Management Development: Using Internal or External Resources in Developing Core Competence

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This article defines management as a source of organizational competitive advantage and from the view that managers are some of the employees most vital to a firm. According to influential theories in the field of strategic management, such human assets should be protected, governed, and developed internally. In contrast to the traditional view of core competence, this article suggests that firms have to use external as well as internal resources to develop employees with unique and valuable capabilities and skills. The article makes the argument that a mix of internal and external developmental resources might be an important mechanism in the creation of management development as a dynamic capability or as a means to develop human assets that are one of the main sources of competitive advantage.

Keywords: *core competence; management development; management consultants*

The resource-based view of the firm claims that internal knowledge, embodied within a firm's resources, is an important source of competitive advantage (Barney, 1991; Hendry & Pettigrew, 1990; Leonard-Barton, 1995; Prahalad & Hamel, 1990; Wernerfelt, 1984). Related to this perspective, Thompson (1967) argued that firms should buffer those capabilities that are most vital to their competitiveness; the resource-based view of the firm as well as human capital theory claim that core competencies should be governed and protected through internal development (Burgoyne & Jackson, 1997; Kogut & Zander, 1996; Lepak & Snell, 1999; Moran & Ghoshal, 1996).

The main source of competitive advantage is the group of core employees of the firm who have valuable and unique capabilities and skills, and from this view management can be defined as a core competence. Thus, management is a valuable asset that has to be cultivated, and, according to the traditional perspective, core competence managers should be developed

Human Resource Development Review Vol. 4, No. 2 June 2005 136-158
DOI: 10.1177/1534484305276217

internally. However, the main premise of this article challenges the notion that the expertise of managers is best developed by organizations through internal development, a position consistent with the resource-based view of the firm and human capital theory. In contrast to conventional wisdom, the article makes the argument that organizations should use both internal and external resources for management development. This argument is based on the notion that competitive advantage is not only derived from firm-specific knowledge; it is derived more from the combination of different knowledge elements (Davenport, Prusak, & Wilson, 2003; Leonard-Barton, 1995; Nahapiet & Ghoshal, 1998; Nonaka, 1998; Pfeffer, 1994). That is, the growth of organizational knowledge about management and management development depends on establishing connections between prior knowledge and new knowledge and between internal knowledge and external knowledge and so forth. This is because management development may face a paradox: Management as a core competence can simultaneously enhance and inhibit learning and development (Leonard-Barton, 1995).

The article is organized as follows: In the next sections, the notion about management as a core competence is outlined. However, this article is only incidentally concerned with what management as a core competence is. It focuses on arguments for why organizations should use a mix of internal and external resources for developing a core competence. These arguments are presented and illustrated by findings from 10 cases. Thus, the article is not about the skills of efficient managers but about mechanisms that may lead to efficient management. The article represents an introduction, a sketch of ideas that might be relevant to understanding the use of resources for developing a core competence. In conclusion, some questions for further research are proposed.

Management as a Source of Organizational Competitive Advantage

Pfeffer (1994) argued that because of the accelerating rate of change, the workforce in terms of human and social capital should be seen as one of the critical factors in developing and maintaining competitive advantage, joining traditional factors such as technology and protected markets. He also claims that an appropriate development of the workforce is closely related to appropriate management. Related to this perspective and from a knowledge-based view of the firm, Leonard-Barton (1995) saw core capability as comprising managerial activities and systems or what she describes as "the whole system of knowledge management" (pp. 271-272) bound up with a particular competitive advantage. More specifically, Leonard-Barton distinguished between four dimensions of core capability: (a) knowledge and skills, (b) the physical and technical systems, (c) managerial systems of education and development, and (d) the values and norms of the organization, which are seen as determining what kinds of knowledge and knowledge-building activities are encouraged. From this view, the article defines management as core competence, focuses on management development, and suggests that management culture and management development practice might be a competitive advantage. See Barney (1986) regarding culture.

Management Development: Balancing Different Demands

Management is generally justified and understood in instrumental terms. In this perspective, management is a resource that contributes to organizational outcomes in terms of both efficiency and adaptiveness (Quinn, 1988; Yukl, 2002, pp. 356-357). Thus, management is a core competence that can be seen as an instrument of organizational stability and change (March, 1991; Tushman & Romanelli, 1985).

In the pursuit of efficiency, organizations have to exploit existing firm-specific capabilities and skills, and in the pursuit of adaptiveness, organizations have to explore new capabilities and skills. From this view, March (1991, pp. 71-72) claimed that any kind of long-term learning and development process requires a mix of exploitation and exploration. Exploitation is the efficient use of existing skills and knowledge. It profits from close attention, sharp focus, training, and refined detail. Exploration is the discovery of a thing that might come to be known. It profits from experimentation, risk taking, novel direction, and mistakes.

