



# The Effectiveness of Management Development in Australia

**A report by Brian D'Netto and Fotini Bakas**

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## **About the project**

The research presented in this report was sponsored jointly by Mt Eliza Business School, the Committee for Economic Development of Australia and the Australian Human Resources Institute. The principal researcher was Dr Brian D'Netto and the associate researcher was Fotini Bakas. Robert Thomason, David Edwards and Geraldine Kennett provided valuable support and guidance at all stages of this project.

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## **About this paper**

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- **Geraldine Kennett**, Australian Human Resources Institute’s Manager – Membership.

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We hope this in-depth two-year study will make a significant contribution to improving the effectiveness of management development in Australia.

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# Executive summary

Ten years ago the Karpin report suggested that the ineffectiveness of Australian management training and development in organisations may be the cause of poor quality Australian managers. More recently, Martin (2002) stated that Australian managers have not changed and continue to be bullies and autocratic. This research project sought to assess the current state of management development in Australia.

“This study includes the responses of 206 managers in 153 organisations...”

The aim of this research report was to identify variables associated with the effectiveness of management development programs in Australia. A model of effective management development was developed based on current literature. The model involved three groups of variables (antecedent components, program components and post-program components).

The research design involved triangulation. Quantitative data was collected through the use of a structured questionnaire. In addition, qualitative data was collected through two focus groups. Reviews of annual reports and literature on participating organisations provided additional qualitative material.

The data in this study includes the responses of 206 managers from 153 organisations across Australia. The data includes responses from managers in small, medium and large organisations. Eighteen different industries are represented in the sample.

## Key findings

- The model of effectiveness of management development was supported (R-Square = 0.30, F = 9.43,  $\alpha = .00$ ).
- “Link to corporate strategy” and “ability to use the newly acquired knowledge and skills back at the workplace” were the two variables significantly associated with the effectiveness of management development.
- Effectiveness of management development in Australia is mediocre (4.55/7.0 or 65 per cent effective).
- Managers believe that management development programs are very beneficial and help them to think strategically. Yet, management development is not seen as a priority by top management in nearly half the organisations in the sample.
- Organisation policies and procedures do not adequately support management development.
- Per capita expenditure on training and development is extremely low at only \$833 per employee per year.

- The link between management development and corporate strategy is inadequate in most organisations.
- Bosses do not adequately support the use of newly acquired skills in the workplace and do not offer sufficient coaching.
- Lack of time and insufficient follow up activities inhibit the use of newly acquired skills.
- All independent variable have mean scores of 4.57 or less, indicating that satisfaction with management development activities is mediocre (less than 65.3 per cent).
- Male domination of managerial positions is evident. Only one-third of the sample were female managers. In addition, female managers perceived management development to be significantly less effective than their male counterparts.
- Junior managers and new employees receive less management development than senior managers.
- Managers see MBAs and external management development programs as valuable, yet support for MBA programs is low (39.8 per cent).
- There is inadequate post-program evaluation back at the workplace and very little attempt to measure the return on investment (29.2 per cent).
- The most important skills to be a successful manager are decision making, strategic planning, leadership, change management and interpersonal skills.

## Other results

“Development activities such as coaching, mentoring, job rotation and job-shadowing are inadequate ...”

- Small (25.7 per cent), medium (32.1 per cent) and large (42.2 per cent) organisations were included in the sample.
- Inhouse management development programs received the lowest mean score of 3.67 out of 7.0 indicating that development activities such as coaching, mentoring, job rotation and job-shadowing are inadequate (52.4 per cent).
- Management development programs are equally effective for large, medium and small organisations.
- Younger managers (less than 35 years old) reported significantly lower scores on almost all independent variables compare to older managers. Management development efforts appear to be concentrated on older managers.
- Managers with less than ten years service in the organisation reported significantly less top management support, lower personal responsibility for management development, less exposure to internal and external management development and fewer opportunities to utilise the newly acquired skills back in the workplace.

“A clear link needs to be established between management development and corporate strategy...”

- Similarly, managers at lower levels in the organisation’s hierarchy reported significantly lower scores on nearly all the independent variables compared to more senior managers.
- Human resource (HR) managers comprised 40.3 per cent of the sample. HR managers perceive a significantly stronger link between management development efforts and corporate strategy and also believe that line management support is strong, compared to other managers in the sample.
- Surprisingly, HR managers perceived significantly lower beneficial effects of external management development programs compared to other managers in the study.
- Managers who attended both external and internal management development programs benefited more than managers who attended only internal or only external programs.
- Managers who attended development programs more recently reported stronger organisational support and played a more active role in their own development.
- The mean expenditure on training and development is \$251,603. Only 20 per cent of this figure is allocated to management development. However, the process of management development is very important. A large training and development budget alone does not enhance the effectiveness of management development.
- Management development helps to improve job satisfaction, reduce employee turnover, increase productivity and deal with customers more effectively.
- Management development efforts do not adequately reduce stress levels, number of grievances or absentee rates.
- Managers believe that they have to play a significant role in their own development. Yet heavy workloads restrict management development.
- External management development programs are used more often.

## Recommendations

- A clear link needs to be established between management development programs and corporate strategy. HR managers need to gain a better understanding of corporate strategy and develop management development initiatives, policies and procedures that reinforce corporate strategy.
- Risk taking and innovation must be encouraged to generate new ideas and enhance competitive advantage.
- Top management must recognise the value of management development and demonstrate strong support for management development.

“Greater emphasis must be given to opportunities for women, younger managers and new employees...”

- Senior managers must be actively involved in leading and conducting internal management development initiatives.
- Funding for management development must be increased significantly. Managers must be encouraged to join external programs and MBA programs. Financial support for such programs is essential.
- Management development initiatives need to be more systematic. Greater emphasis must be given to development opportunities for women, younger managers and new employees.
- Current managerial workloads are excessive and must be evaluated. Management development programs need to address the key issues of stress and burnout.
- Opportunities and time to use the new skills in the workplace must be provided, so that both the organisation and the individual benefit from management development.
- Management development efforts must concentrate on skills such as decision making, leadership, interpersonal skills and change management which are seen as essential for managerial success in the future.



# Introduction

As global competition increases, organisations are seeking sustainable competitive advantage through effective utilisation of their human capital. After many years of downsizing which has resulted in a depleted talent pool, it is estimated that within a few years 21 per cent of top management and 24 per cent of middle management positions will be vacant (Ellis 2003). It is vital that organisations enhance the ability of senior executives to provide leadership and inspiration to the rest of the organisation. To attain these goals, management development of senior executives becomes important. In this paper the words “management development” and “leadership development” are used synonymously. While it is acknowledged that there is a distinction between the terms “management” and “leadership”, Kotter (1990) argues that today’s senior executive has to be a leader-manager. Management and leadership are two sides of the same coin. Hence, development programs for senior executives will have to incorporate both management and leadership competencies.

## Importance of management development

Management development refers to formal education, job experiences, relationships and assessment of personality and abilities that help employees prepare for the future (Noe, Hollenbeck, Gerhart & Wright 2000). Management development is a dynamic and complex process by which individuals learn to perform effectively in managerial roles (Baldwin & Padgett 1994; Longenecker & Fink 2001). A survey by the American Management Association (AMA) shows strong correlation between profit growth and productivity improvements and increased expenditure on human resource development (Gollan 1997).

“Four out of ten senior managers will fail at their job within 18 months...”

However, Australian organisations do not appear to be adopting a systematic approach to management development. This was evident in the Karpin Report (1995). The report found that Australian managers lack vision and strategic perspective, are poor at teamwork, are inflexible and rigid, do not have good people skills and are viewed poorly by their Asian colleagues. The study indicated that Australian managers are regarded as being weaker than all their major international competitors in all managerial qualities, other than cross-cultural skills and adaptability. The report suggested that the ineffectiveness of Australian management training and development in organisations may be the cause of poor quality of Australian managers. More recently, Martin (2002) stated that Australian managers have not changed and continue to be bullies and autocratic. Research done by Manchester Consulting in the US has found that four out of ten senior managers will fail at their job within 18 months (Ellis 2003). One explanation could be that a considerable number of managers find themselves in senior positions because they are adept at profit and loss and

operational procedures (Martin 2002). Managers are often put through a few days worth of development programs and left to fend for themselves (Griffin 2003). Martin (2002) points out that managing people requires skills such as analysis of self and others, motivating teams to complete tasks, delegating and decision-making. Most of these skills can be acquired through effective management development programs.

