The impact of management development system on firm performance: Comparing Asia with Europe

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Abstract: This paper examines the impact of management development system on firm performance through data collected from 146 organisations from four Asian countries and 584 organisations from six European countries. The analysis shows that the management development system is significantly associated with human resources outcomes (the firm’s ability to attract and retain essential employees, and better inter-firm relationships), which in turn contributes to firm performance outcomes (improved product quality, product development and better customer satisfaction). Importantly, location (i.e., Asia versus Europe) and firm size (i.e., SMEs and Large) have significant effects on the management development system and human resources outcomes.

Keywords: Management development, management development system, human resource best practice system, human resource management, strategic human resource management, firm performance.

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INTRODUCTION
Management development has emerged as one of the most important management tools from which to gain and retain competent managers (Wissema et al., 1981) as the rapid growth of globalisation and changing organisational structures increases demand for qualified managers along with a corresponding scarcity of a highly qualified managerial pool in labour markets. Management development is described as one of the key constituents of human resource policy, a source of competitive advantage, and an instrument of organisational change (Clarke, 1999). However despite its suggested crucial role, management development theory is still at the embryonic state and is often described as atheoretical (Mabey, 2002).

It is not surprising that management development is criticised for being atheoretical as its definitions differ widely among commentators (Burgoyne, 1988; Mumford, 1997; Thomson et al., 2001), accompanied by a scarcity of empirical studies which focus on management development and examine its impact on firm performance. Moreover management development research has lagged behind advances in other areas of human resource management, such as high performance work systems, and more specific practices such as selection, training, and reward systems, therefore it has been suggested that most firms do not have an integrated view of management development (Margerison, 1991).

The aim of this paper is to empirically examine the impact of management development system on firm performance. In an attempt to achieve our aim, we propose a management development model which examines the links between background variables (location, firm size and sector), the management development system and firm performance. The firm performance include human resources outcomes (a construct of the firm’s ability to attract and retain essential employees and improved inter-firm relationships) and firm performance outcomes (a construct of product/service quality, product/service development and customer satisfaction). The model is then tested empirically through data collected from four Asian countries and six European countries.
Mapping Management Development

Many conventional studies approach management development from an educational learning perspective and mention it as a form of higher education, whereby managers learn from education programmes offered by colleges/universities or from vocational studies. From this perspective, some view management development as involving formalised educational programmes designed to develop a broad range of abilities to facilitate managers to cope with a large variety of tasks in diverse organisational contexts (Wexley and Baldwin, 1986). Some discuss management development from a learning perspective and state that, “management development in organisations is about development and change through learning, putting the emphasis on how, what and where individuals learn, focusing on skills, knowledge and abilities that individuals need in order to operate and co-operate effectively in an organisational context” (Akuratiyagamage, 2006: 1608). On the other hand, some researchers mention management development as a subset of human resource development, where management development activities are largely provided by the private sector (Fox, 1997). Therefore, management development is criticised for being “one of the most ill-defined and variously interpreted concepts in the management literature” (Wexley and Baldwin, 1986: 277).

Despite such criticisms, the existing discussions of management development exhibit two broad approaches: an approach from a system perspective and an approach from a process perspective. From a system perspective, Jansen, Van der Velde and Mul (2001) define management development as a system of personnel practices by which an organisation tries to guarantee the timely availability of qualified and motivated (managerial) employees for its key positions. In this respect, the aim of management development is to have at its disposal the right type of managers and specialists at the right moment. Some definitions from a system perspective link management development to organisational goals and describe it as “a conscious and systematic approach to control the development of managerial resources in the organisations for the achievement of goals and strategies” (Cullen and Turnbull, 2005: 338). On the other hand, many researchers from a process perspective define management development as a planned and deliberate learning process for managerial effectiveness (Mumford, 1997); the process which engenders enhancement of capabilities whilst leaving scope for discretion, creativity, and indeterminacy (Storey, 1989; cited in Cullen and Turnbull, 2005: 338) and the whole complex process by which individuals learn, grow and improve their ability to perform professional management tasks (Wexley and Baldwin, 1986: 277).

