Abstract:

Taking advantage of the lack of empirical evidence, this research looks to support the contention of “managerial malpractice.” Using a set of pretested measurement items and a sample size of 337, this study finds support for the claim of managerial malpractice. Employees’ perceptions of managers and manager’s actual treatment of employees are found to be the two main factors supporting this contention. Future research is discussed as this is a preliminary study into proving managerial malpractice.

Keywords: managerial competence, competencies, managerial malpractice
Introduction

Managers, their competence, and behaviors have come under intense scrutiny in light of current turbulent economic realities and recent failures or near-collapses of the organizations for which they are responsible. Although considerable studies explore various aspects of organizational life, few examine the performance and effectiveness of leadership. Research from a decade ago revealed that 81% of organizational leaders agreed that most company failures are due to poor management (Collis, 1998), which is also directly responsible for 70-100% of business problems (Smith, 1992).

Managerial behaviors directly influence the actions of subordinates in the work environment (Drucker, 1999; Howkins, 2001). As a result, organizations suffer the consequences of poor, ineffective, or incompetent management, which has recently been termed “managerial malpractice” (Gilley & Boughton, 1996). Yet despite the manager’s influence in organizations and society, very few contemporary investigations examine the performance of those who manage. Instead, we are left with anecdotal accounts of managerial practices, behaviors, and competence that affect the very tangible results experienced by consumers, employees, shareholders, governments, and other stakeholders. Missing from the research landscape are empirical inquiries into managerial practice of effectiveness and managerial malpractice in particular.

The purpose of this study is to test the concept of managerial malpractice via empirical inquiry. This exploration centers on managerial competence, or lack thereof that flow from several questions organized around two directions of inquiry. First, does managerial malpractice exist within organizations, and to what degree? If it is present a level must be established. And, secondly, what specific managerial behaviors or practices contribute to this ineffectiveness or managerial malpractice?

This study will contribute to both theory and practice. From a theoretical perspective, the offer is the first empirical exploration of managerial malpractice, a concept that is gaining popularity in contemporary managerial, organizational, and legal vocabularies. From a practical standpoint, this study attempts to highlight the level of managerial malpractice within firms, and the resultant implications that affect the organizations, their members, and stakeholders. Concluding this paper, future research is discussed that would recommend strategies that would enhance managerial competence and thereby reduce or remove managerial malpractice.

Theoretical Background

The relatively new concept of managerial malpractice was first introduced by Gilley and Boughton in 1996. The authors attempt to identify a real cause of organizational failure resulting in a definition of managerial malpractice stated as “encouraging and supporting practices that produce unprofessional, unproductive, and incompetent managers.” Managerial malpractice occurs when managers are unqualified, poorly trained, or inadequately prepared to engage employees and improve organizational performance. Through this effort, Gilley and Boughton identified six symptoms of managerial malpractice in organizations, including the selection of new managers from among the best performers regardless of a presence or lack of interpersonal
skills. The other five symptoms are captured when looking into promotions to management ranks those employees that lack supervisory or management talent, retaining managers who are ineffective in securing results through others, managers who reward individual efforts instead of teamwork, allowing managers to “say one thing and do another,” and wasting valuable resources on attempts to “fix” incompetent managers instead of hiring qualified candidates (Gilley and Boughton, 1996).

In 1998, Collis assumed a more legalistic stance, explaining that malpractice “occurs when professionals do something unprofessional,” including deliberate and intentional acts, or accidentally or grossly negligent acts resulting in damage to the organization. The concept of malpractice, commonly associated with the medical profession, has been extended to accountancy, engineering, dentistry, education, and the clergy, to name a few (Collis, 1998). Collin’s study of organizational leaders, from presidents to CEOs, explores the managerial practices and identifies fatal mistakes made by management that include lack of character, blind ambition, short-term focus, indecisiveness, fuzzy vision, lack of accountability, and failure to view employees as an asset and/or investment.

