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**The Impact of Management Development on
The Organizational Performance
of European Firms**

by

Christopher Mabey

Paul N. Gooderham

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ABSTRACT

Although management development is generally regarded as a key element in a strategic approach to human resource management, there is still little empirical evidence that this it actually contributes significantly to superior firm performance. Based on interviews with the HRD manager and a line manager in a sample of 601 organizations in six European countries, this study examines the impact of management development policies and practices upon firm performance. Predetermined factors like the sector, size and host-country of the firms explain a significant amount of variance in performance. However, the degree of variance explained is considerably enhanced when discretionary variables are added. In particular when firms report strategic fit for their human resource management, organization fit for their management development and when line managers perceive their firm to be attaching importance to management development, they significantly out-perform their competitors.

INTRODUCTION

In recent years there has been a concerted attempt to demonstrate that HRM systems are strategic assets that enhance organizational performance and therefore value creation. On a general level, studies of this relationship fall into two categories. First there are those that seek to demonstrate that HRM systems confer superior performance regardless of the circumstances of the firm, i.e. a “best-practice” perspective, and second those that emphasise contingencies such as the degree to which the firm has aligned its HRM practices with its competitive strategy. An example of the first approach is the work of Pfeffer (1994). Drawing on secondary data, from the global automobile industry and other industries, as well as case study evidence of “best practice”, he has shown that the ways in which organizations manage their people are enduring sources of competitive advantage. This universalistic approach to HRM policies and practices which are held to attract, then foster and develop superior capabilities has been found to, among other things, improve export performance (Gomez-Meija, 1988), increase productivity and profitability (Patterson et al, 1997) and enhance employee satisfaction and financial indicators (Bowen and Lawler, 1995).

The second approach posits that for HRM systems to have a major impact on organizational performance they must be imbedded in a firm’s management infrastructure and aligned with corporate strategy. For example research by Huselid and Becker (reported by Becker and Gerhart, 1996) infers that it is not just the number of best practices that influences the market value of a firm, but also the degree to which those practices are integrated into an internally coherent system that fits with the firm’s individual situation and business priorities. It is argued that a properly aligned HRM system constitutes a core capability in the sense that it not only confers competitive advantage but that it is complex, firm-specific, not readily imitated by competitors and therefore sustainable (Becker and Gerhart, 1996).

The notion of what constitutes an HRM system varies. Becker et al (1997 :40) record that HRM systems are generally thought to include recruitment and selection procedures, compensation systems and management development. This paper will

focus on the last of these. The intention is to assess the effect of management development on firms' organizational performance. The significance of this task lies not least in that, as Wright and Boswell (2002) note in their review of micro and macro HRM research, there is a dearth of research tracking the impact of single HRM practices. Those studies that have attempted to quantify the impact of management development on organizational performance have typically been confined to a few leading exemplars like Motorola and Sears (Yeung and Berman, 1997). Our approach is to draw on survey data that was designed to allow us to incorporate key features of both the best practice and contingency perspectives. To get beyond the "strong disconnect between the 'rhetoric' of human resource management as expressed by the human resource department, and the 'reality' experienced by employees" (Truss, 2001; Legge, 1995) this study will seek views from both HRD and line managers in each sample organization. This also allows the most knowledgeable raters to be used for given HR dimensions, as advocated by Huselid and Becker (2000).

Drawing on the literature we firstly formulate six specific propositions. The first three of these are derived from the best-practice perspective and the latter three from the contingency perspective. Thereafter these are tested and conclusions drawn on the relative merits of these two perspectives.

DETERMINANTS OF ORGANIZATIONAL PERFORMANCE

Management Development 'Best-Practices'

It has been consistently theorized that the means by which a firm develops its managers in the long-term and addresses skills gaps in the short term are key determinants of its market performance (Schuler and Jackson, 1987; Butler, Ferris and Napier, 1991). Although the number of empirical studies demonstrating this is small, as noted above, this suggests that the ultimate quality of management training and development can potentially make a material difference to organization's performance. A number of so called best practices can be gleaned from the literature.

The first indication of good practice is the formulation of some kind of management development policy statement, signifying its strategic importance for the organization

(Garavan 1991). Although it is generally recognized that such policy documents often represent statements of intent rather than actual practice (Gratton *et al*, 1999), they do nevertheless suggest a considered and often consultative, rather than an *ad hoc* approach to the way managers are developed. Typically they include procedures for (1) the diagnosis of development needs and the planning of training activities to address these, (2) career planning and development, (3) intensive development for selected managers, and (4) mechanisms for monitoring and evaluating these activities. We consider these in turn.

