

# STRATEGIC ASPECTS OF DEVELOPMENT



## THE OBJECTIVES OF THIS CHAPTER ARE TO:

- 1 REVIEW THE ROLE OF TRAINING AND DEVELOPMENT IN THE UK
- 2 ANALYSE THE LINK BETWEEN BUSINESS STRATEGY AND HRD STRATEGY AND THE VARIOUS WAYS THAT THIS CAN BE PLAYED OUT
- 3 EXAMINE THE NEED TO ALIGN HRD STRATEGY WITH OTHER ASPECTS OF HR STRATEGY, AND THE INFLUENCE OF THE EXTERNAL LABOUR MARKET
- 4 EXPLORE THE RANGE OF HRD ROLES AND STAKEHOLDERS



## WINDOW ON PRACTICE

First Monday of the month again – Board meeting. This was the opportunity I'd been waiting for – with some trepidation. My function had produced firm proposals on a new training and development strategy which I was to present to the Board. Development for all was the theme, with key competencies being identified at each level of the organisation and everyone being entitled to six days' off-job training per year, plus coaching on the job to meet individual development goals. A real step in the right direction at last. All I had to do was to get the Board's backing and we'd be off.

I began to present the scheme, complete with user-friendly overheads, information packs for employees and a manager guidance and support package. My colleagues listened intently, for about 5 minutes, then all hell broke loose.

'So what's going to happen to production when they're all off swanning around training – we're understaffed anyway?' – that was Gary, the Production Manager.

Brian from Marketing chipped in next: 'They'll be poached as soon as they're trained if word gets out about this – we'll be doing it for nothing'.

But worst of all was Karen, the MD: 'Why are you proposing this anyway? Granted we desperately need some skills training for those new machines and to encourage flexibility – but we didn't ask for all this. How will it improve business performance? What are we going to get out of all the money this is going to cost us?'

I had hoped more of Karen. She was usually very supportive when I came up with training proposals to solve business problems – well crises would be a better word – we did what I suggested and it usually worked.

This time my words fell on stony ground – no one was interested.

Where do we go from here???????

(Extract from the diary of Len Hodge, Human Resource Director)

## ACTIVITY 16.1

Before you read on . . .

- What went wrong in the Board meeting?
- Why do you think that the Directors reacted as they did?
- What could Len have done differently to improve his chances of success?
- Where does Len go from here?



There seems to be general agreement that training and development is a good thing, and that it increases productivity, but the question is 'how much?' It is even difficult to show a causal link between HR development and organisational

performance, partly because such terms are difficult to define precisely, and partly because the payoff from development may not be seen in the short term. It is also difficult to tie down performance improvements to the development itself and to understand the nature of the link. For example, is performance better because of increased or different HR development, because the reward package has improved or because we have a clearer set of organisational and individual objectives? If there is a link with HR development initiatives, is it that employees have better skills, or that they are better motivated, or that they have been selected from a more able group of candidates attracted to the organisation as it offers a high level of development?

In spite of these difficulties it is important to identify the contribution of HR development to business success, and wider measures for assessing business success, beyond the standard financial indicators, make this more feasible, as, for example, suggested by Kaplan and Norton (1992) and discussed in Chapter 10. While the search for 'evidence' goes on, the current climate encourages high levels of attention to HR development, which is increasingly seen not only as a route to achieving business strategy, but also as a means of building core competence over the longer term to promote organisational growth and sustained competitive advantage. Global competition and a fast pace of change have emphasised the importance of the human capital in the organisation, and the speed and ways in which they learn. A Green Paper produced by the Department for Education and Employment (1998) stated that 'investment in human capital will be the foundation of success in the 21st century'. Nationally the emphasis on qualifications is increasing and case 16.1 on the website focuses on the development of directors from this perspective.



In addition, levels and sophistication of training and development have received considerable attention in the context of the 'new psychological contract' and the need to promote employability, which we discuss in more detail in Chapter 19. There is some evidence that employee demand for training and development is increasing and that unions are beginning to engage in bargaining for development. Opportunities for training and development may be a vital tool in recruitment and retention, and considered to be a reward when promotion or monetary rewards are less available. However, Stewart and Tansley (2002) found significant structural and cultural barriers to formal and informal learning in organisations; in particular lack of time was identified as an issue.

