



The Value of Business and Management Education

A report by

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for

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1. Introduction

1.1 Project objectives

The Association of Business Schools (ABS) commissioned this project to investigate the evidence that the teaching activities of UK Business Schools contribute to the improvement of individual and organisational, and thereby national, performance. It arose out of the work done by the Council for Excellence in Management and Leadership (CEML), which highlighted the need for Business Schools to make a stronger case for their impact on the economy (CEML, 2002). ABS took up this challenge in commissioning this scoping research.

The intended purposes of the ABS in undertaking work in this area are:

- to provide the individual and corporate customers of Business Schools with better information on the value of the education they provide,
- to help the Business Schools improve and develop their teaching provision, and
- to improve future approaches to the evaluation of business and management education.

In examining possible links between the teaching activities of Business Schools and individual and corporate performance, we do not downplay other important roles of Business School education – to provide a rounded experience of higher education (Watson, 1993), to develop critical citizens as well as effective employees, and to be a foundation for many careers and roles in society. These types of impact may provide start points for other ways of assessing the 'value' of Business Schools. In this project, however, we are focusing on the impact on management and leadership performance which is of high interest to government, employers, students and the universities themselves.

This initial research project has two broad goals:

- to explore the existing evidence base for the impact on management and leadership of business and management education provided by the Business Schools, and
- to generate ideas about how this evidence base could be improved in the future.

In defining the teaching activities of Business Schools, we included courses leading to qualifications at both undergraduate and postgraduate level (including MBAs); programmes purchased by employing organisations through company MBAs, tailored programmes and short open courses for practising managers; and tailored support for small firms and entrepreneurs. The project has not examined the impact on corporate or national performance of the research and consulting activities of Business Schools – major topics in their own right.

Stemming from the CEML analysis, this project takes as its start point the possible impact of Business Schools on management and leadership. It does not focus on the possible benefits deriving from much more specific functional aspects of business, for example improving practices in accounting or human resource management or marketing. Separate

research into the impact of Business Schools on such practices would be very interesting, but could not be accommodated within the limited resources of this project.

1.2 Project method and information collected

The project has been of modest scale – about seven weeks of researcher effort over an elapsed time frame of seven months. It has concentrated on the following activities:

- Trawling and summarising existing published evidence of the impact of Business School education and training on performance, mostly at individual and organisational levels. A considerable library of information has been collected and analysed by the project team, now listed in a bibliography of over 320 relevant reports and articles. Only a selection of this material is referenced in this report, as comparatively few of the documents present specific evidence for the impact of Business School education in the UK.
- Conducting interviews with researchers working in relevant areas (*eg* management development, quality in higher education, HRM and corporate performance), including a meeting of a new network of researchers interested in the performance impact of management development. Scanning the websites of relevant research units, some of which are listed in Appendix 3.
- Contacting all ABS member Business Schools, and in addition a number of Business School units working specifically with small firms, to collect illustrative examples of evidence of impact through telephone interviews and written materials. About 13 Business Schools were able to offer concrete examples of evidence of impact, spanning different types of programme and different approaches to evaluation. Several reports describe evaluations conducted jointly by universities and employers sponsoring programmes or training events. A few 'incubator' units are in the process of conducting follow-ups of their participants, although this evidence is not yet abundant. Examples of this material are given in Appendix 1.
- Contacting a sample of 45 major employers in public and private sectors to collect their views on the impact of Business School education, and how they approach the issue of evaluating their management development activities. About 13 employers offered significant information. A few had written evaluations of business school programmes, and some described such work in telephone interviews. More articulated their views on the value of Business School inputs and their own evolving approaches to the evaluation of management development activities. Examples of this material are described in Appendix 2.
- Taking the employer and Business School surveys together about 24 studies giving specific data on the impact of Business School education were collected – very few of which are published.
- Analysing the collected evidence; exploring a possible framework for structuring approaches to this issue; and considering both the methods and organisational factors which might improve the evidence base in the future.

1.3 Structure of this report

Chapter 2 defines more closely what the project examined, in terms of a framework for various aspects of 'value' and performance impact of business and management education.

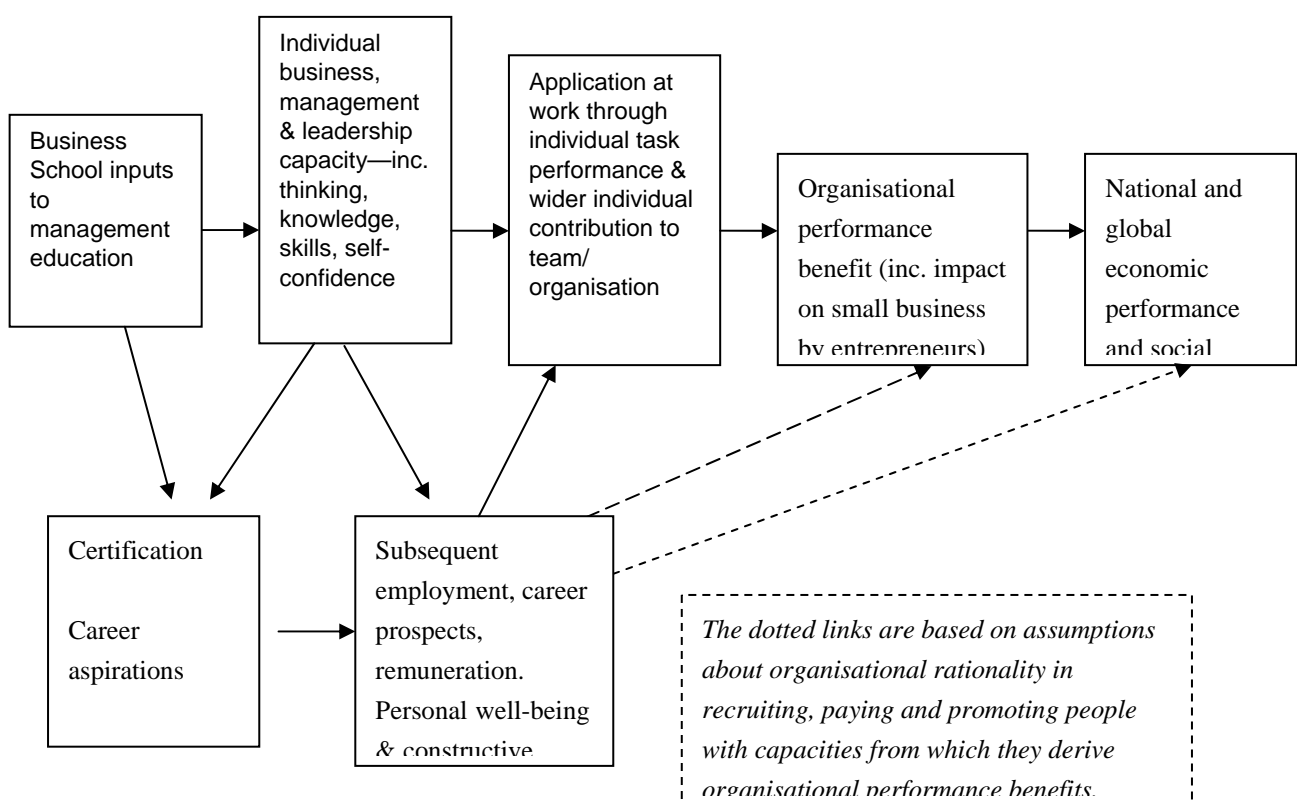
Chapter 3 presents the evidence of impact found from the literature and specific Business School and employer studies. For those wanting a quicker read, Section 3.5 summarises this evidence. Further details of some of the examples collected are given in the Appendices.

Chapter 4 reviews relevant evaluation methods, discusses the current barriers to the evaluation of Business School teaching, and suggests (in Section 4.3) a set of resulting recommendations to strengthen the evidence base.

2. A framework for examining the 'value' of Business School education

A central challenge of the project was to articulate and examine a number of inter-related ways in which Business School education might be seen as 'adding value', having 'impact' or improving performance. Figure 1 shows a framework which has been useful in structuring this project, and which might be worth developing further in future.

Fig 1. Framework for the performance impact of Business School education



The main features of the framework are as follows:

- A central chain of impact leading from development activity (in this case Business School education) to individual learning through to performance at work (primarily of managers/ leaders) and then to organisational performance and, finally, to national productivity.
- The lower chain on the diagram focuses on the impact of Business School education on career and pay outcomes for individuals. Such personal career impacts do not necessarily provide evidence for increased individual, organisational or national

performance as a result of the learning itself. However one might argue that rational organisations would tend to offer career or pay enhancements to employees contributing more to organisational performance.

- We need to recognise the broader impacts of business school programmes on thinking skills, personal awareness and self–confidence as well as more obviously job related knowledge and skills. These are included as aspects of individual 'capacity.'
- The model shows the potential for 'macro' evidence, directly linking the impact of education and development activity (at the left hand end) to organisational or even national performance (at the right hand end). However the arrows on the diagram highlight the importance of more 'micro' research and evidence concerning more specific links in parts of the chain. The project report examines both 'macro' and 'micro' evidence, identifying which links in the chain are well studied and which less securely evidenced.

3. Evidence for the impact of Business School education

In summarising the evidence collected, four main groupings of evidence will be presented in this Chapter:

- The employment and career impact of Business School study (Section 3.1) follows the lower chain on Fig 1
- The individual learning and skills impact (Section 3.2) looks at the first link on the top chain of Fig 1 – from education inputs to learning outputs
- The impact on individual performance at work (Section 3.3) examines the second link on the top chain of the model
- The impact on organisational and national performance (Section 3.4) examines the third and fourth links on the top chain, and the 'macro' links which might apply right across the top chain

These are pulled together in a summary of the state of the evidence (Section 3.5).