Appraisal meetings, where managers have the opportunity to discuss their development needs with their line manager, are frequently cited as pivotal to effective management development. There is some evidence that using appraisals to identify manager development needs is a growing practice in the UK (Raper *et al*, 1997) and in Europe more generally (Holden, 1992). This is partly because feedback, when sensitively handled, can be a catalyst to real learning (Alimo-Metcalf, 1998). Appraisals are often the trigger for effective career planning. For example, in a study of 524 organizations, Baruch and Pieperl (1997) found that active career planning, characterized by performance appraisals, career counseling and succession planning correlated highly with organizations described as having “dynamic, open and proactive climates”. Another key practice, utilized by many organizations, is fast-track development for selected managers often preceded by a development center, despite criticisms of potential elitism and the negative impact on non-selectees (Iles and Mabey, 1993). Jones and Whitmore (1995) found those engaging in the developmental activities recommended by the development center were more likely to advance in the organization than a comparator group who were not selected. In a UK study, HRD managers were twice as likely to rate management development as having high organizational impact where fast-track development was used (Thomson *et al*, 2001). There is, as yet, little empirical evidence of organizations systematically reviewing the benefits deriving from management development activities, at least in the UK (DfEE, 1998), although studies of organizations adopting IiP, a national accreditation in the UK which emphasizes the strategic evaluation of training, do suggest favorable outcomes for those that monitor training outcomes (Hillage and Moralee, 1995; Rix, Parkinson and Gaunt, 1993) . Overall, then, the literature suggests that the care given to the diagnosis and design of training, to career

development opportunities and to the subsequent evaluation of management development activity will be indicative of good practice. From this it might be surmised that:

Proposition 1: There will be a positive relationship between organizational performance and the extent to which an organization utilizes management development 'best-practices'.

The Amount and Diversity of Management Development

Any assessment of management development needs to, in some way, measure the extent of training and development activity undertaken. A convenient and conventional way of assessing management development activity is to measure the annual number of training days (Huselid, 1995; Koch and McGrath, 1996; Patterson et al, 1997). There are problems with this. As Becker and Huselid (1998) admit “an index measure simply indicates that ‘more is better’, and an evaluation of this assumption awaits further study” (1998: 60). Number of training days is an imprecise and possibly misleading measure if used alone. It is important to know something about the methods and diversity of development undertaken (Mansfield and Poole, 1991). Some research suggests that managers learn *more* from their day-to-day work, from colleagues, from observing other managers and from other life experiences than they do from management training programs (Davies and Easterby-Smith, 1984; Dawes et al, 1996). For example, McCall, Lombardo and Morrison (1988) suggest that socialization to an organizational culture is best learned on the job, and this may also go for many of the less task-specific skills. In order to quantify the overall contribution of management development, measures are required which separately illustrate the type and diversity of management training as well as volume.

Proposition 2: There will be a positive relationship between organizational performance and the amount of management development undertaken

Proposition 3: There will be a positive relationship between organizational performance and the diversity of management development practices.

Strategic Fit

Authors working within the contingency perspective on HRM have long emphasized the need to align human resource management priorities to the business priorities and/or structural configuration of the organization concerned (Schuler and Jackson, 1987). There is some empirical support for the value of integrating business objectives and human resource policies, including the training of managers (Becker, Huselid, Pickus and Spratt, 1997; Gratton, Hope-Hailey, Stiles and Truss, 1999) together with some more equivocal results (Raghuram and Arvey, 1994; Guest and Hoque, 1994). This notion of matching is not without its difficulties in practice. First, the capability of the HRM department to translate business priorities into appropriate human resource goals has been questioned (Huselid, Jackson and Schuler, 1997). Second, it glosses over the inevitable tension between the need for uniformity of strategically-driven HR policy at an organizational level and the value of discretion when implementing policy at a business division level (Legge, 1995). Third, it underestimates the time taken to design and benefit from human resource initiatives, especially those concerned with the enhancement of management capabilities (Wright and Snell, 1998). Finally, the matching model elevates the value of fit, when competitive advantage may actually derive from the capacity of an organization to allow for constructive *deviance* in the way it develops its staff (Mueller, 1996). Despite these mixed results and conceptual difficulties, it would seem reasonable to predict that:

Proposition 4: There will be a positive relationship between organizational performance and the extent to which an organization's HRM is linked to its business strategy.