## THE NATIONAL PICTURE

Employee development has traditionally been seen as a cost rather than an investment in the UK, although this is certainly changing in some organisations. It has been argued that UK organisations give little support to training and development compared with our European partners (*see*, for example, Handy 1988; Constable and McCormick 1987). This lack of investment in training and development has been identified as a major factor in Britain's economic performance, and it has been argued that without such investment we will be trapped in a low wage, low skills economy (Rainbird 1994). Our national training framework is voluntarist, with the government's role limited to *encouraging* training rather than intervening, as in many other countries.

More recently it has been argued, however, that it is not a lack of investment in training that is the problem but the way such investment is distributed, that is, who

it is spent on and the content of the training. It is generally agreed that training spend is unevenly distributed. For example Stevens (2001) argues that it is the people at the lower end of the hierarchy that miss out on training, and Westwood (2001) reports that:

Access to workforce development is unequal with managers and professionals or those with a degree up to five times more likely to receive work based training than people with no qualification and/or unskilled jobs. (p. 19)

Thomson (2001) explains that broader development is concentrated on those at the beginning of their careers and those in more senior and specialist posts, rather than part-timers and those with fewer qualifications to begin with. In the aerospace and pharmaceuticals businesses, defined as high skills sectors, Lloyd (2002) found a conflict of interests between employees' desire for training and development and managerial short-term aims, lack of accreditation of skills, structured development focused on key employees, access to training being dependent on individual initiative, senior managers viewing training as a minor issue to be dealt with by lower-level managers and insufficient resources. She suggests that there was under-investment and lack of support for flexibility and employability. Westwood (2001) concludes that while we do not do as much training as in Europe, we do spend a lot of money on training that doesn't last very long and on the people who may not need it. In terms of training content there is evidence to suggest that much training is related to induction and particularly health and safety, and it has been argued that this does nothing to drive the development of a knowledge-based economy (*see*, for example, Westwood 2001).

Some view the solution to this problem as increasing state intervention, as many view voluntarism as having a limited effect (*see*, for example, Sloman 2001). It is argued that potential intervention would not mean a return to the levy system, but, for example, statutory rights for paid study leave and employer tax credits. Currently Employer Training Pilots (ETPs) are being experimented with. These reward employers with state funding for giving employees time off for training, and the scheme is being expanded.

However, there is another school of thought that suggests the problem lies with the demand side of the equation rather than the supply side. In other words the problem is not with government initiatives and measures to encourage training, development and learning but with the way that skills are used and jobs are constructed, and hence the employer demand for training, development and learning. In speaking of the Learning and Skills Councils (LSCs), Stevens (2002) says that he is less concerned with what the LSCs can do to encourage learning than with 'whether the UK can generate enough jobs for people who have learnt and can learn' (p. 44). The National Skills Strategy and Delivery Plan advocated a more demand-led system of learning and more help from employers. Lloyd (2002) suggests that the country cannot solve its problems just by developing skills, as it is critical to change the structure of jobs.

All this suggests that we still have a situation in which the majority of organizations are using a reactive strategy: training only in response to the immediate short-term demands of the business, rather than being considered a strategic issue. (Ashton 2003, p. 23)

## ORGANISATIONAL STRATEGY AND HR DEVELOPMENT STRATEGY

For training and development to be effective in terms of business success there is a well-rehearsed argument that it should be linked up front with business strategy. McClelland's research (1994) is one of many studies that show that organisations generally do not consider development issues to be part of their competitive strategy formulation, although he found that those that do so identified it to be of value in gaining as well as maintaining competitive advantage. Miller (1991), writing specifically of management development, points to a lack of fit between business strategy and development activity. Pettigrew and others (1988) did find, though, that development issues receive a higher priority when they are linked to organisational needs and take a more strategic approach. Miller makes the point that although at the organisational level it is difficult to identify quantitatively the direct impact of strategic investment in development, this impact is well supported by anecdotal evidence and easily demonstrated at the macro-level.