Managerial behaviors and practices are grounded in ones traits, skills, and competence (Hemsley, 2001). Early research on managerial competence has its foundation in trait theory. For example, Whyte’s (1956) classic examination of corporate life suggested that managerial conformity led to success within a firm, while Maccoby’s (1976) research identified traits pertaining to the “head” (e.g., teamwork, innovation, risk-taking, and competitiveness) and “heart” (e.g., passion, generosity, idealism, and honesty). Although personality traits pose a popular research stream, The Big Five Model of Personality traits (surgency, adjustment, agreeableness, conscientiousness, openness to experience) remains one of the most widely accepted due to its robust history of research (Judge, Heller, & Mount, 2002; Waldman & Korbar, 2004).

Managers exhibit a wide range of stronger to weaker characteristics, whose influences on organizational success remain unclear and prompt inquiry. In the 1960s and 1970s, early scholars began to explore competence as a basis for improving managerial performance (Argyris, 1962; Gilbert, 1978; McClelland, 1973). In response to the failure of intelligence testing in predicting work-related success, for example, McClelland (1973) suggested competence testing for managers and developed the first competency model. Building on this work, Boyatzis (1982) and Spencer & Spencer (1993) developed models that further described the competent manager and managerial competencies, including communication skills, positive self-esteem, high levels of motivation, the ability to work well with others, logical thinking, and the effective use of power. Evidence suggests a positive relationship between managerial competencies and individual performance (Levenson, et. al., 2006). Investigation of managerial competence has also revealed traits that lead to managerial failure, such as bullying, betrayals of trust, self-centeredness, arrogance (Morgan & Lombardo, 1988), narcissism (Lubit, 2002), greed, and resistance to change (Jusko, 2002).

Managerial competence does have its critics. For example, Burgoyne (1993) and Collin (1989) point to a lack of clear definition of competencies, their generic nature, poor validation, limitation to behaviors, skills, and traits, while Chappell (1996) views managerial competence as narrow, inflexible, and simplistic in its approach. Managerial malpractice leads to numerous and varied outcomes for firms, their employees, shareholders, and other stakeholders. Malpractice
may cause an unrealized loss of potential or the inability to change or achieve goals on the part of organizations and their members (Gilley, et. al., 2001). The claims of discrimination, harassment, or breach of contract by employees, followed by allegations of fraud, mismanagement, or breach of fiduciary duty by shareholders (Harvey, 2001) are also strong indicators.

Within this ambiguous, subjective setting we framed our study of managerial practices that result in managerial malpractice. Two primary research questions are investigated in this research. First is the question of the existence of managerial malpractice. Secondly, it addresses the behaviors or practices contribute to managerial malpractice.

**Method**

To determine the myth or reality of managerial malpractice the intentional design of this study explores managerial behaviors and effectiveness from the perspective of employees. We used subordinate assessments of managerial behavior as this group is thought to provide the most accurate ratings of leader performance (Hogan, Curphy, & Hogan, 1994). Common method bias was mitigated through the use of separate sources.

**Survey Design**

Performance ratings were collected with an instrument developed from a series of questions regarding managerial practices in organizations. Twenty-eight perceptual-based questions were derived from the literature on managerial competence and malpractice, and subsequently tested on 59 senior-level undergraduate volunteer students in three business capstone courses. These respondents provided initial feedback regarding question ambiguity or clarity. Their comments were incorporated and led to a revised instrument given to 14 volunteer professionals in leadership roles, such as organizational presidents and vice-presidents, who were also business PhD students. This experienced leadership group provided input with regard to question face validity. Subsequently revised survey instruments were made available to 407 subject matter experts at an international academic research conference. Fifty-three (13%) conference attendees voluntarily reviewed the instrument and provided feedback regarding content validity and survey design. The resultant survey instrument contains 19 content questions concerning managerial practices, and eight questions that secured participant demographic details including gender, age, industry, number of employees in unit, division, or organization, length of tenure in both current position and with the employer, and gender and approximate age of the respondent’s manager.

