Developing leadership and management capability for the future of an industry

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ABSTRACT
The importance of having effective managers in an organisation who possess both management and leadership abilities is rarely questioned. However, should we be taking this a step further and looking to the challenge of leadership within an industry sector? The rail industry in Australia faces a challenging future: an aging workforce, geographical spread, privatisation and corporatisation, plus particular issues of industry image and culture. This paper reports the findings of an exploratory study into the current approaches to leadership and management development in the Australian rail industry. It discusses critical issues facing the sector and outlines some theoretical approaches to addressing these issues.

Keywords: human resource development, learning and development, capability and competency models, career management

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Leadership and management development (L&MD) have long been recognised as critical to the long-term success of organisations. Whilst often used interchangeably, leadership and management skills are two quite distinctly different skill sets, and yet both are important for the future of any organisation. At a higher level than just a single organisation, it could also be argued that industries need to consider their sector at large and have strategies for developing the future leaders of their industry. The rail industry in Australia faces a challenging future: an aging workforce, geographical spread, privatisation and corporatisation, plus particular issues of industry image and culture. Whilst individually these challenges are not unique to the rail industry, the combination of these factors will require strong leaders to ensure that the industry is positioned to be successful in both the short and longer term.

The research reported in this paper investigated the current approaches to leadership and management development in the rail industry. The objective of the research was to identify and analyse current approaches to L&MD in the rail industry and to identify opportunities to address this workforce development issue through a concerted effort at industry level.
LEADERSHIP AND MANAGEMENT DEVELOPMENT – CONTEMPORARY ISSUES

Discussing leadership development and management development can begin at the point of difference between a leader and a manager. Although often used interchangeably, it has been argued by many that the role of a leader and the role of a manager are distinctly different (for example, see Maccoby, Weathersby). There are others who have pointed out that perhaps it is not a case of management ‘versus’ leadership, rather both are essential elements within an organisation; sometimes embodied within the same individual and sometimes not (McLean).

The term ‘management’ is generally accepted to relate to a formal authority role whereas leadership may be displayed by many individuals within the organisation, some may not even be incumbents in management roles. Discussion and investigation of contemporary management can be traced back at least as far as authors such as Fayol and Mintzberg. Management is generally accepted to involve the tasks of planning, organising, supervising and controlling (Fayol) typically found to underpin most management theory. Management therefore encompasses a range of competencies such as budgeting, developing or managing business planning, developing and/or implementing policy and procedures, monitoring results, and maintaining order (Kotterman).

Leadership on the other hand is claimed to be “one of the world’s oldest preoccupations” (Kotterman:13). However, the contention that leadership in organisations is distinctly different to management began in earnest in the late 1980’s and early 1990’s, with authors such as Kotter. The extensive amount of literature in this area has led to a call for integration or at least development of taxonomies within the area (for extensive reviews of this literature, refer to Gordon and Yukl, Yukl, Yukl et al.). Leadership has been defined in many different ways, but is generally accepted to encompass issues such as selecting talent, motivating people, coaching and building trust (Maccoby). Martin & Ernst highlight that the nature of leadership is changing and that a lack of leadership capacity is proving a limitation for the effectiveness of organisations. The acknowledgement that we are encountering a rapidly changing, complex and ambiguous world (Martin and Ernst, Weathersby,
Yukl, Yukl and Lepsinger) means that leaders must be equipped to operate in these environments and manage other individuals in this context.

For the purposes of progressing with this research, we intend to discuss leadership and management development (L&MD) in unison, acknowledging that this will encompass both management competencies and leadership competencies; some of which may overlap and others which may be distinctly different. Being able to integrate these and develop them further has been argued to be essential for organisational effectiveness (Yukl and Lepsinger).

Given there is a continued debate about the differences between leaders and managers, it is no wonder that there is then an extremely wide range of views on the competencies of both leaders and managers. In Australia in particular, the term ‘competency’ has been used in a very specific context within the vocational education and training sector, often referring to the Australian Qualifications Framework (AQF). For the purposes of this paper however, the term competency is used to refer to a broader range of abilities, attributes and skills, and it is clear from the previous discussion of management and leadership that there may be a wide range of competencies required to be addressed by L&MD.