Those organisations that do consider HR development at a strategic level usually see it as a key to *implementing* business strategy in a reactive way. Luoma (2000) categorises this approach as a 'needs driven' approach, where the purpose of the HR development strategy is to identify and remedy skill deficiencies in relation to the organisational strategy. Luoma suggests that in many articles this is 'implicitly referred to as the only way of managing strategic HRD'. Miller, for example, has demonstrated how management development can be aligned with the strategic positioning of the firm, and this can be seen as coming within the broad remit of such approaches as a needs-driven approach. He has produced a matrix demonstrating how development content and processes can reflect stable growth, unstable growth, unstable decline and competitive positions, as shown in Table 16.1. He offers the model as suggestive, only, of the 'possibilities in designing strategically-oriented management development programmes'.

Luoma (2000), however, identifies a second approach to HR development strategy which is an 'opportunistic approach', where the impetus is external rather than internal. This would include applying leading ideas on development to the organisation in a more general way, rather than specifically in relation to meeting the current business objectives. Such ideas may be developed from benchmarking, case studies, networking and the academic and practitioner press. Such ideas could include content and method, for example the development of a corporate university, and the concept of developing non-employees who perhaps work for suppliers or who are contracted to the organisation. The abilities thus developed may indeed be relevant in achieving business objectives, but they may also be relevant in developing abilities and behaviours which may be the source of future competitiveness. Thus they may also be a means of achieving culture change and/or facilitating the strategy process itself by constructing it as a learning process. In this approach the learning potential of all employees will be emphasised, and the HR development strategy may meet reactive needs in implementation of business strategy, but may also be proactive in influencing the formation of future business strategy.

The third approach to the strategy link suggested by Luoma is based on the concept, which we discussed in Chapter 2, of organisational capability as the key to sustained competitive advantage, the resource-based view of the firm. This approach is proactive in that it focuses on the desired state of the organisation as defined in its

**Table 16.1** Linking management development to strategic situations

		Environment condition			
		Stable	Unstable growth	Unstable decline	Competitive
Content	Environment scanning skills	Environment scanning skills	Environment scanning skills	Stakeholder relations	Competitive strategy development
	Understanding sources of stability (e.g. geographically isolated product market, state of technology)	Industry analysis skills	Sales, marketing	Executive retention skills	Competitor analysis
	Defence strategies	Financial control	Creative thinking	Understanding competitor environment	Marketing/cost control (dependent on competitive strategy)
	Industrial relations skills (but depends on source of stability)	Team building	Organisation structure skills	Negotiating skills	Industry analysis (dependent on competitive strategy)
		Forecasting techniques		Diversification skills (technology, human resources)	
Process	Slow pace but 'eventful'	Fast-moving		Medium pace	High pressure
	Modest emphasis on individual development	High pressure		Co-operative environment	Competitive
	Non-competitive but 'aggressive'	Intense		Reactive	
	Reactive	Team-oriented			
		Proactive			

Source: P. Miller (1991) 'A strategic look at management development', *Personnel Management*, August, p. 47. Reproduced with permission of the author.

future vision. Within this would come the interest in anticipatory learning, which has been attracting some interest, where future needs are predicated and development takes place in advance. The *Journal of Management Education and Development* (1994) devoted an entire issue to anticipatory learning, which included some ideas on how it might be identified and achieved.

### ACTIVITY 16.2

How can future development needs, say five years out, be anticipated?

With a group of colleagues/students, brainstorm future needs for your own organisation, or the university/college which you attend.

Of paramount importance, therefore, is the ability to learn. Watkins (1987) suggests that development for strategic *capability*, rather than just targeting development on achieving business objectives, needs to reinforce an entrepreneurial and innovative culture in which learning is part of everyday work. He identifies the importance of acting successfully in novel and unpredictable circumstances and that employees acquire a 'habit of learning, the skills and learning and the desire to learn'. Within this same perspective Mayo (2000) suggests that intangible assets of the organisation are increasing in proportion to the value of tangible assets. He recognises that developing intellectual capital may be an 'act of faith', or one of budgetary allocation, and suggests that the most useful measures to track such investments are individual capability, individual motivation, the organisational climate and work-group effectiveness.



