Management development and competitive advantage: The emergence of two preliminary conceptual frameworks

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ABSTRACT: This conceptual paper evaluated the relevant literature concerning management development (MD) and competitive advantage (CA) and examined a possible relationship between the concepts of MD and CA. This was achieved by reviewing the MD and CA literature and assessing the emerging role of MD in organizations. The paper considered the conceptualization and dynamics of both MD and CA. The main focus of the study was to compare and contrast existing representative models through cross referencing and to develop conceptual frameworks that integrated both approaches. It was found that there were several aspects of the MD and CA realms that were mutually inclusive, particularly in the areas of corporate vision and strategy, learning and knowledge, and skills development. Other integrated areas that arose were decision making and behavioral and cognitive development. The two proposed conceptual frameworks suggest a methodological guideline and recommendation for the implementation and practice of MD and CA.

Key words: Management development, competitive advantage, conceptual framework

INTRODUCTION

The academic fields of management development (MD) and competitive advantage (CA) have been of great interest to academic scholars and HR practitioners alike. Despite the fact that a sizeable body of knowledge has emerged separately in both fields, there is a dearth of evidence that demonstrates the relationship between those two fields (McClelland, 1994; Luoma, 2000; Law, 2004). McClelland (1994) asserts that managers generally do not associate MD with corporate competitiveness. Luoma (2000) remarks that the rapid changes in the current global external environment compel organizations to rethink their corporate strategies in order to remain competitive. Schuler (1989) asserts that organizations need to build their competitive edge through MD activities in order to retain talented, experienced, and adaptable managerial employees. In that sense, capable management is deemed as one of the organizational resources to build corporate competitiveness (Law, 2004). According to Atkinson and Meagher (1986), MD assumes a key role in realigning the organization’s internal resources and functions for organizational success. Millett and Leppanen (1991) add that MD’s basic function is to equip firms with competent and knowledgeable managers who are able to successfully implement corporate strategies in an increasingly challenging environment.
McClelland (1994) suggests that MD needs to be aligned with the corporate strategy in order to ensure the availability of skills for the effective implementation of the firm’s strategic intent. He states that it is meaningful to associate MD with the company’s strategic competitiveness. Likewise, Hussey (1985) contends that MD should be part of the overall organizational strategies and objectives. In a similar vein, Berry (1990) adds that managers that are skilful and capable assist in effective decision-making processes and strategy implementation. Mann (1990) points out that MD has the capacity to enhance organizational competitive advantage by means of protecting a firm’s market position. Unfortunately, hitherto, very little research has been documented about the practical methodological link between MD and CA. This research gap underpins this research paper.

The main objective of this study is to examine a plausible relationship between MD and CA. For this purpose, a preliminary conceptual framework needs to be developed. This should then be translated into a practical methodology in order to serve as a guideline for firms to improve their overall organizational performance. In doing so, this paper will conduct an assessment of MD and CA, their possible linkages, and an evaluation of existing MD and CA frameworks.

**LITERATURE REVIEW – MANAGEMENT DEVELOPMENT (MD)**

Prior to examining the emerging role of Management Development (MD) in organizations, it is appropriate to examine the concept of MD. Lees (1992) conceptualized MD as the intersection of three variables – the individual career, organizational succession, and organizational performance. Accordingly, the intersection of these three variables constitutes a system of corporate activities with the goal of improving corporate performance in the context of on-going organizational and environmental changes. Thus, MD is seen as a holistic process in which individuals learn, grow, and improve their abilities to perform tasks related to management in organizational development activities. Lees (1992) states that this may comprise development activities, such as performance appraisals, job rotation, career planning, and teamwork.
Dikken and Hoeksema (2001) identified five major aspects of MD – including (1) the opportunity of learning on the job, (2) controlling and managing learning processes of managers, (3) learning on the job for career success, (4) the conscious use of developmental instruments to influence managers’ behavior, and (5) recommendations for managers and their organizations to improve organizational performance. In a similar vein, Storey (1989) contends that MD represents an organizational process that enhances the capability of managers while leaving scope for creativity and interdependency. Likewise, Jansen, Van der Velve, and Mul (2001) classify MD into four types: (1) administrative MD which emphasizes lifetime employment for managers, including promotional opportunity based on the length of service and age, (2) dependent MD which is dependent on the chosen organizational strategy, (3) leading MD which concentrates on adequate prior selection rather than on subsequent T&D, and (4) partnership MD which stresses filling key positions within an organization. MD is thus understood as the system of manpower practices by which an organization places the right candidates in the right place at the right time (Jansen et al., 2001). Taylor and Gordon (1984) claim that MD is part of a well-coordinated organizational development program which should be integrated into the corporate policies and strategies. Similarly, Torrington and Hall (1998) suggest that MD is a system that focuses on developing the future roles of managers.