3.1 Employment and career impact

The first area of impact we have examined is of Business School study on the individual's employment and career. This is concerned primarily with the lower 'individual' chain in the Figure 1 framework.

Much of the sustained popularity of first degree and MBA study at Business Schools can be attributed to the perceived employment benefits of such study. Large scale national studies of graduates have shown that the majority of students taking Business and Management degrees do so hoping to improve their employment prospects. Purcell and Pitcher (1996) found that 65% of final year undergraduates in Business Studies chose their degree on 'vocational' grounds *ie* expecting it to improve their employment and career opportunities. This was second only to engineering and technology. Likewise studies of MBAs in the UK show very clearly that career improvement is a major motivation for such study (Thomson *et al.*, 1998).

There is a reasonable amount of evidence of the positive impact on salary and career progression for graduates of first degrees in Management and Business Studies and MBAs. In comparing Business and Management with other subjects at first degree level in the UK, it is very important to take into account the lower than average entry qualifications of the overall undergraduate intake into Business Schools. The UK Business School intake is extremely diverse by educational background, with a higher than average number of entrants having non–A level qualifications, lower than average A level point scores, and more entrants via access courses. Taking this into account, the value of a business degree to the individual seems significant, although it may not outweigh the cost and time of study.

Examples of evidence on employment and career impact

- HESA First Destination data shows low relative unemployment rates (around 6% in 1999/2000) for first degree graduates in Business and Management and a high percentage (nearly 80%) directly entering paid employment.
- The IER/Purcell large cohort studies of UK graduates (Purcell *et al.* 1996 and 1999; and IER 1999) in all subjects show that, both initially and up to three years out, graduates from a first degree in Business Studies graduates had relatively high levels of employment compared with other subjects. After graduation, Business Studies graduates had roughly average earnings, lower than engineering and technology, mathematics and computing and law, but higher than other sciences, social sciences, arts and humanities. They were also satisfied with their jobs and careers, and three years out were the most likely to be in management jobs (40%). Three years out they were more likely than graduates of mathematics, computing, medicine and engineering to be in jobs not normally done by graduates, but were faring better in this regard than those who had studied arts or humanities. Business studies had a 'significant earnings premium' compared with other subjects after taking entry qualifications into account. This was also the case for degrees in mathematics, computing, engineering and medicine (IER, 1999).
- The smaller scale but more recent CEL surveys of graduates (2002) show that first degree graduates in Business and Management have average employment rates after six months compared with other subjects, and 94% were in full-time employment after three years. They were less likely than the rest of the sample to be employed in a traditional graduate job after three years (57% compared with 63% overall). Three years after graduation 74% of management studies graduates were in a job related to their career plan – the same as for the sample overall. Graduates in management and engineering were rather more likely to be in a supervisory role than other graduates (51% for management studies, 55% for engineers and 46% overall). Both in the short and longer term, management studies graduates earned similar salaries to the sample overall. For all the employment outcomes, those with poorer entry qualifications do much less well, and this gaps widens over the three year period. Management studies students in this sample had significantly weaker entry qualifications than the overall sample. Taking this into account, their performance in the labour market was above average for their prior attainment. Work experience during study emerged as a key factor influencing employment outcomes.
- AMBA surveys (eg Thomson *et al.*, 1998; AMBA, 2000) show positive career benefits of MBA study, although the pay benefit varies according to institution and mode of study, with the largest pay benefits for two year full-time programmes. Salaries are also heavily influenced by some sectors, especially finance and consulting. There is more evidence for the MBA providing a one-off lift in salary at the end of study than a sustained salary advantage. There is also

a tendency for MBA graduates to move out of the public sector. MBAs work for smaller organisations as well as large ones.

- Baruch and Peiperl (2000) in a matched sample of managers with and without MBAs in four UK organisations, found that only those who had attended a 'top' Business School had higher salaries.
- Dunkin and Enbar (1998) claimed that in the US, it took on average 3.7 years to recoup the individual cost of taking an MBA graduating in 1998 (with 5.7 years for Harvard). Dugan et al. (1999) in a large survey found on average the MBAs in the US did earn more, but only if they had been to the more prestigious schools. Livingston (1971) comparing Harvard graduates with other senior managers with similar years of work experience did not find the Harvard graduates earned more.
- MBA–Direct, the candidate registry operated by Executives–Direct, contains over 5,000 detailed Career Profiles of alumni from accredited business schools around the world (although the majority are from the UK and continental Europe). These Profiles provide a growing and useful database on employment, careers and salaries. Current data confirms the strong interest MBAs have in working in consultancy and financial services, and in General Management roles. The majority of MBA–qualified managers and executives come from industry and move to professional services after graduation, but professional services are also a strong source of MBA candidates while manufacturing remains a strong employer of MBAs. MBAs take their qualification later in the UK than their European neighbours.

Several unpublished studies collected from Business Schools and employers showed career movement, career acceleration or progression after postgraduate study (see Appendix 1), although often those supported in such study have already been selected by their employers as having promotion potential, so care should be taken with cause and effect in such cases.

Studies based on the views of MBA students often show that those who study part–time do not feel their current employers recognise their learning by moving them into job roles which use their new skills. It may be easier to achieve a career gain from a part–time MBA by moving to a new employer. The tendency during the late 1990s for the MBA to be a vehicle for a career move into the consultancy sector has possible consequences for the distribution of 'talent' in the economy, especially the public sector.

We have very little evidence of the longer–term career benefit of first or Masters degree study in Business and Management. Pfeffer and Fong (2002) offer some negative evidence on this from the US, claiming that MBAs may not do better in career or pay terms longer term than those without an MBA, except in the case of graduates from top–ranked programmes.

Given the generally positive employment evidence above, it is disappointing that employers do not say that they specifically seek graduates with degrees in Business and Management

(CEML, 2002; AGR 2001). Rather the general picture is of employers looking for first degree graduates with good general cognitive and social skills, which they often test for themselves using assessment centres. Business and Management is not treated by employers as a 'vocational' degree in the way that, for example, engineering would be *ie* placing value on the specific knowledge and skills acquired. Much the same argument applies to some employers interviewed in relation to the MBA recruitment market, which they see as another way they can find 'talent', more than specific knowledge.

So although Business and Management students seem to fare quite well in the UK labour market, we have no strong evidence that this is because employers value these courses *per se* or the skills or knowledge gained through them. This raises an interesting challenge for Business Schools in making the relevance of the knowledge and skills taught in their degrees more transparent to potential recruiters. If employers are unclear about what is contained within a first degree in Business or Management or an MBA, they cannot be expected to value it more than they would any other experience of higher education gained in a comparable institution.

3.2 Individual learning and skills

The second area of impact we have examined is what the model calls 'individual capacity' – the first link on the top chain of the model. This embraces the acquisition of skills and knowledge, but also includes more personal effects of study on the individual.

HIGHER EDUCATION, EMPLOYABILITY AND LEADERSHIP SKILLS

There is strong interest at present in the role of higher education in developing generic and practical skills as well as imparting specific knowledge. The term 'graduate employability' is now used as short-hand for this issue. The government has been concerned to highlight specific skills of relevance to the employability of graduates, emphasising numeracy, IT and communication skills. Employers seem less concerned with specific skills such as IT and more concerned with inter-personal and teamworking skills (Hesketh, 2000).

There is a huge literature on the skills employers are looking for in their managers. Current ideas of management and especially of leadership have been heavily influenced by notions of the transformational leader (Bass, 1985), empowering leadership styles (Argyris, 1998), and most recently by the idea of 'emotional intelligence' (Goleman, 1996). The skills to work well with other people and to manage oneself, as well as the more traditional skills of business efficiency and direction-setting emerge as key elements of what organisations are looking for in their managers. There are clear parallels between these skills and the more generic employability skills sought in all employees.

Although there have been many 'employability' initiatives, universities have found it difficult to address these issues in a coherent fashion. Some examples of good practice have been published by Universities UK with CSU (Harvey and Morey, 2002). The Skills-Plus programme, funded by HEFCE, is taking a somewhat broader approach, through four universities working with a number of departments to discover how 'employability' might really be influenced by the higher education curriculum. This programme is taking as its start

point the relationship between some desired outcomes ('efficacy beliefs and strategic thinking'), a few key factors (self-awareness, some skills, subject understanding), and specific aspects of the teaching and learning process (eg project work, team work, presentations). The aspects of teaching and learning most likely to enhance employability can then be audited and enhanced. This appears to be a refreshing and promising approach, and may be particularly helpful in examining undergraduate programmes in Business and Management to see if they contain enough well-supported opportunities for active learning.

MBA programmes and executive education at Business Schools are more often pitched at leadership skills. However, Business Schools vary considerably in the extent to which they support the practical development of inter-personal skills rather than only teach the theory of leadership, change management etc. Some Business Schools have reputations built more on their expertise in subjects like business strategy and finance than on their expertise in the theory and practice of managing other people.

THE IMPACT OF BUSINESS AND MANAGEMENT STUDIES ON PERSONAL CAPABILITY

There is a rather fragmented set of evidence on what students in Business are learning and whether employers understand what they are learning. Although there are documents setting out the general range of content of first degrees in Business and Management and MBAs (the QAA 'benchmarking' documents and standards of accrediting bodies), the employers interviewed do not seem aware of these and seem rather vague about what knowledge and skills Business Schools cover in their degree courses.

Some useful studies report on how students of first degrees and MBAs, perceive their learning, and its impact on their skills and confidence.