The need of developing and sustaining a balance between exploitation and exploration can be linked to the idea about dynamic capabilities (Teece, Pisano, & Shuen, 1997). Building on this idea, we may define appropriate management development as a dynamic capability or as a learned pattern of collective activity through which the organization systematically generates and modifies its routine in the pursuit of encouraging and developing managers to balance efficiency and adaptiveness. The article considers mechanisms that may be involved in the creation and maintenance of management development as a dynamic capability. We argue that the use of a combination of internal and external management consultants may create an ongoing opportunity for variation, selection, and retention of management development practices and allows management development as a routine to generate a wide range of management practices.

Management development practices evolve throughout time in response to internal and external organizational pressures and management development as a dynamic capability might be one outcome. However, management development as a stable, institutionalized practice might be an alternative outcome. Understanding the outcome as a consequence of evolution throughout time requires attention to the values and norms of the organization that determine what kinds of knowledge resources and knowledge-building activities are used in management development. In the following, we explore some organizational values and norms in a discussion about how organizations can use resources for management development.

Arguments for Using Internal Resources in Management Development

Lepak and Snell (1999) argued that core competences or competences that have high uniqueness and high value-creating potential should be developed internally; such governance should secure a long-term and organization-focused development of core employees that is necessary to attain the firm's strategic goal. This article defines management as a core competence, and by developing this expertise internally, a number of advantages related to efficiency are supposed to be realized.

Efficiency includes all those skills, resources, and practices that facilitate an organization's well-being in the short range. The pursuit of efficiency includes internally developing competencies and tying these competencies together through facilitating communication, cooperation, and coordination in ways that lead to goal attainment (i.e., firms build scarce, valuable, nonsubstitutable, and difficult to imitate resources, and it is assumed that such development will lead to competitive advantages). Therefore, as organizations seek efficiency, they exploit firm-specific capabilities and skills.

Efficiency is associated with specialization, unity, and coherence, and management development might play an important role related to these aspects. Through internal management development, organizations can refine firm-specific capabilities and skills, they can avoid problems of diversity through the use of socialization to mold multiple talents and backgrounds into a common culture, and they can remove complexities through developing commitment to clear objectives and well-conceived plans. Efficiency also includes defining and measuring performance and linking management activities to performance measure.

The thinking about efficiency is captured in a notion about coalignment, which represents a mutual alignment between a firm's business strategy and a firm's management development strategy. Based on this notion, the literature mentions an optimal fit among several organizational factors (Mabey & Ramirez, 2004; Thomas, Litschert, & Ramaswami, 1991). Mabey and Ramirez (2004) suggested that management development has a substantial and positive effect on organizational performance when there is a fit between management development and business strategy on one hand and a fit between management development and the organization on the other hand. The first fit means that human resources (HR) managers are actively involved in the development of the strategy and through this process management development becomes integrated into the strategy. The second fit means that management development is based on firm-specific competencies, focuses on long-term development of managers, and is executed by internal management consultants. The refereed literature claims that use of internal resources in management development might be powerful because it is based on context-specific knowledge. However, such management development might become path-dependent in ways that close the door to experimentation, generate traps of distinct competence, and result in inadequate exploration.

To perform its functions, management needs to achieve efficiency, but it also has to be open and adaptive to environmental demands and changes (Davenport et al., 2003; March, 1991). The need of adaptiveness might challenge the conventional wisdom about protection of firms' core ideas and competencies. The vision of internal management training and development as forging a unity of harmonious purpose and commitment might clash with an alternative vision of management development as stimulating and nurturing diversity as a source of organizational and social strength. Thus, adaptiveness might create needs of using external resources to expose managers to ideas from the environments.

Arguments for Using External Resources in Management Development

Efficiency is valuable, but the pursuit of efficiency through exploitation and internalization may trap organizations into errors of specialization and rigidity. Leonard-Barton (1995) claimed that core capabilities contain the seeds of a firm's weakness and can become "core rigidities," and Lieberman and Montgomery (1988) argued that institutionalized capabilities may lead to "incumbent inertia" in the face of environmental changes. Therefore, there are potential learning costs associated with an emphasis on internalization because of the stability of management and the homogenization of organizational culture and knowledge. Such costs are associated with organizational learning that promotes standardization, reduced variability, avoidance of failure, reduction in sources of innovation, and risks of obsolescence in the organization's competence (Grandori, 2001; Levinthal & March, 1993). Tight relationships between business strategy, learning, and management competencies can also trap organizations in ways that are associated with path dependency. Learning, training, and development might become focused on current management competencies because the dominant logic biases knowledge, know-how, and skills accumulation into path-dependent pathways preferred by the dominant logic (Bettis, 2000). In this way, the dominant logic develops and reinforces one type of management competency but impedes development of other types of management competencies. Levitt and March (1988) described this development as a "competency trap" that can lock organizations into inflexible, unchanging patterns of action.