Organizational fit

However, practices alone may remain ineffective if not supported attitudinally by the organization. As Becker & Huselid (1998: 62) maintain: "the role of the senior management in recognizing the intrinsic value of organizational resources" is paramount. A good indicator of this management development ethos, or what we might term organizational fit is where responsibility for the training and development of managers lies (or should lie). Here there are two distinct views. There is a strong

argument that management development is best managed by the organization, accompanied by human resource audits, corporately orchestrated action plans and cost-benefit calculations (Ulrich, 1997). This is because those in leadership are seen to be better informed and positioned to advise on the future capabilities necessary to generate rents for the firm (Castanias and Helfat, 1991). A counter argument is that development is most effective when the individual manager takes, or at least shares, responsibility for diagnosing needs and choosing the goals for their own self-development. This view can be sustained from two quite different literatures. The first of these is the learning literature, which advocates the value of more tailored, personally meaningful and timely development (Marsick and Watkins, 1997; Raelin, 2000). The second body of literature focuses on internal labor markets and on protean careers and has highlighted the potential for opportunistic individuals to exploit their highly 'idiosyncratic' knowledge whilst taking responsibility for their own development (Hall and Moss, 1998). Either way, it appears that taking responsibility for training and development in a proactive rather than an ad hoc manner, and seeking to develop individual potential are both indices of a positive development ethos. To this might be added the use of skills or competency frameworks

There is some longitudinal evidence that those organizations that give a high priority to the acquisition and development of key skills over time will perform more successfully in terms of both productivity and profitability (Patterson et al, 1997). Furthermore, in-depth case studies of eight leading-edge companies in the UK, points toward the strategic value of two key HRM mind-sets: the development of individual potential via key skills training within the short-term cycle, and the detailed understanding of management capabilities required over the long-term cycle (Gratton et al, 1999:175 ff) . And developing managers against a strategically oriented set of skills or competencies has also been demonstrated to add value (Winterton and Winterton, 1999). However, the practical difficulties of sustaining a strategic HRD approach should not be underestimated. In only one of Gratton et al's (1999) eight case organizations was there a sophisticated attempt to link business strategy to human resource strategy (1999:204) and in a study of 22 U.S. 'leading firms' Seibert and Hall (1995) found that only two companies, 3M and Motorola, conducted their training of managers in an outwardly focused way and where business priorities were the trigger for development. Notwithstanding this gap between theory and practice, it

can be hypothesised that when companies *do* manage to create a strategic ethos for management development, the performance benefits can be impressive.

Proposition 5: There will be a positive relationship between organizational performance and the degree to which an organization's management development achieves organization fit

The Perceived Congruence of Management Development

When reporting on the activities and impact of management training, previous studies have almost exclusively relied on the views of HRD managers and/or the senior team. While this may be appropriate to gain an accurate picture of HRM context, management development policies and process factors so far discussed, when it comes to experience of management development, we would argue that line managers are the *key informants* (Huselid and Becker, 2000). Furthermore, the increasing neglect of the psychological processes that mediate or moderate the link between HR practices and performance has been lamented (Wood, 1999). Research which has solicited the views of those on the experiencing end of management development points to the importance of positive perceptions concerning: strategic fit, typically expressed via competency frameworks (Winterton and Winterton, 1999); the priority accorded to management development (Mabey and Thomson, 2000); the success of management development activities and their impact on the organization (Thomson et al, 2001). In short: the degree of congruence between promise and practice, as perceived by line managers. Given the often cited gap between espoused and actual practice of HRM generally (Truss, 2001, Legge, 1995) and management development in particular (Clarke, 1999; Mole, 1996), this line manager perspective is a vital way of testing reality at a grass-roots level.

Proposition 6: There will be a positive relationship between organizational performance and the degree to which managers perceive their experience of training and development to be congruent with what is promised by their organization

METHOD

The results reported in this study were generated from 1202 telephone interviews conducted with the HRD manager and a line manager in 601 domestically-owned organizations. This represents the first phase of a larger project researching management training and development systems in Europe, funded by the European Commission. Participating countries were selected to represent the five typologies of management training and development previously discovered to operate in Europe (Bournois, Chauchat and Rousillon, 1994), namely Germany (group1), Denmark and France (group 2), Spain (group 3), United Kingdom (group 4) and Norway (group 5).