Despite the differences, the above-stated management development definitions clearly suggest that the principal focus of management development is line managers, with the primary aim to improve managerial effectiveness, and the common feature of management development is developing managerial skills and capabilities. As management development is one of the practices of human resource management system, this paper is in agreement with the above mentioned Jansen et al.’s (2001) definition of management development as a system of personal practices and it examines the impact of the management development system on firm performance.

Line Managers and Management Development

Although the existing management development definitions do not clearly specify which level of managers management development should target, there is a general agreement that managers are the most crucial asset and vital to the success of any organisations (Akuratiyagamage, 2007). With the introduction of human resource management, the original duties of line managers such as negotiations, processing soft information and management of day-to-day operations have changed and new roles have been introduced (Mintzberg and Quinn, 1988; Marsh and Gillies, 1983; Renwick, 2000). The additional duties include recruitment, discipline, and an involvement in decision-making. Moreover, line managers are responsible...
One of the significant characteristics of the human resource management literature is the pivotal role which has been given to line managers as a delivery point for a variety of employment policies that are intended to raise the performance of the workforce (McGovern et al., 1997), thus its emphasis is on devolving human resource activities (for example recruitment, performance appraisals, and career development) to line managers and broadening their roles, while maintaining their traditional supervisory duties (Purcell and Hutchinson, 2007). Guest (1987) identifies the role of line managers as one of the central components of human resource management, and even states that line managers’ attitudes, behaviour and practices are crucial in integrating human resource management into the organisation. The author also advocates that line managers should:

“Accept their responsibilities to practise human resource management although they may use specialist resources to assist in policy development, problem-solving, training and the like” (Guest, 1987, p. 512).

However, from a broader perspective, some studies have mentioned that a lack of integration between human resource management and management development literature is one of the contributing factors for the incapability of line management (Rainbird, 1994).

**Devolving HR Duties to Line Management**

With regard to devolving HR duties to line management, some studies argue that line managers were not adequately consulted and were not clear about their roles (Bevan and Hayday, 1994). Some empirical studies even suggested that line managers were often ill-equipped for new responsibilities (Rainbird, 1994), despite the fact that they are recognised as a delivery mechanism for HR policies (McGovern et al., 1997). Some researchers suggested that the devolution of human resource management responsibilities to line management was constrained by the short-term pressures from the business and by the low education and technical skills of the supervisors (Kirkpatrick et al., 1992; Lowe, 1992), and some indicated that there was a lack of training and competence among line managers and supervisors (Hyman and Cunningham, 1995).

Some researchers go to the other extreme and describe line managers as conscious or unconscious resistors of change, and mention them as actual impediments to the effective achievement of change (Balogun, 2003; Fenton-O’Creevy, 2001). However, recent discussions are more positive, and argue that “resistance is a necessary prerequisite of successful change and, if managed properly, can provide constructive feedback to the change process” (Giangreco and Peccei, 2005: 1816). Discussions from the human resource management perspective support this view, and emphasise that the unwillingness of line managers may be due to a lack of training and interest, work overload, and conflicting priorities between line managers’ original supervisory duties and the new tasks assigned to them (McGovern et al., 1997; Purcell and Hutchinson, 2007).