To escape the problems associated with efficiency, the organizations have to pursue adaptiveness (March, 1991; Weick & Westley, 1996). Adaptiveness includes all the ways in which organizations maintain long-term consistency between their management practices and external demands. Thus, it includes attention to changes in the environments and capacity to shift management practices. Adaptiveness can be achieved through learning from experience and changing as experience changes. Such learning means learning from one's own experience and the experience of others (Levitt & March, 1988). From this view, D'Aveni (1994) claimed that very few organizations can independently develop and master the wide range of knowledge and skills needed to compete in ever-changing environments. Major contributions to an organization's knowledge base might come from external sources, and organizations have to turn to external sources to fulfill their knowledge requirements. Current strategy research supports this argument, suggesting that knowledge existing outside an organization's boundaries may be critical to organizational success (Davenport et al., 2003; Dyer & Singh, 1998; Gulati, 1999). To stimulate creativity and prevent rigidity, organizations have to create knowledge within their boundaries as well as expose themselves to ideas from outside (Leonard-Barton, 1995; Nonaka, 1998; Pfeffer, 1994). Different societal spheres embody different characteristic logics, and managers may have success because they are able to legitimate new ideas by importing alternative logics (Friedland & Alford, 1991). Therefore, access to external knowledge increases variety and broadens the knowledge base and, in this way, increases the flexibility of the organization in dynamic environments (Grant, 1996). However, it is important to remember that learning from external knowledge may require matching organizational capabilities to interpret, assess, and assimilate diverse experience (Cohen & Levinthal, 1990). This suggests that multiple participants (diversity) in management consulting teams are positively related to absorptive capacity.

Important aspects related to learning from others are absorptive capacity and networks (Cohen & Levinthal, 1990; Nahapiet & Ghoshal, 1998). Thus, relation channels or a network structure of contact among actors may facilitate exchange and combination of experience and contribute to the development of new knowledge. In this article, we assume that external management consultants might represent such networks that serve as an important part of an organization's external communication system. From this perspective, Huber (1991) suggested that external consultants are bearers of needed knowledge. They can be such bearers for two reasons (March, 1999, pp. 325-337). First, external consultants can help pool experience across organizations. The consultants serve as a part of an information network that shares, exchanges, and combines experience and ideas. Second, external consultants can provide alternative or new interpretations for experience. These are ideas, metaphors, interpretative schema, and models that impose order on a complex world, thus reconstructing the organization's appreciation of experience. Through these means external consultants can emphasize new aspects of organizational experience that may lead, in combination with other well-known aspects, to improvement in understanding and competencies. From this perspective, external management consultants become useful not so much by providing precise management knowledge but by being interesting in a way that is not redundant with the organization's existing management knowledge. In other words, unless external consultants succeed in positioning their knowledge as complementary to and relevant for the organization they cannot serve as useful contributors to internal learning processes.

Management Development as a Dynamic Capability: Combining Internal and External Development Resources

Management development as a continuous activity might be defined as an organizational routine. From this view, management development is a repetitive, recognizable pattern of interdependent actions carried out by management consultants. When this routine contributes to balancing efficiency and adaptiveness merely by its ongoing performance it might be defined as a dynamic capability. This article suggests that the use of a combination of internal and external management consultants may create an ongoing opportunity for variation, selection, and retention of management development practices and allows management development as a routine to balance efficiency and adaptiveness.

Use of internal management consultants might facilitate learning associated with efficiency and use of external consultants might facilitate learning associated with adaptiveness, but it is the combination of these two learning processes that can generate a dynamic capability. The combination of internal and external management consultants illustrates the involvement of multiple actors and introduces the diversity of goals, information, and interpretations in management development. Such diversity might be appropriate for exploration but also for exploitation. Structural mechanisms such as a team may create opportunities for searching, sharing, and integrating but also opportunities for adapting knowledge and capabilities to internal and external demands. However, there might be problems in these processes. One is related to diversity and another is related to the link between knowledge and performance.

Multiple participants in a management development team increase diversity, and diverse experience appears to contribute to exploration learning and to the development of new knowledge (Fiol & Lyles, 1985; Moorman & Miner, 1998). Diversity enhances learning by broadening perspectives and generating new solutions to problems. At the same time, diversity might hinder learning by creating more conflict and, consequently, decreasing cohesiveness (Pelled & Eisenhardt, 1999). Therefore, learning from diverse experience requires machining organizational capacities to transfer, interpret, and assimilate experience (Cohen & Levinthal, 1990; Lane & Lubatkin, 1998; i.e., diversity will be beneficial when it is developed intra- and interorganizationally as a part of a context that encourages cooperation, communication, and trust).