Examples of evidence on individual skills and learning

- Purcell and Pitcher (1996) showed final year Business undergraduates felt they had gained 'enterprise' skills (eg interpersonal skills, teamworking) more than students in other subjects, but did not feel especially strong on personal development (eg self-confidence, self-awareness) and rated their specialist knowledge lower than students in all other disciplines. The follow up study in 1999 showed that the 'enterprise' skills – especially ability to prioritise tasks, interpersonal skills and ability to work in teams – were those which graduates generally found most needed once they were at work.
- Personal accounts of perceived learning are collected by universities and from evaluations conducted by employers. We collected about 10 such studies, mostly relating to consortial MBA or bespoke management programmes (see Appendices 1 and 2). These studies often self-report considerable personal impact (eg gain in self-confidence, learning skills) as well as gains in interpersonal skills, cognitive aspects (eg wider thinking), and knowledge (eg of business generally). Networking with others on the programme is another common source of value to the participants. Although learning to work with

theory is quite often mentioned in such studies as a benefit, specific knowledge areas seem less often to be valued by participants. In one retail company, a Business School MBA was part of a wider graduate training programme and was assessed as the second most useful component of this programme (after the retail operations job placement).

- Baruch and Peiperl (2000) in a matched sample of managers with and without MBAs in the same organisations in the UK, found that those with MBAs self-reported higher levels of skills and self-esteem. However, as this did not translate into other work-related outcomes, it could be they were just more generous self-assessors.
- A range of largely US studies have examined the learning gain from Business School study, usually focussed on MBAs. These often show a lack of development of interpersonal and practical skills. In a rare matched sample study of US graduates taking an MBA with those who did not, Kretovics (1999) found learning gains from the MBA but no significant difference from other graduates in interpersonal and communication skills, even though the university had been prioritising such learning. Minzberg and Gosling (2002) observed that '*contemporary business education focuses on the functions of business more than the practice of managing.*' A disappointing feature of a UK survey of MBA alumni (Thomson *et al.*, 1998) was that only a fifth of respondents saw their role in developing others (a crucial aspect of modern leadership) as very important.

In examining the relationship between Business School teaching and learning outcomes we must be mindful of the diversity of teaching methods employed between institutions and programmes. Much of the criticism of Business Schools in the US emanates from the idea that classroom teaching does not develop leadership skills. The more positive feedback from participants in some of the UK studies we collected were mainly from organisationally-sponsored, and often tailored, part-time MBA programmes with a high emphasis on action learning methods. It was also interesting to note that the teaching and learning process, especially the use of personal feedback, coaching and action learning, is a key criteria when employers are selecting Business Schools to work with for executive education.

One key limitation of the research evidence on the impact of Business Schools on individual capability is that it relies so heavily on self-reported assessments of skill.

3.3 Impact on individual performance at work

The most critical link in the chain from a teaching input to a change in organisational performance seems to be that between individual learning and the application of that learning in the workplace (the second link on the top chain of the model). Do those who have undertaken management education actually perform better as managers?

This is a central question in the general criticisms of Business Schools in the US. These often revolve around the lack of fit between what is learned on an MBA and what it takes to be an effective leader in practice (eg Livingston, 1971; Pfeffer and Fong, 2002).

Much of the literature on linking training to individual performance lists the many reasons why this link is difficult to prove. Easterby–Smith (1994) gives a compelling account of the complexity of evaluating management development, but suggests a range of practical approaches to at least parts of the problem. Bramley (1999) highlights the influence of intervening factors (*eg* organisational structure, support and encouragement, reward systems, and the design of work).

The project has found only a very few examples of attempts to link Business School education with individual performance in the workplace. Some examples are given below and show a very mixed set of evidence, far short of a strong case for positive performance impact.

Examples of evidence on individual performance at work

- Among the organisational studies collected (see Appendix 1), two UK companies have found no association between the subject of first degree among graduate recruits and their subsequent performance as assessed by the organisation. Several organisational evaluations of Business School programmes showed that individuals saw a greater performance difference in themselves than that seen by others in the organisation. In one case a change seen as positive by participants – becoming more questioning and challenging – was seen as negative by others at work.
- Baruch and Peiperl (2000) found no performance difference between managers with and without MBAs in four UK companies. In the US, Leonhardt (2000) found that Boston Consulting Group consultants hired without MBAs received on average better evaluations than their peers who had gone to business school. Pfeffer and Fong (2002) cite similar examples from McKinseys, Monitor Consulting and investment banking.
- Sloan (2001) surveyed over 300 people who had attended open general management programmes in US Business Schools and 45 company clients for custom–designed programmes. This study did show some evidence of impact on performance as self–reported by the open programme participants (39% of whom responded to this question) and by nearly two thirds of the managers responsible for custom programmes.
- Some employers are using 360 degree feedback to examine the impact of management development on workplace performance. In one case, such competencies were defined in specific task terms (eg 'leading a successful project team'). A shift in the assessment of this competence might be taken to mean an increase in job performance. In another case, 360 degree feedback was used before and after a Business School programme and showed increases on most of 16 items. Some employers have become concerned at the validity of such feedback, especially taken over short time periods, and 'assessor fatigue' in relation to repeated requests for 360 degree feedback.
- Studies of managers/ entrepreneurs in small firms (eg Perren and Grant, 2001) have shown that such managers do not find traditional Business School teaching useful in addressing their business issues. A new generation of offerings to entrepreneurs may be starting to address these learning needs more effectively. Some anecdotal evidence of this kind is already appearing on Business School websites in the form of individual accounts of linking learning to business challenges.

So there appear to be some tensions between the very largely positive feedback from students on their learning at Business Schools and how easily this can be linked to improvements in their performance at work. This is not to say that Business School learning does *not* affect performance, but rather that systematic attempts have not been made to document such a linkage.

A major problem with this link is that it straddles the boundary between what happens in the university and what happens in an employing organisation. For students taking first degrees, this boundary is like a fairly opaque doorway with the Business School having only limited sight of what happens in employment and the employer knowing relatively little about what their new employee has done at university. Even for students taking part-time masters degrees and for managers attending executive education sessions, there is an imperfect understanding across the 'doorway' separating activity in the Business School from the workplace. Investigation of the link between learning and performance at work requires data and understanding to be shared across this boundary through the joint endeavour of Business Schools and employers. The typical 'follow-up' studies of alumni may yield some data about their perceptions of their own performance, but this may not tally with what might be observed by those they work with. 360 degree feedback can show some evidence of changing performance (although more of behavioural input than task output) but is rarely linked to specific aspects of the learning experience.

PRACTICAL PROBLEMS IN APPLYING BUSINESS SCHOOL LEARNING AT WORK

Those studying at Business Schools are quick to point out these tensions themselves. Common themes in the evaluation studies we collected relating to part-time or consortial MBAs were:

- the difficulty of transferring Business School learning back to the workplace, even where the Business School is setting out to encourage more practical forms of learning;
- the practical problems of managing projects and learning sets within time constraints and the level of support offered by the employer;
- the lack of career moves after study (especially on part-time MBAs) into job roles where individuals could make use of their newly acquired knowledge and skills.

A study of the impact of an in-company MBA for Bass plc (Burgoyne, 2002) revealed these kinds of difficulties, even in a programme which had paid considerable attention to action learning and organisational as well as individual learning. It was "*hard to get all the elements of the programme: MBA, mentoring and continuous assessment, to work at once, and in an integrated way.*" The participants also appeared to have rather traditional expectations of the educational experience, and saw it in terms of getting a qualification rather than an opportunity to maximise their learning.

This part of the model (linking individual capacity to individual performance) is the one where least research effort has concentrated to date and where our methods for examining the issue are still weak, especially given the coarse nature of most organisational systems to measure individual performance.

3.4 Impact on organisational and national performance

The model used in this study suggests several possible ways of looking at the link between Business School education and organisational performance (the third link on the top chain of the model).

- What we might call 'macro' studies have the potential to identify statistical links between Business School inputs on the one hand and overall measures of organisational performance on the other. We can picture this approach as skipping over the top of Figure 1, treating learning and its application as a 'black box', and seeking to relate an input of teaching to an output effect on organisational performance.
- 'Micro' studies might track changes in individual performance into changes in organisational performance.
- Where the individual *is* the firm – in the case of entrepreneurs and very small firms– individuals can provide direct feedback on both their own learning and the performance of the firm.

We look at each of these types of evidence in turn.

'MACRO' LEVEL EVIDENCE ON HRM/HRD, MANAGEMENT DEVELOPMENT AND BUSINESS PERFORMANCE

In seeking to examine possible 'macro' links between Business School learning and organisational performance, one promising start point are the many studies of how a whole range of employment practices correlate with organisational performance – often called studies of the link between Human Resource Management (HRM) and performance. We need to look at whether management training and development is an aspect of employment practice which appears to improve organisational performance. We would then need to go on to show that Business School management teaching is a form of management development which has this positive effect.

There is indeed a growing body of such evidence on the general (or 'macro') association between good human resource management practices and organisational performance. The CIPD seem to have proclaimed the link as proved (Caulkin, 2001), although most UK researchers seem to agree that the establishing a causal link is very difficult.

Examples of evidence on HRM, training and business performance

- Pfeffer (1998), Becker and Huselid (1998) and others in the US have found associations between certain HRM practices and superior business performance, although there is considerable variation in explanations of how these links might operate.
- In the UK the evidence is also building *eg* Guest *et al.*, 2000a and 2000b; Patterson, West *et al.*, 1997; Thompson, 2000. Richardson and Thompson (1999) review much of this literature with reference to the UK as do Guest *et al.* (2000b). Their broad conclusions are that while there does seem to be some association between progressive or 'high performance' HRM practices and organisational performance, a causal link is not yet proved. Longitudinal analysis has been inconclusive. Most of the positive findings to date relate to the manufacturing sector and may not apply to sectors, such as services, where cost reduction strategies are common (Hoque, 1999).