**The Impact of Location on Management Development**

Like the best practices or high performance work practices in the human resource management literature, there is no single, universal recipe for management development to be effective independently of the nature and location of firms. Studies from a culture perspective point out that the perceptions of management practices differ themselves widely between countries (Hofstede, 2001; Klarsfeld and Mabey, 2004), as national culture and national values have a great influence on social relationships and political connections in organisations, and the way in which managers decode information (Budhwar and Sparrow, 1998; Klarsfeld and Mabey, 2004;
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The basic assumption of a system perspective is that if all the practices fit into a coherent system, its effect on firm performance would be greater than the effect of an individual practice (Ichniowski et al., 1997). Some researchers from a resource-based view suggest that there are positive results if firms pay attention to the internal integration between different human resource practices such as recruitment and selection, performance appraisal, career planning and training and development (Mabey, 2002). The present authors also support the resource-based view and argue that management development should be effective if it is linked with other internal practices (in this case, human resource management practices) and implemented as a system. In this regard, Guest and Peccei (1994) found clear support for internal fit rather than external alignment with business strategy. Muller (1998) also suggested that management development needs to be tied into other operational routines within the organisation to create strategic assets.

The arguments for the system perspective generally start with having a written policy statement at firm level, as this shows that the organisation approaches management development systematically rather than in an unplanned manner (Mabey and Gooderham, 2005). Some authors caution that management development may fail if the firm does not have a clear written management development policy (Margerison, 1991). However some studies are critical and suggest that a policy statement can be a meaningless document rather than an actual practice in many firms (Gratton et al., 1999) and others mention it as a statement of intent rather than an...
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actual practice (Mabey, 2002). Therefore it is essential that a management development policy be implemented, monitored and evaluated systematically. Despite the critics, the management development policy statement which expresses the management development system architecture for the successful implementation of management development activities at firm level is helpful in linking management development to the organisation’s other international policies and HR practices, such as regular appraisal systems to identify development needs; career planning (Budhwar and Khatri, 2001); selection of high potential managers for more intensive development (Budhwar and Khatri, 2001; Iles and Mabey, 1993); and systematic evaluation systems (Holton, 1996).

One of the widely discussed management development (best practice) systems is the selection of high potential managers for intensive development. In this regard, Jones and Whitmore (1995) found that those who engaged in the development activities were more likely to advance in the organisations than those who did not. Delery (1998) also suggested that if firm-specific training programmes were combined with highly selective staffing practices, the synergetic effect would be greater (Delery, 1998: 294). Managers’ career planning has been discussed as an essential practice in the management development system in many studies (Herriot and Pemberton, 1995). A regular appraisal system is also viewed as an essential practice in HRM studies (Pfeffer, 1995). Furthermore, some studies state that appraisals which gave the opportunity to discuss needs are essential to effective management development (Fletcher, 1997). From the management development perspective, systematic evaluation is discussed as an important practice as it can measure the quality as well as the effectiveness of training interventions (Burgoyne et al., 2004).

From an Asian perspective, some studies argue that best practice systems are as effective in Asian culture as in the West (Ngo et al., 1998) and that they are viewed as a means of enhancing firm effectiveness and thus promoting economic recovery and further growth in Asia (Lawler and Bae, 2000). However as there are ongoing debates as to what constitutes a best practice system, an empirical assessment which incorporates the management development system is overdue. Therefore the following hypotheses are proposed:

Hypothesis 2 (a): There is a positive relationship between a firm’s management development system and human resources outcomes.

Hypothesis 2 (b): There is a positive relationship between a firm’s management development system and firm performance outcomes.

Measuring Firm Performance

Attempts to measure the impact of human resource management practices on firm performance are not without difficulties. The difficulties lie with problems in measuring the contributions of HRM activities to firm performance. Although many researchers have discussed this problem, they have yet to reach a consensus on how to measure human resource management outcomes effectively (Guest, 1997). Guest (1997) suggests that quantitative and qualitative measures of key stakeholder’s subjective judgments on clearly identified goals and objective quantitative indicators, together with financial criteria are the most useful indicators of human resource management effectiveness. Guest’s assertion opens further debate on the reliability of the key stakeholders’ subjective measures, because individual judgments are normally based on their interpretation of events.