Management development is about learning, and it is assumed that increased knowledge can improve management practices (Mabey & Ramirez, 2004). However, the literature contains opposite views about the impact of learning and knowledge on performance. On one side of the discussion we find arguments for an equivocal link between the learning process and performance (Argyris, 1999; Argyris & Schön, 1978; March, 1999; March & Olsen, 1988). From this point of view Levitt and March (1988) argued that "learning does not always lead to intelligent behaviour" (p. 335), and Huber (1991) added, "learning does not always increase the learner's effectiveness, or even potential effectiveness" (p. 89). On the other side of the discussion it is expected that knowledge—which is voluble, rare, inimitable, and nonsubstitutable—will improve future performance (Barney, 1991). According to this expectation, recent empirical studies have found support for the direct impact of competencies, in terms of human and social capital, on performance (Bontis, Crossan, & Hulland, 2002; Decarolis & Deeds, 1999; Hitt, Bierman, Shimizu, & Kochhar, 2001; Mabey & Ramirez, 2004). However, it is important to note that these studies emphasize that it is only relevant knowledge that may have positive effects on performance.

Summing up, the article suggests that the use of a combination of internal and external management consultants may create an ongoing opportunity for variation, selection, and retention of management development practices and allows management development as a routine to balance efficiency and adaptiveness.

Use of Internal and External Resources in Management Development: Illustrative Cases

In this section we present and analyze some findings from 10 case studies that exemplify how and why firms use management consultants. The 10 in-depth case studies were a part of a larger European research project that consisted of two stages (Mabey & Ramirez, 2004). The first stage of this project involved 1,400 telephone interviews in 700 domestically owned organizations across seven European countries (i.e., 100 organizations in each country). The second stage of the project involved in-depth case studies in each of the seven countries. From the 100 organizations interviewed in Stage 1, a number of firms were identified that claimed to be conducting a high amount of management development activity. The purpose was to explore in greater depth their firsthand experience of management development from a participant perspective.

This article is focusing on the use of a management consultant for management development, and the examination of this question is based on data from the Norwegian case studies in Stage 2 (Espedal, Lange, & Kleppe, 2003). The goal of these studies was not to present a representative picture of management policies and practices in Norwegian firms. Instead, the focus was on firms that described themselves as high performers—related to business, social values, and ethics. The second selection criterion was diversity. The 10 firms represented different industries and varied considerably in size. The firms selected were assumed to invest and put more effort into training and development than average Norwegian firms do.

In all of the firms, management development was a continuous activity but not in the same way or to the same extent. The 10 organizations had different combinations of management development activities. Some were aimed at the individual or role level and others at the organizational, leadership level. At the individual level, development could be related to training—a focus on developing skills connected to formal managerial roles and on application of proven techniques and solutions to known problems. However, it could also be related to leader development, a focus on developing individual knowledge, skills, and abilities such as self-awareness, self-regulation, self-motivation, social awareness, and social skills. At the organizational level, leadership development was related to team development and networking, a focus on developing networked relationships among managers that enhanced cooperation, integration, commitment, and trust. In the various development settings, the organizations more or less tried to combine teaching with learning from experience and combining individual versus centralized control over learning and development.

The selected firms varied in size (measured in number of employees) from approximately 80 (the smallest) to more than 30,000 (the largest). The selection was from the 3% of Norwegian companies that employ more than

50 employees (Statistic Norway 2003, www.ssb.no). The 10 case studies were based on interviews conducted with motivated, key informants selected from different organizational levels in each firm: the HR manager, a top manager, and four line managers (tape-recorded 1 to 2 hr interviews). The possible documents were then examined to gather additional information about management development as a way to confirm data obtained through the interviews. As regards methodological considerations, the small number of cases is a potential threat to the validity of the study. Thus, the findings presented below should be read as illustrations of the arguments described above.

The article is about how organizations combine use of internal and external resources for developing a core competence. However, this question was not the main focus of the study. Therefore, the examination of the research question is based on relatively few data and the article represents an introduction to understanding how a core competence can or should be developed. From this view, we ask two broad clusters of questions about management development practices and use of consultants. The first cluster of questions concern how firms describe their own management development practice: Do firms have an organizational routine for accomplishing what they want to do in the field of management development? Is this routine a source of stability or a source of change? The second cluster regard the use of internal and external management consultants in management development: How do the firms use consultants? What are the arguments for using consultants? How do the firms combine the use of internal and external consultants? How is the use of consultants related to features of the environment?

How Did the Firms Describe Management Development Practice?