How is MD defined? McClelland (1994) defines MD as one of the key organizational processes aimed at delivering successful organizational adaptation and renewal. Hitt (1987) refers to MD as a unified process that is coherent and that integrates the organization’s philosophy, mission, vision, business goals, and HR strategy across all hierarchical levels and functions. Mumford (1993) categorizes MD into three approaches, namely (1) the informal accidental approach which includes the activities of informal and unconscious learning, (2) the integrated managerial opportunistic process that encompasses planned learning experiences, and (3) the formalized development planned process that focuses on structured learning activities. Mumford (1993) points out that these approaches reflect a holistic and ever-changing perspective of the organization. In identifying the various stages of MD in an organization, Burgoyne (1988) defined six levels of maturity of MD progression. The first level represents an unsystematic practice of MD, the second level shows an
isolated and tactical style of MD, the third level comprises an integrated and structured MD, the fourth level sees MD strategy as input to corporate policy, the fifth level views MD strategy as input to the formation of corporate policy, and the sixth level captures the strategic development of the management of the organization. Burgoyne (1988) maintains that these six levels of maturity of MD include both the structural and conceptual dimensions that are intertwined within an organizational design that provides an MD process.

Doyle (1994) suggests a systems approach of studying MD by means of an integral part of a wider organizational system which is linked to the context and reality of managerial work. He asserts that MD is an open system that consists of the interplay of interrelated elements that direct towards common goals. Similarly, Morgan (1986) reveals that a systems approach to MD exhibits the synthesizing, integrative, and relational qualities of an organization. It further fosters the awareness and pattern of causal relationships among the elements and their complex interactions. Such a perspective implies that MD as an open system is both a system and process that interacts with other organizational and environmental subsystems and activities.

Why should an organization consider investing in the aspect of MD? Lees (1992) believes that there are ten rationales for an investment in MD. Accordingly, MD is driven by these rationales in order to improve managerial functioning and the overall organizational performance. The rationales are (1) functional performance, which seeks to improve managerial functioning and corporate performance, (2) agricultural development, which focuses on the needs of organizations to cultivate and develop managers internally, (3) functional defensive, where MD is seen as an element of core organizational strategic and management control process, (4) socialization, where MD is considered as the socialization of managers to share a common corporate value system, (5) political reinforcement, where MD acts as a political tool to reinforce the belief of controlling managers, (6) organizational inheritance, where MD is seen as a crucial factor in corporate succession planning and career development, (7) environmental legitimacy, which advocates the rationale of internalizing the organizational legitimacy by conforming to environmental reality and its constituencies, (8)
compensation, which advocates that MD should offer compensation at work to prevent employee alienation, (9) psychic defence, where MD serves as a social system against work anxiety, and (10) ceremonial, where MD is seen as a ceremony designed to legitimize the social progress of managers. This list of rationales is substantiated by Quinn (1988) who shares a similar view and suggests that MD rationales constitute a system of competing values in organizations for the purpose of MD itself and the overall organizational objectives (Quinn, 1988).