While he recognises the value of competency frameworks in respect of individual development he does point out that these neglect such features as experience and the networks and range of personal contacts, both of which are key to the development of core organisational competencies which are key to developing uniqueness.

In a slightly different but compatible approach McCracken and Wallace (2000) develop a redefinition of strategic HR development, based on an initial conception by Garavan (1991). They suggest nine characteristics of a strategic approach to HR development, which are that:

- HR development shapes the organisation's mission and goals, as well as having a role in strategy implementation.
- Top management are leaders rather than just supporters of HR development.
- Senior management, and not just HR development professionals, are involved in environmental scanning in relation to HR development.
- HR development strategies, policies and plans are developed, which relate to both the present and future direction of the organisation, and the top management team are involved in this.
- Line managers are not only committed and involved in HR development, but involved as strategic partners.
- There is strategic integration with other aspects of HRM.
- Trainers not only have an expanded role, including facilitation and acting as organisational change consultants, but also lead as well as facilitate change.
- HRD professionals have a role in influencing the organisational culture.
- There is an emphasis on future-oriented cost effectiveness and results, in terms of evaluation of HR development activity.

They suggest that each of these aspects needs to be interrelated in an open system. In the following sections we will address some of these characteristics in more detail.

## **THE EXTERNAL LABOUR MARKET AND HR STRATEGIC INTEGRATION**

The external availability of individuals with the skills and competencies required by the organisation will also have an impact on employee development strategy. If skilled individuals are plentiful, the organisation has the choice of whether, and to what extent it wishes, to develop staff internally. If skilled individuals are in short supply, then internal development invariably becomes a priority. Predicting demographic and social changes is critical in identifying the extent of internal development required and also who will be available to be developed. In-depth analysis may challenge traditionally held assumptions about who will be developed, how and to what extent. For example, the predicted shortage of younger age groups in the labour market, coupled with a shortage of specific skills, may result in a strategy to develop older rather than younger recruits. This poses potential problems about the need to develop older workers some of whom may learn more slowly. What is the best form of development programme for employees with a very varied base of skills and experiences? Another critical issue is that of redeployment of potentially redundant staff and their development to provide skills that are in short supply.

*Prediction* of skills availability is critical, as for some jobs the training required will take years rather than months. Realising in January that the skills required in August by the organisation will not be available in the labour market is too late if the development needed takes three years!

The external labour market clearly has a big impact on employee development strategy, so it is important that there is effective integration between HR development strategy, other aspects of human resource strategy and overall organisational strategy.

Where there is a choice between recruiting required skills or developing them internally, given a strategic approach, the decision will reflect on the positioning of the organisation and its strategy. In Chapter 4 we looked at this balance in some depth and you may find it helpful to re-read this. A further issue is that of ensuring a consistency between the skills criteria used for recruitment and development.

From a slightly different perspective, the impact of the organisation's development strategy on recruitment and retention, either explicit or implicit, is often underestimated. There is increasing evidence to show that employees and potential employees are more interested in development opportunities, especially structured ones, than in improvements in financial rewards. Development activity can drive motivation and commitment, and can be used in a strategic way to contribute towards these. For these ends, publishing and marketing the strategy is key, as well as ensuring that the rhetoric is backed up by action. There is also the tricky question of access to and eligibility for development. If it is offered only very selectively, it can have the reverse of the intended impact.

However, not all employees see the need for, or the value of, development and this means that reward systems need to be supportive of the development strategy. If we want employees to learn new skills and become multiskilled, it is skills development we need to reward rather than the job that is currently done. If we wish employees to gain vocational qualifications, we need to reflect this in our recruitment criteria and reward systems. Harrison (1993) notes that these links are not very strong in most organisations.

Other forms of reward, for example promotions and career moves, also need to reflect the development strategy; for example, in providing appropriate, matrix, career pathways if the strategy is to encourage a multifunctional, creative perspective in the development of future general management. Not only do the pathways have to be available, they also have to be used, and this means encouraging current managers to use them for their staff. In Chapter 19 we explore such career issues more fully.