The 10 firms considered management as a valuable asset, and based on this perspective they invested in management training and development. In all cases, this investment had led throughout time to a dominant management development path in terms of practical arrangements that worked. The key informants described management development practices that had evolved throughout time in response to managers evolving interpretations of their roles to the need to reward particular actions, to adapt to external pressures, and to adapt to the organization's unique heritage. In this way, management development had become an organizational routine that could be seen as a product of organizational learning. This routine encoded organizational capabilities and knowledge about management development, but the question remains: Was the routine an instrument of stability or an instrument of change? The stability/change dimension was captured by three indicators.

1. Stability: We have improved but not changed our dominant practice during the past 5 years (five of the firms were in this category).
2. Stability and change: We have improved and partly changed our dominant practice during the past 5 years (five of the firms were in this category).
3. Change: We have improved and completely changed our practice during the past 5 years (none of the firms were in this category).

The key informants described[1] various management development practices that had evolved throughout time and had become more or less institutionalized. That is, management development was a part of the organization's taken-for-granted reality and was an accretion of decisions made throughout time and events in corporate history. In half of the firms studied, management development practices had become a routine that mostly facilitated efficiency. In these cases, management development was an instrument of exploitation and stability (in one case we could see that the routine had led to inertia; i.e., this firm had not changed its dominant practice during the past 10 years). In the other half of the firms, management development had become a routine that facilitated efficiency as well as adaptiveness. In cases where management development was an instrument of stability and change (i.e., based on sequences of path-dependent learning) a kind of dynamic capability had evolved. None of the firms had a practice that illustrates exploration and change.

Management development had become an organizational routine that was a source of stability but also a source of change. Practices were refined, but even the practice that had been engaged in by the same management consultants many times needed to be adjusted to changing contexts. Thus, the key informants reported stability and change in practices that can be liked to exploitation learning as well as to exploration learning. Some citations illustrate this finding.

Exploitation

- "We have gradually developed a management development practice that works."
- "We look at management as a valuable resource that we build up by investment, focus, training, and learning."
- "Management development helps us to create a fit between management capabilities and the productive activities of our firm that stems from our business strategy."
- "Training and development are about building the capability of managers to achieve defined objectives."
- "Management development is training and refining our skills and knowledge."

Exploration

- "Management development is carried out against a background of demands and expectations, but the particular courses of action we choose are always novel to some extent."
- "Management development is about reframing managerial perspectives."

- "We need to stimulate managers to be open to unfamiliar ways of thinking and acting."
- "Most competencies and capabilities become obsolete unless they are continually renewed and periodically reinvented."

We found elements of exploitation learning and exploration learning in all of the firms, but systematic attempts to balance these types of learning were only found in firms that had a management development practice that was beneficial for both stability and change.

- "On the one hand, we act within constrained situations. On the other hand, we can improvise."
- "An efficient consultant team is a collection of multiple actors with multiple experience and multiple interpretations, and their individual learning interacts."
- "A mix of internal and external consultants who communicate well and create an atmosphere of mutual understanding allow creativity and innovation, but they also know how new ideas can be connected to existing knowledge and how it can be used."

Management development reflected learning, but practices also adapted to internal and external pressures.

- "Changes are often the result of pressures from top management to improve organizational performance."
- "We adapt to the participants' needs."
- "We change by adopting new ideas and techniques from the environment."

Management development practices had evolved as an organizational routine that on one hand embodied a selective retention of history filtered by power and subjectivity and, on the other hand, generated change by adapting to experience and to internal and external needs and pressures. Within this context we could see a development that led to stability, but we could also see a development that generated variety and change, and the article suggests that how the firms used management development resources can explain the variety.

The Use of Management Consultants

The 10 firms had various approaches concerning the use of management consultants. Three of the firms primarily used internal management consultants: "It is primarily internal management consultants that contribute to management development." Two of the firms had a very extensive use of external consultants: "It is primarily external consultants that contribute to management development." The rest of the firms (five cases) were in between the extremes (i.e., they used a mix of internal and external consultants): "External consultants work together with our consultants in most

TABLE 1: Relationships Between Use of Management Consultants and Management Development Practices

	Management Development as an Instrument of:		
Use of Management Consultants	*Stability*	*Stability and Change*	*Change*
Primarily internal	3		0
Combination of internal and external		5	0
Primarily external	2		0

cases." Table 1 shows the relationship between the use of management consultants and management development practices in the 10 firms.

In firms that primarily relied on internal consultants, management development had become internalized (i.e., learning, training, and development had become focused on some management competencies, and knowledge, know-how, and skills accumulated into path-dependent pathways). In firms that primarily relied on external consultants, management development had also become path dependent. In these organizations the top management defined what competencies the firm needed, and training and development were routinely executed by external consultants (i.e., they did a job that internal consultants could have done). This finding illustrates that use of external resources does not necessarily contribute to exploration. External consultants may contribute to exploration but then they have to complement rather than duplicate what members of the organization already know (March, 1999). In firms that used a combination of internal and external management consultants, management development had become an instrument of change and stability.