L&MD has also been a widely researched area, focussing on what types of competencies are most critical, how this development should occur and how to determine the effectiveness of development interventions. As Dexter and Prince highlight, L&MD should not just impact on an individual but also the organisation as a whole by making a contribution to better processes and project management, more effective teamwork, development of networks and collaborative approaches to working, and improving self-management. This however, could be taken a step further when considering particular industries and how they develop leadership competencies for the good of the industry as a whole.
In an extensive review of the leadership development literature, Leskiw and Singh identified six critical elements of effective leadership development: needs assessment, audience selection, supporting infrastructure, a holistic learning system, effective evaluation and rewarding success/addressing deficiencies.

THE CHALLENGES FOR THE AUSTRALIAN RAIL INDUSTRY

Whilst bearing in mind the broader issues of L&MD, this research was conducted within the context of one industry sector; the Australian rail industry. Reports indicate several major issues facing the rail sector in the years ahead, and these include a number of special needs such as: dealing with a forecasted shortage of managers, attracting younger managers and supervisors from inside and outside of the industry, sharing services among rail organisations, developing attractive career paths by improving qualification pathways with tertiary institutions and improving internal relationships (Australasian Railway Association (ARA) Inc, Mahendran et al., PricewaterhouseCoopers). Importantly, the Rail Skills and Career Council’s 2007 Strategic Plan (Rail Skills and Career Council) identified as a priority, the goal of developing effective management practices and to be seen as an “industry of choice”. This strategy will involve developing customised programs to build management capability, improve communication systems and introduce coaching or mentoring for managers.

Another critical issue is the need for management development programs in the rail industry to reflect the desires and aspirations of younger managers. These younger generations are accustomed to using technology as a part of daily lives, highly skilled at multi-tasking, ready to take responsibility for their own learning and development, but require more support, communication and recognition from their line managers (Eisner, Herbison and Boseman); demands that can often weigh heavily on Baby Boomer managers. Younger managers value career building, the opportunity to acquire transferable skills, and they are quick to adopt organisation values (MacLeod). Of equal importance to L&MD is the issue of dealing with an aging workforce, and the challenges of leading people who may have considerable experience to offer, want to retire, but are financially dependent upon remaining in employment for the foreseeable future. The problems of demography are well documented in rail reports (ANTA) but the recent downturn in global economic performance and the stock market crisis
has significantly cut into superannuation funding arrangements, so the trend of early retirement among Baby Boomers has given way to a financial need for people to stay in work.

According to research carried out for the former Australian National Training Authority, transport and storage industry workers are among the oldest in all sectors at an average age of 41.6 years. From this group, 57.8 percent of those over the age of 45 years had no post-secondary education and 47.6 percent worked more than 40 hours per week (ANTA). This situation poses several issues for the L&MD agenda in the rail industry. Importantly, L&MD curriculum will need to reflect the important role of training in helping older workers align with their work environment. Retraining a competent older rail worker may be a better option than trying to find new recruits, but the manager will need to be familiar with techniques and skills more associated with the human resource, education and training professions (ANTA). Finally, Generation X and Y managers will require new skills to operate in a complex and rapidly changing world; issues that may not have been dealt with explicitly in previous L&MD interventions. It is clear that the rail sector has a challenging future ahead, and one that will require substantial development of a new generation of leaders and managers.

**RESEARCH METHODOLOGY**

The objective of this research was to analyse current L&MD practices and identify key issues that need to be addressed at industry level in order to meet the changing role of leadership. Six critical elements of effective leadership development have been identified previously by Leskiw and Singh and each of these were the subject of a research question: (1) do rail organisations currently conduct needs assessment for L&MD and if so, how, (2) how do rail organisations currently select participants in L&MD, (3) what supporting infrastructure is currently in place for L&MD, (4) to what extent do current L&MD practices represent a holistic learning system, (5) do rail organisations currently conduct evaluation of L&MD programs and if so how, and (6) are rail organisations rewarding success and addressing deficiencies in their L&MD processes.

Data for this research were collected from three rail companies operating in three separate Australian states. Using a semi-structured questionnaire, face-to-face and telephone interviews were conducted
with stakeholders in the L&MD process of their organisation. These interviews lasted approximately 1 hour.

Purposeful sampling within participant organisations allowed for the researchers to access those who are considered stakeholders within the L&MD context. Those chosen were either sponsors (managers who approved expenditure on L&MD), organisers (HR practitioners who were responsible for arranging L&MD) or participants (managers who had recently taken part in L&MD). Table 1 provides further details of the participants. Interviewing these three different stakeholders in the process was designed to gain a range of perspectives on the current and future L&MD challenges for the rail industry.