Finally, an organisation needs to reinforce the skills and competencies it wishes to develop by appraising *those* skills and competencies rather than something else. Developmentally based appraisal systems can clearly be of particular value here. Mabey and Iles (1993) note that a strategic approach to development differs from a tactical one in that a consistent approach to assessment and development is identified with a common skills language and skills criteria attached to overall business objectives. They also note the importance of a decreasing emphasis on subjective assessment. To this end many organisations have introduced a series of development centres, similar to the assessment centres discussed in Chapter 7, but with a clear outcome of individual development plans for each participant related to their current levels of competence and potential career moves, and key competencies required by the business.

## TRAINING AND DEVELOPMENT ROLES

Salaman and Mabey (1995) identify a range of stakeholders in strategic training and development, each of which will have different interests in, influence over and ownership of training and development activities and outcomes. They identify senior managers as the *sponsors* of training and development, who will be influenced by professional, personal and political agendas; and business planners as the *clients* who are concerned about customers, competitors and shareholders. Third, they identify *line managers* who are responsible for performance, coaching and resources; and fourth, *participants* who are influenced by their career aspirations and other non-work parts of their lives. HRM staff are identified as *facilitators* who are concerned with best practice, budget credibility and other HR strategy. Lastly, training specialists are identified as *providers*, who are influenced by external networks, professional expertise and educational perspectives. The agendas of each of these groups will overlap on some issues and conflict on others. We have already noted how McCracken and Wallace (2000) have redefined the roles of top managers, line managers and HR professionals so that they are all more proactively involved in HRD strategy.

Most organisational examples suggest that the formation of training and development strategy is not something that should be 'owned' by the HR/HRD function. The strategy needs to be owned and worked on by the whole organisation, with the HR/HRD function acting in the roles of specialist/expert and co-ordinator. The function may also play a key role in translating that strategy into action steps. The actions themselves may be carried out by line management, the HR/HRD function or outside consultants. Stewart and Tansley (2002) suggest that the immediate and medium-term contribution of HRD professionals should focus on developing the competence and motivation of managers to manage learning and development. They confirm that such professionals need to act as facilitators and not instructors, and have a focus on the process and design of development rather than its content.

Involvement from line management in the delivery of the training and development strategy can have a range of advantages. Top management have a key role in introducing and promoting strategic developments to staff, for example, creating an organisation-wide competency identification programme; setting up a system of development centres or introducing a development-based organisational performance management system. Only if management carry out this role can employees see and believe that there is a commitment from the top. At other levels line managers can be trained as trainers, assessors and advisers in delivering the strategy. This is a mechanism not only for getting them involved, but also for tailoring the strategy to meet the real and different needs of different functions and departments.

External consultants may be used at any stage. They may add to the strategy development process, but there is always the worry that their contribution comes down to an offering of their ready-packaged solution, with a bit of tailoring here and there, rather than something which really meets the needs of the organisation. It is useful to have an outside perspective, but there is an art in defining the role of that outside contribution.

In delivery, external consultants may make a valuable contribution where a large number of courses have to be run over a short period. The disadvantages are that they can never really understand all the organisational issues, and that they may be seen as someone from outside imposing a new process on the organisation.



## WINDOW ON PRACTICE

One large organisation had a well-established training function and on an annual basis they sat down to plan the year ahead. They would plan how many of what types of course would be needed, depending on the demand in the previous year and the availability of appropriate staff. New courses would be introduced where a need had been identified and were piloted. Course evaluation data (collected mainly from participants, but sometimes from their managers) were used to inform course demand and course structure and content.

Individuals were booked on training courses following discussion with their manager regarding their individual needs. There were often problems resulting from long waiting lists and individuals being nominated for courses for which they were not eligible (defined by the nature of their job) – it appeared that individuals sometimes nominated themselves and the manager rubber-stamped this.

Some years later, after efforts on the part of general management and training and development management to employ a more strategic approach to the business, the picture was very different. Performance management had been introduced as the cornerstone of people management, resulting from a multifunctional, high-level working party. A course was devised and delivered in chunks of one and two days and this was delivered to *all* staff, with slightly differing versions for managers and non-managers. The course was an integrating mechanism for all people management activities and most importantly it promoted a cohesive *style and philosophy* of people management that the organisation felt was critical in the achievement of its business objectives. Not only was senior general management involved in the initial stages of the course, but key line managers were involved in delivering the subsequent modules.