- "When we integrate the learning occurring in the collaboration between internal and external management consultants, we can make better sense of what happens and create an appropriate course of action."
- "Success in management development is associated with new ideas but also with understanding of the organizational code."

Thus, the use of a combination of internal and external development resources can be seen as an important mechanism in the creation and maintenance of management development as a dynamic capability. This finding seems to provide evidence for the main thesis of this article: The use of a combination of internal and external developmental resources might be an important mechanism in the creation of management development as a dynamic capability. That is, the firms that had a management development practice that was beneficial for both efficiency and adaptiveness used a combination of internal and external resources for management development. The explanation for this finding can be found in the argument that a combination of internal and external resources facilitates trade-offs between diversity and unity and between variety and integration in organizations.

The firms studied used internal, external, or a combination of internal and external consultants, and we will first present the argument for using external consultants. The firms looked at external consultants as a learning channel to the environment (i.e., external consultants were a part of learning networks that were beneficial for exchange and combination of knowledge). Some citations from the key informants illustrate the thinking behind the use of external consultants as a learning channel.

- "Our goal will never be to do without 'external' because their knowledge and experience have a stimulating effect on the knowledge inside the firm."
- "Consultants that have worked in other organizations, been able to think differently, and done management development in other firms is a valuable resource."
- "In dynamic environments, internal knowledge may become rigid, which hampers performance. Unique language, while efficient, may become the wrong language. . . . If internal development of resources prevents the access to important sources of knowledge, internalization may actually destroy rather then create good management."
- "External consultants add value to our learning process by bringing in an outside view."
- "Many highly skilled people within the field of management prefer to work as consultants. This status enables them to move between firms, and this movement facilitates individual as well as organizational learning. . . . Resources controlled by individual agents are becoming increasingly important."
- "Management development competencies may reside in the network of a relationship outside the firm as well as internally."
- "We should be able to create knowledge internally as well as to be open to external ideas. In this manner we may stimulate creativity and prevent rigidity."
- "A strategy of innovativeness requires management that supports the development of new ideas. A source of such development is management development that increases variety in our thinking."
- "Homogeneity and exchange may become limited exchange."

Seven of the 10 firms used external resources in management development. Five of these firms were able to expose themselves to accept external knowledge as well as create knowledge internally. In these firms, the organizational routine for management development was produced and maintained by management consultants with different information, preferences, and interpretations, and the routine was enacted over time and space.

The main motive for using external consultants was related to learning networks that could enable communication and creativity across the boundaries of organizations. The motives for using internal management consultants were related to internal governance and control, unity, integration, and coherence in the organizations. Some citations from the key informants illustrate the thinking behind the use of internal consultants.

Internal Governance and Control

- "Management development is a tool for the firm in seeking organizational efficiency. It is a process we have to govern rationally . . . we have to control what to do and how to do it."
- "By using internal resources the leakage of critical knowledge is minimized."

Unity and Strategic Fit

- "Management development is a top management responsibility. The top management formulates a vision or a mandate for acting, and we need management consultants who are strongly committed to this vision."

Integration and Cultural Fit

- "Management development is a process where our managers acquire a set of values, beliefs, and assumptions that represent, in a sense, their notions of what good managers in our firm think and do. This is a process we have to govern internally."
- "Management development is an internal process where management identity can be formed. . . . It is a process of individualization where the manager chooses from self-imposed and self-selected roles, and it is a process of socialization where obligations, responsibilities, and commitment are learned."
- "Management development policy is designed to promote a culture of mutuality, that is, mutual goals, mutual influence, respect, and responsibility."
- "Management development is about efforts to create and communicate a culture of partnership among our managers."

Learning From Own Experience

- "We do best when our competencies are built on our own success rather then emulating the hot offering of rivals."
- "External consultants mostly tell us what we already know."
- "The best source of knowledge for management development is our own experience. In most cases we receive better advice from our own experience than from an external consultant."
- "External consultants might bring in good ideas, but we have to develop competence in them before they work well. Such development requires time and resources, but we might be trapped in an error of impatience."

Management development is about learning but it is also about acting.

- "Management development is not so much about new ideas as it is about the need to form positive expectations that build motivation and commitment to act. In such processes we have to use consultants who know our values, norms, etc."