It must be evident that the emergence of differences in the definitions of MD is a result of their different approaches towards the study of MD. The traditional definition focuses on the deliberate aspects of MD which its emphasis on structured, planned, and formal side of MD. In contrast, the contemporary perspective views MD as generic and comprises both formal and informal aspects of MD. Finally, the systems approach of MD places greater emphasis on seeing MD as an integrated approach towards organizational competitiveness as opposed to a fragmented and piecemeal approach (Law, 2004). A thorough appreciation and understanding of the need and emerging role for MD practices in the corporate section is critical to the success of corporations in an increasingly global environment. Other contributors that have studied MD have focused on the selection of MD, the analysis of MD needs, managerial competencies, choice of delivery methods, and evaluation of MD. Contributors include Boyatzis (1982), Taylor and Gordon (1984), Mumford (1993), Sisson and Storey (1993), Doyle (1994), and Jones and Woodcook (1995).

Having briefly reviewed the MD literature, it has become clear that all of the above definitions have one aspect in common in that there is a growing perceived relationship between MD and organizational competitiveness. A such the concept of MD is seen as a practical (Mumford, 1993) and effective (Law, 2004) approach to the enhancement of overall organizational performance.
LITERATURE REVIEW – COMPETITIVE ADVANTAGE (CA)

What is Competitive Advantage (CA)? How is CA defined and what is its impact on organizational effectiveness? There are a number of definitions that have appeared in the literature. Law (2004) asserts that there are two perspectives on CA – namely the “outside-in” and the “inside-out” perspectives. Porter (1985) who is widely regarded as the leading “outside-in” theorist argues that as a firm’s efficiency of strategic business units (SBU) is determined mainly by industry attractiveness based upon his five-forces-model. The model includes (1) the rivalry among the competing firms, (2) bargaining power of suppliers, (3) bargaining power of consumers, (4) threat from potential entrants, and (5) threat from potential substitutes. Thus, the competitive position of SBU and its positional advantage can be achieved through cost and differentiation positions. Consequently, CA will be built for organizational success and performance. Porter (1985) emphasizes that firms ought to adapt to the external environment on an on-going basis when determining their strategies. Such a continuous positioning approach seeks to ensure a market position for sustained competitiveness and profitability. In other words, a profound insight into markets and industries is critical as the general structure of markets and industries, including the specific demands, strengths, positions, and intentions of all five forces will be determined in response to external structural changes. At the same time, Porter (1985) acknowledges the importance of a firm’s resources as market opportunities will only be seized with the availability of such resources in order to ensure the implementation of the best market strategy.

Foss (1996), on the other hand, is a leading contributor of the “inside-out” perspective. According to him, CA is the art of accumulating and deploying organizational resources. This is in contrast to Porter’s (1985) perspective which stresses the positional advantage derived from the analysis of an industry structure. Foss’s (1996) definition is supported by Castanias and Helfat (1991) who contend that CA is derived from organizational resources owned by the organizations themselves. Day and Wensley (1988) further elaborate that firms achieve positional advantage through investments into company assets and managerial capabilities. They contend that such investments will result in a CA by leveraging sources that are valued by customers through the differentiation strategy. The concept of CA is identified from a capability-based perspective in that it implies that learning skills that
emphasize service quality, cost control, innovation, and business speed will eventually form a competitive business position (Day & Wensley, 1988; Hamel & Prahalad, 1994; Law, 2004).

Interestingly, although the aspects of capability and learning skill are considered a source of organizational competency, the focus of CA has been diverted to a resource-based view (RBV) which is also considered an “inside-out” perspective. RBV emphasizes the importance of organizational internal resources for attaining and sustaining CA as opposed to the belief of positional advantage. A number of scholars argue that organizational performance or the creation of CA is dependent on how well the firm accumulates and manages resources that are rare (Barney, 1991), immobile (Peteraf, 1993), inimitable (Dierickx & Cool, 1989; Godfrey & Hill, 1995), valuable (Rumelt, 1984), and lack of the possibility of a substitute (Teece, Pisano, & Shuen, 1997). CA is also dependent upon social complexity (King & Zeithaml, 2001), causal ambiguity (Mosakowski, 1997), and skills and knowledge (Reed & DeFillippi, 1990) that are built by managers. All these contributors seem to suggest that the more the advantages of their proposed characteristics the better the sustainability of CA through the interaction and intermediation of organizational competency.