## Focus of the current study

“...revitalise  
management  
development in  
Australian  
organisations...”

The Karpin Report (1995) was widely publicised and discussed in great detail at several management forums across Australia. The authors of the report had hoped that the dissemination of this information would revitalise management development in Australian organisations. While almost a decade has passed since the Karpin report was first published, the changes to management development in Australian organisations have not been clearly documented. This study seeks to fill this gap in the literature by conducting a comprehensive analysis of significant aspects of management development in Australian organisations. A model of effectiveness of management development was developed and tested in this study.

# **Effectiveness of management development model**

This study develops a model of effectiveness of management development. The model is based on key concepts involved in systematically designing and implementing management development programs (Cascio 2003; Noe, Hollenbeck, Gerhart & Wright 2000). The model postulates that effectiveness of management development involves three groups of variables: antecedent components, which deal with issues in the pre-program phase; program components, which deal with actual management development activities; and post-program components, which deal with follow up activities (see Figure 1). The literature review focuses on the variables included in each of these groups of variables.

## **The dependent variable**

### **Effectiveness of management development**

Management development aims to have a reserve of employees available and qualified for key positions (Jensen, Van Der Velde & Mul 2001). Effective management development results in higher job satisfaction, lower turnover, less stress resulting from skill inadequacies and less difficulty in filling executive vacancies. Common ways of measuring organisation performance include employee or management suggestions, manufacturing indices, attitude survey results, frequency of union grievances, absenteeism rates, customer complaints and other organisational results (Rothwell & Kazanas 2003). However, organisations do not appear to be assessing the effectiveness of their management development efforts. A survey by the AMA found that 78 per cent of participants only attended one workshop with little or no follow up. Most senior managers gave their developmental experience a 4.33 out of a possible 7 (Melum 2002).

## **Independent variables**

### **Antecedent components**

Antecedent components refer to pre-program activities which both organisations and individuals must undertake in order to enhance the effectiveness of management development. These include link to corporate strategy, top management support, organisational culture and the individual's role.

The effectiveness of management development can be enhanced if program goals are linked to human resource objectives and corporate strategy (Anderson & DiBattista 1991; Kane Abraham & Crawford, 1994). Linking management development procedures to established corporate objectives or the needs of a business is essential for development activities to assist organisations to meet their objectives (Cascio 2003; Friedman 1990; Kane, Abraham & Crawford 1994; Robinson & Robinson 1989).

Top management support is essential for the success of any management development program. Mayo (1989) demonstrates how ICL, an international company dedicated to applying information technology, was able to improve its performance through management development. Management development is a necessary long term investment and top management vision and ownership are essential.

Organisational culture refers to the values, beliefs and methods adopted in an organisation. When a culture of organisational learning is prevalent, management development efforts are likely to be valued more highly (Senge 1990).

Managers must be responsible for their own development. Only 20 per cent of senior managers attending development programs are willing participants. The remaining 80 per cent are prisoners of the human resource department (Goleman 1999). To avoid such a waste of resources, Goleman suggests senior managers assess their own level of readiness.

### **Program components**

Management development programs can be classified into inhouse programs and off-site programs. Inhouse programs are conducted within the organisation and focus on developing company specific knowledge and skills. Off-site programs occur outside the organisation. Participants interact with members of other organisations and more generic managerial skill development occurs. Both types of management development programs are beneficial.

“Managers must be responsible for their own development...”

Several management development programs are administered within an organisation to improve managerial performance. For example, management development activities at the top 100 companies in the US include succession planning, executive coaching, personal development plans, 360 degrees assessments, mentoring, job rotation, career counselling, and job shadowing (Melum 2002). The most popular senior management development activities in the US are mentoring (77 per cent), job shadowing (66 per cent) and job rotation (51 per cent) (Melum 2002; Reitsma 2001). Many organisations use action learning programs where participants work together to solve a problem or improve a condition (French & Bell 1984). Participants learn not only from the actual research and use of theory to investigate the problem and identify a solution, but also from the process of collaborative action and problem solving (Bennett, 1983). Customised programs refer to programs developed for a particular organisation and administered only to executives within that organisation.

“Opportunities to use new knowledge and skills are essential...”

As opposed to off-site public programs, these customised programs include only the organisation’s own executives. The great value of these programs is that it allows executives from the same organisation to consider ways and means of working together more effectively to improve performance and to raise productivity and profits through better customer service (Margerison 1991). Australia’s winning organisations have their own inhouse customised training and development facilities (Hubbard, Samuel, Heap & Cocks 2002).

Off-site programs comprise of both short-term executive development programs and long-term MBA type programs. Short-term programs can vary from a few days to a few weeks while long-term programs vary from one to three years in duration. While inhouse programs provide practical learning experiences within the organisation, such programs generally do not focus on significantly enhancing cognitive abilities. High quality external programs can fill this gap. Significant learning occurs when syndicates comprise of managers from different organisations (Zuber-Skerritt 1995). Participants in such programs are usually able to find concrete solutions to practical problems in their workplace.

### **Post-program components**

Post-program components refer to activities that organisations must use in order to ensure that the new knowledge and skills acquired in management development programs is actually transferred to the workplace. These activities include line managers supporting participants, providing opportunities to utilise the new knowledge and skills in the workplace and systematic follow-up evaluations of participants.

Supervisory assistance can be used as a powerful intervention “tool” for clarifying roles, developing employees and improving motivation and performance (House and Cummings 1985). Supervisors can ensure the success of development programs by supporting managers once they return to their workplace through coaching, rewards and praise (Rae 1991).

Companies that develop individuals must also help reinforce behavioural changes by including them in projects that help stretch their knowledge base (Carnall 2003). Availability of opportunities to use new knowledge and skills is an essential ingredient to ensure the success of management development. If these opportunities are not available in the organisation, development programs could result in wasteful expenditure (Cheeseman 1994).

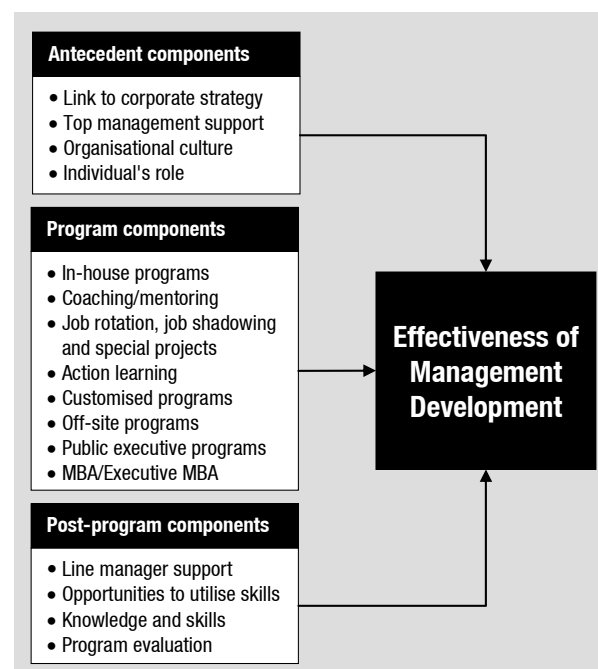
In view of the significant amount of money spent on management development, some organisations measure the quality of management development by using four levels of rigor: reaction, learning, behaviour and results (Kirkpatrick 1983). The greatest single barrier to carrying out this form of evaluation is lack of motivation (Rothwell & Kazanas 2003).