- In these studies of HRM and business performance, training is quite often included as one of the HRM practices seen as possibly contributing to business performance. Pfeffer, for example, listed training as one of the "*seven practices of successful organizations*." Training is usually measured in very simple terms in these studies, most often training spend or proportion of employees receiving training. Sometimes measures are included for both training for new staff and for experienced employees. Patterson *et al.* (1997) in a large scale longitudinal study in the UK grouped training with other practices affecting the acquisition and development of skills (selection, induction, training and appraisal). This group of HR practices were found to have a strong influence on productivity. Moreover, all human resource practices combined affected productivity far more than strategy, emphasis on quality, application of technology and R&D expenditure. Dearden *et al.* (2000) used longitudinal data from the Labour Force Survey and industry-level productivity data to show that investment in training increased the value of each worker in productivity terms far more than it cost in increased wages.

Although this evidence points to a possible positive link between employee training and organisational performance, training is not often the employment practice *most* strongly associated with performance in these macro studies. Practices around work organisation and performance management usually come out more strongly.

Taking the next step towards linking Business Schools with organisational performance, we need to look for possible links between management development activity and corporate performance. Most of the macro studies above do not examine the influence of management development activity, because its measurement is not separated out from training. However, a few studies have examined the impact of management development on organisational performance.

Examples of evidence on management development and business performance

- Winterton and Winterton (1996) claimed a link between management development and organisational performance in a study of 16 UK organisations, especially where such development was competence based and linked to overall strategy.
- DTZ (1998) examined 127 firms using TEC related management development activity. Although 63% could identify an impact of this development on business performance, only 18% felt this was definite and direct, and under 9% could quantify this impact.
- Mabey and Thomson (2000) used large surveys to examine changes between 1996 and 2000 in a matched sample of organisations. They found that those reporting improvements in management development also reported improved financial performance relative to others in their sector. Again they emphasised the importance of such activity being linked to business strategy. Thomson *et al.* (2001) found that the majority of HRD managers felt management development activities achieved their objectives, although client managers were somewhat more critical. The same pattern was evident in a question about the impact of

management development on the organisation. 81% of HRD managers felt the impact was medium or high compared with 61% of client managers. Figures are significantly higher in organisations with higher commitment to management development and more centralised approaches.

- Thompson (2000) found that company performance in over 600 aerospace establishments was not related at all to total management development spend, but high performing firms spent more of their management development budget on people management skills (27% of spend) than low performing firms (9% of their spend).

In the studies of HRM, adoption of HR practices across the workforce is often a key factor in the statistical relationship. We might therefore expect that training for the whole management population might be a more powerful lever in raising corporate performance than concentration only on the top layers of leadership.

We so far have rather limited data on the contribution of management development to organisational performance. There remains a further problem of understanding the Business School contribution within this – an issue not yet measured by any of the studies above.

The only study we have found expressly connecting Business School education with corporate performance found a positive association in the US between senior teams who had undergone graduate business education and corporate criminal activity (Williams *et al.*, 2000)! This single study might have only attracted passing and amused interest in this project were it not for the recent major corporate scandals in the US in organisations both employing and advised by executives who had come the MBA route. These raise very major concerns about the ethical/ moral dimension of Business School education for corporate leaders and their consultants.

The 'macro' research literature seems to show that there may be good grounds to suppose that Business School development of existing managers might correlate with organisational performance if it is widely accessed by the management population of an organisation and if it is relevant to the particular needs or strategy of the business. However, existing research is some way from establishing empirical evidence for this link.

'MICRO' LINKS BETWEEN LEARNING, INDIVIDUAL PERFORMANCE AND ORGANISATIONAL PERFORMANCE

There is surprisingly little research on the way in which management development may lead to improved organisational performance. Martin *et al.* (2001) compared managers in a company in Scotland who had taken formal educational courses while at work with those who had not. While there was some evidence that formal training did lead to improvements and innovations, these changes were often seen as communal and strongly influenced by the extent of departmental integration. Both this and other studies also emphasise the dominance of informal learning in the workplace over the impact of formal management training and education.

The evaluations of particular Business School programmes collected in this study tend to focus on impact only at individual level rather than corporate level. As such they often flag

up the transfer of learning from individual to organisation as a problem area both for the students and for line managers. For all the talk of knowledge management, we still lack practical strategies for such learning transfer.

It is certainly getting more common for groups of in-company students to present their projects to senior managers as part of feedback on the programme, providing one very practical opportunity for organisational learning.

We have anecdotal, but no systematic or analytical, evidence that some companies justify the whole cost of MBA programmes through the financial benefits of projects. We were also told about one example of a Return on Investment analysis of a consortial MBA programme by a Business School which claimed substantial financial benefits to the sponsoring organisations, but there was no detailed publication of this data in the public domain.

Some organisations see the link between management education and organisational performance more in terms of recruitment and retention of the best quality graduates. The recruitment argument, evident in some of our interviews with employers, is that if some of the best school leavers enter Business Schools which set high intake standards, or if some of the best graduates take MBAs, then it is sensible to recruit in these markets to get some of these very talented people. The second attraction and retention argument is that the development offer of the organisation once people are employed is a key factor in both attracting the best employees and retaining them (Winter and Jackson, 1999). Some employers respond to this argument by offering part-time study (often for an MBA) as part of a graduate development scheme to help in recruitment. Some respond to requests for support with MBA study from existing employees as a retention strategy. It is clear that employers do apply such strategies, but there is little evidence of whether they are cost-effective and drop through to increased corporate performance.

There is another tension present in seeking to examine the micro link between individual learning and corporate performance. Much of the UK literature already mentioned above adopts quite a mechanistic model for this linkage – from corporate strategy to key competencies, to competence based management development, to improvement in these competencies, and thence to corporate performance. This approach is indeed adopted by some leading companies, and is strongly espoused by Government's support of Management Standards (although ironically these were derived from job analysis not the strategic business needs of employers). However, there is an equally strong employer interest in much more personal start points for management learning on the grounds that the learning itself will be more relevant and vivid to the individual and therefore has the potential to bring about much greater changes in performance. We see this in the rapid rise of coaching and mentoring, which inevitably attend to each individual's perceived development needs, even when starting from a competence-based analysis (Hirsh and Carter, 2002). Some leading employers have invested in major Business School programmes which are intensely personal, hoping that they will feed through to corporate performance through their deep emotional impact on the individuals concerned. The BAe Strategic Leadership Programme, exposing participants to intense experiences of culture in different countries, is an example of such a '*personal journey*', not designed to have a '*deliverable result in strict business terms.*' (Davidson, 2001).

Improving links between Business School learning, individual and corporate performance might well depend on how responsive Business Schools are to the needs of organisations in general and to their corporate clients in particular. Again some American literature is critical of US Business Schools in this regard. Prince (1999), for example, argues that Business Schools need to be far more radical in using their own techniques of business strategy to rethink how they run their own core business – teaching. Prince is critical of the real focus on the customer as '*falling way below industry standards*', and acknowledges that universities often do not see a real need for their Business Schools to change. The same tension between the temptation not to rock the boat if the Business School is making money, and the need to seriously re-engineer how business is taught is equally evident in the UK, where employers are still critical of the extent to which Business Schools really address their needs (CEML, 2002).

SMALL FIRMS AND ENTREPRENEURS

The impact of Business School support on managers in small firms may have a simpler drop through to business performance, as the performance of the individual is likely to have a major influence on the performance of the organisation.

Marshall *et al.* (1993) conducted a matched sample study of the impact of government assisted management training in small firms. This showed that those receiving training were more likely to continue to train, but there was no directly observed impact on business performance.

Business School units specialising in work with small firms and entrepreneurs often keep in touch with their participants. They have positive anecdotal personal accounts of the perceived link between business school support and survival/ growth of their businesses, but such information has not yet been pulled together.

The New Entrepreneur Scholarships scheme, supported by DfES and DTI, is starting to generate evaluation evidence of the impact on its Scholars of the Business School support they receive. An evaluation study, being conducted in 2002, is not yet published, but earlier rounds of evaluation show signs of positive impact on employment, the use of business plans and skills improvement in areas such as marketing and networking.

Another way of looking at the impact of Business Schools on local economies is to try and measure their impact on small business start-ups. Strathclyde has been studying this issue in relation to modules on entrepreneurship which are available to many undergraduates (not just those in Business). Initial results are encouraging (Galloway and Brown, 2002) in terms of the attitudes of graduates who have been through such programmes to starting up a business later in their careers. It seems likely that such impact might take many years to feed through to growth in the local economy, and the intention is to continue such tracking research. This line of research also raises the interesting question of whether Business Schools might have more of an influence on business through fostering more positive attitudes to business among students rather than through imparting specific knowledge or skills.

NATIONAL LEVEL IMPACT

Given the weak state of evidence linking Business School education with corporate performance, it is difficult to assume that inputs from this sector will automatically lead to increased national productivity. Indeed it is far from clear that poor managerial performance lies at the heart of the UK's productivity difficulties. Although the reports of the National Skills Taskforce often mention managers, management skills are not included in the six main areas of skill deficiency identified in the UK (basic skills, generic skills, maths, intermediate level skills, ICT, adults with no qualifications) (DfEE, 2000).

The Institute for Employment Studies has recently helped DTI scope the availability of internationally comparative data on the management population and its qualifications (Jagger *et al.*, 2002). The DTI are currently seeking to 'populate' this framework with data from a range of countries.

The debate about the positive impact of higher education on organisational or national productivity seems likely to re-emerge in the UK as demand for higher education levels off at reasonably high levels of student participation and the financial pressures in the higher education sector become more publicly visible.