It is evident that organizational learning within the field of management development does not start when external consultants enter or stop when they leave. Members of the organization might be willing and able to learn, and there are two kinds of activities that the actors engage in. One of them is exploitation

TABLE 2: Relationships Between Use of Management Consultants and Features of Management Consultant Teams

	Features of Consulting Teams		
Use of Management Consultants	*Homogeneity*	*Combinations*	*Heterogeneity*
Primarily internal	3		0
Combination of internal and external	1	4	0
Primarily external	2		0

and the other is exploration, but it might be difficult to combine these types of learning (March, 1991). Therefore, there is a need for events or people as catalysts or triggers for learning, and use of a combination of internal and external resources in management development might play a role as a catalyst for balancing exploration and exploitation. Diversity in management development teams might be a condition for a catalyst role, and the key informants were asked to describe features of the organization's management team in terms of degree of homogeneity/heterogeneity. The question they were asked was, do the management consultants have similar or different perceptions of management development? Table 2 shows the relationships between the use of management consultants and features of consultant teams.

All of the firms that either used internal or external management consultants reported that their consultants had similar perceptions of management development. Generally, one expects to find similar perceptions among actors who interact frequently or share similar experience and socialization. But do consultants interact more often in teams that harbor more homogeneous perceptions, or do homogeneous perceptions reduce the need for interaction? Table 2 confirms the argument that the use of a combination of internal and external consultants increases diversity. The value of diversity to creativity and innovation is a well-established idea in the literature, which often recommends bringing together actors with different experience to generate new ideas (Huxham, 1996). We suggest, however, that it is not the diversity of consultant, per se, that is the crucial element. Rather, it is heedful interaction that balances homogeneity with heterogeneity and produces a management development practice that can be described a dynamic capability.

Summing up, findings from the 10 case studies suggest that management development practice contains within it an inherent duality for several issues. First, there is a duality between calculative considerations on one hand and, on the other, evolvement over time. Second, there is duality between a hard logic and practices that aim at securing a fit between business strategy and management development on one hand and, on the other, a soft logic and practices that view management development as a project premised on commitment, communication, collaboration, and integration. Third, there is a duality between learning and acting. Management development reflects a dualism between knowledge as ideas and concepts (know what) that are processed by individuals, organizations, and systems on one hand and, on the other hand, knowledge as practice or the essentially pragmatic focus on knowledge as doing (know why). From this perspective, Brunsson (1989) claimed that learning is not the primary concern of managers but, rather, action is their main interest. He argued that action requires positive expectations that build motivation and commitment, and he also claimed that inquiring, questioning, doubt, and uncertainty can undermine expectations of success, dilute motivation, and destroy the commitment to act.

The findings imply that organizations have to make trade-offs between unity and diversity, integration and variety, and coherence and ambiguity within the field of management development. The pursuit of unity, integration, and coherence is associated with exploitation, and the pursuit of diversity and variety is associated with exploration. Such balancing is difficult, and, as a consequence of efficiency pressure, firms tend to focus more on the exploitation of existing capabilities than the exploration of new ones (Levinthal & March, 1993). The findings illustrate a development that, for the most part, supported exploitation, but they also show that use of a combination of internal and external resources in management development was a mechanism that could be used to pursue a kind of balance between exploitation and exploration. In the pursuit of balance, the consultants faced complexity and uncertainty, but they also faced conflict. On one hand, they were professionals who were expected to contribute to individual and organizational learning from a bottom-up perspective. On the other hand, they were expected to act in the interests of the top management from a top-down perspective. Thus, there is a tension in organizations between hierarchy and participation, power and equality, and control and autonomy.

How Are Features of the Environment Related to an Organizational Routine and the Use of Management Consultants?

We have pointed out that the firms had developed an organizational routine that encoded capabilities and knowledge about management development and the question is, how did this routine adapt to changes in the environments? The key informants were asked to describe features of the firm's environment in terms of degree of stability/change. This dimension was captured by three indicators: stability (stable environments), stability and change, and change (dynamic environments). Table 3 shows the relationships between features of the environment and management development as an instrument of stability and change.

TABLE 3: Relationships Between Features of the Environment and Features of Management Development

	Management Development as an Instrument of:		
Features of the Environment	*Stability*	*Stability and Change*	*Change*
Stability	3		
Stability and change	2	1	
Change (dynamic)		4	

TABLE 4: Relationships Between Features of the Environment and Use of Management Consultants

	Use of Management Consultants		
Features of the Environment	*Internal*	*Combination*	*External*
Stability	1		2
Stability and change	2	1	
Change (dynamic)		4	

Our results suggest that the relationships between organizations and their environments are complex. External environments are important, but there is no simple, direct relation between current environmental demands and management development practice. The firms seem to adapt to external pressures, but they adapt slowly. Our empirical findings show that the effects of external environments on management development practices are complicated by the way organizational learning shapes the organizational routine for management development. A key to understanding the path-dependent dynamics of management development practice lies in understanding organizational learning processes that determine how external demands are absorbed and codified in organizational routines for management development. Use of a combination of internal and external consultants seems to play an important role in these learning processes. From this perspective we explored how features of the environment affected the use of management consultants. Table 4 shows the relationships between features of the environment and the use of consultants.