The sample

A stratified sampling frame was agreed by all the partners which provided a reasonable representation of organizations by size, sector and annual turnover, within an overall design constraint of 100 firms per country. Using local databases, contact was made by the research team with the HRD manager or equivalent, targeting only host country owned companies and omitting public/not for profit organizations in each respective country. Each HRD manager was asked to identify some managers in their organization who might be willing to participate in the study. Those that were unable or unwilling to do so were dropped from the sample. This procedure was followed until each country reached its quota, yielding matched pair data for a total of 100 organizations. Of the 1007 contacted, 601 agreed to participate, representing a response rate of 70 %. The distribution across the total sample was as follows: manufacturing 34.3 %, transport and distribution 21.3 % and the services sector (including financial, and insurance companies as well as legal, business and management consultancy firms) 44.3 %. All countries broadly mirrored this breakdown, with the exception of Germany where services was over represented at the expense of transport and distribution.

Given the focus of the study, which was structured management development activities (formal or informal) initiated by the employer, it made sense to only include companies with 20 staff or more. The eventual sample achieved our goal of being evenly spread across four size categories: 20-99 employees (25 %); 100-249 (23.6 %); 250-499 (22 %); 500 or more (28.3 %). As might be anticipated smaller firms were

over-represented in Spain, and a relative scarcity of firms with 250-499 staff in the latter also. In contrast, organizations employing more than 5000 staff were over-represented in the highly industrialized German sample and to a lesser extent in Norway. A final characteristic of the sample was size, as measured by annual sales turn-over. Structuring the overall sample according to the 25th, 50th and 75th percentiles resulted in a distribution of approximately 21 % of organizations falling within each of the following four turnover bands: up to £5.7 m; between £5.7m and £20.7m; between £20.7m and £93.3m; and over £93.3m. Here, the *country* distribution was far more uneven. As might be anticipated, 81 % of German companies registered turnover as more than £20.7m, compared to 49 % in UK, 41 % in France, 24 % in Spain.

The interview schedule was based on that used in a UK study of management development by Thomson et al (1997). However every effort was made by the research team to ensure dynamic equivalence of all terms, definitions and meanings in each of the six country contexts. To this end each country interview schedule was back translated. The interviews which were arranged in advance and respondents were asked to prepare factual data like number of staff, annual turnover etc. where necessary. Interviews were conducted by telephone and in some cases face to face, and lasted between 20-30 minutes for HRD managers and a little less for line managers. Questions were asked about industrial and management structure, the organization's HRM strategy and management development policy, its preferred methods and practices for management and career development and mechanisms for evaluation. Line managers were interviewed about their first-hand experience of training and development, their views on the policies and practices adopted by their employer together with an overall assessment of the effectiveness of the training provided for managers. Table 1 lists the composition of all the study variables.

Table 1 Study Variables (with Cronbach alpha value where appropriate)

	Items	Cronbach Alpha
Control Variables		
Size	Number of employees	N/a
Growth	Recent change in annual sales turnover	N/a
Sector	Manufacturing; Distribution & Transport; Services	N/a
Country	Norway; Denmark; Germany; France; Spain; UK	N/a
Independent Variables		
Strategic Fit	HR active in formulating business strategy HR linked to business strategy	0.76
Organization Fit	Responsibility for MD taken by organization Managers developed against specified competencies Primary concern with long-term development of managers Emphasis on developing individual potential	0.68
MD Best Practices	Managers' careers planned Intensive development for high potential managers Established MD policy Development needs discussed at regular appraisals Systematic evaluation of MD activities	0.64
<i>Perceived Congruence</i>	<i>MD policy reflects business needs of organization MD is linked to specific competencies High priority given to developing managers Current MD successful in meeting objectives MD has a positive impact on the organization</i>	<i>0.84</i>
<i>Diversity of MD Methods</i>	<i>Range of formal/informal MD methods used</i>	<i>N/a</i>
<i>Amount of MD undertaken</i>	<i>Average number of days MD for managers p.a</i>	<i>N/a</i>
Dependent Variable		
Organization Performance	Performance reported by HRD managers <i>Performance reported by Line Managers</i>	0.78

Italics indicate that responses are taken from Line Manager interviews

The independent variables

The following measures were used as independent variables, each computed from items with a five-point scale.

