

# The Development of the General Manager

a review of best practice

*A study commissioned from  
PA Management Consultants by the  
Nuffield Provincial Hospitals Trust  
to provide guidelines for  
Health Services Management*

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A review of best practice

MARTIN EASTEAL AND MICHAEL THOMAS

PA Management Consultants

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PA MANAGEMENT CONSULTANTS BY THE  
NUFFIELD PROVINCIAL HOSPITALS TRUST  
TO PROVIDE GUIDELINES FOR  
HEALTH SERVICES MANAGEMENT

Nuffield Provincial Hospitals Trust

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# Editorial Note

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The Trustees have always believed it is part of the function of the Trust to help bodies concerned with improving health services by way of funding or commissioning research or studies to provide 'intelligence' helpful to their particular aims.

The concept of 'intelligence' as an integral part of policy formulation has been a general interest of the Trust fashioned over the years, and from time to time it has been possible to apply the principle to particular subjects of special interest. This report is concerned with such an interest – the selection, education and training of managers to make the optimum use of manpower, which is a precious resource in any enterprise and particularly so in the case of health services.

They were therefore delighted to be able to help the newly constituted National Health Service Training Authority by commissioning a study from PA Management Consultants to review the practice of major corporate enterprises in Britain with a view to selecting the best practice for the NHS, and by publishing their

EDITORIAL NOTE

report and conclusions for a wider audience to place alongside the practical guide and handbook *Health Services Management*, (1) published earlier this year.

G. McL.

3 Prince Albert Road,  
London

*October 1984*

1. *Health Services Management. Competitive tendering in the provision of domestic, catering and laundry services. A Practical Guide and Handbook.* Prepared by Thornton Baker Associates Management Consultants for and published by the Nuffield Provincial Hospitals Trust, 1984.

# Foreword

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‘How can we ensure an over-supply of good General Managers in the NHS in 10 years time?’ Even if we do want an over-supply the recruitment and development of managers with general management potential in the Health Service is a crucial issue. Just as the function of general management cuts across occupational boundaries, then the development of general management must do likewise. This has prime implications for the many and various ways in which the NHS recruits people to management roles and develops them within them. Whilst it will continue to be necessary to have high quality effective management training schemes within occupational groups, the need to develop people for general management will require us to break new ground. Recruitment and selection practices, training programmes and assessment systems will all need modification.

There are no easy answers and it will take many years to develop effective policies and programmes addressed to this need. Following the decision to implement the Griffiths Report it seemed to me that there could be

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substantial benefit for the NHS in an appreciation of good practices in general management development in large corporate enterprises in commerce and industry. The terms of reference were designed both to illuminate the scene in a speedy and assimilable way and to highlight the key differences and learning points. I was accordingly delighted that the Nuffield Provincial Hospitals Trust offered to sponsor this work and gratefully acknowledge this ready and willing support of the NHSTA by the Trust. The material so speedily provided by PA Management Consultants provides one very good starting point for the NHS to give consideration to the ways in which we should move forward in developing our general management.

R. W. DEARDEN  
*Chief Executive*  
NHSTA

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# Executive Summary

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1 Our survey has shown wide variety in the type of management development programmes carried out by major corporate enterprises in Britain, and differences in the relative priority accorded to them. Nevertheless, there is a clear trend towards improving the content and increasing the number of management development programmes because of the clear similarities in the environment within which these organisations are operating. These similarities are:

- the economic and financial climate;
  - the increased speed of technological change;
  - changes in society increasing the diversity of the managerial role.
- 

2 These environmental characteristics can be summed up in one word: change. Change (and in some cases—crisis) has affected all the organisations surveyed and has, in different ways, made them all more aware of the need for improved *general* management skills. Increasingly only the general manager is seen to have the wide span of competence necessary to respond to the challenge of change.

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3 Against the background of a rising *demand* for general managers, organisations have become increasingly concerned about the *supply* of potential managers. As it has become clear that the supply does not keep up with demand so organisations have been forced to take steps to increase the supply from within their own managerial ranks. The various ways in which they have sought to do this are termed 'management development'.

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## EXECUTIVE SUMMARY

- 4 There are certain themes common to these management development programmes, including:
- giving priority to direct and relevant managerial experience on the job within the particular organisation concerned;
  - maintaining a strong commitment from the very top of the organisation;
  - centralising senior career planning;
  - giving greater priority to the general education of senior managers, who are presumed to be expert in the purely technical requirements of the job;
  - giving due weight to the personal wishes of the managers concerned.
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- 5 Management development programmes are ideally linked to the overall business strategy of the organisation. Given this need, it is not surprising that the individual programmes vary so greatly. This is an area where greater uniformity might be greeted with suspicion: there is no ideal solution.
- 

- 6 From our examination of 'best practice', however, it is possible to set out some requirements of an optimal management development programme:
- particular attention should be paid to the selection and recruitment of graduate trainees. As most senior managers will continue to be drawn from the ranks of the organisation's own managers then it remains important that the organisation should attract its share of the brightest and most able graduates, and that graduates are recruited for the managerial positions of the future;
  - new recruits should then receive skill-based training in all the various sectors of management, preferably on a planned and graduated basis so that the junior manager has a relevant portfolio of basic skills at his or her command by the early 30s;
  - special attention should be given to the 'softer' inter-personal skills;
  - there should be a sophisticated system of 'tracking' for all those with high management potential and this requires a degree of central career planning and investment in the resources necessary to carry this out;
  - 'general management' programmes should be provided for those about to take up middle management positions in their early 30s and later for senior management candidates in their 40s. This does not necessarily mean 'bespoke' courses but it does require central information and advice to be available on the type of general management courses in business and management schools. The advanced courses are more likely to be 'bespoke' and aimed at producing an 'all-rounder' at ease with economic and political as well as business issues;

## EXECUTIVE SUMMARY

- in parallel with general management courses, there should be planned career progression with rotation from one type of job to another so that the potential general manager gains a wide range of practical experience.
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7            Setting out such a scenario is relatively simple but our survey suggests that its practical application is more difficult. In part this depends upon the stage of the business cycle the particular organisation is occupying and in part upon the degree of centralisation present in the organisation's structure. The overall planning of careers which is inherent in management development requires a significant degree of centralisation which, however, is an anathema to many of the organisations surveyed.

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8            When seen in this context several other issues raised in our terms of reference become essentially practical ones for the organisation to answer itself:

- the method of identifying potential depends upon whether there is an existing appraisal system and its utility. An appraisal system is a necessary requirement for the identification and development of potential, but may not by itself be sufficient. Thus, many organisations use other systems for identifying potential including Assessment Centres and psychometric testing;
  - the amount of money spent on management development varies greatly and depends on the type of programme adopted. It will tend to be expensive when seen on a per capita basis as there is widespread agreement that the training element needs to be of excellent quality. On the other hand, many organisations undertake 'action-centred' learning where financial and other results may be expected from a particular project;
  - the maintenance of a company training centre becomes a matter of convenience and of cost. With a steady and large throughput a company owned centre can be more cost-effective provided that it is seen by all concerned as a 'centre of excellence'.
- 

9            Our respondents were convinced of the value of a long-term management development programme. They foresaw a future in which all the factors placing greater demands on general management would be present to an even greater degree. Disappointingly, however, the actual programmes themselves have been

## EXECUTIVE SUMMARY

adopted almost as a matter of faith and few have persevered far in finding ways of measuring their effectiveness. If management development can ensure a ready supply of senior managers with potential for the top positions then those we have surveyed will regard it with favour and will be content that it has succeeded in its prime objective.

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- 10** Finally, several organisations have faced the problem of integrating professionals into a general management structure. This has often been a difficult task and one not attempted until fairly recently. It requires attention to several basic factors such as the salary structures of the organisation and the programme of general management courses at all levels of management. It also requires attention to 'cultural' factors and the need to ensure that those at the top of their profession are introduced to management concepts only by those similarly at the top of the management profession.
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- 11** There are many clear similarities between the health services and the majority of organisations surveyed. The factors which have led most of them to improve their management development policies in recent years are equally present in the National Health Service. Unless management development for the future general managers of the health service is given priority then it is reasonable to assume that it will fail to attract and retain the calibre of person needed to fill the demanding general management role foreseen by Griffiths.

# 1 Introduction

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**1.1** We were commissioned by the Nuffield Provincial Hospitals Trust to undertake a survey on behalf of the National Health Service Training Authority on management development policies within a number of major organisations in Britain. The terms of reference of the survey were as follows.

To determine:

- (a) any discernable common themes or philosophies of management development in large complex enterprises outside the NHS and if so what they are;
  - (b) current views on how managers learn;
  - (c) the balance between education (for an undefined future role) and training (for known roles);
  - (d) the importance or otherwise of organisational culture in determining management style and consequential impact on management development;
  - (e) the balance between in-house and external development activity and, in particular, which organisations have their own training colleges;
  - (f) the nature and duration of development programmes;
  - (g) the incidence of formal appraisal systems and the preferred methods and style;
  - (h) the proportion of cost that organisations spend on training and development of their staff.
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**1.2** We are conscious of the 'Griffiths style' now pervading management thinking in the National Health Service and do not intend to add 'to the already considerable library of National Health Service literature'. This report has therefore been kept as brief as practicable.

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## INTRODUCTION

1.3 Our thanks are due to the many personnel directors and staff in the organisations concerned who have freely and uncomplainingly given us their time. There is no doubt that the introduction of a general management function to the National Health Service has created considerable interest in the wider world. Our thanks are also due to Bob Dearden, Chief Executive of the NHSTA, for his guidance and comments. The conclusions of this report remain, however, entirely our own responsibility.

