THE INFLUENCE OF DIRECTOR’S "QUALIFICATIONS" ON PROFITABILITY IN U.K. MANUFACTURING COMPANIES

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ABSTRACT

In April 1987 two reports were published, "The Making of Managers" and "The Making of British Managers" both of which stressed the need to provide Britain’s managers with greater opportunities for development, education and training. Nowhere is this more true than in Britain’s manufacturing industry.

This research examines the qualifications of current main board directors and the background of practising managers currently studying for a masters degree in business administration (MBA). It attempts to discover whether the attainment of this elitist qualification may in due course enable them to apply their knowledge at board level.

In addition, the profit performance of many of the U.K.’s largest manufacturing companies has been examined to determine whether there is any possible association between the educational/professional profiles of their existing "top team" members and company profitability.

The results obtained by this study should enable educationalists and industrialists to better plan for the future development of U.K. manufacturing industry.

INTRODUCTION

A company’s business strategy is rarely decided by one individual in total isolation. It is much more likely to be determined by a top management team, and key to the strategy formulation process is the interaction between the individual members of that team.

Each member’s attitudes will have been shaped by past experiences, skills, knowledge, education, the wider environment, the society in which we live and the company norms of behaviour. The net result of this "shaping" is the emergent individual, each with their own set of behavioural characteristics and needs.

As each member of the team probably represents just one functional part of the business, each with its own specialised language of "technoese" there is a tendency for barriers to effective communications to exist. It is essential therefore to find a way in which these barriers can be broken down. In an endeavour to do this more and more senior managers are
undertaking further training and management development in order to understand those other functional parts of the business besides that covered by their own domain.

This reflects the view expressed by many of the managers who took part in the Constable/McCormick survey ..."There was, amongst employers, a wide consensus that innate ability and job experience are the most important factors in creating an effective manager. ....... Nonetheless there was a growing acceptance that education and training can give a further boost to effectiveness. It was also acknowledged that since few managers gain experience outside one function, education and training can help them to get a broader perspective."[1]

The most widely available and probably the best known programme for these managers is the Masters Degree in Business Administration (MBA).

It has been suggested that one of the reasons that U.K. manufacturing businesses are unable to compete effectively with their overseas counterparts is the lack of manufacturing knowledge in the boardroom. We know for instance that unlike the U.K. it is quite common for the boards of West German and Japanese manufacturing companies to mainly consist of qualified engineers. Are our board rooms dominated by accountants, lawyers, and marketeers or do we also have a significant number of engineers in the board room?

Does the Chief Executive Officer’s (CEO’s) educational and/or professional achievements influence the performance of the company? What are the future implications for manufacturing industry and management education in the U.K.?

Whilst this research may not be able to directly provide answers to all these questions, its findings will assist industrialists and educationalists to better understand the current situation.

DESCRIPTION OF RESEARCH

The research focuses on the recognised providers of MBA education in the U.K.. It also examines the "qualifications" of the main board directors for 55 of the U.K.’s largest manufacturing companies [2]. It was decided to include both executive and non-executive directors in the study as it was apparent that both groups covered a broad range of "qualifications". The listings of directors were obtained from published sources [3]. The educational institutes were selected by reference to the Association of MBA’s listing of members by school.

All of the 31 UK institutions listed were sent a brief questionnaire asking for details of their MBA students including a breakdown by prior expertise and type of employer: 16 provided the information requested, 3 replied that they were unable to participate for a variety of reasons (one being that they do not collect that kind of information), 2 pointed out that they do not