# Hypotheses

The following hypotheses regarding the effectiveness of management development were tested in this study:

- H1: Corporate strategy strengthens the effectiveness of management development
- H2: Top management support strengthens the effectiveness of management development
- H3: Organisational culture strengthens the effectiveness of management development
- H4: The individual's role strengthens the effectiveness of management development
- H5: Inhouse management development programs strengthens the effectiveness of management development
- H6: External management development programs strengthens the effectiveness of management development
- H7: Line manager/Supervisors support strengthens the effectiveness of management development
- H8: Utilisation of skills strengthens the effectiveness of management development
- H9: Post program evaluation strengthens the effectiveness of management development.

FIGURE 1: EFFECTIVENESS OF MANAGEMENT DEVELOPMENT MODEL



# Methodology

## The sample

The sample in this study included both public and private companies. Data was collected from the top 100 companies listed on the Australian Stock Exchange and the top 30 private companies identified by the Business Review Weekly (BRW 2003). In addition, data was collected by the Australian Human Resource Institute (AHRI) using an electronic version of the questionnaire. This questionnaire was sent by email to AHRI Members. Data was also collected from executives attending Mt Eliza's MBA Program. Two-hundred and six completed and usable questionnaires were finally obtained and formed the basis of the analysis for this study.

## Data collection procedure

Burgess (1982) has suggested that by relying on a single set of data and methods, problems may arise relating to internal validity and reliability. To overcome these problems, the methodology for this study involved triangulation. Three different methods were adopted to collect data. Firstly, data for this study were collected using a structured questionnaire. Secondly, focus group interviews were conducted with representatives from eight organisations included in the study. Thirdly, secondary sources of data, such as company annual reports, media reports and other relevant literature on each organisation were examined.

In order to maximise the response rate, six copies of the questionnaire were sent to each company. The questionnaires were addressed to the CEO because they have considerable influence in the organisation and would know to whom the questionnaires should be given. Some of the companies indicated that they had a blanket policy of not taking part in external research projects.

The questionnaire used in this study consisted of three sections. The first section sought to collect demographic information. In the second section, seven point Likert scales were used to collect information on variables of interest in this study. The final section of the questionnaire consisted of an open-ended question in which the respondents were asked to provide any additional information they believe is relevant to the study.

Semi-structured focus group interviews were conducted with managers in eight organisations, selected at random from the original sample. Content analysis of the responses of these managers was conducted to identify key issues regarding management development. Analysis of published material on the company helped gain a better perspective of management development in these organisations.

# Results

## Data analysis

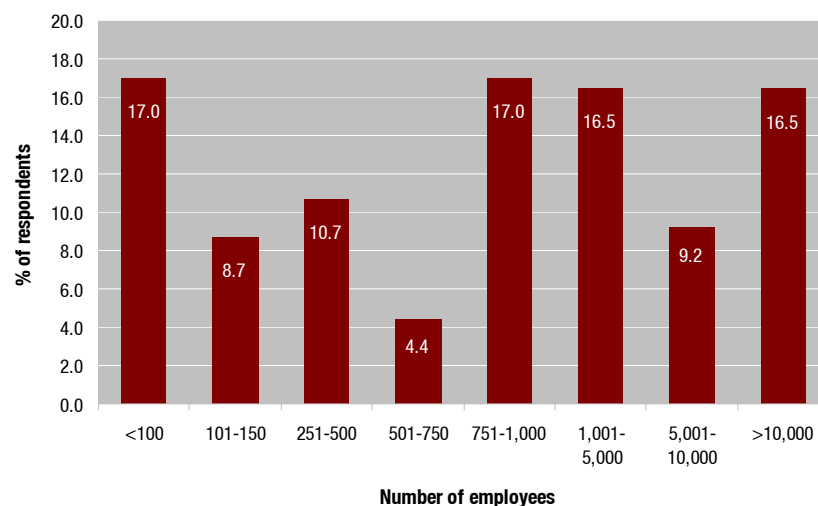
SPSS for Windows was the statistical package used to analyse the data. The results consist of frequency, means, standard deviations and regression analysis and analysis of variance. A reliability analysis was conducted for all the Likert scales used in the questionnaire. The internal reliability of the questionnaire was determined by computing Cronbach's alpha coefficient (Cronbach 1951). The scales used in this study had a high internal reliability with Cronbach's alpha coefficient for all the scales in the questionnaire between 0.70 and 0.90 (Nunnally 1978). Multiple regression analysis was used to test the model and the hypotheses in this study.

## Organisation size

The respondents surveyed worked in small, medium and large organisations. 25.7 per cent of respondents worked in organisations with less than 250 employees (small), 32.1 per cent worked in organisations with 250 to 1000 employees (medium), and 42.2 per cent worked in organisations with more than 1000 employees (see Figure 2). While the sample includes a cross-section of organisations, a greater proportion of medium and large organisations is represented.

Management development programs appear to be equally effective for managers from small, medium and large organisations. While there were no significant differences for most of the variables, managers in large organisations see external management development programs as more beneficial, compared to managers from smaller organisations.

FIGURE 2: ORGANISATION SIZE

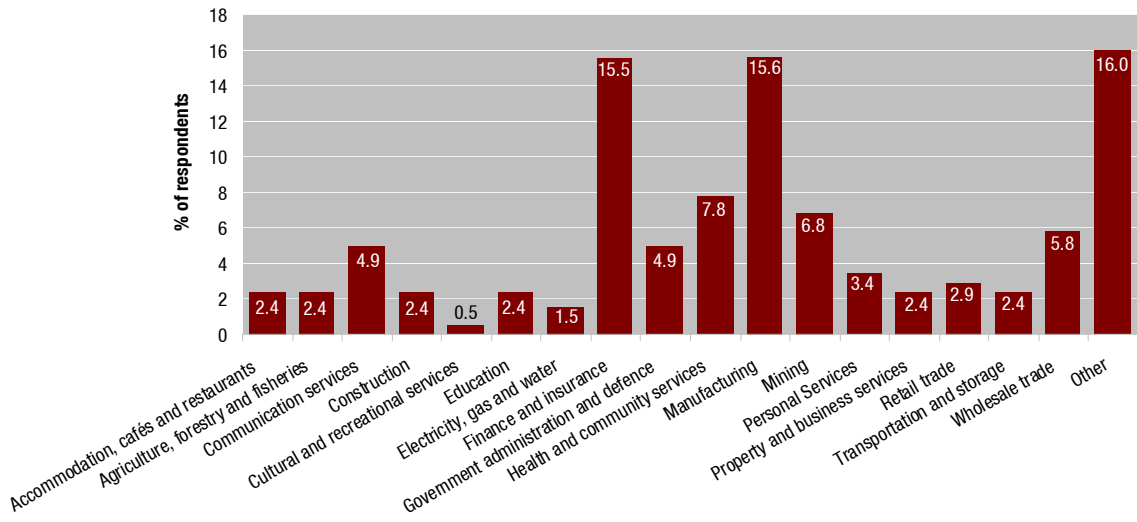




## Type of organisation

Both public and private sector managers are included in the study. The majority of the respondents were from manufacturing, finance and insurance, and human resources and health and community services. There was also a representation from all other sectors which represents a healthy cross section of organisations (see Figure 3).

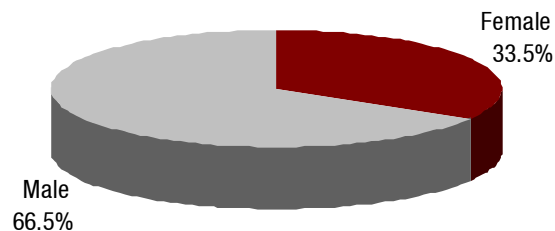
FIGURE 3: ORGANISATION TYPE



## Gender

66.5 per cent of the respondents in this study were male and 33.5 per cent were female. These figures indicate male domination of executive positions in Australian organisations (see Figure 4). It is sad to note that women have not made adequate inroads into senior positions in organisations. In addition, female managers perceived management development to be significantly less effective than their male counterparts.