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1.4 The survey shows a very considerable diversity of opinion about the way in which management development should be conducted. For every rule there is an exception. But most of the organisations surveyed now see management development as an important function and are increasing the resources devoted to it. The reasons are explained more fully below but this fact alone should lead the managers of the National Health Service to look seriously and closely at the introduction of a management development programme. It is a central tenet of 'Griffiths' that, when compared with the differences:

*'the clear similarities between NHS management and business management are much more important'.*

# 2 Methodology of the Survey

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2.1 In discussion with the NHSTA we evolved a list of major organisations in Britain whose experience of management development would be invaluable to the survey. It was agreed not to include the armed forces or the civil service, but otherwise to choose organisations representing a cross section of commercial types, including the police, and including multi-national as well as British companies. Accordingly, the following organisations were contacted and have taken part in the survey:

The Police	International Thomson Organisation
American Express	Marks & Spencer
Austin Rover	Midland Bank
British Airways	Philips Electronics
British Oxygen	Plessey
British Telecom	Rolls Royce
Cadbury Schweppes	J Sainsbury
Courtaulds	Shell UK
Ford	Standard Telephones & Cables
GEC	Unilever
IBM	United Biscuits
ICI	

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2.2 The particular policies of named organisations are not separately identified in this report.

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## METHODOLOGY OF THE SURVEY

- 2.3 Our methodology in conducting the survey has been as follows:
- 2.3.1 We have been able to draw on the extensive experience of management development within PA itself, and also in the PA supported Sundridge Park Management Centre.
- 2.3.2 We have conducted an interview programme with each of the organisations above. This has taken the form of a semi-structured interview of between 1½ and 3 hours duration with the executive responsible for management development. We have received a considerable amount of published material from many of these organisations. For the sake of brevity this material will be made available separately on a confidential basis.
- 2.3.3 We have undertaken a brief survey of recent literature on the subject and related academic studies.
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- 2.4 This survey was not designed to give a comprehensive picture of the state of management development in general, but rather to codify current best practice. The companies chosen were among those known to adopt a professional and serious approach to the topic.



# 3 The General Management Function

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3.1 The general management function foreseen for the National Health Service is well set out in the National Health Service Management Inquiry but whilst the *concept* of a general manager is widely recognised the nature of general management posts in the organisations surveyed varies widely.

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3.2 As the Griffiths report states (page 11):  
*'One of our most immediate observations from a business background is the lack of a clearly defined general management function throughout the NHS. By general management we mean the responsibility drawn together in one person, at different levels of the organisation, for planning, implementation and control of performance.'*

General management would, so Griffiths believes:

- provide leadership;
  - bring about a constant search for major change and cost improvement;
  - secure proper motivation of staff;
  - ensure that the professional functions are effectively geared into overall objectives and responsibilities;
  - make sense of the process of consultation.
- 

3.3 This definition, not surprisingly, would be broadly recognised by all the organisations surveyed. Obviously, they all have 'general managers' of this type at the top of the organisation, but below the very top layer, *functional* management is often more important. Functionalism, in the sense of the

## THE GENERAL MANAGEMENT FUNCTION

management of a specific function or task, is by no means outmoded and continues to represent, even at very senior levels in some organisations, a significant adjunct to the general management concept. Of the organisations surveyed more than half a dozen state that they have very few general managers; in one case the company admitted to only four (total employment was 8,500) with functional management at all levels below. These organisations include some of the largest, most diverse and most consistently profitable companies in the survey. However, they tended to be companies with very centralised direction operating within a relatively stable commercial environment. The functions operate within very clear and precise rules set for the organisation as a whole and have clear parameters within which functional management must perform.

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3.4 Thus the number of employees in a general management role varied widely, as did the number of 'managers' themselves in comparison with the total workforce.

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3.5 Clearly these differences are a function of differences in organisation structure, product diversity, the degree of centralisation in the company and so on. They do have implications for aspects of this survey, however, particularly in any attempt to quantify the amount of resources put into management development on any comparable basis. It also shows, and this may well be important for an organisation the size of the National Health Service, that it is important to determine the appropriate development requirements for each level (this is shown by the examples given in Section 7).

# 4 The Management Climate

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4.1 Another factor in determining an organisation's attitude to management development which quickly became apparent in our survey is what we call the 'management climate'. By this we mean the business environment which the organisation has had to operate in in recent years. It can be characterised by one word: change (or in several cases: crisis).

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4.2 We understand that many managers within the National Health Service believe that there has been all too much change within their own working environment. In this they are not unique and indeed the National Health Service would appear to have had relatively little change when compared with the majority of companies in our survey.

*'Since 1975 I have been made technically redundant seven times.'*

*'The problem at the moment is to get anyone to go on a training course because they are afraid their desk might not be there when they return.'*

*'The changes made in this organisation in the last three years have utterly altered its character, and incidentally have resulted in a completely new management ethos and team.'*

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4.3 There are several reasons for the changes, most of which will be generally familiar, and of course one organisation may have experienced a combination of changes at one time. The most important are:

**Economic change:** the scale, diversity and culture of many of the organisations surveyed have been changed almost out of recognition as a result of the harsh economic climate of recent years. In many, the number of employees has fallen

## THE MANAGEMENT CLIMATE

drastically; in one company surveyed the present workforce was only 30 per cent of that in 1979. Economic change has also altered the organisation culture in many instances and, in particular, has encouraged a switch away from highly centralised corporate structures to decentralised decision units with very small 'headquarters' staff, with particular consequences for management development policies. In at least two cases the financial crisis was so great that the company training centre was sold to raise cash, and in at least one other case it would have been sold if there had been a buyer.

**Specific government action:** specific government action, in particular 'privatisation' but also the general government policy of reducing subsidies to the private sector, has been the cause of major change in many organisations. Several companies with a long-standing 'cosy' relationship with one or other Government Department have had this relationship broken in recent years.

**The technological challenge:** a third major factor is the degree to which nearly all the organisations surveyed have been affected by technological change in products, processes and systems. Organisations have had to become more forward looking in their policies, with major consequences for many aspects of personnel policy such as the nature of recruitment, technical training and industrial relations.

**Changes in society:** changes in the attitude of society generally to the organisations and their products have also been important in many cases and may be summed up by saying that the consumer of services has become more *demanding*—he or she expects higher standards, better products, requiring a response from management which is broader and more complex than before.

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### 4.4

These major challenges have undoubtedly affected management development policies. The reaction of those organisations most affected by change has followed a cycle of initial shock and reduction in activity, response (usually involving the decentralisation of the organisation and decision making), and regrouping with greater emphasis on marketing and cost restraint than before. This business cycle has been paralleled by a cycle in management development policies:

at first management development expenditure is seen as having a relatively low priority and tends to be reduced or even eliminated altogether;

there follows a period when, because of reduced corporate activity management development continues to be given low priority because the company has an excess of **good** management talent, and is 'buying in' new specific expertise which it previously lacked;

## THE MANAGEMENT CLIMATE

finally the cycle restores some degree of management development activity as companies begin to be concerned about the source of senior managers four or five years hence, and as senior management itself has the opportunity to take stock of the future plans of the business.

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- 4.5 Many of the organisations surveyed are now in the third phase of the cycle outlined. It follows then that many are now beginning once again to consider the appropriate management development policies to be followed for the next few years, and that several of the schemes outlined to us are still very much in their early stages. Even in those organisations which have experienced relatively little change, change and the response to it is seen to be the greatest challenge facing management in the next few years and the major reason why new and more sophisticated management development policies are being initiated. In those (relatively few) organisations surveyed which have seen constant growth in their operations then the need for a co-ordinated, comprehensive programme of development at all management levels has been perceived as one of the factors central to the continuation of the organisations' success, if only to ensure a steady supply of good management talent to fill the ever more demanding nature of management posts.
- 

- 4.6 Why then do the great majority of organisations surveyed believe that management development is important, even if they vary considerably in the extent to which they put the belief into practice? The following reasons are those most often given:

4.6.1 **Managers now need to react upon a wider front**

The management task has become more complex requiring a response to a much wider range of problems than before. These problems are technical, commercial and employee related, and include the interface between the corporate culture and the outside world. Managers must be equipped to deal with these wider issues, and this process goes well beyond the traditional concept of 'training' in specific skills.

4.6.2 **There is still a shortage of outstanding people capable of handling a senior management role**

Management development then takes on significance in two main ways. First it is a means of retaining good people as there is now an expectation of development opportunity amongst this key group and they will move elsewhere if their present company does not offer appropriate opportunities. Second, there is a need to develop all managers to their best individual potential, whether that be a potential chief executive or a middle management grade.

## THE MANAGEMENT CLIMATE

### 4.6.3 **There are still advantages in relying upon internal recruitment for most senior management positions**

The pool of available first-class talent is so small that it may not be readily available anywhere, or not at a price the organisation can afford. There is also a feeling that the organisation's 'culture' is worth preserving and that this can only be inculcated over many years in those that have 'grown up' with the company. This view has a firm base in reality: it is important in any organisation for a manager to be aware of 'the rules', to know other managers at a certain level and the factors they will take into account in making a decision, and to know intimately the technical and professional requirements of the work.

### 4.6.4 **It is necessary to plan an individual's career so as to ensure the right man for the right job**

It is essential to maximise managerial talent and to expose a potential manager at the correct stage of his or her career to a demanding situation. At the same time people do have different abilities and jobs, albeit at the same structural level, do have different requirements. All too often companies feel they have paid insufficient attention in the past to ensuring the correct mix between people and jobs and that, although the results in individual cases may be intangible, overall the organisation will produce better results if more time is invested in this task.

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# 5 Some Common Themes of Management Development

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5.1 We should like at this stage to put forward some common themes of management development which have emerged from our survey. As we have previously noted, the range of practice is such that there are exceptions to any general rule. The common themes we identify however are the:

- avowed significance of direct experience;
- commitment to management development from the very top;
- centralisation of senior career planning;
- identification of potential increasingly seen as a process separate from the appraisal mechanism;
- need to accommodate personal wishes.

In what follows we quote directly from some of those we have surveyed, then take two actual examples, and finally give a brief discussion of the theme.

