This is no substitute for rigorous development of an assessment instrument**, but serves to exemplify possible practice, and in some cases to suggest implicit limitations.

**Figure 5: Capability Indicators**

<b>Factor</b>	<b>Indicator Definition</b>	<b>Psychometric test?</b>	<b>Self-assess?</b>	<b>Other-assess?</b>
Credibility	Believes in self-efficacy, internal locus of control. Demonstrates consistent equity and fairness. A history of honesty, loyalty and ethical behaviour. Stability and consistency of behaviour and emotional tone. Recognises and deals with ethical issues in the treatment of others and operations. Supports the ethical decisions of others, particularly in the face of dissent or strife. Follows up on commitments and queries.	Kouzes & Posner Lefcourt Locus of Control Questionnaire <sup>165</sup>	Historical self report	Behavioural assessment; critical incident; <b>360 degree review</b> , e.g., <i>This person can be depended on to do what they say they will do. This person is honest and ethical in dealing with others.</i>
Manage change	Responds rapidly and positively to unplanned change. Monitors and evaluates planned change implementation. Uses available resources efficiently and effectively.	None	Critical reflection; Historical self report	<b>360 degree review</b> , e.g., <i>This person responds positively to unplanned change; Scenario task/s</i>
Conceptual thinking	There is an ability to comprehend the global parameters of a given situation without getting lost in the details. Synthesises information from different fields, areas to create a new picture.	<b>Field Dependent and Field Independent - Embedded Figures Test</b> <sup>166</sup> ; <b>Novel use of items test</b> <sup>167</sup>	Critical reflection; Historical self report	Scenario task/s
Positive attitude	Maintains a positive approach under varying circumstances and conditions. Generally has a 'can	<b>Optimism-Pessimism scales, e.g., Revised</b>	Critical incident/ reflection	360 degree review

<sup>165</sup> Lefcourt (1982) provides an in-depth discussion on locus of control, and presents a number of scales and questionnaires as appendices. The Embedded Figures Test involves showing people pictures where a "target" shape has to be found within a complex picture where the target shape is not immediately visible. FI people have no problems discerning the target in the picture, whereas FD people often never see it.

<sup>161</sup> Matlin, M. (1984). Cognition. CBS College Publishing: NY.

<sup>167</sup>Locke, E. A., Frederick, E., Lee, C., & Bobko, P. (1984). Effect of self-efficacy, goals, and task strategies on task performance. Journal of Applied Psychology, 69(2), 241-252.

This provided participants with a list with one column that said: I can list 2 uses in 1 minute, I can list 4 uses in 1 minute, I can list 6 uses in 1 minute... up to 16 uses in 1 minute, with a second column asking them to state their certainty as 0-100%. Measures of self control and self concept would also be relevant.

	do' attitude.	<b>Life Orientation Test (LOT-R)</b> <sup>168</sup>		
Work under pressure	Ability to switch roles, responsibilities and orientations over short periods of time with minimal conflict.	Depression, Anxiety and Stress Scales, e.g., <sup>169,170</sup>	Critical incident/ reflection; <b>self report</b> , e.g. <i>I prefer to work on one item at a time; I produce high quality work to tight deadlines.</i>	Behavioural assessment & critical incident; Observation
Role model	Models the behaviours encouraged/fostered by the organisation in support of strategic intent. Helps to create and reinforce desirable organizational cultural norms by both word and action.	None	Critical incident/ reflection	<b>360 degree review</b> , e.g., <i>This person is a role model for the values of the organization</i> <sup>171</sup> ; Observation
Goal/results focus	Strives to increase productivity of self and others toward the accomplishment of organisational goals.	Thematic Apperception Test (TAT) <sup>172</sup>	<b>Critical incident/ reflection</b> , e.g., <i>I consistently work toward longer term goals. I communicate all my team's work in the context of what we are striving to achieve.</i>	360 degree review
Value people	Seeks the opinions of others. Uses a participative approach to decision-making. Recognises and rewards the input of others. Transparent valuing and utilisation of diversity.	TAT	Critical incident/ reflection; Historical self report	<b>360 degree review</b> , e.g. <i>This person involves others in important decisions. This person listens to diverse points of view.</i>

<sup>168</sup> Ji, L.-J., Zhang, Z., & Usbourne, E. (2004). Optimism across cultures: In response to the severe respiratory syndrome outbreak. Asian Journal of Social Psychology, 7(1), 25-34.