[insert Table 1 here]

Using a mixture of thematic and comparative analysis, results from the interviews were analysed against the research objectives and against the previously discussed framework offered by Leskiw and Singh. The results are presented by providing a summary of the current approaches to L&MD, describing broadly what is currently being done to address each element of the framework and suggesting areas for further research which might benefit organisations associated with the rail sector, and the sector as a whole.

FINDINGS

Each of the elements identified by Leskiw and Singh encompasses a wide range of practices that are recognised as contributing to effective L&MD. Based on the research questions identified previously, each element is discussed and analysed in turn.

Needs Assessment

Leskiw and Singh note that the first key element of an effective L&MD program is twofold: the establishment and articulation of clear objectives of the program and secondly an identification of the key areas for development. This requires the organisation or industry as a whole understanding the expectations of their leaders and managers, and the most critical areas in need of development. In this way, L&MD becomes a strategy for proactive workforce development, rather than an ad hoc or reactive undertaking.
From the interviews conducted, there were a number of issues that arose in relation to the evaluation of L&MD needs. Historically, management agendas in the rail industry have been driven by operational or technical issues rather than building human capability and workforce development. Through ongoing processes of internal communications (such as briefing systems and professional discussions), managers are slowly coming to realise their role as people managers and therefore, the emphasis on technical training to the exclusion of all else is diminishing. However, during periods of major change, respondents identified that it was hard to coordinate L&MD projects; and short-term compliance training became the main focus as development programs competed for the same ever-diminishing resources.

Front line or supervisory management development was seen as the major priority for the industry at the present time. The largest amount of L&MD (1,000 people in one organisation) was being directed towards work group leader and team manager levels. This was considered the area of greatest need and where the highest numbers of leaders were deployed as the outward face of management of the organisation. There was some uncertainty among planners of L&MD in rail organisations about the merits of generic development versus the targeted approach towards individually negotiated learning pathways. In recent years, there had been a move away from enforced alignment of L&MD with competence-based qualifications, although options were still available for AQF assessment if employees sought a Certificate IV or Diploma V in business management. One organisation estimated the current uptake among work group leaders and managers for AQF qualifications was only one percent.

The introduction of performance management and professional development discussions was leading organisations away from the generic approach to L&MD and more towards a learning need or gap analysis at a group or individual level. However, these processes were evolving slowly and were being aimed predominantly at higher levels of the organisation. Although some indication of needs
analysis could be found, if the industry wishes to develop leaders of the future skilled at managing in an ever-changing environment, then detailed evaluation of needs will be critical.

**Audience Selection**

The second element of the framework is the process by which individuals are identified for L&MD. It has been argued that best-practice approaches do not automatically select the same positions or levels for development (Leskiw and Singh), but rather those most likely to benefit and therefore provide a return to the organisation. It is also critical in this context that choosing individuals for development is an integral part of other workforce development processes such as performance management and succession planning.

In the case of this research, representatives of every organisation indicated that the training and development was stratified according to managerial level (i.e. senior manager, middle manager, team manager and team leader). It was reported in at least one organisation that some L&MD programs were available to employees who showed potential based upon a recommendation from a sponsoring manager but this approach was an exception rather than common practice. However, this approach was seen as a useful tool to enhance prospects and develop career pathways, contributing to the retention of talented people. In relation to the different levels of managers selected, it was clear that the needs of each cohort were considered to be different, and hence the opportunities that were offered also differed significantly. Entry level management qualifications tended to be based on the TAFE system, middle level courses used external consultants or reputable professional institutions and senior level courses offered some alliance with postgraduate university programs. Executive L&MD tended to be quite specific and designed to suit individual needs.

**Supporting Infrastructure**

Leskiw and Singh also identified that effective L&MD programs demonstrate a significant presence of supporting infrastructure, from specific policies and procedures relating to L&MD and its integration with other HRM policies and procedures, through to genuine and observable support from senior management. Generally, senior commitment to L&MD was continuing despite the tough
Though, in some business areas, technical subjects attracted more support from senior engineering managers than what is perceived as ‘soft-skills’ training.