Strategic Fit refers to the degree to which a strategic stance is taken by those responsible for HR in the firm. This is based on two measures: one 'upstream', asking respondents whether HR plays an active role in formulating business strategy and the other 'downstream', namely asking about the extent to which HRM is linked to business strategy (alpha = 0.76). Collectively these measures were predicted to have a

direct influence upon organization performance, as well as providing the overall context within which management training and development policies are forged.

The two constructs relating to the development processes adopted by an organization are intended to reflect the choices made concerning the way it typically diagnoses, designs and delivers management training. One concerns *Management Development Best Practices*: having an established management development policy, conducting appraisals at which development needs are discussed, the use of career planning and fast-track programmes and the systematic evaluation of management training (alpha =0.64). The other is more attitudinal and is referred to as *Organizational Fit*: it comprises the extent to which the organization takes responsibility for management training and development, the degree to which managers are developed against a specific set of skills/competencies, and a concern with the long-term development of managers and an emphasis on developing potential (alpha =0.68).

It was felt that line managers were best placed to report on the outputs of management development policies and practice in their organization. *Amount* records the average number of days per year spent by managers on training. *Diversity* reflects the range of different methods typically utilized to develop managers: internal skills training, external courses/seminars, in-company job rotation, external placements mentoring/coaching, e-learning and formal qualifications. *Perceived Congruence* is a multi-faceted measure, tapping the degree to which line managers believe the management development in their organization is credible and influential: the priority given to management development, whether it reflects business priorities, whether it is linked to skills/competencies, the extent to which it achieves its objectives and its overall impact on the organization (alpha = 0.84).

Dependent Variable

The dependent variable is organizational performance. In order to derive a quantifiable measure of benchmarked performance for each participating organization, the seven-item index developed by Delaney and Huselid (1996) for their study of HRM practices was utilized. The authors maintain that “measures of perceived organizational performance to correlate positively...with objective measures of firm performance” (1996:954). Three items make reference to the quality

of products/services and customer relations, two refer to the ability to recruit and retain staff, and two refer to the quality of relationships between staff. A factor was created from the mean ratings given to these seven items across both HRD and line manager samples ($\alpha = 0.78$). In all cases respondents rated their organization's performance over the past three years compared to competitors in their sector. The use of a self-report measure of performance is justified on a number of grounds. First these items were felt to represent a rounded and robust index of the kind of performance criteria likely to be influenced by investment in management development. Second, as pointed out by Machin and Stewart (1996), more objective measures of performance, such as those created by accountants for annual reports, are often socially constructed and therefore distorted. Third, it could be argued that it is the perceived view of corporate performance rather than more objective, quantified measures, that actually influences the way managers act and the way decisions are made (Guest, 2001; Mayo, 2000). Finally, in line with recommendations to avoid measurement error (Wright et al, 2001), the organizational performance index was derived from the average of two raters per organization, the HRD Manager and a line manager.

Control Variables

While this paper views management development as an important determinant of organizational performance, a range of non-discretionary factors should also be taken into consideration and controlled for. Of these we regard the impact of country, sector, size and firm growth as being of particular significance.

Country as a factor embraces those aspects of a firm's national setting that may enhance organizational performance. As such it will include state intervention in the form of, for example, direct and indirect subsidies, the general economic climate as well as the quality of the national infrastructure including communications, the banking system, clusters of high-performing firms and the education system. The variable was created as a categorical regressor represented by dummies for Denmark, France, Germany, and Norway, with the UK as the reference category.

The *Sector* of a firm can also influence organizational performance. Manufacturing industry has contracted within most European countries not least because of global competition, while service industries have enjoyed strong growth. Here, *sector* is a

categorical regressor represented by two design variables in the regression analysis, with manufacturing and transport. Services is left out as the reference category.

Size is generally viewed as a function of long-term historical performance with firms growing in size as they accumulate those resources that confer competitive advantage and superior organizational performance. Here it is operationalized as the number of employees employed with scores converted to a standardized five-point format.

Finally, it is conceivable that a current strong organizational performance might be due to high financial *Growth*; this may be sustained over several years or of a relatively temporary nature deriving, for example, from first-mover advantage. Here this variable is operationalized as the degree of recent change in sales turnover coded on a three-point scale.