An added difficulty in measuring the impact of human resource management practices (in this case, management development) on firm performance is the lack of theoretical consensus on the basic definitions and technical issues with regard to measuring firm performance. Some researchers use financial measures like sales or return on assets, return on equity or profit, etc.,
and argue that objective measures are more valid than subjective measures. Although it is widely accepted that measuring financial performance and testing its relationship with the human resource management system is important to gain information (Delery, 1998), such measurements give very little insight into the specific mechanism through which human resource management systems (in this case management development system) have their effects. Moreover, objective measures neglect qualitative issues such as behaviour, workforce skills and organisational culture.

The limitations of most studies which attempt to link HR practices and firm performance is the lack of information on how HR practices translate into performance. This has been described as the black box problem which needs to be unpacked to gain a better understanding (Purcell et al., 2003). In contrast, the strategic human resource management perspective has argued that HRM practices and systems have no direct contribution to firm performance. They are said instead to influence firm resources, such as the firm’s human capital or employee behaviour, which then contribute to firm performance (Delery, 1998; Wright et al., 1994). The strategic human resource management literature has also emphasised that “there is little empirical evidence to suggest that strategic HR directly influences organisational performance or competitive advantage” (Lengnick-Hall and Lengnick-Hall, 1988: 468). This has alerted the researchers to review the existing measures (objective versus subjective) in measuring the impact of human resource management practices on firm performance. It is also necessary to re-examine some of the traditional performance indicators when measuring firm performance as there have been changes in terms of employment restructuring such as the shift from manufacturing to services and to knowledge-based industries. These changing trends have an impact on HR issues (Bach, 2005).

As briefly discussed above, one of the methodological debates is based on the superiority of objective measures versus subjective measures. Some empirical studies argue that results based on perceived organisational performance (subjective measures of organisational performance) are generally consistent with the findings of studies that use objective performance measures (Huselid, 1995; Delaney and Huselid, 1996). Wall, Michie, Patterson, Wood, Sheehan, Clegg and West (2004) reviewed this matter extensively, by comparing validity between objective and self-reported measures of performance and found convergent, discriminant and construct validity between the two measures (Wall et al., 2004). In this regard, Delaney and Huselid (1996) propose a seven-item index which provides a broad assessment of perceived organisational performance. Their perceived organisational performance covered: quality of products/services, customer relations, the firm’s ability to recruit and retain essential staff, and the quality of relationships between employees at all levels. Delaney and Huselid’s subjective seven-item index was used in Mabey and Gooderham’s (2005) management development study in examining the impact of management development on perceived organisational performance (Mabey and Gooderham, 2005). The present study also uses Delaney and Huselid’s seven-item index in measuring firm performance.

**METHOD**

As this study builds on the management development empirical study conducted in European countries by Mabey and Gooderham (2005), it used the same questionnaire that Mabey and Gooderham used in the Europe for the Asia data collection to maintain the uniformity of information gathered. Data were collected from interviews with semi-structured questionnaires. The data came from one human resource manager in each participating firm.

**Sample**

The original data set consisted of 601 responses from Europe and 151 responses from Asia; a total sample size of 752 responses from HR managers or the person responsible for management
development programmes. However after deletion of missing values and outliers, the final data set contained 730 responses across Europe and Asia. The European countries included Denmark (N = 100); France (N = 100); Germany (N = 93); Norway (N = 97); Spain (N = 97); UK (N = 97) and Asian countries included China (N = 35); Hong Kong (N = 23); Myanmar (N = 59) and Singapore (N = 29). At an early stage of the data collection in Asia, only host-country privately owned companies were targeted, omitting multinational corporations/enterprises, 100 per cent foreign direct investment companies and public sector companies. However due to the low response rate and access difficulties encountered, joint venture companies with 70 per cent or more of the share owned by local counterpart (especially in Hong Kong and China) were included in this study at a later stage (less than 1 per cent of total sample).

Questionnaire
For the management development system construct, the respondents (i.e. HR Managers) were asked to state their level of agreement or disagreement in the areas of firms having an established management development policy; managers’ career planning; selection of high potential managers for more intensive development; regular appraisal system for managers and evaluation of management development activities in a systematic way. The responses to the questions were arranged in a dichotomous scale (yes/no); a three-point scale using 1 (no), 2 (yes for some) and 3 (yes for all); and a five-point scale from 1 (strongly disagree) to 5 (strongly agree).