Another way of looking at national level impact is to see the Business School sector as contributing to the economy as a business sector in its own right, through attracting national income from overseas students and clients. The ABS (in Pillars of the Economy 2000) estimate over £500 million for the annual revenue derived by the UK economy from EU and other overseas students studying business.

3.5 Summary of the state of current evidence

Although the project has gathered a significant amount of relevant information, some areas of impact are much better evidenced than others.

There is a significant and growing amount of published information on the benefits to individuals of Business School courses (first degrees and MBAs) in terms of employment, career and earnings. Universities continue to add to this information through alumni surveys which concentrate on employment outcomes. New sources of data (*eg* recruitment intermediaries such as MBA-Direct) will further add to employment information. However, only the larger national surveys (such as those conducted by IER in the late 1990s, and to some extent the smaller sample recently surveyed by CEL) show the employment of Business and Management graduates against graduates in other subjects. We also lack studies including control groups who enter work rather than higher education, or who enter management after a first degree rather than an MBA. Without such comparative data we cannot really claim employment benefit to the individual of taking Business School qualifications.

A second large area of evidence concerns how training and development *should* be evaluated and there is certainly a growing interest in how universities should assess learning. We look at some of these issues of method in the next chapter. There are, however, few specific examples of the most strongly advocated evaluation methods (*eg*

ROI, stakeholder analysis) being used in practice to show the learning benefits of particular courses or programmes.

There is considerable evidence that participants in Business School study report increases in self-confidence and skills, although such studies use many different classifications of skills. The evidence is weaker when it comes to the observation of such learning by others in the workplace.

The evidence linking Business School learning with performance – both individual and organisational – is the most central to this project and the most problematic. There is little positive evidence that Business School teaching leads to improved individual performance at work. There is a growing and interesting literature on the links between HRM (the processes for managing and developing employees) and business performance, but little of this pulls out the contribution of management development as a cause of performance improvement, and none we have found identifies the particular contribution to productivity of Business School programmes. At the moment it is not clear whether the weakness of evidence relating Business school inputs to performance is because there really is little impact, or whether the impact is there but has not been detected through lack of effort in measuring it. By the time we get to the question of whether Business Schools improve national performance, this study has found no evidence at all.

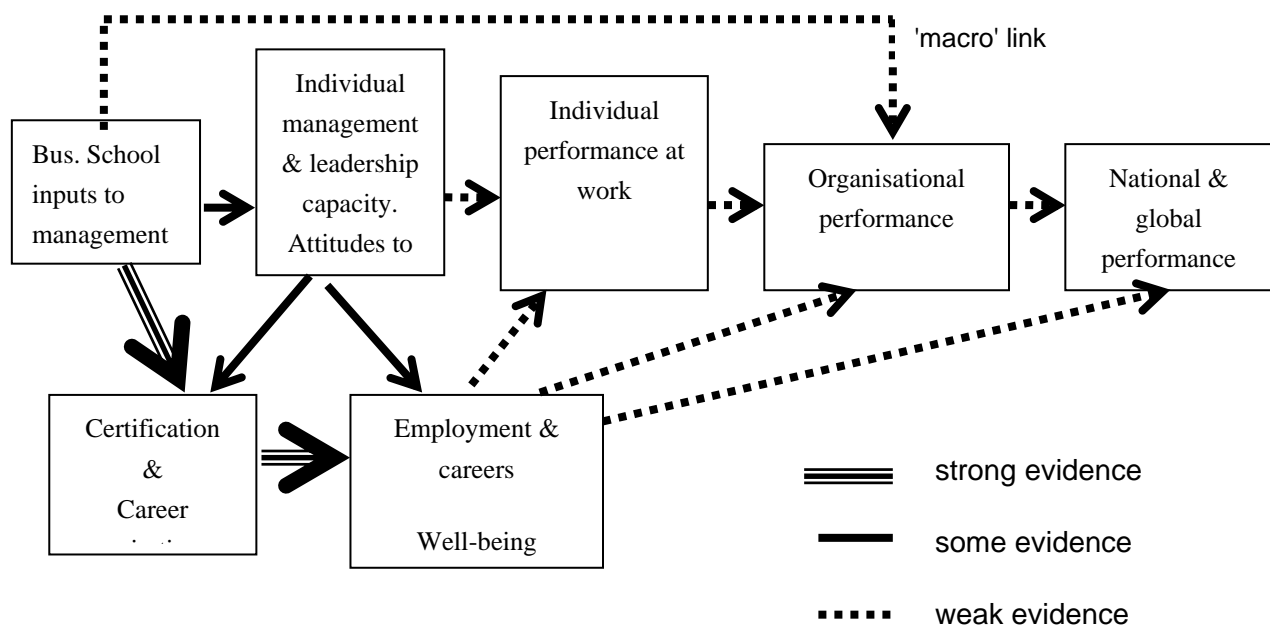
It is also important to bear in mind the steady trickle of negative evidence especially from the US and mostly concerning the MBA. The very few American studies which have attempted to compare the skills and performance of those with MBAs to comparable groups without this study experience, have failed to prove the MBA makes people better business performers. Some would even contest the pay and career benefits of the MBA on which the success of this qualification rests world-wide (Pfeffer and Fong, 2002). Some of the most highly regarded American business academics continue to criticise their own Business Schools for failing to pay enough attention to the real challenges of leadership and the approaches to teaching which addressing these needs may require.

Although some UK Business Schools might feel they are paying more attention to practical leadership skills than their American colleagues, they have not researched whether their alumni perform better as managers than other comparable graduates. The pressures of large undergraduate cohorts also militate against using more involving forms of learning and work experience in first degrees in Business and Management – one of their key potential selling points to UK employers.

Figure 2 revisits the model put forward in Chapter 2 and shows roughly where evidence of impact is weak and where it is strong. The strongest links are between Business School education and employment and career outcomes, via the impact of certification and career aspirations, and including satisfaction with study – the lower chain on the model. This applies mostly to first degrees and to some MBAs. It does not apply to executive education.

There is some evidence of learning outcomes of study, although mostly self-reported and little in relation to executive education.

Fig 2. Strength of evidence for the performance impact of Business School education



There is also some evidence of learning outcomes influencing employment as seen in the good employment outcomes of first degrees in business and management relative to other subjects and the entry qualifications of students. This link is less secure for the MBA in terms of learning rather than the certification effect.

The dotted lines represent the weakly evidenced links from learning through to individual and organisational performance. The links in the lower right hand side of the diagram do exist in the sense that employers may use Business School education as a filter to recruit able individuals, but there is little evidence that they believe that the Business School education has added much value to this personal potential.

The 'macro' link across the top of the diagram is evidenced to some extent for management development activity overall, if linked to business needs. However this link has not been examined in large scale studies for the particular case of Business School inputs.

The contacts made in this project with Business Schools and employers showed that there is probably far more evidence of impact collected than ever sees the light of day. Employing organisations and Business Schools do conduct relevant evaluation studies, but often do not write up, retain or publish their findings. This is in part due to issues of client confidentiality, but seems to be more due to lack of time, interest or perceived relevance of serious evaluation. So evaluation often provides short-term feedback on a particular programme or cohort, but is rarely fed into any wider analysis of the Business School over time. It is especially striking that virtually none of the evaluation studies we found were of programmes run by Business Schools for senior executives, a high profile area where direct relevance to business strategy might be easier to examine. The American literature is similarly light on evaluations of in-company Business School training for senior executives. Several employers commented that very senior groups see evaluation of their own learning events

as best done quickly and informally – taking what they can from the experience but not analysing it in detail.

The final chapter looks in more depth at some of these barriers to evaluation and at how the evidence base might be improved in future.

4. Improving the evidence base

This Chapter considers what could be done to improve the evidence base, and hence our confidence in conclusions about, value created by the teaching activities of Business Schools.

The Chapter is in three parts, firstly (4.1) possible methods of generating evidence of impact are reviewed; secondly (4.2) we examine the current barriers to the generation of evidence based evaluation; thirdly (4.3) a number of recommendations are made about evaluation practice, which are considered to be the most promising ways forward.

4.1 Possible methods of generating evidence of impact

A very large proportion of the literature on evaluation, whether in relation to higher education, or training or management development, describes what *should* be done rather than reporting on evidence actually collected. Some of this literature comes from the field of management learning, some from the literature on training evaluation, and some from work on the assessment of learning in higher education. Although frustrating in its generality, this literature is a rich source of ideas for our recommendations on future practice.

Specific examples of approaches, all of which are acknowledged as problematical, include:

- Return on Investment (ROI) approaches, held by some to be the 'Holy Grail', but only achievable in practice by making questionable assumptions and estimates. It is more easily applied to very task-based training rather than to management learning. The ROI approach is strongly advocated by some (eg Kearns 2000), but we could only find one example of a British Business School applying this method to management education, and that is currently private and unpublished.
- The Kirkpatrick approach is probably the most widely used model for training evaluation. It follows a chain of impact: reaction to the learning event, learner experience, learner change, work behaviour change, personal and organisational benefits. Difficulties arise from the underlying assumption of strong unilateral linear functional causality, and the difficulties within this of establishing effect towards the end of this 'chain'. The Kirkpatrick model is both one of the longest standing evaluation frameworks (Kirkpatrick 1986) and one enjoying a recent revival (Kirkpatrick 1996), but it has been pointed out that it represents only one of a variety of models and approaches, and taken alone narrows the approaches that can be used (Burgoyne 2002, Tamkin et al 2002). Amongst the alternative approaches with practical potential are decision focused evaluation (Patton, 1978) and 'realistic evaluation' (Pawson and Tilley 1997).
- Approaches born out of the collection of audit information on the quality in higher education. The QAA process has been used to collect data on teaching and learning in universities, and how it is viewed by students. This process has recently been reviewed in the Cooke Report on possible future approaches to monitoring the quality and impact of higher education (eg HEFC, 2002). The approach to date has largely concentrated on features internal to the education and assessment process, paying only brief attention to

post education outcomes, employability, and employer satisfaction. It seems possible that the issues of impact post-education may receive more attention in future, although this increase may be modest and could be taken much further. Our survey of Business Schools suggested that they do not currently see QAA data as giving them much useful evaluation information, perhaps because they see it is a task imposed from outside the institution.