There was however an obvious lack of high level policy in relation to L&MD. In each of the organisations there was no explicit policy on L&MD, but senior managers included the cost of training programs into the annual business planning cycle. In organisations with business unit operating structures, a reported lack of a top-down policy on L&MD meant that less willing managers could get away with doing very little leadership development. In these scenarios, more enlightened managers took the initiative to organise their own development programs, but this made it harder for centralised HRD professionals to coordinate the learning events and gain economies of scale or uniformity from investments.

The breadth and depth of training available depended on the size of the organisation and presence of senior human resources practitioners who advocated L&MD and framed the benefits in context to the wider business contribution. With a few exceptions, HRD managers were involved in course design, arranged enrolments and facilitated mentoring, but did not take part in the actual programs.

A Holistic Learning System

Development has long been recognised to encompass far more than just the traditional, off-the-job training courses. The fourth element of Leskiw and Singh’s framework is the existence of an entire learning system rather than just training courses. This means that development of leadership and management skills can be facilitated through a variety of means and involve a range of learning mediums, including action learning, mentoring, online training delivery and support, and opportunities to link to further formal qualifications and awards. Within this system, it is also important that there is clear delineation of responsibilities of the different stakeholders in the program design, development and implementation.

The organisations in this study were using a variety of public sector institutions and private registered training providers to design and deliver their L&MD programs, relying on proven relationships with...
reputable suppliers. A diverse array of external training organisations and human resource consultants were used to custom design training course content. Sometimes, training courses came off-the-shelf and were contextualised to an organisation’s requirements, at other times the content was developed from conceptualisation. Where the programs had been contextualised, there remained some doubt on the extent of this development. Larger organisations were registered training organisations (RTOs) in their own right and employed dedicated teams of human resources professionals to design programs, with the help of external training providers. Smaller companies, with limited human resource professionals, outsourced all L&MD to known providers and took more advice on the training content. There was evidence to suggest that larger organisations were more likely to use boutique training interventions where the tangible benefits were much harder to evaluate, such as drama based learning. Smaller organisations tended to stay with the less expensive, more traditional approaches.

The respondents were unanimous in their belief that a combination of approaches provided the best learning, but this also depended on the learning style, subject-matter and personal circumstances of the individual. Figure 1 shows examples from two different organisations in relation to L&MD programs that were being offered, combined with other development and support initiatives available. For example, Organisation 1 separates the levels of management into: first-line, middle, senior and executive and offers training separately to each of these groups. The second organisation has further split the first-line manager into Work-group leader and team leader. For both organisations, in addition to this training, there are then additional development opportunities as shown in the figure.

[insert Figure 1 here]

One emerging challenge for larger organisations was to ensure a consistency of delivery, opportunity and evaluation of L&MD within business groups. Some business groups had sophisticated learning and development plans to engage employees in L&MD, while other groups were less sophisticated. Where the residing HR professional had external accreditation to facilitate more sophisticated models such as 360 degree feedback tools, they featured as part of a sophisticated process of L&MD, but when the HR team relied on external provision, these tools were less popular, possibly due to the high upfront and ongoing costs.
Effective Evaluation

As with all training and development interventions, evaluation of outcomes is one of the critical issues to ensuring that investment has been maximised. Unfortunately, it is also most often the issue that is handled least well (Delahaye). It is sometimes argued that the value gained from leadership development is difficult to quantify, however it is also certain that unless the expenditure on such initiatives can be justified, L&MD may be the first area for reduction of investment when encountering pressure for cost reduction.

In this study, the breadth of opportunities for L&MD indicated a strong commitment by rail executives to development of the leadership within their organisation, but the full extent to which these investments in L&MD were evaluated for effectiveness and/or business return was less clear. The organisations involved in this study were going through periods of extensive change, and this transformation presented an internal complexity that clouded the evaluative picture. At this stage of the analysis with the data collected, it is not clear as to which current programs in L&MD within rail organisations align with national competencies or capability frameworks. However, L&MD capability frameworks exist in some of the larger rail organisations and elements of in-house training programs are aligned with national standards of competence. Additionally, capability frameworks and competence-based assessments are increasingly woven into elaborate performance management and career succession planning systems. Analysis of the return to the industry of taking such an approach has not been done in any systematic way, and it is a critical area to be addressed for the future. Such evaluation of return to organisations and the industry as a whole would allow better informed decisions on the investment in L&MD. In particular, the idea of having a national centre of leadership excellence for the industry has been raised, and it is clear that this step would have to be seen as an economically viable proposition and represent a benefit to the industry as a whole, providing better returns than any single organisation could achieve on its own.