In terms of measuring firm performance, HR managers were asked to compare their firm’s performance over the past three years with that of the major competitors in their sector on a five-point scale, ranging from 1 (very much worse) to 5 (very much better). The questions representing the human resources outcomes construct were the firm’s ability to attract and retain essential employees; relations between management and other employees and relations between employees in general. The questions asked that represented firm performance outcomes construct were the quality of products/services/programmes; the development of new products/services/programmes and customer satisfaction.

The Cronbach’s alpha scores for the management development system and human resources outcomes constructs were satisfactory as they exceeded 0.70 (Tabachnick and Fidell, 1996). The Alpha score for the firm performance outcomes construct was 0.60. Although a low Alpha score is of concern regarding the reliability of the construct, there is support for using alpha scores of 0.60 in social science empirical studies (Chan et al., 2004; Huselid, 1995; Lee et al., 2003; Wright et al., 2001). Therefore, Alpha scores of 0.60 for the firm performance outcomes construct was accepted in this study. The questionnaire also requested information on some background variables, including location (Europe and Asia), number of employees (as an indicator of size: SMEs and Large), and sector (manufacturing, distribution and services).

Data Analysis
The analytical techniques used in this research included frequency and descriptive statistics; exploratory and confirmatory factor analysis; reliability tests with Cronbach’s Alpha; Pearson Correlations; and structural equation modelling. The statistical package for the Social Sciences (SPSS) version 15 was used for univariate and multivariate analyses. EQS software (version 6.1) was used for the structural equation modelling (SEM).

RESULTS
Before proceeding to examining the management development model (see Figure 1), the correlations between the variables under investigation were examined. It was found that the management development system was significantly correlated with location, firm size, firm performance outcomes and human resources outcomes reported by HR managers (Table 1).
The model presented in Figure 1 summarises the SEM analysis. The model reflects the hypotheses where the management development system predicts human resources outcomes which, in turn, predict firm performance outcomes. Paths were added between control variables and main study variables where there existed significant pairwise correlations. The model proved a good fit to the data with $\chi^2 (10, N=730) = 12.71$; $p = 0.24$ (non-significant), CFI = 0.99, GFI = 1.00, AGFI = 0.99 and RMSEA = 0.02. According to EQS diagnostic analysis (the Wald test), the link between location and firm size and the links between the management development system and sector of the firms were non-significant. The rest of the links were statistically significant ($p < .05$).

To summarise the management development model, location (coded Europe 1, Asia 2) has a significant effect on the management development system (standardised coefficient = 0.30) and a negative effect on human resources outcomes (standardised coefficient = -0.15). In other words, Asia was found to have higher ratings of management development systems and lower ratings of human resources outcomes compared to Europe. Therefore hypothesis 1 (a) which proposed Europe would report higher ratings of the management system was not supported, however hypothesis 1 (b) which proposed that Europe would report higher firm performance was supported in terms of human resources outcomes, but not firm performance outcomes.