FIGURE 4: GENDER OF RESPONDENTS

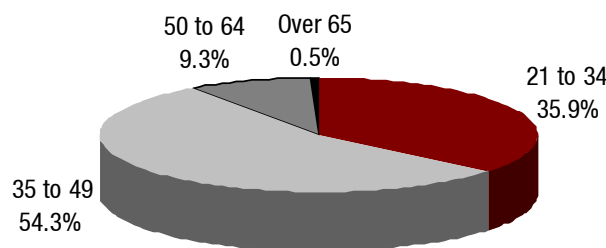


## Age

35.9 per cent of respondents were between the ages of 25-34 years, 4.3 per cent were between the ages of 35-49 years and 9.3 per cent were between the ages 50-64 years. Only 0.5 per cent were over the age of 65 (see Figure 5).

The data indicates that nearly two-third of the respondents in the sample were relatively older managers with considerable experience in the workforce. While there was no significant difference between younger and older managers regarding effectiveness of management development, significant differences were found for most of the independent variables. Overall, younger managers perceived a lower link to corporate strategy, less top management and supervisor support, and a lower ability to utilise skills back in the workplace. However, older managers reported lower post-program evaluation when compared to younger managers.

FIGURE 5: AGE OF RESPONDENTS

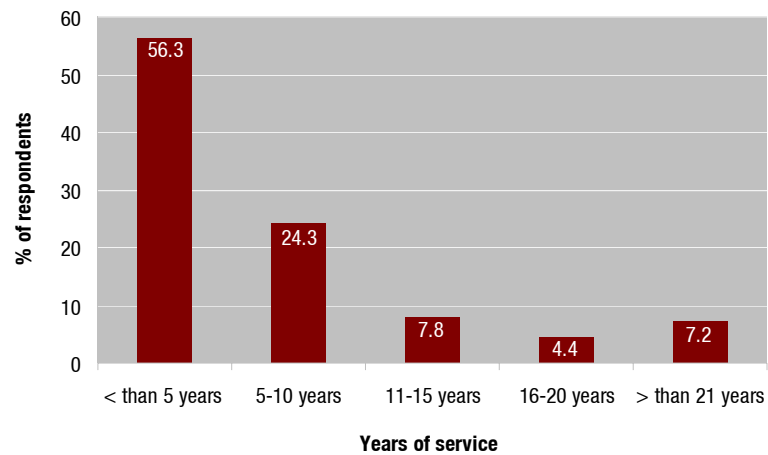


## Years of service in the current organisation

Respondents were asked to indicate the number of years they were employed at their organisation. They had a choice of five options (see Figure 6). The results suggest that 56.3 per cent of respondents have been at their job for less than five years. This is not surprising as the current workforce is considered to be “transient” and a “job for life” mentality does not exist. Approximately 24.3 per cent of respondents had been at their current job for five to ten years while 19.4 per cent of respondents had been at their current job for more than ten years. Given the increasing labour shortage in the Australian economy, attraction and retention of talented executives will be a major challenge for organisations. Effective management development programs can help to attract and retain good managers.

There were no significant differences between junior managers (less than ten years service) as against more senior managers (ten or more years service) regarding effectiveness of management development. However, once again, junior managers reported significantly less top management support, less personal responsibility for management development, less exposure to both internal and external management development, and fewer opportunities to use the newly acquired knowledge and skill back in the workplace.

**FIGURE 6: YEARS OF SERVICE AT RESPONDENT'S CURRENT ORGANISATION**

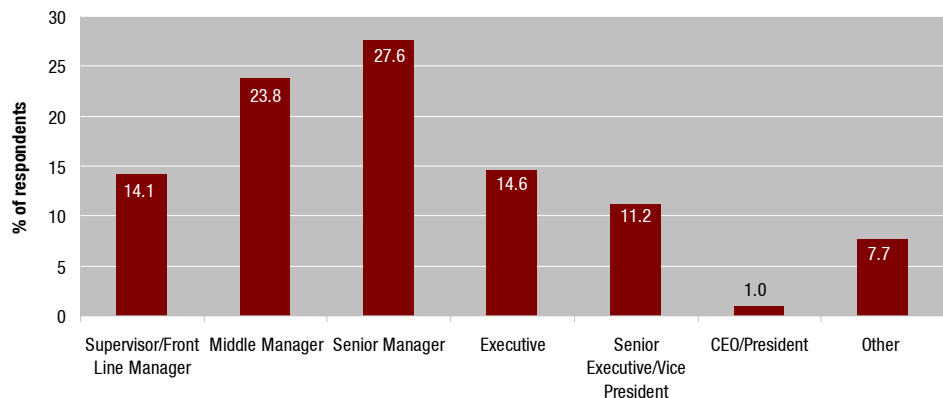


## Management level

Respondents were asked to indicate their management level. Seven options were given to respondents. Figure 7 indicates that 14.1 per cent were front line managers, 23.8 per cent were middle managers, 27.6 per cent were senior managers, 14.6 per cent were executives, 11.2 per cent were senior vice presidents and only 1 per cent were CEOs. The results indicate that while managers at different levels in the organisation were included in the sample, more than two-thirds of the sample comprised of relatively senior people (middle management and above).

When the responses of junior and middle managers were compared to senior managers and top executives, once again managers at lower levels of the organisational hierarchy reported significantly lower scores on nearly all the independent variables. For example, lower level managers reported a weaker strategic link for management development, a less supportive culture, less top management and supervisor support, lower levels of internal and external management development and a lower ability to utilise newly acquired skills back at the workplace.

**FIGURE 7: MANAGEMENT LEVEL**

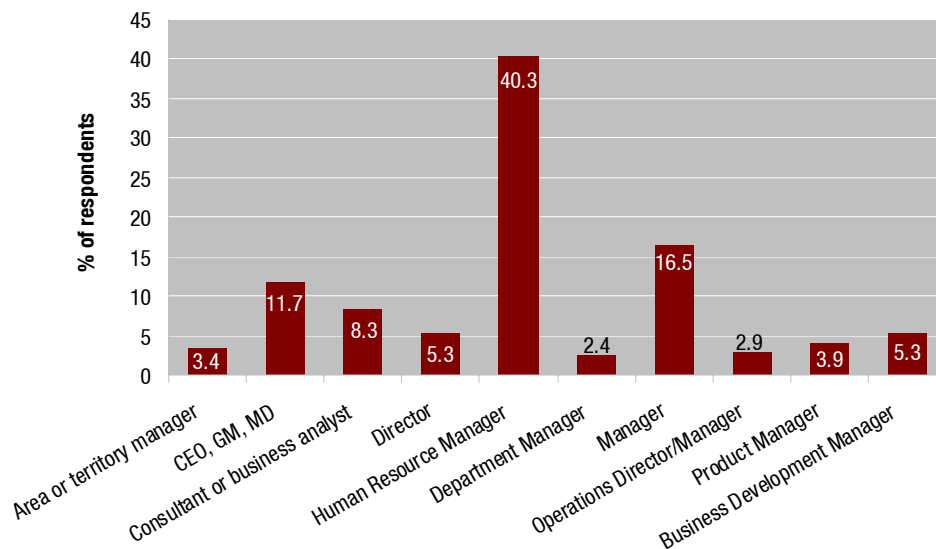


## Position title

Respondents were asked to indicate the title of their position. The position titles were combined into 11 different groups. 40.3 per cent of respondents were HR managers, 16.5 per cent were managers, 11.7 per cent were CEOs, general managers, managing directors and 5.3 per cent were directors (see Figure 8).

Responses of HR managers were compared with responses of other managers. HR managers believed there was a significantly greater link to corporate strategy and significantly higher line management support for management development. In addition, HR managers perceived significantly lower beneficial effects of external management development programs compared to other managers.