A number of researchers express concern over the elusive concept of CA from the RBV perspective. For instance, Smith, Vasedevan, and Tanniru (1996) assert that building a CA is a time consuming process and RBV’s static perspective has overly focused on the result rather than on the process of constructing CA per se. As a result, the potential contribution of RBV to CA is limited and, to some degree, ignored as measuring CA based on a point of time is less dynamic and less realistic when assessing the actual strength of an organization’s CA (Law, 2004).

In sum, there is empirical evidence suggesting that strong and sustainable CA has a positive influence on organizational effectiveness and increased overall organizational performance. A sustainable CA fosters improved organizational performance and leads to higher levels of productivity. This is achieved chiefly by means of effective resource allocation and utilization. In this sense, a sustainable CA could be considered effective if it promotes the attainment of organizational goals and objectives.
MD AND CA

A review of the MD and CA literature reveals that the objectives of both MD and CA are improved organizational efficiency and effectiveness. Thus, it must be clear that both MD and CA are deemed ‘strategic resources’ (Law, 2004) in the pursuit of a firm’s corporate goals and objectives. However, literature fails to create a relationship between those two fields in an integrated fashion. McClelland (1994) argues that MD has assumed a more important role in the internal alignment of resources and functions. Millett and Leppanen (1991) add that MD ensures that organizations have identified and mobilized capable managers in implementing the corporate strategy. This has been confirmed by Hussy (1985) and McCall (1992) who assert that MD should be closely aligned with organizational objectives and strategies. Moreover, Mann (1990) states that organizations institute MD to enhance their CA in order to maintain and progress their market position in their respective industries.

At the same time, very little has been documented on the linkage of and integration between the concepts of MD and CA (McClelland, 1994; Luoma, 2000; Law, 2004). There remains a research gap in the study of a direct relationship between MD and CA despite the above arguments. While the literature is helpful in defining and conceptualizing MD and CA, there is no conceptual framework that links the two areas of study in terms of organizational transformation which would need to go far beyond organizational description. This research paper seeks to develop a preliminary conceptual framework exploring the link between MD and CA.
MD AND CA: A PRELIMINARY CONCEPTUAL FRAMEWORK

The review of the MD literature has shown clearly that there is a focus upon the strategic role of MD in a situational context. For instance, Catalanello and Redding (1989) state that organizations should take the strategic role of management development seriously. Similarly, Torraco and Swanson (1995) discuss the importance of MD in devising, shaping, and supporting corporate strategies. In contrast, Mabey and Salaman (1995) view the relationship between MD and corporate strategy as a means to identify and assess skill deficiencies in organizations. Pettigrew, Henry, and Sparrow (1988) stress the importance of skill performance for MD activities. Likewise, Buller (1988) and Argyris (1989) maintain that MD needs to be an intrinsic aspect of the corporate strategic planning process.

Nevertheless, while these arguments are useful in illustrating aspects of MD and CA, there is still a gap in the existing literature in assessing and linking MD and CA. This piecemeal approach and partial understanding of a possible relationship between the concepts of MD and CA are compelling reasons for the development and pursuit of a more integrated approach that links the two conceptual dimensions of MD and CA. Figure 1 depicts the interaction between MA and CA. By way of definition, MD is production-oriented and focuses primarily on productivity for bottom-line outcomes, whereas CA is results-driven and focuses on the direction of growth (Law, 2004).
As shown in Figure 1, the preliminary framework depicts the interaction between MD and CA. It must be evident that the two concepts are not mutually exclusive but mutually inclusive in certain aspects. In that sense, interaction between MD and CA can be expressed through the commonality aspects of production-focused and results-driven criteria for effectiveness and efficiency. As a result, in order to test the suggested model, existing MD and CA models were compared and contrasted.