Firm size (coded SMEs 1, Large 2) had a significant positive effect on the management development system (standardised coefficient = 0.30) and negative effective on human resources outcomes (standardised coefficient = -0.11) denoting that large firms have better management development system in place; however SMEs achieve better human resources outcomes than large firms. In terms of examining the relationships between the management development system and outcomes constructs, the management development system had a significant effect on human resources outcomes (standardised coefficient = 0.21), however there was no direct relationship between the management development system and firm performance outcomes. Therefore, hypothesis 2 (a) of proposing the positive relationship between a firm’s management development system and human resources outcomes was supported; and hypothesis 2 (b) of proposing the positive relationship between a firm’s management development system and firm performance outcomes was not supported.
DISCUSSION
This study found the positive relationship between the management development system and human resources outcomes. This result, recalling that human resources outcomes was measured as the firm’s ability to attract and retain employees and foster relationships within its workforce, supports previous discussions of the benefits of best practices (Delery and Doty, 1996; Huselid, 1995) and denotes that if management development is incorporated with other HR practices and implement as a system, it contributes towards achieving improved human resources outcomes. Moreover, human resources outcomes had a strong and significant effect on firm performance outcomes (standardised coefficient = 0.47), as measured by the product/service quality, development of new products/services and improved customer satisfaction, it can be suggested that the management development system contributes towards achieving better firm performance outcomes through human resources outcomes. This finding is in line with the strategic human resource management literature which stresses that human resource management practices and systems do not lead directly to firm performance (Delery, 1998). The relationships between the management development system, human resources outcomes and firm performance outcomes here clearly denotes that the management development system

\[ \chi^2 (10, N=730) = 12.71; p = 0.24 \text{ (non-significant)}, \text{ CFI} = 0.99, \text{ GFI} = 1.00, \text{ AGFI} = 0.99 \text{ and RMSEA} = 0.02. \]

Note: rectangles represent measured variables; circles represent constructs; unidirectional arrows denote direction of influence; bi-directional arrows denote correlations; hyphenated arrows denote statistically non-significant paths. Standardised parameter estimates are presented in the diagram. Except for paths denoted by hyphenated arrows, the rest are all statistically significant at \( p < .05 \).
influences a firm’s human resources outcomes and it is these committed resources which in turn contribute to firm performance. Thus we can propose that the management development system has a positive impact on firm performance.

Location has a direct effect on the management development system, as there is a positive relationship between the management development system and location. In this regard, Asian firms appear to be better than European firms in integrating management development with other human resources practices and practice as a management development (best practice) system. As Asia reports higher ratings on the management development system, this study supports the previous studies of Asian firms that conform to Western management concepts (Bae et al., 2003), and the convergence trend of management practices across Europe and Asia. On the other hand, this unexpected finding of Asian firms reporting higher ratings on the management development system signals the effect of external environment such as the political and economic background of the participating Asian countries (for example, planned economy and influence of their respective governments in management systems) as well as the need to conform to the needs of the internationally-accredited certification programmes (for example, ISO standard) which encourage Asian firms to have proper management development system in place for their products and services including the skill development of the employees. Therefore we suggest the future studies to be conducted in a wider context covering other countries in the Asia-Pacific region.

In terms of whether Europe reports higher ratings on firm performance compared to Asia, it was found that Europe achieves higher human resources outcomes. This finding suggests that although the Asian firms reported higher ratings on a configuration of management development system at firm level, they have yet to achieve the desired outcomes compared to their European counterparts. Therefore we can suggest that the effect of management development on firm performance differs depending on the location of the firm. It would be interesting to examine to what extent our finding is applicable to the more democratic Asian countries like Australia and New Zealand. In terms of the relationships between the management development system and firm size (SMEs 1; Large 2), it was found that large firms have a management development system in place compared to small and medium enterprises. Coetzter, Cameron, Lewis, Messey and Harris’s (2007) survey conducted in New Zealand SMEs in the early 2000 also found that firm size has a significant impact on the adoption of HRM practices.