- Competence based approaches to evaluating management learning, including 360 degree feedback on skills before and after learning input, are quite widely used by employers and in connection with bespoke Business School programmes. However organisations tend, understandably, to relate these measures to their own competence frameworks rather than a national scheme, which limits the potential for a 'meta analysis' based on such studies. In addition some employers are finding '360 fatigue' a problem, perhaps not surprising considering the amount of work involved around each assessed person.
- Balanced scorecard approaches (Kaplan and Norton 1996), assessing perceptions of different 'stakeholders' in management learning, is currently of interest to employers, and is used both formally and informally. The more in-depth qualitative evaluations we found in Business Schools were loosely of this type, often gathering information from participants, their line managers, senior managers ('sponsors'), management development staff and Business School faculty. This provides a broad approach to assessing individual and organisational performance impact. The questions of what affects or causes organisational performance so measured is a complex one, but this tool may have some potential to contribute to management education evaluations that could push through to an assessment of organisational impact.

Employers see the evaluation of management learning as a key issue and face many of the same challenges as Business Schools in doing something practical in this area. The employers responding to our enquiries vary considerably in how much practical attention they are paying to the evaluation of management development activity. Several respondents acknowledged they are not tackling this challenge systematically. The decentralisation of management development in some large organisations works against a central overview of the impact of management development. Some employers did give clear responses on their evolving approaches to evaluation.

Examples of approaches used by particular employers

- Structured competence based approach, using assessment centres to identify objectives of programme for particular population in relation to corporate competence framework, in turn derived from business objectives. Selected competencies for programme then measured at individual level before and after the development intervention, using 360 degree feedback.
- Periodic qualitative assessments of major Business School programmes inviting feedback (through questionnaires or interviews) from various cohorts of participants and also from their bosses and colleagues. Found to be more useful than routine questionnaires before, after and at six months.

- Presentations made by participants on a consortium MBA programme to their Board at the end of programme, summarising both project outputs and perceptions of learning gain. This method was used by several employers/Business Schools.

Some employers gave verbal summaries of evaluations they have carried out on particular Business School programmes. In a few cases written reports were available. Employers seem most likely to conduct thorough evaluations in the case of bespoke Business School programmes involving significant numbers of managers (eg consortium MBAs, junior and middle management programmes). Some of these examples are described in Appendix 1 and 2.

The various methods that are and can be used from within employer settings all have their strengths and weaknesses, but more could be done to define and encourage good practice in this area. Large amounts of data in isolated pockets undoubtedly exist, both in employing organisations and Business Schools. This data could be used in more general analysis if a scheme to share such studies and use them could be devised.

4.2 Barriers to generation of evidence

The project has explored, in interviews with Business Schools, employers and researchers, why there are relatively few published studies of the impact of Business School teaching on performance. Both Business Schools and companies do see this issue as important, but many confess they do not spend much effort tackling it systematically. Some reasons they give for this include:

ISSUES OF PURPOSE

- The competing purposes of the interested stakeholders in evaluation. For example, the use of salary surveys for marketing purposes, and the pressure to satisfy QAA processes may outweigh genuine pressure to measure impact on performance. Easterby–Smith (1994) has pointed out that the two main functions of evaluation: formative (feedback to make it better) and summative (feedback to establish benefit and goal achievement) can be applied to both the process and the outcomes of training, education and development. This generates four kinds of purpose for evaluation: controlling (seeing if things are delivered as planned), proving (seeing if developmental aims are achieved and expected benefits realised), improving (making the programme design and delivery better) and learning (seeing if there is a better way of defining the overall purpose). These different purposes are all useful in different ways, and good evaluation designs can often achieve several of them together. However more clarity of purpose in evaluation in these terms would be useful. There is a danger that the evaluation issue is seen as addressed if reasonable effort has been made against just one of the purposes.
- Some are quick to point out that an over–emphasis on seeking to show that their provision increases organisational performance may distort the wider aims of higher

education. In this sense evaluation may seem endlessly to await the resolution of broader ideological debates on the purposes of Business Schools.

- Evaluations conducted as an integral part of the teaching/ learning process are seen as 'feedback' or 'reflection' not as information of potential interest to the Business School as a whole or to its clients.

ISSUES OF METHOD

- The difficulty of proving causal links and the complexity of the impact of education. Senior managers aware of this complexity may feel quite comfortable with, or resigned to, supporting management development as an 'act of faith.'
- The contested nature of research methodologies in the Business School research community, and variations in traditions between different sub-disciplines, make it more difficult to achieve a shared legitimacy for any particular approach to evaluation. The deep concern academics have with research method may actually stand in the way of conducting evaluation, their argument being that if this can't be done rigorously, they should not attempt it at all.

INSTITUTIONAL ISSUES

- The time and money needed to conduct evaluation studies, is not often costed into programme delivery, nor often seen as a justifiable cost to those sponsoring programmes. It is a particular barrier to longitudinal studies.
- The low academic status of research into management and leadership development, compared with other Business School disciplines, giving little incentive to academics to spend time on evaluation or publishing its results. There are relatively few academics in Business Schools with a main research interest in management learning as a process.
- Business School academics may fear that evaluation will show limited impact on performance and thereby damage their institutions.
- The structural separation in Business Schools of the marketing function (which often deals with alumni) and the teaching function (which may have limited contact with alumni), and the research function which is most readily seen as producing teaching content rather than evidence of teaching effect, may limit follow-up investigations of impact by academics. Our enquiries to Business School Deans were quite often passed to marketing or external relations offices.
- Lack of continuity in relationships between Business Schools and corporate clients, leading to one-off rather than on-going approaches to evaluation.

4.3 Recommendations for improving the evidence base

Consideration of both existing methods and barriers to evaluation is important in developing practical recommendations for future action.

The analysis to date suggests eleven lines of action to improve the evidence base, grouped below under four headings. These groups are:

- Systematic, large scale, and longitudinal research to examine the scale and nature of impact of Business School learning on performance. ABS may not commission such research but may be in a position to influence both those who apply for research funding in related areas (often Business School academics) and those who commission it (Government and the Research Councils and their academic panel members).
- National approaches to measuring the quality and outcomes of higher education which could be developed to yield more evidence (both nationally and at institutional level) on performance effects and outcomes. Again ABS is relevant as a potential influencer, as are Business School Deans through their Vice-Chancellors and possibly also their corporate clients.
- Enhancing the evaluation capability of the Business School sector to make the best use of what Business Schools can do individually and collectively with their own evaluation processes. ABS can have a very direct role in these recommendations.
- Other specific areas of investigation suggested by this study. Some of these could be stimulated by the ABS and others are already of interest to Government.

SYSTEMATIC, LARGE SCALE, LONGITUDINAL RESEARCH

1. There is still very little research clearly pitched at relating Business School inputs to longer term individual and organisational outputs. The type of research required is large scale and longitudinal. In its fullest version it should be both 'macro' and 'micro' in nature, seeking to track the impact chain from teaching input, to learning outputs, graduate recruitment, and through to measures of individual and organisational performance. This would need large scale projects and co-operation across Business Schools and employers. Such studies would be relevant for both first degree and masters graduates, and possibly also executive education. Within this approach, special attention should be paid to two elements. Firstly including the link to organisational performance is crucial to the 'macro' argument of the business benefit of Business Schools. Secondly the more 'micro' link between learning outcomes as perceived by individuals and observable performance in the workplace deserves in-depth research. This would strengthen what appears from this project to be a weak link in the evidence chain.
2. Existing and on-going programmes of research and studies in the areas of relating HRM/HRD to organisational performance, and also those focusing on management development and organisational performance, should be adapted to identify more clearly the influence of Business School inputs as part of HRD activity. The development of these studies would benefit from three things: (i) the collection of more specific data about Business School inputs (ii) enlarging samples to increase the chance of isolating such more specific effects (iii) more processual and qualitative studies to track the processes underlying input-output effects detected, and the Business School contribution to these.
3. Recommendation 1 suggests fresh research, and Recommendation 2 suggests how some existing types of research could be developed to make the identification of

Business School contributions clearer. Through both of these, and perhaps separately, there should be more research that links Business School data (student performance as measured in assessment processes) with organisational data (assessed abilities, performance, task performance and organisational benefits). Both Business Schools and employers appear to put considerable effort into collecting data on these aspects of learning and performance and yet little appears to be made of the possibility of bringing these together into one analysis. Such studies would be important because they would strengthen the flow of data across the 'doorway' separating higher education from the workplace.

NATIONAL APPROACHES TO MEASURING THE QUALITY AND OUTCOMES OF HIGHER EDUCATION

4. Many existing and institutionalised teaching quality/value assessments, including those involved in Teaching Quality Assessment, QAA interventions, assessment for various accreditation purposes (eg AMBA, EQUIS), and 'league tabling' exercises (eg Fortune, Financial Times), measure 'inputs', and short term outputs (eg first destination of students, student satisfaction). It would be helpful if these data sets were extended to contain more longer term effect data by following cohorts over several years and also by obtaining some data from employers as well as graduates. Useful data would include longer term career and remuneration data for alumni and programme participants, and both employer and alumni perceptions of skills and performance over several years. Such approaches need to be as evidence-based as possible. It may be helpful to consider routine data collected by or on behalf of universities as being supplemented by more detailed national survey studies of graduates (as are commissioned from time to time by Government) providing richer comparative career outcome information across courses and subject areas. It would help if such national studies used consistent definitions of skills, subject areas *etc.*.