<sup>169</sup> Rosser, S., Erskine, A., & Crino, R. (2004). Pre-existing antidepressants and the outcome of group cognitive behaviour therapy for social phobia. Australian & New Zealand Journal of Psychiatry, 38(4), 233-239.

<sup>170</sup> Chen, W.-Q., Wong, T.-W., & Yu, T.-S. (2003). Determinants of perceived occupational stress among Chinese off-shore oil workers. Work & Stress, 17(4), 287-305.

<sup>171</sup> Both this, and the value fit element of the Townsend & Cairns capability model, implicitly assume that the values and culture are known to the respondent.

<sup>172</sup> This is McClelland's well validated projection technique where the subject looks at pictures and creates a story, there-by projecting conscious and unconscious motivations/feelings into the story.

Verbal communication <sup>173</sup>	Has the ability to communicate information concisely and with clarity. Good articulation and appropriate language. Awareness/use of non-verbal language. Active listening skills. Appropriate reciprocal timing/response. Social skills.	Verbal IQ	Critical incident/ reflection – this is a complex area that would require detailed sub-assessment	<b>360 degree review</b> , e.g., <i>It is easy to understand what this person is saying. This person lets others know that they are listening to them.;</i> Observation
Influence others	Able to persuade others to engage in some course of action or decision. Able to dissuade others from following a determined attitude/behaviour or action/decision. Creates a win-win situation.	Leadership scales; TAT to assess Npov	Critical incident/reflection; Historical self report	<b>360 degree review</b> , e.g., <i>This person is able to persuade others. This person helps to find solutions that are positive for all sides.;</i> Scenario tasks
Responsiveness/adaptability	Able to change attitudes when appropriate. Open and receptive to new ideas and perspectives. Responds positively to unforeseen changes.	None	Critical incident/reflection; Historical self report	<b>360 degree review</b> , e.g., <i>This person is receptive to new ideas.</i>
Critical thinking	Able to critically analyse situations and problems. Objective. Focuses on key issues. Establishes and utilises consistencies, inconsistencies, patterns and themes.	<b>Numerous questionnaires<sup>174</sup>, see note.</b>		Assessment centre, critical incident
Perceptiveness	The ability to understand people and situations. Aware of the motivations and behaviour of others. Ability to read the dynamics of a situation.	EI – the Dulewicz questionnaire; Profile of Nonverbal Sensitivity <sup>175</sup>	Critical incident/reflection	<b>360 degree review</b> , e.g., <i>This person responds appropriately to the motivations of others. This person understands how</i>

<sup>173</sup> This examines issues associated with the assessment of social interaction and communication **skills**. Current debates are presaged in a discussion of several ideological tensions often overlooked in the examination of **skills** assessment. This discussion gives way to a characterization of several trends in assessment that have emerged since the last major reviews were written before the 1990s. With a conceptual vocabulary established, a number of omnibus measures and methods are briefly reviewed.

<sup>174</sup> Follman (2003) Contemporary **critical thinking** tests are listed and reliability estimates of these contemporary **measures of critical thinking are provided**. These tests and corollary reliability estimates are presented so that interested **critical thinking** researchers will have knowledge of the psychometric characteristics of these instruments. Addressed are: the Watson-Glaser **Critical Thinking** Appraisal; Reflective Judgment Interview; Cornell **Critical Thinking** Tests; Collegiate Assessment of Academic Proficiency; Developing Cognitive Abilities Tests; California **Critical Thinking** Skills Tests; California **Critical Thinking** Dispositions Inventory; biology **critical thinking** tests; and finally 32 other **critical thinking** tests, ratings, interviews.