**METHODOLOGY**

A selected number of existing MD and CA models were purposefully chosen. On the one hand, the MD model by Garavan (1997) was selected to represent the MD domain, whereas the models by Hill and Jones (1998) and by Smith, Vasudevan, and Tanniru (1996) represented the CA realm. The cross-referencing which involves the comparing and contrasting of the MD and CA frameworks enabled the researcher to assess the links between MD and CA. More specifically, the following two steps were employed. First, the main corresponding criteria in the CA model were identified and matched with
RESULTS

Table 1 depicts each characteristic of the MD model with the number of corresponding references in the CA models by Hill and Jones (1998) and Smith et al. (1996). The results show that the characteristics of the MD model most frequently referred to the Hill and Jones (1998) and Smith et al. (1996) model are aligned with vision and strategy (9 references), peer learning (8 references), improved problem solving (seven references), skill building (7 references), skill effectiveness (7 references) as well as interpersonal (7 references), intrapersonal (6 references), and life skills (6 references). Interestingly, a number of key areas of proactive-related MD described under the MD models, including manager potential (1 reference), future role (no reference), interaction with the environment (inside-out and outside-in) and continuous change (no reference), were either not covered or only to a small degree by the Hill and Jones (1998) and Smith et al. (1996) CA models.

Table 1 MD and CA models: Cross referencing

<table>
<thead>
<tr>
<th>Management Development (MD) model characteristics (Garavan, 1997)</th>
<th>Number of corresponding competitive advantage (CA) model references (Smith, Vasudevan, and Tanniru, 1996; Hill and Jones, 1998)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Align with vision and strategy</td>
<td>9 references</td>
</tr>
<tr>
<td>2. Peer learning</td>
<td>8 references</td>
</tr>
<tr>
<td>3. Improved problem solving</td>
<td>7 references</td>
</tr>
<tr>
<td>4. Skill building</td>
<td>7 references</td>
</tr>
<tr>
<td>5. Skill and effectiveness</td>
<td>7 references</td>
</tr>
<tr>
<td>6. Interpersonal skill</td>
<td>7 references</td>
</tr>
<tr>
<td>7. Intrapersonal skill</td>
<td>6 references</td>
</tr>
<tr>
<td>8. Life skill</td>
<td>6 references</td>
</tr>
<tr>
<td>9. Decision making</td>
<td>6 references</td>
</tr>
<tr>
<td>10. Personal competence</td>
<td>5 references</td>
</tr>
<tr>
<td>11. Continuous change</td>
<td>5 references</td>
</tr>
<tr>
<td>12. Inductive strategy</td>
<td>2 references</td>
</tr>
<tr>
<td>13. Outside in</td>
<td>2 references</td>
</tr>
<tr>
<td>14. Inside out</td>
<td>1 reference</td>
</tr>
<tr>
<td>15. Manager potential</td>
<td>1 reference</td>
</tr>
<tr>
<td>16. Maximising potential</td>
<td>0 references</td>
</tr>
<tr>
<td>17. Future role</td>
<td>0 references</td>
</tr>
</tbody>
</table>

Source: developed for this research
A further in-depth examination of the elements in the CA models by Hill and Jones (1998) and Smith et al. (1996) was necessary. This was achieved by conducting a second cross referencing activity of CA to MD. The results are depicted in Table 2. The criteria which are referred to the most in the comparison are the more proactive elements of the model. As shown in Table 2, these criteria encompass the company skills, people skills, interaction and cooperation, control system, and cognitive and behavioral development. Interestingly, organizational structure and tangible assets are the least covered criteria.