ENHANCING THE EVALUATION CAPABILITY OF THE BUSINESS SCHOOL SECTOR

5. There should be more collective taking stock of the reasonable amount of unpublished evaluation that is carried out in and by Business Schools. It is possible that a degree of meta-analysis could be achieved, drawing out the big picture to which individual studies could contribute if they are comparable enough to allow this. There would appear to be a particular opportunity for the Association of Business Schools (ABS) to stimulate and co-ordinate this.
6. Building on point 5 above, some standardisation of protocols for Business School generated evaluation studies and alumni surveys could be developed to make a collective meta-analysis easier. This could have the advantage of offering Business Schools some ready made approaches, and thus making evaluation more likely and economical. ABS could take the initiative here too, working with a group of interested Business Schools.
7. In a similar fashion to (6), the use of some standardised evaluation protocols could be encouraged for organisations using Business Schools as sources for recruitment or the direct provision of training, education and development. Sharing and collective analysis of such data could provide a reference point for benchmarking and information to help

Business Schools develop what they offer. We have found some examples of Business Schools (eg Cranfield, Open University) already offering this to employers using their services.

8. Business Schools should consider having small units, or individual(s) in special roles with a remit to carry out evaluation and assist in the application of lessons learnt from this. Such units and roles would best link Business School interests in research, development of teaching, marketing and alumni relations, and be organised accordingly. If such roles and units were established they could network to share best practice and contribute to overall studies and analyses that would be to the benefit of the Business School community as a whole.

OTHER SPECIFIC AREAS FOR FURTHER INVESTIGATION

9. Special evaluation studies could be carried out in and from Business Schools in relation to specific subjects and functional areas of management – for example marketing, finance and human resource management. Such studies could investigate the impact of these specialist areas of teaching on relevant areas of professional work and functions in organisations, and through this to their impact on organisational performance. It would seem natural for Business Schools to work with the relevant professional bodies on this agenda.
10. A special evaluation programme concerning the impact of Business Schools on small businesses, adapting many of the ideas in the preceding points, should be considered. This could build on several promising strands of evaluation already underway in Business Schools.
11. There may be scope to learn from international comparison work on management and leadership capacity and development that is understood to be going on with a lead from the DTI. This follows on from the work of CEML and the government response to it (DfES and DTI, 2002). It is possible that this work could be further refined – in a similar way to that suggested in point 2 above – to make it easier to identify the specific Business School contribution to the development of management and leadership capacity.

Appendices

Appendix 1. Examples of evidence from Business Schools

Cranfield – Supplies information to corporate clients on how the evaluations can be conducted and has a policy of offering this service through its own evaluation unit. Provided an anonymous example of such an evaluation illustrating the kinds of questions asked. These typically might combine questions specific to the objectives of the programme and more general topics (eg learning from various parts of the programme, barriers and facilitators to implementing learning at work).

Henley – Has been conducting research (with a major manufacturing organisation) on applying a stakeholder model of evaluation. The early stages have involved interviews with 20 students on a distance learning MBA. These students were positive about their employer's provision of this learning, liked the in-company nature of the programme, and felt it widened their business understanding. The students felt they needed more support from their employer during their studies, and it was difficult to transfer learning to work due to lack of influence in their current job roles.

Individual case studies are collected of people who have worked with the Henley–Incubator, which has its main focus on Intrapreneurs. Some of these cases are on the Henley website.

Kingston – Have started to use MBA–Direct to profile their alumni against other institutions and put this information on their web site. Obviously this data is based on the self–selected sample of alumni who register with MBA–Direct. The data includes: length of work experience, proportion of senior managers and executives, sector of employment, salaries, self–reported skills. For Kingston it shows a high proportion of alumni in marketing and registering marketing skills.

Lancaster – Provided several in–depth evaluations of programmes from the 1990s, conducted by postgraduate students as projects. Most interviewed participants in such programmes and sometimes also their managers. These evaluations showed positive feedback from participants about their learning in several skill areas of management eg interpersonal skills, understanding the company (seen by both individuals and their managers), attitudes to change. In one example, participants felt more questioning and 'critically reflective' – their managers saw this as a negative behavioural change, which made them more difficult to work with.

A more recent study (reported in Burgoyne 2002) evaluated an in–company MBA for Bass. The programme was based on critical action learning with an emphasis on strategic learning, linked to company competencies. The evaluation showed it was quite difficult to get all the elements of the programme working in an integrated way. Even though the programme was designed to relate to work, participants still saw it as detached from practice, and adopted instrumental strategies to get through it rather than optimise their development.

Leeds – Intensive involvement with a utility company. The development programmes run include the keeping of a learning log: a potential source of data but very labour intensive to analyse. The programme also includes an evaluation module including reflection, self managed learning and presentations back to the MD of the company. The company saw value in the programme, which helped people challenge the status quo and ask questions. The individuals saw value in 360 degree assessment, some tools, increased self-confidence, promoting change, and a degree of 'liberation' from their normal view of management.

Liverpool John Moores – Provided evaluation data on several in-company programmes, including public and private sector, some leading to an MBA. Several evaluation methods have been used: (1) Questionnaires used at end of the year by the university (2) Employer doing their own evaluation (3) Reflections on learning as part of the programme (4) Focus groups (of students and programme co-ordinators) to identify improvements which could be made. Findings from such evaluations include the difficulty for mid-career middle managers of balancing busy jobs and study, weighed against the benefit of getting a qualification. Students often felt the learning and skill impact on them was greater than that seen by the organisation, although the organisations did note some change in the people. There was value in presenting assessments to the top team, but the employing organisations often do not really take on board the project work done as part of Business School programmes.

Evaluations have also been carried out into the effectiveness of web-based delivery of degree modules in the Business School – an examination of a change in teaching method. These have been formally reported (eg McClelland, 2002).

Collaborations between the Business School and employers have been investigated. Thorne and Wright have examined three case studies of such collaborations by drawing data from the providers (the Business School), the purchaser (the employing organisation) and the consumer (the learner-managers). This evaluation shows the common difficulties in Business Schools working with employers, and advocates the use of learning agreements as a means of improving such collaborative development programmes and clarifying roles/responsibilities of all stakeholders.

Manchester Metropolitan – Evaluation of a Business IT degree programme. Follow ups were sent to 50 students 5 years on from the first cohort of this programme. The programme has led to good employment progression. In getting into work it was helpful that the course was in IT and had work experience. In 'getting on', alumni found the softer skills mattered, including knowledge of organisations and politics.

MMU has also done some evaluation with early groups on the New Entrepreneurs Scholarship scheme (reported by Boles). Students were interviewed at end of the programme with mix of scaled items (eg on satisfaction, confidence to manage a business, clarifying business ideas, BS resources, effectiveness of action learning sets etc.) and open questions (likes, dislikes, suggestions for improvements). The feedback was positive, especially in terms of raising confidence and valuing access to like-minded others and university learning resources. Some participants have gone on to join in a learning set to work on presenting themselves to the market.

Nottingham Trent – A study of DMS students and another sample who had not been on the programme, did show career acceleration for those who came on the DMS. A project is starting in September 2002 which will be a three year rigorous qualitative study of senior management effectiveness of a sample of NBS MBA alumni.

Open University Business School – The OUBS surveys its alumni. The 1999/2000 survey found that 90% of MBA alumni have moved jobs since starting the MBA, 45% have been promoted since graduating and 37% have changed employer. 86% had found their MBA of positive influence in making job moves.

The OU more widely surveys 30,000 students per annum. This generates data for the Business School on what students feel they are learning eg 87% understanding new concepts; 86% able to apply knowledge and 82% developing independent learning.

The OUBS has conducted studies into the Return on Investment (ROI) on management learning. Five companies were involved, including IBM. The ROI figures were positive, even using conservative calculations. At the time of this study, the details of this evidence had not yet been published.

The OUBS has developed an Automated Corporate Evaluation Service (ACES) to provide corporate clients with student feedback on courses and the application of learning at work (via 360 degree questionnaires). The system is web based.

Portsmouth – Have been holding discussions with 12 companies who have worked with them over the past year in the incubator unit.

Salford – A study (Grugulis, 2000) of the use by three major employers of NVQ qualifications in management. This showed the negative impact of the NVQ assessment process on individual learners for higher level NVQs in management. (The researcher is now at Salford but was at UMIST when the research was undertaken).

Strathclyde – Several studies have been conducted into the use of on-line learning and use of projects in MBA programmes. One interesting finding is the importance of learning from mistakes in this kind of programme.

Research is being conducted (at the Hunter Centre of Strathclyde) into the impact of teaching entrepreneurial skills. Galloway and Brown (2002) have found some evidence in Strathclyde alumni of positive attitudes towards business start-up among those who have taken modules in entrepreneurial skills as part of their studies (which were not necessarily in Business). Levie, Brown and Galloway (2002) have also been examining evidence of the impact of universities in different countries to the entrepreneurial activity of their alumni. This research is starting to indicate that business schools can have a positive effect on entrepreneurial activity in local economies, but that it can take some time for positive attitudes to feed through to business start-ups or business growth.

Wolverhampton – A survey of current students in 2001/2 – 166 participants who were taking the Certificate, Diploma and Masters courses, mainly in HR and marketing. 53% had progressed their career. Individuals assessed their learning (on 1–5 scale) in some specific

areas: personal development, professional knowledge, team working, communication, problem solving, self reflection, research and analytical skills, self management, innovation and creativity, presentation. This approach allowed results for different courses to be compared.