Rewarding Success and Addressing Deficiencies

The final element of an effective L&MD program identified by Leskiw and Singh was the preparedness of an organisation to publicly recognise the success and positive outcomes of L&MD,
and to address any issues with the program; in essence, acting upon the feedback from the evaluation discussed in the previous section. As the initial research indicates that evaluation of L&MD needs could be more comprehensive and aligned across the industry, it therefore follows that together with this evaluation must be a more systematic way of dealing with the successes of development and improving on areas that are in need of change.

CONCLUSIONS AND FUTURE RESEARCH DIRECTIONS

This research examined through interviews with a range of individuals in three rail organisations, the existing practices used when developing the capability of leaders and managers. The findings highlight the deployment of a wide-range of learning strategies, varying methods of training delivery and a diverse selection of external training providers. Although there was evidence of management and leadership training taking place, these results indicate that much more needs to be known about how the specific learning curriculum of management development is determined and how capability is assessed and evaluated against the needs of the broader rail industry. One major benefit of this further research would be the development of a national capability framework for rail managers benchmarked against international standards. These developments would also help to harmonise management development programs/qualification pathways, identify opportunities for innovations in program delivery, consolidate the cost of training, and contribute to building industry cooperation, improving performance and generating cost containment. It is recognised that this preliminary scoping study is based on a limited number of perspectives and organisations, and therefore more detailed research is currently being undertaken using a larger sample size to broaden the available data and provide the ability to analyse specific content of L&MD programs against capability frameworks.

The findings of this initial study indicate that the rail industry is poised at a critical point in its development. As a generation of managers retires, and the pace of change continues to increase, those leading this industry must be skilled to manage in a dynamic global environment, therefore ensuring the development of strong leadership and management is critical for success of individual organisations and the industry at large.
<table>
<thead>
<tr>
<th>Organisation</th>
<th>Position</th>
<th>Role in L&amp;MD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisation 1</td>
<td>Training Adviser</td>
<td>Participant</td>
</tr>
<tr>
<td></td>
<td>GM Corporate Affairs</td>
<td>Sponsor</td>
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<tr>
<td></td>
<td>HR Manager</td>
<td>Organiser</td>
</tr>
<tr>
<td>Organisation 2</td>
<td>HR Projects Officer</td>
<td>Sponsor and organiser</td>
</tr>
<tr>
<td></td>
<td>Organisational Learning Manager</td>
<td>Sponsor and organiser</td>
</tr>
<tr>
<td></td>
<td>Manager – OD (focus on leadership &amp; executive development)</td>
<td>Sponsor and organiser</td>
</tr>
<tr>
<td>Organisation 3</td>
<td>Learning and Development Manager</td>
<td>Sponsor and organiser</td>
</tr>
<tr>
<td></td>
<td>Manager – Rail Maintenance</td>
<td>Sponsor</td>
</tr>
<tr>
<td></td>
<td>Signal and Power Services Manager</td>
<td>Participant</td>
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</tbody>
</table>
**Figure 1. Two approaches to the stratification of L&MD**

<table>
<thead>
<tr>
<th>Job level(s)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>First-line management</td>
<td>Middle management</td>
<td>Senior management</td>
<td>Executive*</td>
</tr>
<tr>
<td>Development</td>
<td>Ongoing on-job coaching, mentoring and specific training opportunities which may come from a PDP</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Support processes</td>
<td>Annual review</td>
<td>Performance development</td>
<td>Training needs analysis and PDP</td>
<td>Performance agreement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Job level(s)</th>
<th>6</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>Work Group Leader</td>
<td>Team Leader</td>
<td>Middle Manager</td>
<td>Senior Manager</td>
<td>Executive*</td>
</tr>
<tr>
<td>Development</td>
<td>Ongoing on-job coaching, work shadowing, mentoring and specific training opportunities which may come from a PDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support processes</td>
<td>Business planning</td>
<td>Performance Discussion</td>
<td>Capability assessment</td>
<td>Development planning</td>
<td></td>
</tr>
</tbody>
</table>

*Italics indicate the unknown/tenuous/informal nature of L&MD at these levels*
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