**FIGURE 8: POSITION TITLE**



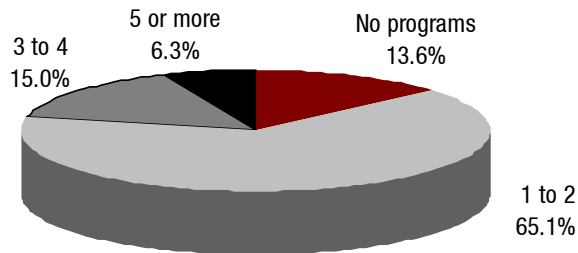
## Management development programs attended in the past two years

Figure 9 depicts the number of management development programs respondents participated in the past two years while in their current employment. 65.1 per cent attended one to two management development programs, 15 per cent attended three to four programs, 6.3 per cent attended five to six programs and 13.6 per cent have not been on any management development programs in the last two years. Organisations do not appear to be providing adequate management development opportunities for their employees. 78.7 per cent of respondents had attended not more than two programs within the past two years.

Responses of managers who attended two programs or less were compared with the responses of managers who attended more than two programs. Significant differences were found on nearly all the variables. Managers

who attended more than two programs in the last two years found management development to be more effective and felt that there was significantly higher organisational support for management development.

**FIGURE 9: MANAGEMENT DEVELOPMENT PROGRAMS PARTICIPATED IN THE LAST TWO YEARS WHILE EMPLOYED IN THE RESPONDENT'S CURRENT ORGANISATION**

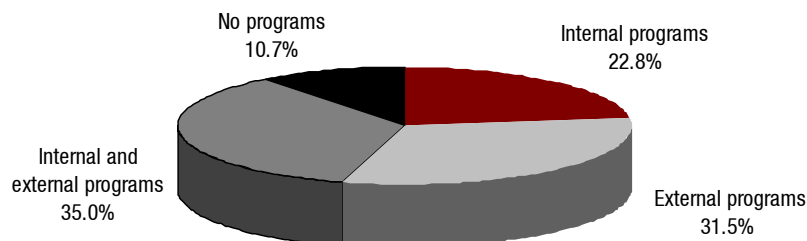


## Internal and external management development programs

Respondents were asked to indicate the types of management development programs attended during the past two years while employed in their current organisation. Figure 10 shows that 89.3 per cent of respondents have taken part in some sort of development program at work or participated in external programs. However, 10.7 per cent of respondents did not participate in any management development program. External programs expose managers to current industry practices and to the latest thinking in the field. Yet nearly one-third of organisations do not send their managers on external programs.

There were no significant differences between managers who attended only internal programs compared to managers who attended only external programs. However, managers who attended both internal and external management development programs reported significantly higher levels of effectiveness of management development and significantly higher scores on all the independent variables.

**FIGURE 10: TYPE OF PROGRAMS ATTENDED IN THE PAST TWO YEARS**



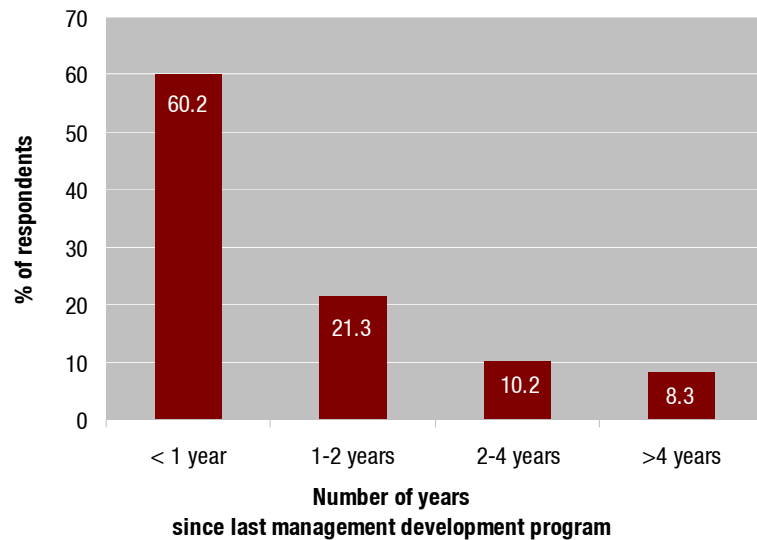
## Years since last management development program

Respondents were asked in the questionnaire to indicate when they had attended their last management development program.

A significant proportion (60.2 per cent) had attended a management development program within the last 12 months. A relatively smaller group (21.3 per cent) had attended a management development program about one to two years ago and 18.5 per cent of respondents had not had any management development in the past two years (see Figure 11). While it is heartening to note that 60.2 per cent of the respondents had attended management development programs in the past year, nearly 40 per cent of the respondents had not had any management development for over a year. Many organisations do not appear to have a consistent approach to management development.

Responses of managers who attended management development programs more recently (less than two years ago) were compared with managers who attended programs more than two years ago. Significant differences were found for all the independent variables. Managers who attended management development programs more recently reported stronger organisational support and played a more active role in their development.

**FIGURE 11: NUMBER OF YEARS SINCE LAST MANAGEMENT DEVELOPMENT PROGRAM**



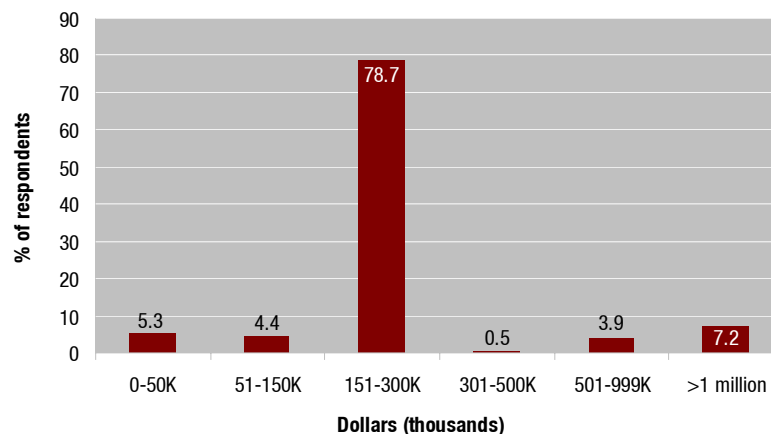
## Annual training and development budget

The majority of organisations are spending between \$151,000 to \$300,000 per year on training and development (see Figure 12). The median expenditure on training and development was \$251,603. This expenditure is often proportional to the number of employees in the company. Only 25 per cent of respondents were able to answer this question, as most of the respondents did not know how much their organisation spent on training and development.

The data also indicates per capita expenditure on training and development is extremely low. The median annual per capita expenditure on training and development is only \$833.

There were no significant differences between organisations that spent more than \$500,000 on training and development when compared to organisations that spent less than this amount. A large training and development budget alone does not enhance effectiveness of management development.

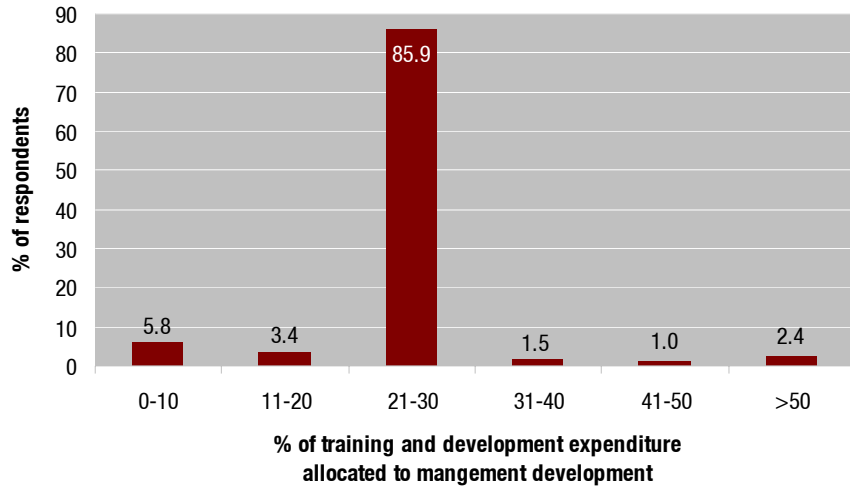
FIGURE 12: ANNUAL TRAINING AND DEVELOPMENT EXPENDITURE



## Training and development budget allocated for management development

Only 15 per cent of the respondents were aware of the percentage of training and development expenditure that was allocated to management development. The data indicates that the median expenditure for management development is 20 per cent of their training and development budget (see Figure 13).