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## 5.2 **The avowed significance of direct experience**

*'We believe all learning happens on the job.'*

*'Over 90% of all management development occurs on the job.'*

*'Management development occurs through rapid, planned career management.'*

### *Example 1*

In a major manufacturing company the philosophy of management development is entirely orientated towards learning on the job. Individuals are seen to develop by being given a bigger job to do and then being left to develop by doing it.

## SOME COMMON THEMES OF MANAGEMENT DEVELOPMENT

### *Example 2*

In another organisation the attitude until recently was very much that no one could teach anything to a middle manager, and certainly not anyone within the organisation. If the individual had not learnt enough by the time he or she was in her mid to late thirties then the organisation would not provide any further training opportunities in mid-career.

Nearly every organisation surveyed, at whatever stage their management development programmes had reached, placed the major emphasis in that development on planned career progression for able individuals enabling them to develop and learn on the job. Undoubtedly this remains the major way in which senior managers in Britain are trained and schooled for their role, although the extent of such career planning, and especially its actual performance, varies widely.

Many of those concerned in organisations with management development are in fact concerned with trying to identify the right jobs to test 'fast stream' or able candidates, and then with trying to ensure, against varying degrees of opposition, that the right candidates get appointed. Yet there are signs that this attitude is beginning to alter: in an era of rapid change the problem with 'on the job' training is that tomorrow's job may not be here today for someone to learn. In effect, therefore, most organisations are forced to offer additional and alternative development opportunities.

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### 5.3

#### **The commitment from the top**

*'The chief executive has said that it is the quality of management which will determine the company's future success—and we have a comparatively short time to get things right.'*

*'The new Chairman saw the need to set up a top level group to oversee senior appointments and ensure effective management development at all levels.'*

*'There was a realisation that the human resource was such a key factor that the chiefs should take a greater hand.'*

### *Example 1*

A major commercial organisation consisting of several different groups was failing to achieve the necessary financial results and finding itself having to fill too many top posts from outside. There was a feeling at Board level that the Group was failing to make the best use of all its managerial talent. A special committee was set up under the Deputy Chairman specifically to review the Group's education, training and development programmes and the systems it has initiated now reach down to the middle management levels of the Group.



## SOME COMMON THEMES OF MANAGEMENT DEVELOPMENT

*Example 2* Again a new Chief Executive saw the need totally to alter the culture of his organisation if it was to compete successfully in the future. The organisation had previously undertaken a good deal of formal training at all levels but little integrated management development. He set up a new central function, separate from the personnel function, specifically to pursue management development as a means of educating existing managers in the requirements of the new management style.

Undoubtedly commitment from the top, whether from an individual or from the Board as a whole has been the major organisational catalyst for the renewed interest in management development, and for its introduction and expansion in the organisations surveyed. There may be many obstacles to be overcome in pursuing management development and the whole-hearted support of those at the top of the organisation is essential.

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### 5.4 The centralisation of senior career planning

*'The manager training his own subordinates is the weak link in the development chain.'*

*'In house executive search is an attempt to overcome some of the nonsenses of a highly decentralised company.'*

*Example 1* A major multi-national company has recently reviewed its management development policy and as a result has set up an entirely new central development training division under the direction of a Management Training Steering Committee. The effort is supported by sector development training advisors in each of four main divisions to assist local managers in their development tasks.

*Example 2* Another organisation was substantially decentralised a few years ago and the previous corporate personnel function abolished. However, in the last two years it has been widely recognised by those at the top, though not necessarily by all the operating units, that 'the whole did not equal the sum of the parts'. There is now a small central development group responsible for senior career planning and a new management development programme.

This tendency to set up a central unit to oversee management development, but often in reality senior succession planning, is a natural result of the previous theme—the importance of a lead from the top and of the paradox that the emphasis on 'on the job' training may leave much of it to be done by those often least suited to do it: the line managers. The size and functions of the central team vary considerably, and also the degree of 'exclusiveness': some are training and personnel professionals whilst others are 'on rotation' from other disciplines. They provide the necessary back-up to the Board, act as catalysts for management

## SOME COMMON THEMES OF MANAGEMENT DEVELOPMENT

development throughout the organisation, and are involved to varying degrees in career planning, succession and appointments.

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### 5.5 **The identification of potential is increasingly seen as a process separate from formal appraisal schemes**

*'Senior management succession and development is too important to be allowed to die in the appraisal grave.'*

*'We now use a separate system to appraise potential because the standard appraisal system is too open and may not be sufficiently honest.'*

#### *Example 1*

An organisation with a well established 'traditional' appraisal system with different procedures for different tiers of management has recently introduced a system for identifying potential as a necessary adjunct to a more decentralised market orientated structure. The first run through of the new system identified too high a level of external recruitment, too many occasions when the same name appeared against different potential vacancies, and that not enough was being done to bring along younger talented managers.

#### *Example 2*

A company with a relatively settled structure and a long established performance appraisal system constantly seeks to improve its management development programme. The system includes the separate and formal appraisal of future potential. Lists are prepared of those with potential and kept centrally: the lists are divided into four categories depending on the individual's present position in the organisation and his potential for advancement in the next five years. The lists are seen to be important as providing a central focus in a decentralised organisation, in giving a 'common language' between different parts of the Group, and in focussing judgements about potential.

Most of the organisations surveyed have appraisal systems of some kind, although the degree of standardisation depends upon the relative decentralisation of the group and the extent to which individual parts of the group determine their own appraisal systems. In decentralised organisations with diverse appraisal systems it is obvious that the new concern with central succession planning has called for new systems to determine potential. But even in centralised organisations with well established performance appraisal systems new potential assessment systems have grown up in response to top-level concern about developing the best managers for the future. These include the use of 'Assessment Centres' and psychometric testing. No organisation would appear to rely entirely on a formal appraisal system in determining the succession to top posts.

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## SOME COMMON THEMES OF MANAGEMENT DEVELOPMENT

### 5.6 **The need to accommodate personal wishes**

*'Part of the management development process is to enable the individual to decide whether this is really the kind of lifestyle he wants.'*

*'We aim to find people who are good and then to support them.'*

*Example 1* One organisation is now consciously attempting much more accurately to match people with the jobs that they actually want to do by taking more care than previously in the selection of those for senior posts. There is seen to be a need to take more care of the potential management resource.

*Example 2* A major decentralised organisation is now providing a much wider range of learning opportunities for middle and senior managers. One of the main reasons for this is the increasing view amongst managers that the company should be providing them with the opportunity for self-development and the company itself is concerned that if it fails to do so then its better managers will leave.

The origin of this theme is undoubtedly the realisation that there are still too few good managers and that organisations who wish to be successful must take more care of this vital resource. Whilst the needs of the organisation are still paramount the need to meet the increasing demands of managers for higher quality development opportunities has clearly also been a major factor.

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# 6 The Balance between Education and Training

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**6.1** It is necessary to define the terms 'education' and 'training' as the way in which we intend to use them here may not be generally applicable. 'Education' is used in the wider sense of a process of broad cultural and intellectual development, whilst 'training' is the process by which an individual is brought up to a desired state or standard or effectiveness in a particular discipline or skill.

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**6.2** It is clear from our survey that there are themes common to most large organisations in the balance between education and training.

**6.2.1** Training is seen as a continuous and necessary activity related to the lower levels of management, and of course more generally to the lower levels of the organisation.

**6.2.2** Senior management development is more a matter of education in a set of 'soft' and 'cultural' skills, less susceptible to precise definition than training.

**6.2.3** Training of all types greatly outweighs in extent and variety the education of senior managers simply because of the larger numbers involved.

**6.2.4** Management training as such is related to specific management skills and forms the major content of management development at the lower levels of the organisation.

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**6.3** Management development is widely seen as a spectrum of learning experiences, starting with more specific management training at the lower levels and at an early stage of an individual's career, and continuing with an exposure to wider and more strategic educative experiences for the higher levels of management.

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## THE BALANCE BETWEEN EDUCATION AND TRAINING

- 6.4 The relative balance between the two in different organisations does vary widely as one would expect. Some of the main factors determining this balance appear to be:
- 6.4.1 The degree of predictability of the business. Thus, if the organisation is in a relatively stable market and can foresee a future in which it will require much the same skills from its workforce then there will be a bias towards training for the job. The problem with this approach, borne out by the experience of several organisations in recent years, is that the stable future that the organisation predicts for itself may be overtaken by changes in the business environment over which it has no control.
  - 6.4.2 The success of the organisation in meeting its goals and in particular its profitability. In a time of recession education tends to get cut, along with any other activity which cannot show immediate positive results.
  - 6.4.3 The degree of technical expertise required by the business. Many organisations need a high level of technical excellence in order to maintain their trading positions. In such companies education tends to have been ignored: it is assumed to grow out of a high level of technical expertise. Unfortunately this is not usually the case, and is an important reason for the greater emphasis on education in many such organisations.
  - 6.4.4 The cultural norms of the business.
  - 6.4.5 The particular preference of key decision-makers, and especially the Chairman or Managing Director and the Director of Personnel.
- 
- 6.5 There is a wide range of behaviour. Some organisations train specifically and only for the present job whilst others wish to create 'renaissance men' at the top of their corporate structures. The former tend to be driven by relatively short-term considerations and to be more results orientated but, as ever in this field, it is difficult to generalise. The organisation's concept of 'management' is important here too. More stable organisations lay stress upon the co-operative team-leading aspects, with bridge-building between different professions being important. Less stable organisations may emphasise only the bottom line results. Some stress the need for entrepreneurial behaviour, for risk taking and product development.
-

## THE BALANCE BETWEEN EDUCATION AND TRAINING

6.6 The 'culture' of an organisation is important, although the process of change has radically altered in recent years the culture of many of the organisations surveyed.