A similar follow up was conducted with postgraduate alumni also showing positive career outcomes.

Appendix 2. Examples of evidence from employers

A sample of major employers were asked both about the methods they use to evaluate management development activity and their views on the value gained from Business Schools as providers of management learning.

Case 1 – Financial services – Uses Kirkpatrick approach – levels 1–3 to evaluate all management development activities.

Case 2 – Service organisation – Has a history of fairly thorough training evaluation, but has been dissatisfied by the persistent lack of linkage between management training and business strategy. Is now seeking to link business unit targets to leadership competencies. The intention is then to monitor shifts in the profile of these competencies across the business unit's population of senior managers, at the same time as monitoring actual performance against the business targets.

In terms of using Business Schools as providers, this employer has found that participants value most the opportunity for networking with their colleagues across the organisation, and the exposure to thought-provoking new concepts and thinking. However, they then struggle with applying this new thinking to the practical problems they face in their jobs. Feedback suggests that both Business School and company management training centre programmes have *"failed to equip managers with the skills/support/space to be able to solve real business issues in practice."*

Case 3 – Central Government Department – In the recent past this organisation has used what it calls a *"lukewarm Kirkpatrick"* approach to evaluation of its in-house training provision. 'Happy sheets' have been used regularly after courses. They have some value in showing which courses have got 'tired' and sometimes show which bits of programmes are useful/ not useful. Overall their employees are thought to be 'rather generous' in marking training programmes. They have also been in the habit of using follow up questionnaires 3–6 months after a training event. A recent review showed this was not very useful – time consuming to do, with low response rates and generating little fresh data. Instead they are now moving to a model of conducting in-depth reviews of 5–6 programmes each year which are of high interest/ importance to the organisation. They doubt the value of relying too much on 360 degree feedback as an evaluation tool – the same people are now asked to provide such feedback too often. Also 360 feedback does not allow for the long time periods over which management learning can have an impact.

In terms of Business School provision, they have used the Public Sector MBA for small numbers – found to be useful in meeting people from other organisations and deepening their theoretical base. Interestingly their people do not always choose to take the public sector options which have been specially provided in these programmes. A UK Business School is used for some major bespoke programmes – choice of school being determined by the quality of staff, willingness to tailor and capability to assess skills and provide individual coaching. Very small numbers are sent to major US senior leadership programmes (eg Harvard). This is as much about giving a major opportunity to reflect in

mid-career and 're-charge the batteries' well away from work as it about the programme itself. Only given to those with the highest perceived potential.

Case 4 – Energy – Use PDP based approach plus Management Capability Model. Therefore the objectives of any development activity and the needs it seeks to address should be well defined before the activity is undertaken. Evaluation would be by discussion between the individual and their line manager and would be focussed upon whether or not the activity had met, in whole or in part, the development need. If the development activity was an external programme, HR would also seek feedback in order to assess the usefulness of the activity to future participants.

Case 5 – Engineering – In general evaluation is an important issue for this company which sees all HR processes in terms of a process 'quality' approach. A range of evaluation approaches are used including qualitative feedback from delegates which is then compiled and used for discussion back with providers. Evaluation results across all training activities are also aggregated and discussed by a high level training committee of senior managers in the business. Delegates make presentations back to business leaders when they have addressed real business problems as projects within a development programme. Their perception is that they need to get sharper on 'value added.'

This organisation supplied data from a formal evaluation of a programme they ran with a Business School. 67 respondents completed an in-depth questionnaire looking at aspects of the programme's operation over the first year. 360° feedback was also used. This showed the biggest skill increases in job design and recruitment, planning and managing change, and customer focus. 36 people who completed a Professional Certificate in Management have also been followed up – 94% have been promoted or had increased accountability, 66% have moved within their business unit, 28% have moved outside their business unit, 83% believed the course helped in achieving their new position, and 61% have carried on with further management education.

Case 6 – Public sector – This organisation chose a private sector training organisation as partner for a major management training programme. This type of provider was seen as best suited to supply a very focused approach to improving 'softer' skills. The programme is designed around a two-day core diagnostic followed by 7 modules that cover a range of key competencies. It builds in learning in workplace through 'mini-tasks' in each module. A major work-based project is completed three months after the last module to help consolidate the learning. This project is presented to their peers on the programme and their line managers along with an assessment of the impact of the programme on them. A conference has been held for the first 100 delegates to share their learning experiences and feedback in this way, attended by senior managers in the organisation.

Case 7 – Leisure and retail group – A highly decentralised group which uses many different types of management development activity and varied suppliers and methods of evaluation within its varied business divisions. It has used a European Business School for a programme for some of its most senior people across the group. Feedback suggested that *"the intellectual content of the programme was quite challenging but there was a disconnect with our reality probably because of the diversity of our core businesses. We don't seem to*

have been overly concerned about the lack of follow-up on our part so the event was a little bit like a firework – pretty while it lasts but useless when it's over."

Case 8 – Energy – A competence based approach is used to management training and to evaluation. Assessment and development centres are used to identify development needs across populations entering various levels of management. This diagnosis is then used to tailor major management training programmes. The top levels in the business are developed globally. The company has a strategy of using Business Schools to deliver some of its most senior management education. This must cover interpersonal skills as well as business strategy – the two are seen as inextricably linked aspects of leadership. It is choosing a small number of Business Schools world-wide with which to develop close and on-going partnerships embracing research as well as management development. It sees little value in the MBA per se, but is starting to recruit some MBAs as a way of accessing 'talented people', some of whom choose to study for an MBA early in career.

Case 9 – Telecommunications – A UK Business School is used to support the induction of first line managers and to help prepare promising call centre advisers for supervisory responsibilities. The training delivery is in-house, but the Business School accredits the programme. The impact of the programme has been greatest on 'softer' interpersonal and leadership skills. External accreditation has raised some thorny issues – it was very time consuming to set up.

Case 10 – Retail – This company used a UK Business School tailored MBA as part of the graduate development programme for high potential corporate recruits. 65 people from the early cohorts of this programme were followed up. The evaluation by participants showed that their response to the Business School component of the programme was fairly evenly spread between moderately useful, useful and very useful. 25% of respondents valued the theoretical aspects, 9% felt it was a waste of time, 7% felt it was not business oriented, and 5% not relevant to work. The respondents valued company speakers on this programme. They had problems with balancing their time between work and study, and meeting the formal requirements of assessment process (eg style of dissertations). Those who had taken first degrees in Business/ Management and also in Science were less keen on the MBA experience than those with backgrounds in Arts and Languages. In spite of some of these criticisms, the Business School aspect of the graduate development programme was rated the second most useful element of programme, after their retail placement (22 respondents put it in their top three activities). Again for Business and Management graduates it came rather lower.

This organisation has followed up the same entrants to see whether some subjects of study or institutions led to better performance. They found no strong connection. Attitudes to business (eg passion for retail, interest in making profits) seemed more important than prior knowledge of business/ management techniques. Interpersonal skills were also key – especially negotiation and influencing skills. Some Arts and Languages graduates were especially strong in these skills and in overall performance.

Case 11 – Manufacturing – This organisation uses a European Business School for its most senior management programmes and has a close on-going link with this school. UK

Business Schools have been used for junior management programmes, building in accreditation. The programme was felt to be useful to participants, often people who had come from a shop-floor background with no previous higher education. The company found setting up such a programme very time consuming, because of the complexities of agreeing accreditation for a qualification – and therefore perhaps of more benefit to staff than to the business.

This organisation has recently reviewed its graduate entry programme. It found no strong connection between subject of study and subsequent performance, based on examining cohorts of graduate entrants over a five year period.

Case 12 – Health Service – A UK Business School has been used to provide a tailored management learning experience based on a number of workshops plus learning set/ action learning. Set meetings were found to be key to learning – in building confidence and taking action. The nature of learning emerged as very personal. Subordinates recognised change in participants, especially in confidence and conflict handling.

Case 13 – Retail – Extensive interview based evaluation of a consortial MBA supported by a retail company. Interviews with participants highlighted the very vivid and personal learning nature of the MBA. Participants felt they saw themselves differently, and dealt with others more personally. The management of the project aspects of the programme was quite problematic – the organisation found good projects but participants lacked the time to do them and the company did not maximise its own learning from this work.

Appendix 3. Organisations publishing relevant evidence

The study has identified a number of organisations other than Business Schools with an on-going interest in topics of relevance. Many of these organisations were extremely helpful in this research project, and most have websites with relevant available documents.

AGR	Association of Graduate Recruiters
AMBA	Association of MBAs
CEL	Collective Enterprises Ltd
CEML	Council for Excellence in Management and Leadership
Centre for Research into Quality	University of Central England in Birmingham
CHERI	Centre for Higher Education Research and Information, Open University
CIPD	Chartered Institute of Personnel and Development
CRF	Careers Research Forum
CSU	Higher Education Career Services Unit (website 'prospects')
DfES	Department for Education and Skills
DTI	Department of Trade and Industry
HEFCE	Higher Education Funding Council for England
HESA	Higher Education Statistics Agency
IES	Institute for Employment Studies
IER	Institute for Employment Research, University of Warwick
IFS	Institute for Fiscal Studies – a partner in the Centre for the Economics of Education
MBA–Direct	A candidate registry operated by Executives–Direct
OECD	Organisation of Economic Co–operation and Development
ONS	Office for National Statistics
QAA	Quality Assurance Agency for Higher Education
Skills–Plus	A collaborative programme administered through the Open University's Centre for Outcomes Based Education
UUK	Universities UK

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