**FIGURE 13: PERCENTAGE OF TRAINING AND DEVELOPMENT BUDGET ALLOCATED FOR MANAGEMENT DEVELOPMENT**



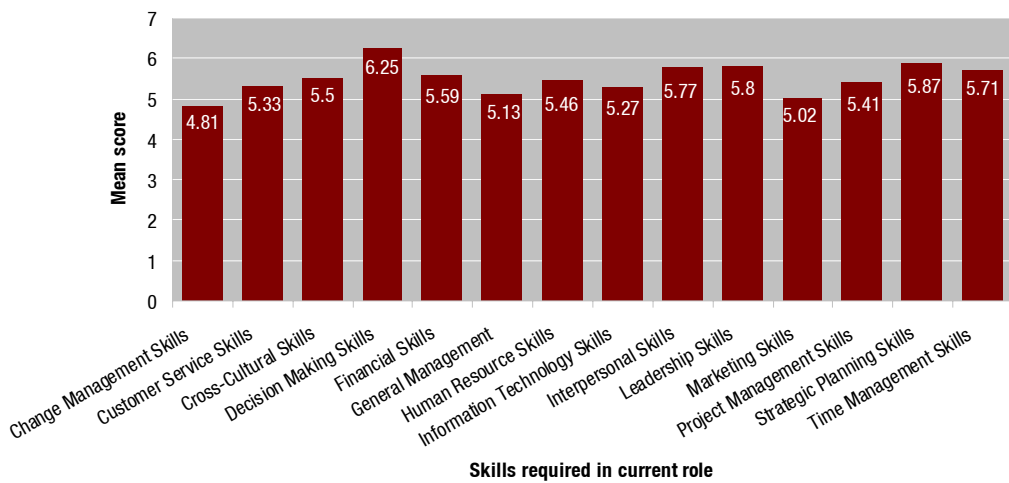
## Skills required in the current role

Respondents were asked what skills they require to be effective in their current jobs. The data indicates that respondents require all 14 skills to a considerable extent in their current role. However, the top four skills were:

1. Decision making skills (mean 6.25)
2. Strategic planning skills (mean 5.87)
3. Leadership skills (mean 5.80)
4. Interpersonal skills (mean 5.77) (see Figure 14).

The results indicate that leadership and managerial skills appear to be more important than just technical skills.

**FIGURE 14: SKILLS REQUIRED IN THE CURRENT ROLE**





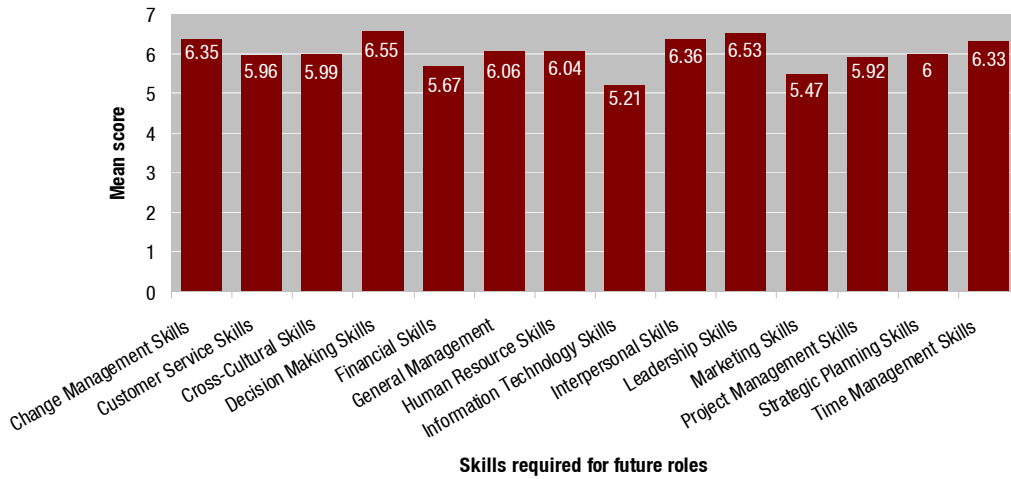
## Skills required for future roles

Respondents were then asked to indicate what skills they will require for their roles in the future (see Figure 15). The mean for each skill was above 3.5 which is the mid point. The four most important skills required for a manager in the future are:

1. Decision making skills (mean 6.55)
2. Leadership skills (mean 6.53)
3. Interpersonal skills (mean 6.36)
4. Change management skills (mean 6.35).

Once again, it appears that softer skills are seen as more important. To be successful, managers will have to be able to effectively manage people.

FIGURE 15: SKILLS REQUIRED FOR FUTURE ROLES



# Variables in the model

## Effectiveness of management development

The dependent variable in this study was the effectiveness of management development. The results of the study indicated that overall, the effectiveness of management development is mediocre. The overall mean score for this variable was 4.55 (on a seven point scale) indicating that management development efforts are seen as 65 per cent effective.

Analysis of responses indicated that management development helps to improve job satisfaction, reduce employee turnover, increase productivity and deal with customers more effectively. Management development does not adequately reduce stress levels, number of grievances or absentee rates.

TABLE 1: EFFECTIVENESS OF MANAGEMENT DEVELOPMENT

Statement	Below average	Average	Above average
1. Management development results in high job satisfaction	12.1	21.4	66.5
2. I perceive that management development has helped reduce employee turnover	13.6	23.3	63.1
3. Management development has reduced stress levels among my colleagues	25.2	30.1	44.7
4. Management development has resulted in higher productivity	14.1	24.3	61.6
5. Management development programs have helped our managers to deal with customers more effectively	14.6	20.9	64.5
6. The number of employee grievances have reduced as a result of management development	19.9	36.4	43.7
7. Management development has made succession planning very effective	20.9	22.8	56.3
8. Motivation levels are higher as a result of management development	15.0	25.8	59.2
9. Management development has resulted in lower absentee rates	24.3	36.4	39.3

## Link to corporate strategy

The extent to which management development is linked to corporate strategy is associated with the effectiveness of management development efforts. This hypothesis was strongly supported. The overall mean score was 4.55 on a seven point scale.

Table 2 indicates that 71.4 per cent of the respondents believe that management development programs help them to think strategically and 66 per cent believe that management development programs prepare them for new roles. However, the link between management development and

organisational strategy is not that strong with only 47.1 per cent of the respondents indicating that this link is above average. In addition, the role of the human resources department in the strategic planning process is relatively weak and the ability of human resources personnel to understand strategic issues needs considerable improvement.

**TABLE 2: LINK TO CORPORATE STRATEGY**

<b>Statement</b>	<b>Below average</b>	<b>Average</b>	<b>Above average</b>
1. The HR department has a strong understanding of the organisation's business issues	26.2	15.5	58.3
2. The organisation has a succession plan which is linked to the organisation structure and strategy	27.2	18.9	53.9
3. Management development is linked to organisational strategy	31.1	21.8	47.1
4. Management development programs meet future business needs	25.7	24.3	50.0
5. The HR department is actively involved in the strategy planning process	36.4	21.4	42.2
6. Management development programs prepare me for new roles	20.4	13.6	66.0
7. Management development programs have helped me to think strategically	13.1	15.5	71.4

## Top management support

The mean score for top management support was 4.35 indicating that top management support was rated at 62 per cent. Only around half the respondents indicated that management development was seen as a priority by top management. Management development is seen as a perquisite in many organisations. Senior managers are not adequately involved in inhouse management development efforts and often choose the wrong person for management development programs. The strongest criticism from respondents was that inadequate money was being spent on management development (see Table 3).