Interpersonal skills	The ability to relate effectively to others at all levels of the organisation. Approachable. Socially adept. Personal presentation. Ethnic/cultural sensitivity. Self confidence	Interpersonal skills Assessment <sup>176</sup>	Critical incident/reflection	<i>groups interact.</i> <b>360 degree review</b> , e.g., <i>This person gets along well with his co-workers<sup>177</sup>.</i>
Initiative/ Proactive	Actively identifies opportunities for improvement and identifies weaknesses to be addressed. Takes steps to avoid or alleviate problems before they occur.	None	Critical incident/reflection; self-rating	<b>360 degree review</b> , e.g. <i>This person is consistently looking for ways to improve.</i>
Business planning	Uses a systematic approach and appropriate techniques for information gathering. Provides a documented plan linked to strategic intent. Business acumen. Broad functional understanding.	None	Critical incident/reflection; <b>self-assessment</b> , e.g., <i>I understand the industry that I operate within. My marketing and sales knowledge is complete.</i>	Critical incident, 360 degree review; organisation performance; <b>external certification / courses</b>
Create strategic vision	Has a sound understanding of the organisation's purpose and direction. Has a future orientation. Can utilise current information to direct future courses of development. Can assess potential impact of future systemic developments and make trade-offs with current and short-term prospects.	None	<b>Critical incident / reflection</b> , e.g., <i>I can clearly see where the business will be in one to two years. I understand our challenges in achieving business success in the next one to two years.</i>	360 degree review; organisation performance
Communicate Vision	Communicate strategic vision to others in the organisation using all appropriate media and channels. Ensures that the strategic vision is understood and accepted by organizational members.	None		<b>360 degree review</b> , e.g. <i>This person makes it very clear where the business is headed. I understand the strategic vision of this company; feedback;</i>

<sup>175</sup> Hansford, B. C. (1977). Microteaching, feedback, dogmatism, and nonverbal perceptiveness. *Journal of Psychology*, 95(2), 231-235.

<sup>176</sup> This examines issues associated with the assessment of social interaction and communication **skills**. Current debates are presaged in a discussion of several ideological tensions often overlooked in the examination of **skills** assessment. This discussion gives way to a characterization of several trends in assessment that have emerged since the last major reviews were written before the 1990s. With a conceptual vocabulary established, a number of omnibus measures and methods are briefly reviewed.

<sup>177</sup> An effectiveness measure in this area would assess both degree of agreement and consistency within sub-groups. Rippon (1993) found effectiveness most strongly related to peer relationships.



Communicate objectives	Communicates specific, clearly defined objectives, using appropriate media and channels.	None	Critical incident/reflection	document search <b>360 degree review</b> , e.g. <i>This person is very clear about what I am required to do ; feedback; observation; document search</i>
Delegate	Knows when delegation is appropriate. Clearly develops task description and provides resources and authority to support. Follows up as situation, person and task requires.	None	Critical incident/reflection	Assessment centre; <b>360 degree review</b> , e.g. <i>This person consistently delegates work to the best person to do it; Scenario tasks</i>
Self/Time Management	Organises self, prioritises tasks, establishes and meets deadlines, manages time efficiently and effectively.	<b>Time Management Behaviour Scales (TMB)</b> <sup>178</sup> ; <b>Self-Leadership Questionnaire (SLQ)</b> <sup>179</sup>	<b>Critical incident/reflection</b> , e.g., <i>My daily work is clearly prioritised, I always meet important deadlines.</i>	Behavioural event, critical incident; Observation; Scenario tasks
Self-Efficacy	Perceived ability to influence and effect positive	<b>Locke &amp; Latham 1990</b>	Multi-item self-assessment	NA

<sup>178</sup> Jeong, J. (2000). A study of burnout and time management among Korean-American pastors . *Dissertation Abstracts International*, 60 (11), 4052.