6.6.1 Management development is seen by some primarily as a process of acclimatisation to the (usually strongly articulated) norms of the organisation. Programmes are thus strongly skewed towards inculcating a certain view of the organisation, of the process of change and, even, of the wider political and social world.

6.6.2 Alternatively, a programme of management development may be seen as a planned intervention to shift and change the prevailing culture of the organisation. This form of management development is a very interesting and not uncommon reaction to perceived problems such as:

- a lack of appreciation of some vital area of the organisation's business, such as marketing;
- an undue reliance on professional and technical skills.

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6.7 Management development is ideally linked therefore to the organisation's 'vision' of its future direction, its desired management style, philosophy and profile of how it wants its managers to behave in other words, the organisation's culture. This view ties in closely with the trend towards 'bespoke' courses mentioned earlier.

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6.8 Yet care is required lest this rather inbred process goes too far, and this has been recognised by several organisations surveyed. Part of the education of senior managers must be exposure to the experience of those in other organisations and this realisation was behind the setting up of 'consortium' training arrangements between different companies. The best known consortium arrangement now involves some 20 companies, several of whom have taken part in this survey, as well as the civil service. It consists of two courses per annum and involves the exposure of course members to a wide range of managers in different fields.

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6.9 Having said that the bias in management development for senior managers is towards education rather than training it is important to point out that many organisations still demand that it should, as far as possible:

## THE BALANCE BETWEEN EDUCATION AND TRAINING

- be project based, and that if possible the project should be related to the business concerned;
  - be followed up subsequently by the participants.
- 

6.10 The policy framework is central to the issue. The organisation will have determined its strengths and weaknesses, its strategic position, its business outlook and its business philosophy. An education programme is then set up to try, over a period of several years to ensure that this policy is made known, at the very least to senior managers and to those with potential, and then in varying degrees to middle and junior management.

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6.11 Clearly in recent years there has been a trend to take management development out of the 'classroom'. This has reflected:

- shifting views on the nature of the adult learning process, away from the didactic to the 'experiential', to models which stress the need for individuals to grapple with real problems rather than with theory;
  - concern at the difficulty of evaluating the benefits of 'education'. This has not unnaturally led to approaches which can be seen to benefit the business directly even to the extent of being self-financing. Such 'action centred' approaches revolve around the solving of real business problems;
  - technological advance and the possibilities now available for micro-computer and video based 'distance learning'.
- 

6.12 In the figure A we present a broad spectrum of management development and training techniques differentiated by the degree to which they focus on the role or task in hand. In the last 20 years there has been a broadening of this spectrum, with a pronounced shift towards action-orientated learning techniques, but also more interest being shown in the broader education of senior managers.

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6.13 Although the classroom remains the most convenient location for most of those surveyed for the acquisition of basic managerial skills—management accounting, planning techniques, industrial relations—considerable attention is being given

## THE BALANCE BETWEEN EDUCATION AND TRAINING

now to the possibilities of 'distance' learning techniques which could offer a viable alternative to the classroom. Interestingly, however, in very few of the organisations we surveyed was this seen to be an appropriate approach for 'fast stream' or senior management. The reasons given were:

- it relied too heavily on personal academic motivation;
- it lacked the social pressures to learn offered by group approaches;
- it lacked the prestige necessary to attract some senior managers.

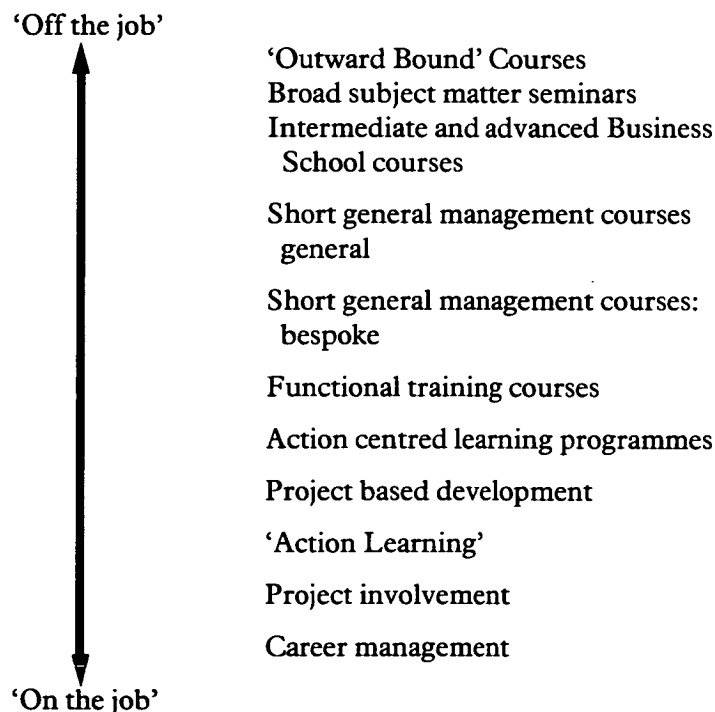
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6.14 Experiments are also being made by some organisations at taking the trainers to those 'on the job' at their place of work. These 'facilitators' offer the possibility of overcoming the well-known difficulty with education or training—the problems facing the individual when he returns to his workplace in putting into effect ideas absorbed at a learning centre. The method is relatively expensive yet may be cost-effective in the long-run if it produces results more quickly among a wider group of managers.

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6.15 Some of the organisations surveyed are making increasing use of 'outward bound' courses, which are thought to provide practical leadership experience.

Figure A *A Spectrum of Management Development and Training Approaches*





# 7 The Nature and Duration of Management Development Programmes

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7.1 We have already said that the nature and duration of management development programmes vary widely in the organisations surveyed. This variation depends upon:

7.1.1 The degree of centralisation or decentralisation of the organisation. In a decentralised structure the centre will tend to be viewed with suspicion, few individuals will be released for corporate activities, and the centre will have few sanctions over the individual component companies. In decentralised structures therefore management development programmes tend to be more ad hoc, and 'one off'.

7.1.2 The stage of an individual's career at which potential 'high flyers' are spotted. Clearly the earlier this is done then the more likely it is that there will be a planned progression in management development programmes. This tends again to be a function of the degree of centralisation of the organisation.

7.1.3 The maturity of the management development programme. We have noted that the programmes in many organisations are relatively new and tend to be experimental.

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7.2 The following narrative therefore describes three different types of management development programmes adopted in the organisations surveyed, which are characteristic of different stages in the evolution of management development policy. These three types we have termed:

- simple
  - elaborated
  - exhaustive
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## A 'simple' management development policy

- 7.3 An example of a simple policy is provided by an organisation of 56,000 employees which is decentralised with a very small corporate personnel resource, and with the major power centres in the business resting with the constituent companies. There is no group job evaluation scheme, no common performance appraisal system (and no system at all in many constituent companies), and no corporate system of identifying and developing potential. The role of the centre is very much an advisory one, helping to set standards in the personnel area but very much subservient to the line manager. Management development is a function of the managing directors in each constituent company and is carried out patchily.
- 
- 7.4 The corporate training section comprises six people. The group retains a management training centre which is run as a separate 'cost centre'. A range of about 20 courses are provided there and nominations for members are the responsibility of the line managers.
- 
- 7.5 A year ago the Board adopted a policy statement on management development with the stated objectives of improving the general performance of all managers, and ensuring a steady supply of senior management talent.
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- 7.6 A specific management development course has now been run on two occasions for around 35 middle and senior managers each time, specifically geared towards making more profit-centred managers. It lasts for two weeks and is held at the company training centre. The course was devised by a professor from a British Business School together with the corporate training function and is directed by the professor. Faculty from other business schools also teach on the course. It aims to provide:
- an intense learning experience, and 'culture shock' and to ask basic questions about the organisation's performance and strategy;
  - an opportunity to improve the specific skills required to increase the motivation and achievement of profit-centre managers;
  - an opportunity to study specific cases from other relevant industries.
-

## THE NATURE AND DURATION OF MANAGEMENT DEVELOPMENT PROGRAMMES

- 7.7 In order to achieve this the course has five main themes:
- strategic development and implementation;
  - the changing environment;
  - structure and organisation influences in multinational companies;
  - managing technological change;
  - control.
- 
- 7.8 Follow up with each of the participants takes place in the form of meetings with their company Chairman, and, after six months, with the head of management training. The cost of the course is met by the constituent companies nominating course members.
- 
- 7.9 Alternative forms of management development are provided by the opportunity for some to attend business school courses in Britain, Europe, and America but not in a very corporate or co-ordinated fashion. The role of the central personnel resource in this is limited to advice, if requested, on the most appropriate courses available.
- 
- 7.10 This example typifies the approach of many of the more diverse and decentralised organisations surveyed and that we have termed 'simple' in that it:
- is essentially ad hoc and experimental;
  - uses prestigious tutors, who are providing a bespoke training course;
  - is attempting essentially to 'persuade' member companies to nominate members and support management development as the corporate centre has few prescriptive powers;
  - has an uncertain future;
  - has few direct links with other aspects of management development policy.
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## An 'elaborated' management development policy

7.11 Our example of an elaborated policy is provided by an organisation which is mainly decentralised in its decision-making processes but which has retained a stronger corporate personnel resource from a previous period when decision-making was generally more centralised. The company employs 38,000 people.

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7.12 Each of about 30 constituent businesses is part of three main groups with an individual personnel function. There is no overall appraisal system, although each business carries out some form of appraisal. At Board insistence each of the groups is now responsible for an annual 'personnel review' system the major purpose of which is to ensure adequate succession planning for senior posts and to spot managers with substantial potential. There remains 'substantial ad hocery' in the filling of top posts.