RESULTS

Table 2 is a correlation matrix that features the discretionary independent variables and the dependent variable. Apart from Diversity of MD, all of the discretionary independent variables correlate significantly with Organizational Performance. However, the correlations between MD Best Practices and Organizational Performance and the Amount MD and Organizational Performance are relatively weak suggesting that it is those variables derived from the contingency perspective that are of particular importance for organizational performance.

Table 2. Intercorrelation matrix of independent and dependent study variables (n=575)

Variable	Mean	s.d.	1	2	3	4	5	6
1. Strategic Fit	-.11	.98						
2. Organizational fit	-.10	.97	.51**					
3. Best Practice	-1.78	.98	.23**	.53**				
4. Perceived congruence	-.13	.97	.19**	.32**	.23**			
5. Diversity of MD Methods	4.98	1.69	.05	.03	.14**	.28**		
6. Amount of MD	2.56	1.10	.09*	.04	.02	.34**	.32**	
7. Organizational Performance	3.73	.41	.29**	.29**	.09*	.36**	.05	.14**

* p<.05 **p<.001

Table 3 contains a multivariate regression analysis. The upper section of our analysis is exclusively concerned with the results of regressing organizational performance on the four control variables. When interpreting the country-coefficients it is important to remember that the UK is the reference category. In fact, the regression constant may be interpreted as the predicted value on organizational performance for UK firms when the remaining regressors are set to zero. The coefficients for Germany, Norway and Spain are not statistically significant indicating that German, Norwegian and Spanish firms resemble UK firms with respect to organizational performance controlling for sector, firm size, turnover as well as the various discretionary variables. The coefficient for France is negative and statistically significant. This indicates that French firms have a weaker organizational performance than United Kingdom firms. Finally, we can observe that the opposite is the case for Danish firms.

Table 3. Determinants of organizational performance (n=574). Unstandardized coefficients

<i>Control variables:</i>	
Country (reference category: UK)	
Denmark	.146**
France	-.143**
Germany	.026
Norway	.051
Spain	.096
Sector (reference category: services)	
Distribution and transport	-.090*
Manufacturing	.010
Growth	.015
Size	-.054*
 <i>Independent variables:</i>	
<i>a) Best practice perspective</i>	
Best Practice	.001
Amount of MD	.003
Diversity of MD Methods	.005
<i>b) Contingency perspective</i>	
Strategic Fit	.059**
Organizational Fit	.060**
Perceived congruence	.117***
<hr/>	
R ² for control variables only	.119
R ² for all variables	.270
F for control variables only	8.489***
F for all variables	13.803***
* p<.05 **p<.01 ***p<.001	

We note that sector indicates a very small inter-sector effect for manufacturing in relation to organizational performance when measured against services, but a significantly negative effect for distribution and transport firms. The effect of firm size is statistically significant but negative implying that the smaller the firm, the better its organizational performance. This is the opposite of what we had expected. Finally, growth has a positive effect on organizational performance, but this is not statistically significant.

The R-square statistic measuring the effect of the four control variables (size, sector, growth and country) on the variance in organizational performance is .119. When we add the independent variables, the factors over which the organization is able to exercise discretion, this increases to .270 underscoring the importance of these factors. However, our analysis indicates that this difference is overwhelmingly due to those three variables we have derived from the contingency perspective, that is Strategic Fit, Organizational Fit and Perceived Congruence. These findings are largely consistent with the findings of the correlation matrix and support propositions 4, 5 and 6 stated above. We might conclude that some of the impact on performance is derived directly from attempts to integrate HRM with an organization's business strategy. However, the highly significant relationship between Organizational Fit and Performance suggests that there is additional value to be gained by taking a thoughtful, long-term approach to developing managerial capability. Unlike the correlation matrix, the regression analysis indicates that MD Best Practices and Amount of MD do not have a significant impact on Organizational Performance. This is yet further evidence that superior organizational performance is to be derived less from the extent of practices and volume of activities (which in and of themselves say little about quality), and more from the creation of a proactive stance as expressed through a strategic management development focus. All this suggests little confidence can be placed in propositions 1 and 2. There was no support from either the correlation or the multiple regression analysis for proposition 3 which predicted a relationship between the MD Diversity and Organization Performance. This is not to say a range of informal and formal methods to develop managers is not desirable, rather that this factor is not one that will differentiate high from low performers.