<sup>179</sup> Kazan, A. L. (2000). Exploring the concept of self-leadership: Factors impacting self-leadership of Ohio Ammericorp members. *Dissertation Abstracts International*, 60(11), 3870.

	outcomes; self-confidence	– self-efficacy scale		
Value Congruence <sup>180</sup>	Fit between personal and organizational values	None	<b>Self-reflection</b> ; career values card sort (Parker, 2000), e.g., <i>My personal values are consistent with the organization's values and vision.</i>	360 degree evaluation

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<sup>180</sup> Some writers have suggested that tenure and career progression are good proxy measures for this issue, although they have generally been considering the term within the context of an employee in a large corporate or public sector environment.

## Section 7: Conclusions

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In this final section, we briefly summarize the scope of this report and identify issues for further research.

### *MEASURING CAPABILITY*

We have proposed a framework for the development and subsequent measurement of management capability in New Zealand, with key headings and possible indicators. In terms of the RFP for this project, the research team has not carried out any empirical work specifically in relation to this framework; rather it has been the product of discussions, literature reviews and the previous empirical work of the research team.

In producing the framework we have noted many issues that require further debate and clarification, which we bring together below as a series of caveats and potential concerns. The framework we propose is illustrative; there are many other such frameworks, but none that more adequately captures the New Zealand context. We propose the need to take account of the wider context, the organisation/enterprise, development mechanisms and the characteristics of individuals, all of which have the potential to act as mediating factors and/or antecedents to the development of capability.

At the centre of the framework is a listing of management capabilities that has the benefit of being built on the Page and Wilson research of 1994, and the subsequent work that tested its robustness and acceptability. Indicators are proposed for all aspects of the framework, but given its comprehensiveness; most attention at this stage has been paid to the indicators of individual competences. The revised model remains untested empirically against the SME population, and the indicators, in particular, are tentative against both population and instrumentation requirements. To provide a more nuanced model, sensitive to the context of the New Zealand SME sector and acceptable to its stakeholders further empirical research is required.

In this concluding section, we firstly identify and comment on the issues that emerged during this project as requiring further debate in order to develop a shared and acceptable conceptual underpinning. Secondly we identify the issues that require further clarification in our framework (i.e. in the next phase of the project). Finally we recommend subsequent research to improve, test and validate our framework.

**If MED is to proceed with a Management Capability framework, then it is important to note the range of potential pitfalls in such a project; the intention is not to argue against such an endeavour but to prevent it from becoming mired in definitional difficulties or other controversy by inspiring early debate with all major stakeholders.**

## ***ISSUES***

While capability is the overall aim, nonetheless the model is built on competences. Given the direction of the international literature, and the consistency of the New Zealand concept maps, the case for competencies appears compelling, and is consistent with other significant policy documents regarding New Zealand's managerial future. There are, however, a number of issues and assumptions that are potentially worrisome and deserve consideration and we return to them below.

### **The uses (and abuses) of competencies**

The greatest discomfort encountered in a consideration of the competency literature, is the prevalent conflict of interest that is presented by assessors, trainers and developers establishing competency models that, as it turns out, contain predominantly elements that are 'assessable', 'trainable' and 'developable'. Again borrowing from the philosophy of science, the competency literature is far from objective, from both the perspective of researcher and source.

Aside from the use-bounded development of competency models, the other most common source of information about the nature of management is current managers (either by means of observation or self report). This group also has a vested interest in maintaining a picture of management that corresponds to that which they are capable of performing. Managers' reports particularly, have a high potential for social desirability and may reflect what managers think they should be doing (and often are currently reading) rather than their actual activities and attitudes. This disconnection has long been noted in the research literature regarding managerial feedback-seeking behaviour and self-assessment and the well-documented gap between theory-in-action and theory-in-use.<sup>181</sup>

In asking what good management practice is, subtle nuances in source can have substantial impacts on results. For example, asking subordinates what management is, evokes and reinforces the emphasis on interpersonal/staff management - both attitudinal and skills. Shifting the enquiry to leadership, which several authors have offered as the evolutionary goal of management, can evoke increased emphasis on "vision" and communication, as well as personal characteristics, and a shift toward external issues can be evoked by adding "strategic" to the term management. Beyond this, the context and social meaning of management plays an important role in what is often an evoked stereotype.