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7.13 The organisation has a stated policy for management development which clearly sets out the responsibilities of each level in the organisation:

- each of the *three main group boards* must approve all appointments above a certain level, ensure succession planning for two levels below this, monitor and review management development programmes in addition to the annual personnel review, and assist in organising specific programmes of accelerated development for those of high potential;
- each *business* should have recognised management development systems related to its own business plans, ensure line managers identify and develop subordinates' skills and ensure their own succession, and ensure annual job review discussions between manager and subordinates;
- each *individual manager* has responsibility for his own self-development, and each should attempt to identify their own strengths and weaknesses and keep abreast of developments within their professional and business environment.

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7.14 The Board recognises the increased importance of management development and has recently determined that each of its senior managers (around 200 in all) should attend a senior executive course in a business school, preferably in the United States, and has agreed a programme of 30 attendees per year until the

## THE NATURE AND DURATION OF MANAGEMENT DEVELOPMENT PROGRAMMES

'backlog' has disappeared. The emphasis of these courses is to be business strategy and marketing.

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7.15 The Board has also recognised that Directors require further training and development and has set in motion a programme to meet needs at this very senior level.

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7.16 The main form of management development has been through the organisation's Management Development Programme (MDP) started in 1978. Between 1978 and 1983 some 50 managers participated in the MDP, and this year the annual throughput has been doubled to 20. The MDP is jointly funded and managed by the individual businesses and the corporate training function and the course is also jointly designed. The MDP is based upon the assignment of participants to practical projects as the means of broadening and improving their managerial skills and competence, and lasts between 9 and 15 months in a single project or in 2 linked assignments, working on the identification and exploration of business opportunities or operational improvements. Participants are given formal training as required. Specific assignments range from profit-improvement projects to the establishment of new or improved management control systems, and from improved customer servicing to the identification and agreement of business acquisitions. Participants can be assigned as line managers, project managers or specialists. Clearly numerous possibilities exist, but in selecting suitable projects the following guidelines are used:

- the project must be significant to the business in question, and contribute to its overall performance;
  - it must be likely to broaden and stretch the competence of the participants and be of interest to them;
  - it must be achievable within clear time limits and resources;
  - the project must require the involvement, contribution and commitment of a number of managers in more than one function of the business.
- 

7.17 Participants may be accepted for the MDP on a part-time basis in suitable cases. On completion participants generally progress to more senior appointments, especially where the programme has been designed to prepare them for this

## THE NATURE AND DURATION OF MANAGEMENT DEVELOPMENT PROGRAMMES

move. In other cases, they will return to their previous area of work whilst a suitable career step is identified.

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7.18 Selection standards are high. Participants will be in their late 20s or early 30s and have at least five years company experience. They must have a record of substantial achievement in one or more managerial or specialist roles and have the necessary potential for promotion (following MDP) to senior management within five years. But, as the programme points out, participation in the MDP is not the only route to the top. Nomination of candidates is generally made through the business personnel function or line management, but individuals can nominate themselves. Individuals may be encouraged to apply by the corporate management development function.

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7.19 The total cost of the management development programme itself is around £300,000 per annum, with a further £200,000 per annum spent on advanced courses at business schools. This equates to 0.1 per cent of the annual wage and salary bill. The organisation does not have its own training centre but uses a variety of commercial locations for the 'course based' part of the programme.

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7.20 This example typifies the elaborated approach to management development in that it displays:

- considerable corporate concern in management development but a generally voluntary approach to the practical aspects by individual business;
- a well thought out central core MDP related to the specific business needs of the organisation;
- a basis for the identification and development of potential throughout the organisation;
- a reluctance on the part of the centre to override the constituent businesses and the continuation of an essentially voluntary approach to management development on the part of the constituent business.

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## An 'exhaustive' management development policy

7.21 Our example of an exhaustive management development policy is provided by a long-established, relatively stable British company with international operations. It employs 18,000 people in the UK. In an exhaustive system the reasons for the management development are fully articulated, co-ordination and control are provided at the centre, and there are links with the rest of the organisation's personnel policies and business strategy.

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7.22 Management development moved to centre stage a year ago with the setting up of a central development training division. The purpose of management development was stated as follows:

*'The prime objective of management development should be to improve the performance of the organisation. The development of the people concerned is the means, and not the end. We set out to further the achievement of well defined business objectives.'*

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7.23 Such a programme has a number of important characteristics:

- it must contribute to the business aims of the organisation;
  - it should be based on a careful assessment of needs;
  - it must receive the backing of top management;
  - it must be practical rather than academic in approach;
  - it must relate directly to the solution of real life problems, anticipating the future where possible;
  - it should aim to gain the commitment of participants to its success;
  - it should be linked to action plans and live projects so that training can be transferred into every day action;
  - it should be carefully monitored to ensure that the overall programme achieves the results for which it was designed.
-

## THE NATURE AND DURATION OF MANAGEMENT DEVELOPMENT PROGRAMMES

7.24 The organisation for such a sophisticated programme is similarly complex. The new corporate development training division was only set up after the consideration of seven different structural options and consists of 11 people and reports direct to the Personnel Development Manager. To ensure that training is closely related to business needs a new steering Committee was set up under the Chairmanship of the Personnel Development Manager and comprises senior line management from each of the main constituent businesses. Finally, in order to reinforce the link between business requirements and development training each of the business sectors and corporate functions appointed advisors from within their area to act as the main link with the central division.

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7.25 The function of the corporate development training division is stated to be as follows:

- to identify *training needs* by working with the sector advisers to develop and apply effective procedures for identifying development training needs and priorities;
  - to formulate common *training plans*;
  - to design and *run in-house training*;
  - to provide advice on *external training* opportunities;
  - to *innovate*;
  - to propose and maintain *a budget* and make full recovery from the business sectors;
  - to develop a *training information system* to provide compatible management and operation information throughout the organisation.
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7.26 At the same time the role of the sector development training advisers is fully articulated, and is seen as being complementary to that of the central team within each of the main business sectors.

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7.27 The overall objective for management and development training is:  
*To provide learning experiences which encourage managers to identify opportunities, assess various options, grasp and weigh their implications,*



## THE NATURE AND DURATION OF MANAGEMENT DEVELOPMENT PROGRAMMES

*keep sight of the overall business goal, assess calculated risks, and motivate rather than coerce.'*

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7.28 In order to put this objective into effect a full range of courses are provided divided essentially into three categories: those for the organisation's future managers, those for middle and first level managers, and those for senior managers.

7.28.1 **Future managers** must be encouraged to develop their basic skills and a range of courses are provided so that by the age of around 30 graduate entrants should have undergone all of the following general management development courses: writing effective business reports, effective business presentations, developing interpersonal skills, computer appreciation, problem analysis and decision making, creative thinking for individuals and groups, developing teamwork skills, money in business (three linked courses), advising and consulting skills, quantitative techniques, personal development, effective time management, negotiating skills, and implementing change.

7.28.2 **Middle and first level managers** need to be particularly capable of planning and organisation work and of managing people. Their required skills and capabilities therefore lie in three main areas:

- planning, organising and controlling;
- leadership and motivation;
- people management and development.

A full range of internal courses are provided to achieve these skills.

7.28.3 **Senior managers** require eight 'core' competencies:

- to be aware of and be able to relate to the UK economic, social and political environment;
- to be able to manage in a turbulent environment;
- to be able to manage within complex organisation structures;
- to be innovative and initiate change;
- to be orientated to the organisation's business needs as well as just to those of the sector business;
- to manage and make use of increasingly sophisticated management information systems;

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- to manage people with widely different and changing values and expectations;
- to have influencing, negotiating and diplomatic skills.

Again a wide range of internal courses and 'executive seminars' are provided to meet these training needs and the use of external courses is proposed in some instances.

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7.29 With such a wide range of internal courses on offer the use of external courses is limited. The central development training division offers advice on the general reasons why external courses may be preferred and keeps details of specific courses. An individual's development needs should be crystallised through joint discussion between his boss, personnel adviser, training adviser and the person himself. When this has been done the management training adviser will be in a position to make the best recommendation.

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7.30 A complex and sophisticated management development programme is backed up by similarly complex and sophisticated techniques elsewhere in the organisation's personnel function: in appraisal, the assessment and development of potential and in the appointment process (including a fair degree of power and influence from the centre over the business centres).

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7.31 This example typifies the exhaustive approach to management development in that it:

- forms an important part of the organisation's overall business strategy and is well articulated;
- provides graduated and diverse training experiences for different levels of management and potential management;
- represents a considerable use of resources;
- is structured and has an important central unit to ensure compliance, backed up by allocated resources in each business sector.

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# 8 The Raw Material of Management

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8.1 Our survey commenced with a consideration of the ways in which the organisations first recruited their potential managers and the extent to which they were able to predict with any certainty the numbers of new recruits they needed in any particular year.

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8.2 Clearly all the organisations now rely very heavily on graduate recruitment for the senior management material of the future. The extent to which this recruitment is centralised within the organisation, both in terms of numbers and the actual process of recruitment varies with the degree of centralisation generally within the organisation. Most maintain central liaison on the question, and many operate a very structured organisation-wide recruitment system, involving the use of standard assessment tests, interviews, panels and practical tests. There is a widespread realisation that outstanding talent is in short supply.

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8.3 Few of the organisations had any very scientific ways of estimating the numbers of new graduates required in one year. In many instances, as has been suggested, changes in the companies' financial and economic fortunes had overshadowed all planning, and only so many graduates as the company could afford were taken on. Planning tended to be more advanced in the larger, more stable organisations. Many companies which had emerged from a traumatic three or four year period now feel that they have insufficient graduates in lower and middle management and are intending to recruit more to try to make up the loss. There is also no reliable way to relate entry number to the numbers of those emerging many years later to fill top management jobs. Those who can afford to do so tend to 'play safe' and take on more than they feel they may need in the immediately foreseeable future.

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## THE RAW MATERIAL OF MANAGEMENT

8.4 The organisations surveyed recognise that, even in the more turbulent conditions of today, the biggest source of their future top management will be amongst those taken on 20 or 25 years previously as graduate entrants, although some external recruitment at all levels is seen as a good thing—and essential in some cases.