DISCUSSION

Becker et al (1997:41) have argued that a properly configured HRM system is far more complex than simply benchmarking competitor firms. Like Cappelli and Crocker-Hefter (1996) they regard a strong focus on the notion of some single set of best practices as being misguided and possibly even counterproductive in that it diverts management attention away from the demanding task of developing an internally coherent and externally aligned HRM system. On the other hand Pfeffer

(1994) has argued that the empirical case for a contingency approach to HRM systems is generally unconvincing and that a best practice approach is to be preferred.

Our findings serve as a counterweight to Pfeffer's skepticism to the significance of contingencies in that they indicate that management development best practices have a negligible association with organizational performance. The same is also true of management development diversity, which expresses the impact of the breadth and internal variety of management development systems. Instead our findings indicate that organizational performance is enhanced by the extent to which the organization is oriented towards treating management development as a strategic concern; what we have chosen to call organizational fit. Further, performance benefits from strategic fit, namely the extent to which the firm makes a tangible effort at linking HR to business strategy and to involving the HR department in the firm's strategic planning process. Finally, our findings suggest that organizational performance is enhanced to the extent to which line managers perceive that top management is "walking the talk" in regard to management development. That is there must be a belief on the part of line managers that management development is prioritized to such an extent that it is firmly anchored in the firm both organizationally and strategically, and that it contributes to helping the firm to solve real business problems.

The fact that these findings take into account the various institutional, cultural and macro-economic influences of six national settings, as well as the impact of sector, firm size and the different short-term growth trajectories of the firms in our sample underlines not only the robustness of our findings, but also their broad applicability. Given the spread of national settings it is reasonable to suppose that investing in properly configured management development represents a worthwhile investment for European firms in general. However, to this must be added the caveat that the challenge of fitting management development both strategically and organizationally should not be underestimated. Indeed one should construe our findings as a warning to managers that there are no off-the-shelf "quick-fixes". On the other hand our findings support the idea that a contingent approach to management development systems confers competitive advantage through enhanced organizational performance because of their inimitability. As such a properly aligned, and therefore distinctive

and idiosyncratic, management development system represents a core capability (Becker and Gerhart, 1996).

Although the issue of size only figures as a control variable and is therefore somewhat tangential to our concern with management development we find its significant negative effect on organizational performance of some interest. Although, further research is clearly required, we may nevertheless surmise that large firms should seek ways in which they might create stand-alone operations that duplicate the features of small firms. One advantage of the latter is the improved visibility and authenticity of connections between policy, practice and outcomes; this study underlines the importance of line manager perceptions concerning the genuineness of attempts to arrange management development in a proactive and long-term manner. Certainly, it appears that those organizations which rely solely on relatively sophisticated management training practices, and even those that invest heavily in high volumes and diversity of training activities may leave managers themselves unconvinced and are unlikely to derive superior performance outcomes.

CONCLUSION

Studies tracking the performance impact of progressive HRM practices have invariably included management training as a key element. By definition such research explains much about the collective impact of HRM practices but does not allow us to assess the specific contribution of management training and development practices. Of the few that have taken the training of managers as their exclusive focus, none have identified the particular aspects of policy or practice, diagnosis or design, content or process, which prove to be influential. We recognize that by isolating management training and development from other HR practices like recruitment, selection and incentive systems, we lose the opportunity to assess potential synergies deriving from internal fit, which are arguably the central benefit of high performance-, or high involvement work practices (Barney, 1995). Nevertheless, among the study variables reported here are wider HR variables like the quality of appraisal discussions and career development.

A second problem when reporting on the activities and impact of human resource policies is that previous studies have tended to rely on a single respondent in the organization, invariably the custodian of HRM or HRD. This study reveals this to be an important omission. In the eyes of line managers as participants in management development, the perceived congruence between what their organizations promise in terms of development and their first hand experience of such policies and activities proves to be a crucial correlate of firm performance. The thought and effort invested in management development presumably engenders a sense of motivation and commitment in their managers, which in turn leads to an improvement in the quality of services and products, the quality of relationships in the organization and the recruitment and retention rates achieved. Results demonstrate that human resource and management development variables have a significant impact on performance, benchmarked against other organizations in the same sector. Indeed these factors explain a good deal more variance in performance than the size, sector and country in which the firm is located. The fact that it is the discretionary variables which make the difference, as against those over which they have no control, should come as some encouragement to HRD managers seeking to justify investment in strategically oriented and thoughtfully implemented management training and development activities.

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