TABLE 3: TOP MANAGEMENT SUPPORT

Statement	Below average	Average	Above average
1. Management development programs are perceived as a priority	29.6	19.9	50.5
2. Top management supports management development	20.9	16.5	62.6
3. Senior Managers conduct in-house management development programs	39.3	15.0	45.7
4. My organisation spends an adequate amount of money on management development programs	44.2	20.4	35.4
5. Management development is perceived positively	23.3	18.9	57.8
6. Senior management always chooses the right people for management development programs	28.2	23.3	48.5
7. Management development programs are <i>not</i> perceived as a perk	24.3	23.3	52.4

## Organisational culture

Organisational culture had a mean score of 4.55. Most organisations valued a learning culture (68 per cent) where high performers were rewarded (62.6 per cent) and people were developed for promotions (61.2 per cent). However, organisational policies and procedures do not adequately support management development. In addition, organisations are not adequately encouraging innovation, creativity and risk taking among their managers.

TABLE 4: ORGANISATIONAL CULTURE

Statement	Below average	Average	Above average
1. Employee learning and management development activities are valued	16.0	16.0	68.0
2. People are developed for promotions	23.8	15.0	61.2
3. Innovation and creativity is facilitated	29.1	22.3	48.6
4. High performing employees are rewarded	18.0	19.4	62.6
5. Management development is perceived in a positive way	16.0	18.4	65.6
6. Risk taking is encouraged	29.1	20.4	50.5
7. Regulations, rewards systems, policies and procedures support management development	33.5	25.2	41.3

## The individual's role

The mean score of 5.02 for this variable was the highest of all the variables in the study. This indicates that most respondents believe that the individual is responsible for their own management development. Table 5 indicates that most people were motivated by management development courses (84.9 per cent) and would attend if the subject matter was of relevance (82.1 per cent). Individuals found it difficult to attend development courses due to heavy workloads (51.0 per cent) and need more encouragement to participate in self development courses.

TABLE 5: INDIVIDUAL'S ROLE

Statement	Below average	Average	Above average
1. I play an active role in planning my own management development	12.6	15.0	72.4
2. Most management development programs are very interesting	9.2	19.4	71.4
3. I was motivated to learn in my last management development program	4.9	10.2	84.9
4. I left the management development program believing I mastered new knowledge and skills	8.3	16.0	75.7
5. My workload <i>does not inhibit</i> my ability to attend management development programs	33.5	17.5	49.0
6. I am encouraged to participate in management development activities that assist with my personal growth	25.7	17.5	56.8
7. I would attend a management development program if the purpose and objectives were important to me	8.7	9.2	82.1

## Internal management development programs

Internal management development programs are organisation specific and are conducted within the organisation. Respondents indicated that such programs are not conducted very often. The mean score of 3.67 for this variable was the lowest of all the independent variables in this study.

Job rotation (31.1 per cent) and job shadowing (24.7 per cent) are not used adequately by organisations to develop individuals. It seems that most organisations do not use their own executives to coach or mentor other managers within the organisation (27.7 per cent) and the use of outside specialists to assist in management development is limited (42.7 per cent) (see Table 6).

TABLE 6: INHOUSE MANAGEMENT DEVELOPMENT PROGRAMS

Statement	Below average	Average	Above average
1. Executive coaching is used a lot in my organisation to develop managers	38.8	20.4	40.8
2. Job rotation is often used in my organisation as a way to develop people	49.5	19.4	31.1
3. Job shadowing (where a manager learns from a senior executive by observing his/her performance) is often used	58.3	17.0	24.7
4. A coach/mentor from within the organisation is often used to develop managers	52.9	19.4	27.7
5. I have often been part of a team of managers assigned to solve specific organisational problems	41.7	13.6	44.7
6. E-learning is an important method of management development	50.0	18.4	31.6
7. Specialists are used from industry to conduct management development programs inside the organisation	40.8	16.5	42.7

## External management development programs

Unlike internal programs, organisations are utilising external programs more often. The mean for this variable was 4.57. Examination of scale items suggest that respondents believe that external training programs such as MBAs (68.9 per cent) and other off site training programs (73.3 per cent) are valuable (see Table 7). Although respondents believe that off site training is important and many senior executives are attending or have completed an MBA (71.8 per cent), very few executives attend off site short term development programs regularly (42.8 per cent) and even fewer respondents believe that organisations support executive MBA programs (39.8 per cent).

**TABLE 7: EXTERNAL MANAGEMENT DEVELOPMENT PROGRAMS**

<b>Statement</b>	<b>Below average</b>	<b>Average</b>	<b>Above average</b>
1. Executives attend off-site short term development programs regularly	38.3	18.9	42.8
2. I find off-site short term (less than five days) management/executive programs very useful	25.7	20.4	53.9
3. I believe significant learning occurs through interaction with executives from other organisations in off-site programs	10.7	16.0	73.3
4. Some senior executives in my organisation are attending or have completed an external MBA or Executive MBA programs	14.1	14.1	71.8
5. Executive MBA programs are strongly supported by my organisation	39.8	20.4	39.8
6. I think off-site, long term management development programs are beneficial (MBA/Executive MBA)	23.3	7.8	68.9
7. My organisation funds external MBA programs	31.1	11.2	57.7

## Line manager/supervisor support

The mean score for line manager/supervisor support was 4.57 which is above average. The individual percentages of responses for each scale item are included in Table 8. Respondents indicated that they could easily communicate with their manager (64.6 per cent) and that their manager encouraged staff to attend management development programs (64.1 per cent). However, bosses do not adequately support the use of newly acquired skills in the workplace (49.1 per cent) and do not offer a lot of coaching (40.3 per cent).

**TABLE 8: LINE MANAGER/SUPERVISOR SUPPORT**

<b>Statement</b>	<b>Below average</b>	<b>Average</b>	<b>Above average</b>
1. I can communicate easily with my manager regarding my management development	22.8	12.6	64.6
2. My manager encourages staff to attend management development programs	23.3	12.6	64.1
3. My manager assists me in planning my management development	30.1	15.1	54.8
4. After the program, my manager supports the use of my newly acquired knowledge and skills	27.2	23.7	49.1
5. My manager's feedback is always constructive	19.9	18.4	61.7
6. My manager encourages me to try my new skills in my work	18.4	22.3	59.3
7. I believe my manager offers me a lot of coaching after I return from a management development program	33.5	26.2	40.3

## Utilisation of skills

Management development can be effective only if managers are able to utilise the newly acquired skills back at the workplace. The mean of 4.69 suggests that respondent satisfaction with skill utilisation is 67 per cent. However, 71.4 per cent of respondents were motivated to apply knowledge and skills in their job while 70.9 per cent felt that their work environment provided them opportunities to use the new skills (see Table 9). The biggest problem seems to be the lack of sufficient time to use the new knowledge and skills and the lack of follow up activities that occur after the management development program. Given that this variable was significant in the regression model, more time and coaching are required to enhance opportunities for skill utilisation.

**TABLE 9: UTILISATION OF SKILLS**

<b>Statement</b>	<b>Below average</b>	<b>Average</b>	<b>Above average</b>
1. I have sufficient time in my workplace to use my new knowledge and skills	33.5	21.4	45.1
2. What I learnt in the management development program is easily transferable to my work environment	15.5	21.4	63.1
3. Follow up activities after the management development program occur back at the workplace	29.6	24.7	45.7
4. I am motivated to apply my new knowledge and skills in my job	13.6	15.0	71.4
5. My work environment provides me with opportunities to use my new skill and knowledge	10.2	18.9	70.9
6. There is no resistance to using new skills in the workplace	16.0	16.5	67.5
7. The equipment and facilities at my workplace are adequate for applying my new knowledge and skills	17.5	20.9	61.6

## Post-program evaluation

Post-program evaluation had a relatively lower mean score of 4.05. Table 10 indicates that respondents felt strongly that post program evaluation was beneficial (70.4 per cent). However, evaluation occurs most frequently at the end of the program (69 per cent) and there is inadequate evaluation back at the workplace. Very little attempt is made to assess return on investment (29.2 per cent).