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8.5 In order to provide a steady source of middle and senior management talent most organisations:

- continue as much as possible to recruit graduates and thus ensure a steady supply at the bottom of the managerial scale;
- identify after a relatively short period (perhaps as little as one year after joining but more usually after five or six years) those with special potential and then manage their careers in a planned fashion. Often, even more attention is paid to a very small and select group with 'super' potential;
- fill particular gaps of expertise by external recruitment: in many of those surveyed external recruitment is at its highest level for many years.

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8.6 How do the companies identify their 'high fliers'? First, they will recruit the best and use sophisticated methods, including assessment centres and psychometric methods, for identifying them. Then, there will be a period of rigorous career management. It is very noticeable how much extra care many organisations take of their graduates—they are provided with an induction course, with a planned job rotation, and with a 'mentor' who will be someone other than the line manager. Then those selected as 'high flyers' will have additional attention devoted to them, with special secondments and project work. In these ways the organisations hope to recruit and develop their graduate talent. They also hope to *retain* them: much of this extra effort on an organisation's part is an attempt to persuade the individual that he is important to the organisation and thus to make him or her more likely to stay.

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8.7 Recruitment of those with 'A' levels, whilst seen as important for those organisations requiring many middle managers, is no longer seen as a source of special talent.

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## THE RAW MATERIAL OF MANAGEMENT

8.8 Recruitment of those with MBAs or similar qualifications is not widely seen as a source of future senior managers. Only a very few organisations surveyed recruit several MBAs each year and many have now rejected this practice. There are several reasons for this:

- the continued emphasis on 'on the job' learning;
- an MBA qualification may be seen as useful for an existing manager at a later stage of his career, but not at the age of most new graduates;
- young recruits with recently obtained MBAs are widely seen as an 'irritant' to an organisation as they tend to have high career and remuneration ambitions which few organisations, especially the more structured ones, are willing to give.

It will be interesting to observe over the next few years as the number of those with MBAs grows whether this attitude changes.

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8.9 In the case of the police a 'two-tier' graduate entry scheme is operated. The National Graduate Entry Scheme (operated by the Home Office) takes only some 30 graduates a year from around 1,500 applicants and is avowedly 'fast-stream'. Those taken on are virtually guaranteed promotion to Inspector rank in four years and this is one reason for the small entry numbers. However, the scheme acts as an attraction to a wider number of graduates many of whom are subsequently taken into the police. Around 800 graduates are recruited annually and most of these will similarly be expected to be fast stream. The national scheme points up an important factor in any management development scheme: that by definition 'fast-stream' development can only be for the few.

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# 9 The Organisation for Management Development

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**9.1** The extent of the structure supporting management development programmes varies according to which of the three categories the particular organisation belongs. Whilst bearing in mind the fact that any structure in an organisation with a 'simple' programme may be very weak it is possible to identify common characteristics.

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**9.2** **A central organisation:** the basis of management development in most organisations surveyed is the need to ensure a steady supply of first rate managerial talent to the top. This implies high-level commitment and the existence somewhere at the centre of an individual or a division charged with the management development function.

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**9.3** **A management development policy:** most of those surveyed have a clearly articulated policy, often emanating from the MD or Chairman, which forms the basis of management development throughout the organisation.

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**9.4** **A layered system and structure:** in the larger and more complex organisations surveyed management development policy is attached to the different levels of management which it is addressing and the structure of those responsible for implementing it is similarly layered.

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## THE ORGANISATION FOR MANAGEMENT DEVELOPMENT

9.5 **For management development to work** successfully there is seen to be a need to rationalise remuneration systems and structures throughout the organisation so that, as far as possible, career movement is not impeded by salary considerations. Unfortunately this requirement may clash with labour market pay forces and may often be impossible to achieve.

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9.6 **Input of line managers:** there is often seen to be the need to involve line management in the management development structure as well. Line managers can, depending upon the degree of centralisation in the organisation, be a significant negative force in management development programmes especially in refusing to release good middle managers or refusing to accept an 'import' from elsewhere. In one organisation surveyed, that in many respects would appear to have a very centralised structure, these problems have grown so acute that any line manager wishing to second a member of staff to a corporate function has to agree in writing to taking him or her back into the line structure after a set period!

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9.7 Most agree that an effective *appraisal system* is a basic requirement for management development, but opinions on what this actually means differ depending on the needs of the organisation. Most of the organisations surveyed espouse the value of explicit performance appraisal and open and 'honest' feedback to the individual. Most therefore have conventional annual assessment mechanisms. Nevertheless many also recognise that the appraisal system leaves much to be desired and that for most managers and subordinates it is:

- embarrassing;
- not very honest, and tending towards the norm;
- failing to give reliable data;
- subject to organisational 'game' playing.

This somewhat schizophrenic attitude is shown by the fact that several of those surveyed admitted that their appraisal systems had fallen into disrepair and disrepute, and that their use within an organisation was patchy. Some organisations display both an excellent appraisal system in one part and no system at all in another.

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## THE ORGANISATION FOR MANAGEMENT DEVELOPMENT

9.8 Therefore the trend, since senior succession planning is too important to be left to the vagaries of ossified appraisal systems, is to find some other way of identifying potential and plotting the performance of high flyers and senior management. Many companies have introduced specific 'potential appraisal' systems alongside the old appraisal system, perhaps taking the form of an annual Management Audit, or a succession planning meeting at which members of the corporate management development team meet with senior line managers to discuss the amount and development of potential amongst middle and senior management. Many organisations have annual, or perhaps even a quarterly report to the Board arising out of these regular meetings which identifies strengths and weaknesses in the company's succession planning arrangements and recommends changes in management development programmes as a result.

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9.9 Thus *structure* is important in management development, and the more structured the organisation and the greater its needs for a ready supply of top level managers then the more formal the structure becomes.

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9.10 The use and value of *assessment centres* is an important factor in management development policies in many of the organisations surveyed. An assessment centre is not a place but a method.

Participation in a centre is a development exercise for the participants in that it:

- provides a valuable method of identifying individual development and training needs;
- identifies which employees have potential for higher management positions in an open and fair way;
- provides considerable feedback for participants which leads to career counselling and planning;
- has a positive effect on morale and job expectation;
- applies common standards across differing professional groupings

The assessor will gain an:

- improvement of interviewing skills;
- increased appreciation of group dynamics and leadership styles;
- new insight into behaviour;
- strengthening of their own management skills through repeated in-house case problems and other exercises;
- greatly improved accuracy in evaluating behaviour and success in changing subsequent behaviour.



## THE ORGANISATION FOR MANAGEMENT DEVELOPMENT

- strengthening of their own management skills through repeated in-house case problems and other exercises;
- greatly improved accuracy in evaluating behaviour and success in changing subsequent behaviour.

A typical 'centre' comprises 12 managers with potential for more senior positions. Six senior line managers are nominated as assessors. The actual programme will consist of two days of exercises developed to expose behaviour important to that particular organisation through business games, group discussion, individual exercises and individual interviews. The assessors observe behaviour and take notes in a structured fashion. After the participants have left the assessors compare notes and evaluate participants, outlining potential and defining appropriate development action.

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9.10

The advantages of assessment centres are seen to be the greater accuracy provided in predicting potential compared with traditional supervisory judgements which tend to be based on current performance rather than the requirements of the job to be filled. Also the assessors study actual behaviour, not what the participant says he would or would not do in a given situation. Assessors are forced to seek information about the candidate before making a judgement: fact finding and decision-making are separated and there are no opportunities for irrational snap decisions. Decision-making becomes more accurate as it is made by a group of assessors in discussion and by people who have an overall view of the needs of the organisation. Line managers and professionals may be integrated fully into the selection and development process. The main drawback is the amount of management time involved.

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9.12

This disadvantage has led some of those surveyed to discontinue the use of assessment centres, and instead to institute shorter, perhaps one-day, sessions at which participants are given psychometric tests and may be interviewed by the company psychologists. Again this is an attempt to get 'the right person' for the job, but greater economy is achieved only through the loss of the broader benefits outlined above.

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# 10 The Use of Outside Trainers

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**10.1** The use of outside trainers varies considerably between the organisations surveyed and depends upon:

- the *scale* of the corporate training effort. The larger the numbers involved the more likely it is that the organisation will have its own training facilities;
  - the *level* of the training provided. As has been pointed out already the higher the level of management being trained then the more likely it is that outsiders will be utilised;
  - the degree of structure in the management development programme. The more 'ad hoc' the programme then the more likely it is that outsiders will be used—they are seen to be part of the process of persuasion needed to get senior managers to allow themselves to be trained;
  - the degree of professional division within the organisation.
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**10.2** This last factor is worth considering in more detail because of its relevance to the NHS. Most of the organisations surveyed have amongst their employees some highly trained professionals, who are not always easy to integrate into the general management structure. As one organisation reported:

*'Our major problem is arrogance from the existing professionals'*

and several others quoted examples of employees at the top of their profession who were not necessarily good managers. Many are having to grapple with the integration of these professionals and the preferred solution is to provide general management courses and modules led by the leaders in the management field, notably business school professors both from Britain and from abroad.

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## THE USE OF OUTSIDE TRAINERS

10.3 Most central management development teams maintain details of general management courses available and take positive steps to evaluate the very wide range of courses available at business schools and management centres. The degree of control exercised by the centre over the actual courses attended by divisional managers varies. Most of those surveyed were increasing their use of business schools and management centres though the type of use varies:

- there is an increasing tendency to send a select few to MBA courses. The emphasis is very much on 'few' and is part of a wider company policy, for example, to increase penetration of the American market by sending high flyers to American business schools to learn more about marketing in the United States;
- there is an increasing use of professors in business schools as management 'gurus'; and to ask them to design and direct bespoke courses;
- there is an increasing use of shorter general management courses at most of the recognised centres such as the London Business School, Cranfield and Sundridge Park.