Table 4 implies that stable environments do not affect the use of consultants in a consistent way but dynamic environments do. The main finding is that dynamic environments require the use of a combination of external and internal consultants in management development, and such a combination is associated with management development as a dynamic capability. This finding supports the notion that long-term survival depends on explorative variety, but it depends also on exploitative selection and development. Too much emphasis on creating new knowledge can impair the organization's ability to develop a deep and distinctive capability. In contrast, without new knowledge the organization might become trapped in using an approach that is no longer appropriate (March, 1991). Thus, the finding supports the article's main thesis and confirms the notion that firms in dynamic environments have to bring in external resources and create an innovative-stimulation mix with internal resources (Matusik & Hill, 1998).

Conclusion

This article defines management as core competence, and it explores how firms develop such competencies through management development. We define appropriate management development as a dynamic capability or as a learned pattern of collective activity through which the organization systematically generates and modifies its routine in the pursuit of encouraging and developing managers to balance efficiency and adaptiveness.

Our findings confirm the main thesis of this article: The use of a combination of internal and external resources in management development is a mechanism that can generate a dynamic capability. Such capability implies a fit between exploitation and exploration, and this was a fit as similarity and a fit as complementarity. In teams with multiple actors (combination of external and internal consultants), the actors could balance or complete each other. The internal actors could see similarity and complementarity between external and internal knowledge and know how new knowledge could be transformed into action in the organizational context. This is because a team that consists of multiple actors is adaptable to local needs and interpretations while retaining enough commonly recognized features to enable dialogue between different perspectives. Thus, the confirmation of the main thesis represents a departure from the conventional view of core competence in the strategy literature. Resource-based as well as human-capital theorists suggest that valuable resources in terms of human assets should be developed and governed internally.

The case studies describe stability and change in an organizational routine, and the data and the analysis contrast two broad views of the ways management development changes as routines develop and change. The first sees management development from a strategic perspective. Management development as a routine is a necessary product of functional necessities as reflected in requirements for organizational efficiency and adaptiveness. A basic imperative of the strategic perspective is to simultaneously fulfill the needs and goals of the firm and its core employees harmoniously with an optimal degree of fit among four components: the environment, business strategy, organization, and management. In this view, the creation and maintenance of the routine is efficient in matching management development practices to current internal and external demands. The second sees the routine as evolving through time in a way that is sensitive to a variety of local (in time and space) conditions and that accumulates features of the organizational history. In this view, management development practice is path-dependent. That is, the practice reflects accumulated experience and ideas contained in the firms' heritage.

The key informants talked about management development from a strategic point of view, but, in most of the cases, the practice seems more consistent with the second view than with the first. There were relationships between external and internal demands and management development practices, and practice adapted to external and internal pressures. However, the organizational practice adapted slowly to new external demands. For the most part, management development practice could be interpreted as historically path-dependent, inheriting a history of problems as well as a record of proven practical arrangements (Espedal, 2004).

Findings from the 10 case studies suggest that management development practice contains within it an inherent duality between several issues. First, there is a duality between calculative considerations on one hand and evolvement over time on the other. Second, there is duality between a hard logic and practice that aim at securing a fit between business strategy and management development on one hand and a soft logic and practice that view management development as a project premised on commitment, communication, collaboration, and integration on the other. Third, there is a duality between learning and acting. These dualities reflect that management development is about balancing different demands related to a need for balancing efficiency and adaptiveness. This article suggests that multiple participants in management consultant teams make a difference in such a balancing process (i.e., diversity plays a key role in developing and maintaining management development as a dynamic capability). There are some unanswered questions such as do management consultants possess sufficient freedom and power to create and maintain management development as a dynamic capability? To what extent do internal and external consultants think and act differently? Thus, the study reported here indicates the need for research efforts that include the consultants' organizational and institutional context: To what extent do organizational size, structure, power, professional norms, and identities have impact on management consultant teams' thinking and acting? To what extent is the use of combinations of internal and external resources for developing the expertise of managers a characteristic of the firm's strategy?

Note

1. The key informants were asked questions about management development and the use of management consultants. We experienced that the respondents from each of the 10 firms (6

informants from each firm) highly agreed in their description concerning these questions (i.e., they gave consistent answers). When at least 4 of the 6 respondents agreed in their description of the firm's practices, description of the environment, and so on, we claim that they highly agreed, and we interpret their answer as the firm's answer. For example, when 4 of 6 key informants described the firm's environment as stable then it is classified as stable.

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