### **The context and history of management**

It has recently been suggested that the alarm bell for the impact of change on management has been rung too loudly and too long to have any remaining credibility. The contextual clause, 'never before has management faced such an environment of change and

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<sup>181</sup> Argyris, C., & Schon, D. (1974). Theory in practice. San Francisco: Jossey-Bass.

turmoil...' has preceded management prescriptions for close to a century.

If we accept that organisations, their environments and their managers have been in a continual period of transition, albeit accelerating, for the last century, then looking for a temporal discontinuity in management practice becomes rather meaningless. Within that, however, the management literature, and particularly the popular understanding of management, has depended upon a perception of relative stability and reinforcing hierarchy. Managers were once grey-suited, middle aged men from the dominant ethnic group, who inhabited impressive edifices housing organisations of substantial size and hierarchy. The models presented, with their lack of external orientation, have implicitly (and in some cases, explicitly) assumed this situation still exists. These models, however, have considerably less merit in New Zealand's SMEs and a de-regulated, global marketplace, where the external orientation of Hunter and Campbell-Hunt's (1992) sustained adaptation becomes increasingly necessary.

At a minimum, the future of management may be radically different to contemporary experience and historical practices. It becomes difficult even to pull from the SME literature internationally; as we can see in Stuart and Lindsay's (1999) work, with SME senior management teams (!) which – by definition - has little applicability to New Zealand organisations, which by world standards are almost all micro-enterprises. This is even more important than we consider that the policy for SMEs in New Zealand stresses growth and development of these SMEs and we know from earlier research<sup>182</sup> that the knowledge and skill needs of managers change dynamically as the firms grow and develop.

The vast majority of research we have consulted argues strongly for context in any use of capability or competence models. We are alert (following Clegg & Ross-Smith<sup>183</sup>), that whatever we develop must be reflective of and acceptable to the New Zealand context. The explicit influence of the United States on business education in Europe is well-documented<sup>184</sup> but the less-obvious and pervasive spread of a US-centred frame of values, often emphasized in corporate contexts where competency models are promoted, is just as important. There is no necessary co-incidence of interests between large economies, whether corporate or national, and those of countries such as New Zealand. This would suggest that capability/competence models developed for New Zealand would be different to more generic,

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<sup>182</sup> Greiner, L. E. (1972). Evolution and revolution as organizations grow. *Harvard Business Review*, July-August, 37-46.

Churchill, N. C., & Lewis, V. L. (1983). The five stages of small business growth. *Harvard Business Review*, May-June, 30-50.

<sup>183</sup> Clegg, S. R., & Ross-Smith, A. (2003). Revising the boundaries: Management education and learning in a postpositivist world. *Academy of Management Learning & Education*, 2(1), 85-98.

<sup>184</sup> Usdiken, B. (2004). Americanisation of European management education in historical and comparative perspective. *Journal of Management Inquiry*, 13(2), 87-89.

globally transferable models. Indeed, the more management is understood as a socio-cultural practice rather than an objective application of technique, the more nationally and culturally specific a capability/competence model would need to be (cf Hofstede 1980).

To assist in countering the caveats noted, our illustrative framework is built on a competency model that has also been demonstrated to be robust when combined with contextual factors<sup>185</sup>. There are no general contingency models available in the literature except organisation-specific models. This begs the question of how national models should be approached. Context will differ according to the position from which it is viewed.

The proposed framework does include both factors linked to capability and context and exceeds the general span of competency models, per se. We have not, however, resolved the inherent difficulties that surround issues regarding indicators, both in terms of validating a framework – do more capable managers deliver enhanced organizational performance? – and in easily assessing current levels of competence/capability in the New Zealand SME management population. In particular, as other studies have noted, variability in measurement has significant potential to undermine the efficacy of any competency or capability model.