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10.4 Three quarters of the organisations surveyed maintained their own management/training establishment (some having more than one), although some have never had such an establishment and a few have had to sell existing centres in recent years in response to the recession. There has been a general need to keep the fixed costs associated with training at a low level. Clearly such centres require a stable throughput of trainees in order to make the best use of the premises and the full-time staff. The advantages of owning a training establishment most frequently mentioned were:

- the opportunity for managers to meet each other from different parts of the organisation;
  - the powerful beneficial effect on employees from knowing that the organisation puts considerable weight on training;
  - properly run, a company training centre will be cheaper than using commercial premises;
  - the opportunity to hold *ad hoc* managerial meetings 'away from the office'.
-

## THE USE OF OUTSIDE TRAINERS

**10.5** On the other hand, strong views to the opposite were held by some of those surveyed. On the whole these can be summed up in the view that training was happening all the time and could take place in any of the company's premises; there was no wish to create a 'separate' place where training takes place as opposed to the work place. This may be thought of as the ultimate expression of the view which holds 'on the job' training to be of paramount importance.

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**10.6** At least one of those organisations surveyed which had sold its training centre in recent years is now actively seeking a new centre.

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**10.7** The method of operation of in-house training establishments varies reflecting the relative decentralisation of the organisation. Most are run as separate 'cost-centres', with divisions/business units paying the economic rate for places. In a few instances no money is actually transferred: the costs are simply identified so that the direct charge is known to the divisional managers concerned. In at least two schools the courses are sold on the open market, and as much as half the space at any one time may be occupied by non-company personnel.

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**10.8** The size and costs of the centres also vary greatly. The average budget is in the region of £¼m to £½m per annum, but the range is considerable. Many centre managers have had, in the training climate of recent years, to make their own operations more commercial and attractive. They are themselves beginning to get outside the walls of the school and offer themselves as training 'facilitators' in the workplace, and as training consultants to the business units. In practice there is a discernible trend for the members of training schools to become more like outside trainers, and for the outsiders to become more like in-company trainers.

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**10.9** One further trend in the use of outsiders which should be mentioned is the fact that some organisations are now using 'Outward Bound' type courses for potential and middle managers. The reasoning behind this appears to be that it develops leadership qualities, but it may be significant that the development trainers in question have themselves often been members of the armed forces.

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# 11 The Cost of Management Development

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- 11.1 It has proved very difficult to obtain any very definite figures on the cost of management development programmes. The amount spent depends upon:
- the position in the *cycle* of management development policies (see Section 4) that the particular organisation happens to be occupying at the moment;
  - the *type* of management development programme the organisation is following (see Section 7);
  - the *number* of managers relative to the total number of employees.

It follows that a few of those surveyed are spending relatively little (less than 0.1 per cent of payroll) because management development is seen mainly as being a matter of planned job rotation, whilst others are spending more (up to 0.5 per cent of payroll) because of the use of more specific training and development courses.

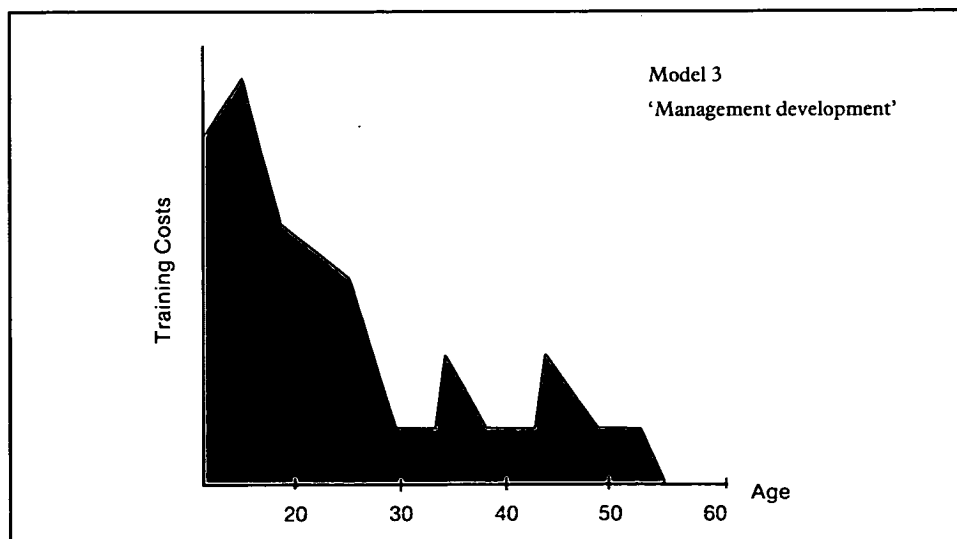
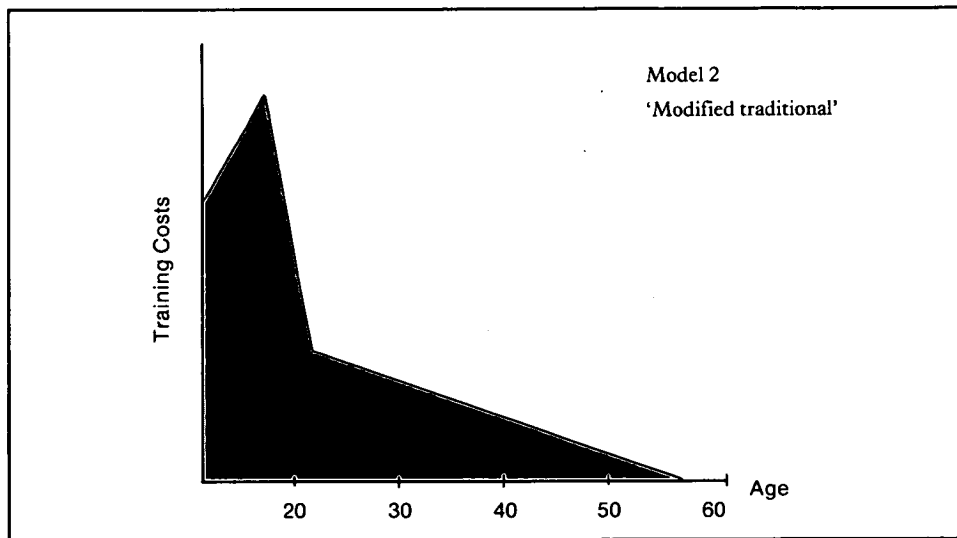
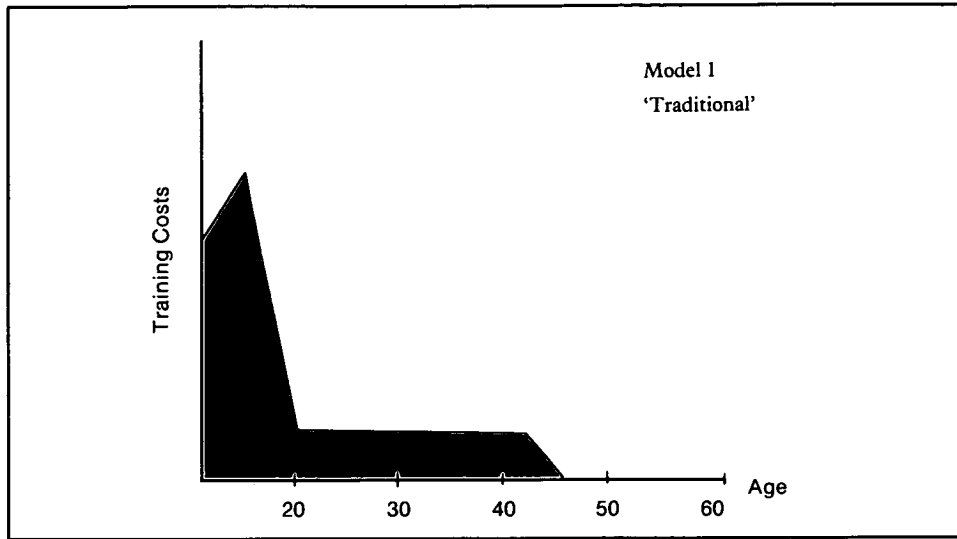
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- 11.2 Two points need to be made:

there are substantial 'hidden' costs associated with management development. Estimates of cost vary because the organisations vary in the extent to which they openly 'cost' the training input. Some use line managers as trainers, even on specific courses, but their costs are not always taken into account. The full costs are also not often available because travelling, subsistence and participants' salaries are not included. The 'cost' of taking good managers away from their work may also be substantial and undoubtedly accounts for the reluctance of senior managers to let staff go

the cost of training at a particular stage of an individual's career is a more valuable guide than any overall cost figure. The traditional training model (1) emphasises training at the start of an individual's career; the modified model (2) sees training continuing throughout a career, but declining in later years; the management development model (3) foresees training continuing throughout a career but in planned 'bursts' as key points in each career are reached.

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## THE COST OF MANAGEMENT DEVELOPMENT

**11.3** It is therefore impossible to identify what the 'typical' costs for an individual might be although the cost of a 'bespoke' course for a small group of senior managers may be as much as £50,000. Overall, a *planned* management development programme might cost little more than a 'modified traditional' programme, as the cost is more concentrated into specific points in an individual's career, rather than being spread in an uncoordinated fashion over a longer time span. The point must not be lost that all the organisations are concerned not just with the actual cost of training (an important factor during the 'crisis' years), but with ensuring cost-effectiveness in the training provided.

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**11.4** Significant manpower resources are often devoted to training and development both within the personnel function and in line management. In most of the organisations surveyed central teams (of varying sizes) were backed up by contributions from divisional and line personnel functions and from line management itself. These costs are seldom separately identified.