Table 2 CA and MD models: Cross referencing

<table>
<thead>
<tr>
<th>Competitive advantage (CA) model criteria (Smith, Vasudevan, and Tanniru, 1996; Hill and Jones, 1998)</th>
<th>Number of corresponding management development (MD) model references (Garavan, 1997)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Distinguished knowledge</td>
<td>12 references</td>
</tr>
<tr>
<td>2. Distinguished expertise</td>
<td>11 references</td>
</tr>
<tr>
<td>3. Company skill</td>
<td>10 references</td>
</tr>
<tr>
<td>4. Interaction and cooperation</td>
<td>7 references</td>
</tr>
<tr>
<td>5. People skill</td>
<td>6 references</td>
</tr>
<tr>
<td>6. Control system</td>
<td>6 references</td>
</tr>
<tr>
<td>7. Cognitive development</td>
<td>3 references</td>
</tr>
<tr>
<td>8. Behavioral development</td>
<td>2 references</td>
</tr>
<tr>
<td>9. Decision making</td>
<td>2 references</td>
</tr>
<tr>
<td>10. Organizational structure</td>
<td>0 references</td>
</tr>
<tr>
<td>11. Tangible assets</td>
<td>0 references</td>
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</tbody>
</table>

Source: developed for this research

The results depicted in Table 2 demonstrate that the MD and CA models overlap to some degree in that they share common elements. For instance, both models comprise results-driven and production-driven criteria through interaction. The results also show that the MD model corresponds with the CA model in terms of distinguished organizational knowledge (12 references) and expertise (11 references), corporate vision and strategy, and learning and skills aspects. This has been confirmed by Garavan, Costine, and Heraty (1995) who claim that MD activities promote the alignment between organizational knowledge and strategy which in turn drive the strategic vision of organizations. In a similar vein, Schuler (1989) extends that MD plays a key role in realigning organizational internal resources with overall corporate performance and success. Moreover, Schuler (1989) stresses that
managers should be encouraged to acquire the necessary learning, knowledge, and skills in order to strategically and optimally utilize the organizational resources.

To sum up, it may be possible to suggest that in order to attain and sustain CA by virtue of the practice and implementation of MD, MD approaches and practices should be considered concurrently and simultaneously. In other words, corporate strategic planning and MD are deemed most effective when both are utilized and practiced as an integrated activity in the pursuit of increased organizational performance. There is an increasing understanding that MD has the capacity to provide a mechanism for organizational development which facilitates the creation and sustainability of CA (Law, 2004). Hence, MD may have a positive impact on corporate renewal and overall success. As such, MD is considered an integral element in the process of generating CA.

The findings from mutual cross referencing as depicted in Table 1 and Table 2 substantiate the possibility of linking MD and CA. A conceptual framework adds strength to both the efficiency and effectiveness dimensions of organizations. As a consequence, Figure 2 depicts an extended conceptual framework that encompasses both MD and CA towards the attainment of organizational performance and transformation. It may thus be adequate to indicate that MD has many commonalities and in fact common criteria with CA in terms of organizational success and organizational performance. Mann (1990) considers MD to be a strategic mechanism, a catalytic re-enforcer (Millett and Leppanen, 1991), and an efficient and effective system in the process of building organizational competitiveness (McClelland, 1994).
CONCLUSION

This study examined a plausible relationship between the concepts of MD and CA. It became clear that even though the underlying definitions of MD and CA were different there were some aspects of convergence or complementary similarity that supported commonalities between the two concepts. The findings of this study are the result of a process of comparing and contrasting various MD and CA models in order to identify mutually corresponding criteria. Overall, there is an indication that the selected MD models correspond with the CA models to some degree in that both share a common theoretical understanding that concentrates on organizational knowledge and expertise, vision and strategy, learning, and skill development. It was observed that although the MD and CA frameworks represented different aspects of study they were nevertheless complementary references on a number of dimensions. Finally, the study generated a preliminary (Figure 1) and extended (Figure 2) conceptual framework. Both frameworks have the capacity to be translated into a practical methodology in order to serve as a guideline for firms to improve overall organizational performance.
REFERENCES