We opted for a comprehensive approach noting a wide range of potential influences, and to work to the brief provided by MED for management capability. This lies between two areas of much stronger research tradition, management competency and business capability. We have been particularly directed away from organizational characteristics and assessment, but wish to indicate that managerial capability is highly contextualised and does not capture nor necessarily enlighten the requirements of firm capability. Given the existing New Zealand work on firm capability, including the Firm Foundations project, there is a very productive nexus that could be explored at the level of both policy and research.

### ***NEXT STEPS***

In summary, to extend and validate our existing framework, we recommend that the next phase of this project is based on gathering empirical data from a range of managers in New Zealand. We have raised questions about which aspects of the framework could apply to particular groups of managers; we have identified the following groups as those who the literature or specific New Zealand characteristics suggest may have specific needs, and we acknowledge that there may be others:

- new managers and/or managers in start-ups;
- those with and without HRM support
- senior/middle and line (differentiating strategic and operational skills)

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<sup>185</sup> Page, C., Wilson, M., & Inkson, K. (2003). It's the situation I'm in: The influence of context on managerial effectiveness. Journal of Management Development, 22(10), 241-862.

- those managing in a team based environment;
- global managers;
- managers in “new economy” companies;
- Māori, Pacifica and other ethnically diverse managers;
- those managing high growth firms;
- geographically isolated managers; and
- technologically isolated managers.

We know that any kind of competence framework or management development initiated requires the buy-in of its participants. Thus it is vital that any framework adopted has been designed, at least in part, by those who will use it and those whose capability is measured and assessed by it. It is particularly important that small firms feel some ownership of this process given research that indicates the barriers to their participation in such frameworks<sup>186</sup>. In addition, it will be important to develop good relationships with the sector<sup>187</sup> in rolling out any framework. One approach may be to follow the Council for Excellence in Management and Leadership (2002) which recommended that trusted advisors (such as accountants, bank managers etc) persuade the managers of small firms to engage in developmental initiatives.

We have proposed a range of methods for identifying indicators of capability - including self-reporting (although its shortcomings are noted above), critical incidents, etc. But, these are suggestions only, and before the model described above is adopted, much more groundwork needs to be carried out. In particular, the acceptability and applicability and cost-effectiveness of such indicators need to be examined in detailed discussions with managers and potential assessors.

In summary, we recommend that the Ministry of Economic Development:

1. Undertakes a qualitative study which explores all aspects of the framework; is in-depth and undertaken with a carefully chosen sample of managers, and which produces an amended framework with the factors refined so that they are feasible and acceptable.
2. Reviews the qualitative study and its findings with a focus on recommending further refinements.

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<sup>186</sup> Smith, A., Whittaker, J., Loan Clark, J., & Boocock, G. (1999). Competence based management development provision to SMEs and the providers' perspective. *Journal of Management Development*, 18(6), 557-572.

Heffernan, M. M., & Flood, P. C. (2000). An exploration of the relationships between the adoption of managerial competencies, organisational characteristics, human resource sophistication and performance in Irish organisations. *Journal of European Industrial Training*, 24(2/3/4), 128-136.

<sup>187</sup> Devins, D., & Gold, J. (2002). Social constructionism: A theoretical framework to underpin support for the development of managers in SMEs? *Journal of Small Business and Enterprise Development*, 9(2), 111-119.

3. Undertakes a pilot investigation with a focus on quantitative measures to develop the final framework for roll out.
4. Establishes an “expert panel” of stakeholders (government policy managers, government advisors who work closely with SMEs, management organisations<sup>188</sup> and relevant owner-managers and SME networks) to help provide a general view of capability and use this document as a prompt for discussions.

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<sup>188</sup> It may be possible to link this to the recently established group Management and Business Capability Coordinating Project Steering Group.



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