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**11.5** The following general conclusions may be drawn from our survey:

**11.5.1** The cost of management development training is a small fraction of the cost of training as a whole;

**11.5.2** Expenditure on senior management training is growing at a faster rate than other forms of management training;

**11.5.3** The existence of firm top management interest has increased expenditure;

**11.5.4** Nevertheless the effects of the recent economic recession when training programmes were substantially cut makes it very difficult to be certain whether increases in expenditure in the last two years are really increases in a long-term trend or simply reflect a recovery towards earlier expenditure levels.

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# 12 The Effectiveness of Management Development

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**12.1** The organisations surveyed, having made the almost ritual point about the need for effective management development, seldom have rigorous procedures for measuring whether their preferred programmes are effective or not. This finding confirms the results of many academic studies on this issue. The possible measurements (which are used to varying degrees) range from fairly 'hard' indices to much more subjective assessments and take place both at the individual and at corporate level.

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**12.2** Amongst those factors more capable of measurement are:

- the extent of external recruitment to middle and senior management posts: since the avowed objective of many management development programmes is to reduce external recruitment at this level, several organisations keep records of the level and type of external recruits. However, some level of external recruitment is often seen as beneficial;
- the extent of loss of able lower and middle managers: the existence of a management development programme may be crucial to an individual's own career choice;
- the amount of training provided for managers: it is theoretically if simplistically possible to measure the number of specific and general management skills acquired by individuals within the organisation, at least by reference to their attendance at the relevant courses;
- the degree of individual follow-up and feedback: all organisations profess to provide some form of follow-up for those who have attended management courses, although the precise method varies;
- for 'action-centred' learning courses there should be tangible results from the particular study undertaken.

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## THE EFFECTIVENESS OF MANAGEMENT DEVELOPMENT

- 12.3 Less tangible factors include the effect on the organisation's trading or other performance, the degree of satisfaction of managers within the organisation, and the views of top management on the standard and potential of those being appointed to key positions. If the same name appears against several different slots in the company's senior succession plans then it is likely that the management development programme is not working well.
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- 12.4 The Board of an effective organisation will require regular management development reports (perhaps as frequently as every three months) so that close control can be kept on the level and type of activity and its effectiveness evaluated by top management.
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- 12.5 There are sufficient means of measuring results set out above for a reasonable attempt to be made in measuring the effectiveness of a management development programme as a whole. The fact that relatively few of the organisations surveyed had any very sophisticated ways of doing this reflects the fact that many programmes have been instituted in the last two or three years. In this sense the decisive time for evaluation has yet to arrive as, not surprisingly, most believe that management development is a long-term activity. In one organisation a positive programme was instituted 15 years ago and has generally been followed and extended ever since: but it took six to eight years before noticeable results in terms of the quality and professionalism of its managers began to be felt.
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- 12.6 Follow up by the training staff concerned is clearly essential. The favoured time-lapse after completion of a course varies mostly between three and six months, but follow up tends to be taken very seriously by those concerned, and particularly the training professionals. Over a period it is possible to map the subsequent careers of those who have attended general management courses. Certainly many have been able to quote impressive examples of the success of former course members in achieving higher positions (though the charge of self-fulfilling prophecy cannot be wholly denied).
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- 12.7 Perhaps, however, the real role of management development training is to give those who have, and *already recognise* that they have, the potential to get to the top a wide range of opportunities to do so. Management development allows the extension of an individual's potential rather than stifling it, as may happen in an otherwise over-structured environment.
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# 13 Some Comparisons with the National Health Service

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**13.1** Our survey has concentrated as requested on management development policies in major, mainly private sector, organisations other than the National Health Service. But many of our respondents have commented upon the situation in the health service as they see it in comparison with their own organisation and it is useful to note some of these views.

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**13.2** **The management climate.** We have commented extensively on the management climate in Section 4. All the factors mentioned there—the economic recession and financial cut-backs, government action, technological and social changes—affect the National Health Service as they have affected the organisations surveyed. There seems to be little difference in this respect, except that the ‘crisis’ element has been greater to many in the survey than (even) in the health service.

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**13.3** **Professional versus Managerial Value Systems.** The ‘problem’ posed to general management by strong professional interests in the National Health Service is mirrored in only a few of the organisations surveyed. Where it does exist then management development, in conjunction with other policies, is seen as an important way of moulding the organisation together within common goals. But the stronger the professional interests the more important it is to ensure that the ‘tools’ of management development are of the highest quality.

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## SOME COMPARISONS WITH THE NATIONAL HEALTH SERVICE

**13.4**            **Complexity.** The National Health Service undoubtedly represents a greater complexity in terms of goals, activities and structure than most other organisations. Nevertheless many are sufficiently complex to act as models and the first task of management has to be to break down the components in such a way that the complexities can be handled, and that the managers are sufficiently well trained to be capable of handling them.

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**13.5**            **The political context.** Of the organisations surveyed only the police are directly responsible to political masters. Commitment to management development from the very top of the organisation is a vital factor in its success and many foresee problems in gaining that commitment either from politicians or from the DHSS, concerned as they so often are with short-term considerations. Long-term commitment is seen as an essential ingredient of success.

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**13.6**            However, many of those surveyed who expressed an opinion were surprised that senior general management development was apparently so little advanced in the health service and saw it as a necessary part of ensuring the organisation's success in the future if only because the managers in the health service were seen to face the same basic problems in the future as managers elsewhere, namely:

- a shortage of able people;
- a more complex environment;
- the need to plan individual careers for those who are to fill the top jobs;
- the need to recruit and then retain sufficient able people.

The health service has not previously had to develop general managers. Clearly this new role requires the implementation of a concerted, national policy of management development.

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# 14 Conclusions

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**14.1** Our survey has concentrated on those organisations known to have a positive commitment to management development. Nevertheless it has revealed many differences in practice.

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**14.2** 'General Management' is a term which is widely used and understood by the organisations surveyed, although the number of general management posts relative to total employment varies widely. All organisations are aware of the greater demands now being placed upon them, and thus upon their general managers. In Section 4 we have discussed the factors concerned at greater length but briefly they relate to the economic, social and technological environment within which they now operate. This may be summed up by one word: change. The pace of change presents the greatest challenge to modern management.

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**14.3** There are some common themes to current management development practice, which are set out in Section 5. These we have listed as follows:

- the avowed significance of direct 'on the job' experience;
  - the centralisation of senior career planning;
  - the need for commitment from the top;
  - the need for a better way to appraise potential;
  - the need to take an individual's wishes into account.
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## CONCLUSIONS

14.4 So far as the education of middle and senior managers is concerned the classroom has become a debased location. Partly this reflects contemporary views about the nature of adult learning and partly the practical obstacle: the 'arrogance' of the senior and middle managers concerned. To overcome this programmes have to be of a consistently high quality. This factor becomes even more vital when the organisation includes different professional groups, with different value systems which need to be co-ordinated.

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14.5 We have discussed at some length three different management development programmes in specific organisations we have surveyed which we feel are characteristic of the different types now being offered and which we have called: '*simple*', '*elaborated*' and '*exhaustive*'. The differences are mainly of degree rather than theory, and relate mostly to the level of centralisation in the organisation concerned. A comprehensive management development policy requires a degree of structural centralisation which many organisations (for different reasons) are unable to embrace at the moment.

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14.6 The realisation that good general managers are in short supply has led:

- to an increased stress on graduate recruitment programmes and especially in recruiting a proportion of the most able graduates;
- to an increased 'cultural' development effort for potential top managers as part of an attempt to stop them being poached by other organisations.

Most of an organisation's senior managers will come from within, and many organisations wish for cultural reasons to encourage this. Nevertheless, a degree of outside recruitment to the top is seen to be beneficial, especially since outsiders can be powerful agents of change.

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## CONCLUSIONS

- the variety of ways in which top and line managers are involved in the management development process, usually by the setting up of at least one senior committee;
  - a variety of performance and potential appraisal systems;
  - the use of Assessment Centres as a relatively impartial means of measuring potential;
  - the rationalisation of payment systems to allow greater flexibility of career progression.
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**14.8** The extent of the use of in-house and outside experts follows a recognisable pattern. There is increasing use of general management courses at business and management schools, predominately in Britain but also in the United States and, to a lesser extent, in Europe. Care is exercised in choosing the particular courses concerned. There is also increasing use at the most senior levels of outside experts to provide and direct 'bespoke' courses. These approaches are aimed partly at overcoming the 'arrogance' mentioned above, and partly at providing the best and widest learning experience for those concerned. Lower level courses are predominately provided 'in-house'. It is possible in the larger organisations to discern a structure of different layers in management development:

- for new entrants and lower management: in-house courses aimed at providing basic management skills;
  - for middle management: attendance at general management courses at business or management schools;
  - for top management: bespoke courses of a wide-ranging nature provided by outside experts.
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**14.9** Many of the organisations surveyed maintain their own training centres. Most are 'cost centres' in their own right, but the degree to which they have to persuade managers to nominate people from within their own organisation varies. Some have to take in recruits from outside organisations in order to fill places, whilst others have a regular internal flow of candidates as part of a highly structured training programme.

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## CONCLUSIONS

**14.10** The total of resources devoted to management development is difficult to measure, mostly because of different accounting practices. It will vary depending on whether a 'simple', 'elaborate' or 'exhaustive' policy is being followed. Expenditure in recent years is rising, although this may only be because of the stage in the business cycle of most of the organisations surveyed and we doubt it has yet reached the levels of a few years ago.

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**14.11** Few organisations have any sophisticated way of measuring the effectiveness of their policies. In many, it is a recent introduction and all are agreed that the effectiveness of the policy can only be measured over a period of years. Yet it is disappointing that more rigorous appraisal procedures have not generally been adopted.

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**14.12** Finally, there are certain areas of obvious comparison between the organisations surveyed and the National Health Service which have been pointed out to us. From these it is clear that the National Health Service now requires a structured management development programme and that important advantages should result from it. The size and professional structure of the health service are major factors which a programme will have to address together with the lack of any overall appraisal system and of succession planning at senior levels.

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