**TABLE 10: POST-PROGRAM EVALUATION**

<b>Statement</b>	<b>Below average</b>	<b>Average</b>	<b>Above average</b>
1. Soon after completing my last management development program, I was asked to evaluate the program	21.8	9.2	69.0
2. I was asked to take a test or complete an assignment to assess the extent of learning in my last program	48.1	16.5	35.4
3. I was evaluated on my new management development skill or knowledge back at the workplace	63.1	13.6	23.3
4. I believe that management development has contributed significantly to changing my behaviour	26.7	17.5	55.8
5. I believe that post program evaluation is beneficial	14.6	15.0	70.4
6. Soon after management development occurs evaluations are carried out	29.1	22.3	48.6
7. Management development is assessed to determine the improvement to organisational performance	39.3	22.8	37.9



# Results of the regression analysis

The comprehensive model of effectiveness of management development was tested using multiple regression analysis. Results of the regression analysis indicated that the model was strongly supported. The overall R square of 0.30 was supported at the .00 level of significance ( $F = 9.43$ ,  $\alpha = .00$ ) (see Table 11). Analysis of the correlation matrix indicated that the problem of multicollinearity is low. Only one correlation was above 0.70.

TABLE 11: SUMMARY OF REGRESSION ANALYSIS

Variable	B
Constant	
Link to corporate strategy	0.44
Top management support	0.09
Organisation culture	-0.03
Individual's role	0.01
Inhouse programs	-0.10
Offsite programs	0.03
Line manager support	-0.10
Opportunities to utilise skills	0.20
Post-program evaluation	0.05

Of the various hypotheses tested in this study, two hypotheses were supported. Respondents indicated that the link to corporate strategy was associated with higher effectiveness of management development. The mean and standard deviation for the link to corporate strategy was 4.55 and 1.11 respectively. By observing the beta value of link to corporate strategy in Table 11, it is evident the beta value of 0.44 was significant at the .00 level ( $t = 4.63$ ,  $\alpha = .00$ ). This variable is the most important independent variable in the study as it has the highest beta weight. The sign of the beta weight was in the hypothesised direction.

In addition, Hypothesis 8 was also supported ( $t = 2.12$ ,  $\alpha = .04$ ). The mean and standard deviation for utilisation of skill is 4.69 and 0.9. The beta of 0.18 was in the hypothesised direction. Respondents believed that the ability to utilise newly acquired knowledge and skills is significantly associated with effectiveness of management development.

# Discussion

This study sought to investigate the effectiveness of management development in Australia. Based on a review of the literature on management development, a model was developed to investigate the effectiveness of management development in Australia. Data was collected from 206 respondents in 153 organisations across Australia. Multiple regression analysis indicated that the Model of Effectiveness of management development was supported (R-Square = 0.30,  $F=9.43$ ,  $\alpha = .00$ ). Two independent variables were significant. The results indicated that Link to Corporate Strategy was the most important independent variable. Ability to use the newly acquired knowledge and skills back at the workplace was the second significant variable.

“The effectiveness of management development in Australia is mediocre...”

Overall, the effectiveness of management development in Australia is mediocre. The mean score of 4.55/7.0 indicates that management development is only 65 per cent effective. While the results of this study indicate that the link between management development efforts and corporate strategy is significantly associated with the effectiveness of management development, organisations are not paying enough attention to establishing this link. Management development efforts are not really systematic and do not reinforce corporate strategy. This was further supported during the focus group interviews when one executive made the comment that the organisation wants to build in management development into the organisation’s strategy but every one has their own vision and it is often difficult to reach consensus. Another executive stated that companies are only dollar driven and it is difficult to write into the business plan effective management development.

Unfortunately, management development is not really seen as a priority by top management in nearly half the organisations in this study. Organisation policies and procedures do not offer enough support to management development. All the independent variables in this study had mean scores of less than 4.57/7.0, indicating once again, that management development strategies and policies are mediocre.

The annual per capital expenditure of \$833 on training and development is extremely low. While the average expenditure on training and development for organisations in the sample is \$251,603, only 20 per cent of this amount is spent on management development. Nearly two-thirds of the sample believe that the money spent on management development is inadequate. Unless organisations develop a fuller appreciation of the benefits of management development, Australia’s competitiveness in the international arena is likely to be significantly reduced.

HR managers overestimate the real link between management development efforts and corporate strategy and the support that line management provides to subordinates. HR managers are not actively involved in the strategic planning process and do not have an in-depth understanding of

the business issues facing their organisation. Since HR managers are usually the architects of the organisation's management development strategy, failure to fully understand corporate strategy is likely to reduce the effectiveness of management development efforts.

HR managers also overestimate the extent of utilisation of internal programs and undervalue the benefits of external programs. Yet managers in this study indicated that a combination of internal and external programs is significantly more beneficial than only internal or external programs. Managers felt that there was inadequate use of internal development programs in their organisation. This view was also supported at the focus group interviews. One particular company representative admitted that 80 per cent of all company training and development is outsourced. Inhouse training at this company is directed only at junior employees.

Junior managers and new employees are exposed to significantly less management development than more experienced managers. These managers experienced significantly less top management support, lower responsibility for management development and fewer opportunities to use newly acquired skills compared to more senior managers. Less than half the respondents believe that senior management chooses the right people for management development programs. While the literature indicates that opportunities for management development can attract and retain new employees, organisations in Australia appear to be using management development as a perquisite or reward for seniority. Participants in the focus group interviews also indicated that a true learning organisational culture encompasses everyone within the organisation, not just the high achievers.

The data indicates that male domination of management jobs persists. Only one-third of the sample were female managers. It is sad to note that female managers perceived management development to be significantly less effective than their male counterparts. Improvements in job satisfaction, productivity, customer management and motivation are significantly less for female managers when compared to male managers. It is possible female managers may not be getting job opportunities that allow them to utilise their new skills.

“Organisations in Australia appear to be using management development as a reward for seniority...”

It is heartening to note that most managers are very positive about the benefits of management development and are willing to take responsibility for their own development. Managers believe that management development helps them to think strategically, increases job satisfaction, reduces employee turnover, increases productivity and enhances the ability to deal with customers more effectively. Managers value external management development programs and find MBA programs very beneficial. Yet, organisation support for external MBA programs is low (39 per cent). While individual initiative is high, participants in the focus group emphasised the need for more organisational support for management development.

One of the biggest hurdles that managers experience is the lack of time because of heavy workloads. This inhibits the ability to attend management development programs. Managers are not able to work on new projects or tasks that allow them to use the newly acquired skills. Another problem managers encounter is the lack of support from their boss. Inadequate post-program follow up activities and little or no evaluation is the norm in most organisations. During the focus group interviews, participants stated that most companies tend to survey their employees only when they return from management development programs, especially expensive programs. One representative from a large multinational described their post-program evaluation as only an informal process. Through the process of team work, individuals are expected to share the knowledge learnt with other team members. However, there are no formal mechanisms in place to ensure that this sharing of knowledge occurs.

“Managers believe management development helps them to think strategically...”

Decision-making skills, strategic planning skills, leadership skills and interpersonal skills are perceived as essential, for success in the respondent’s current role. When asked about the skills required to be successful in their future roles, respondents once again indicated that decision-making skills, leadership skills, interpersonal skills and change management skills are needed. It is interesting to note that the emphasis seems to be on “soft skills” rather than on “technical skills”. Executives appear to be highlighting the need for change management skills to cope with the dynamic environment in which organisations operate.

In summary, the overall model of effectiveness of management development was strongly supported in this study. Of the nine independent variables in the model, the most important variables were “link to corporate strategy” and “utilisation of knowledge and skills in the workplace”. To enhance the effectiveness of their management development programs, organisations will need to establish a much stronger link between management development and corporate strategy. The findings of this study reinforce the growing emphasis on the strategic role of human resource professionals. In addition, organisations will have to provide more time and opportunities to enable executives to use the skills learnt in management development programs back at the workplace.

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