## WINDOW ON PRACTICE

Holden and Livian (1992) compared some strategic aspects of training across 10 European countries.\*

### Training as a recruitment strategy

All 10 countries identified training as being used in recruitment strategy. In eight (not including Germany and Sweden) training for new recruits was seen as the most popular method (from a list of 11) of attracting recruits.

### Knowledge of investment in training

Although all organisations had increased expenditure on training over the previous year, many were unclear about the actual money spent as a proportion of wages.

\* The countries surveyed were Switzerland, Denmark, Germany, Spain, Finland, Italy, Norway, Netherlands, Sweden and the UK.

However, this varied by country. The three highest – Sweden (44 per cent of organisations did not know), Denmark (42 per cent of organisations did not know) and the UK (38 per cent of organisations did not know) – compare markedly with the lowest, France, where only 2 per cent of organisations did not know. This no doubt reflects the French taxation system, where a tax is levied if the organisation does *not* spend 1.2 per cent of the paybill on training.

### Actual investment in training

In only Sweden and France do more than a quarter of the organisations surveyed spend above 4 per cent of the paybill on training. With the exception of France, the majority of organisations in each of the other countries spent less than 2 per cent of their paybill on training.

### Time spent on training

Only some 10 per cent of organisations provided over 10 days' training per year – the exception to this being Spain, where 29 per cent of organisations provided this level of training. In all countries the amount of time for managerial training was greater than for other groups of employees.

Source: Summarised from L. Holden and Y. Livian (1992) 'Does strategic training policy exist? Some evidence from ten European countries', *Personnel Review*, Vol. 21, No. 1, pp. 12–23.



Website case 16.2 focuses on the changing roles of training and development specialists.

## SUMMARY PROPOSITIONS

- 16.1** There is currently a voluntarist approach to training and development in the UK, which means that employers make their own choices about the extent to which they train. The government attempts to influence what organisations do by a range of supply-side initiatives.
- 16.2** HR development strategy needs to focus on the organisation's strategy and objectives and involves identifying the skills and competencies required to achieve this, now and in the future. HR development strategy may also be opportunistic and proactive and influence the development of organisational strategy.
- 16.3** It is important that HR development strategy is reinforced by, and reinforces, other HR strategy, and the context of the external labour market will be an influencing factor in how these strategies are framed.
- 16.4** The HR/HRD function does not own HR development strategy – it must be owned by the organisation as a whole.

## GENERAL DISCUSSION TOPICS

- 1 Both the UK as a whole and organisations themselves would benefit if the government adopted an interventionist approach to training.
  - Do you agree or disagree? Why?
  - How might this intervention be shaped?
- 2 What opportunities are there for development strategy and reward strategy to be mutually supportive?  
Think of examples (real or potential) where reward strategies undermine development strategies.

## FURTHER READING

Grieves, J. (2003) *Strategic Human Resource Development*. London: Sage Publications  
A thoughtful approach to strategic human resource development which considers its roots in organisational development and which rises above the level of training programmes. The book presents an ethical approach to change management and reviews the role of culture, the consultancy relationship and strategic HRD interventions.

Wright, P. and Geroy, G. (2001) 'Changing the mindset: the training myth and the need for world-class performance', *International Journal of Human Resource Management*, Vol. 12, No. 4, pp. 586–600

An interesting paper which challenges the link between training and productivity. The paper argues that training is used instead of addressing the problems of poor management, job design and physical aspects of the job. The authors argue that training is often not applied due to cultural barriers and too narrowly focused on current jobs. They suggest that training should be more broadly based on developing capability and that the training function needs to reinvent itself and have a broader-based approach rather than concentrating on skills development.

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An extensive range of additional materials, including multiple choice questions, answers to questions and links to useful websites can be found on the Human Resource Management Companion Website at [www.pearsoned.co.uk/torrington](http://www.pearsoned.co.uk/torrington).