Although New Zealand is not one of the focus countries in the present study, our findings are beneficial to the New Zealand context. Training in New Zealand is driven by Government and by industry through the National Qualifications framework. There are varying levels of employer-provided formal training and much training is informal and in house. Management and professional training in New Zealand have been on average 5 days per year according to Johnson (2000). With respect to the important aspects of training cited for the three years following 1997 for organisations by the Cranfield survey of New Zealand (Johnson, 2000) the three most important were people management (76%), followed by computing, new technology, and customer service skills (61%). New Zealand is largely a country of small firms and commensurate with that according to Boxall (2003) is that management development for entrepreneurs and leaders of family firms is likely to take place on the job. In larger New Zealand companies Boxall (2003) makes the point that it is hard to rise above first level management without a mix of qualifications and relevant experience and enrolments of mature students in part time executive MBA or Diploma courses has increased enormously in recent years. Although the New Zealand Institute of Management is the most significant in organisation outside University Business Schools, large companies like Lion Nathan have developed their own management development systems.
As New Zealand stresses the importance of skills enhancement for its workforce, this study has a number of implications for HR practitioners. The findings here suggest the need to develop management development along with other HR practices (for example, managers career planning, selection, regular appraisal systems, evaluation of management development activities, etc.) and implement as a best practice management development system. Management development activities should not be viewed as a cost in an economic downturn as the contributions of a properly aligned management development system has a positive impact on human resources outcomes and then on firm performance outcomes such as the improved quality of products/services, the development of new products/services and improved customer satisfaction. Although the government reports highlight the need for both basic and advanced management development programmes to be imported from overseas, it is important to note that an awareness of the subtle differences between the countries is vital and necessary adaptation should be made in successful localisation of overseas management development models.

**Limitations and Future Research**

Despite the contributions, this study has a number of limitations too. Although it uses terminology based on theoretical assertions such as outcomes and impact, these cannot be determined by its cross-sectional approach. Cross-sectional studies only provide support for association, and thus it is not possible to infer causality and examine the long-term impact of management development system on firm performance. Future research should, therefore, collect longitudinal data. The small sample sizes in Europe and Asia raise concerns as to the extent the samples represent their representative locations of Europe and Asia. However, due to the data collection methods used (i.e., through interviews), it should be noted that the sample sizes obtained here do not differ markedly from any of the other existing researches that seek to represent Asian region (such as Kelly, 2002).

Due to the varied discussions about what constitutes best practice in terms of a management development system, different combinations of practices that constitute best practice system may produce different results, and therefore future studies should propose different combinations of practices that constitute the management development system and empirically test their impact on firm performance. Although many studies support using subjective firm performance indicators (Wall et al., 2004), we recommend that future researchers use subjective measures in combination with objective measures where possible.

Lastly, as existing studies discuss management development from both system and process perspectives, future studies should identify other variables that constitute the management development process and examine its impact on firm performance. For example, management development methods, a firm’s strategic view of management development and line managers’ perceived value of management development. Examining the different aspects of management development may contribute more to the existing management development literature. Despite its limitations, this study has a number of strengths as well. The first strength relates to the empirical examination of the impact of the management development system and firm performance; the second relates to the proposal of a management development model and its investigation across Europe and Asia; the third relates to the proposal of multiple firm performance indicators (human resources outcomes and firm performance outcomes) rather than relying on one aggregated variable of organisational performance variable like other studies (for example, Mabey and Gooderham, 2005).

**Conclusion**

By way of summary, the findings of this study suggest that the management development system positively contributes towards human resources outcomes, which in turn contributes towards firm performance outcomes. Therefore we can suggest with some confidence that
management development should be incorporated with other HR practices and implemented as a management development system. Management development should not be treated as a cost to be cut under economic downturn as a properly configured management development system should help to bring about sustainable competitive advantage of the firms regardless of the location and other contextual factors. In conclusion we can propose that the management development model proposed and examined in this study is beneficial for the New Zealand context as Australians and New Zealanders are eagerly embracing the latest management development approaches, adopting and adapting North American and European methods (Avery et al., 1999). The New Zealand government has been supportive and interested in specific ways in which firms can be assisted to improve performance, built capability and increase their contribution to the economy for sometimes (Coetzer et al., 2007). Moreover, there have been calls for a wider understanding of how human resources are managed and the factors that influence such management other than that in the predominantly studied North American and Northern European contexts (Budhwar and Debrah, 2001). As the management development system positively contributes towards human resource and firm performance outcomes, further analysis of the applicability and effectiveness of the management development model proposed in this study in Australian and New Zealand contexts is highly recommended.
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