**Participants**

Participants were drawn from MBA and Organizational Development (OD) Masters and Ph.D. programs at three four-year universities (two public and one private) in diverse locations (Mountain West, Midwest, and South) over five semesters. Masters and Ph.D. students were chosen to maximize industry and position diversity, ultimately representing all organizational levels (front-line to executive) in manufacturing, service, education, professional, and government entities. The voluntary survey was given to 362 potential participants; 337 responded, for a self-selected response rate of 93%.
Measures

Participants were asked to comment on the extent to which certain managerial behaviors occur within their organizations. The variables examined in this study were derived from research on managerial practices and malpractice (Gilley & Boughton, 1996). Responses were collected using a 5-point Likert-type scale ranging from “never” (1) to “always” (5). Four behavioral dimensions examined included the frequency with which: the most qualified individuals are hired for, promoted to, or placed in management positions; ineffective or poor managers are promoted, demoted, or fired; managers are held accountable for results, and; managers exhibit certain skills and behaviors, including the abilities to evaluate, coach, communicate with, involve, lead teams, implement change, and motivate others.

Hypotheses

Following the research questions, does managerial malpractice exist and, which behaviors or practices contribute to managerial malpractice, the hypothesis is derived. As a foundation the previously mentioned findings of Collins (1998) and Hemsley (2001) are employed.

Therefore:
Hypothesis 1: The traits of a manager will indicate the presence of managerial malpractice.

Initial Testing

Cronbach’s alpha was used to assess the reliability of the measurement items, and factor analysis tested for unidimensionality. Cronbach's alpha (Cronbach, 1951) is a measure of reliability or, more specifically, a measure of the acceptable lower bound for the reliability of the survey. The basis for the computation of Cronbach's alpha is number of items in the survey (k) and the ratio of the average inter-item covariance to the average item variance. Factor analysis displays the strength of each measurement item from zero to one, with one being a perfect predictor (Churchill, 1979). In addition, factor analysis separates the measurement items into different dimensions or factors that explain the findings and indicates removing those that do not add to explanatory power (Gough and Weiss, 1981). Some measurement items may cross-load, meaning that they show explanatory power for more than one factor. Difference between cross-loadings may appear in each item’s score. For instance, if an item has a high loading of .7 and loads upon another factor at .3, it may not be relevant at this time to remove the measurement item.

Furthermore, a factor analysis may uncover factors using Principal Components Analysis and a Varimax Rotation, which reveal more factors than originally hypothesized. Such a rotation aligns the axis better to the data. In other words, more of the data will fall upon the axis, thereby providing better results. Items scoring low could be retained if support is provided by logic and/or supporting literature that show validity. After removal of items, performing factor analysis again is necessary and enables further scrutiny of the results for higher factor loadings as recommended by Nunnally (1978) to an alpha level of 0.7 or higher. Factors found to have a
high number of predictors are removed to shorten the length of the instrument to improve the overall quality of the results.

**Confirmatory Factor Analysis using Structural Equation Modeling**

When testing the model with structural equation modeling (SEM), it displays error terms that can aid the researcher in removal of items that contain the most error. Typically, as each independent model is tested, the program calculates modification indices. This displays the amount of covariance, variance, and regression weighting an item possesses. Covariance refers to the amount that two different measurement items possess in explaining the same construct. Obviously, if there is a strong covariance, removal of one of the measurement items can be justified. At this point, the amount of error each term has in conjunction with any other items aids in the determination of which items to remove. Other fit indices displayed warrant whether an acceptable fit is present.

The model fit indicators used in this study are the RMR (root mean residual), GFI (goodness-of-fit index), AGFI (adjusted goodness-of-fit index), and the RMSEA (root mean square residual). The RMR is the square root of the average squared amount by which the sample variances and covariances differ from their estimates obtained under the assumption that the model is correct. The smaller the RMR is the better. Therefore, an RMR of zero indicates a perfect fit (SPSS guide). GFI varies from zero to one, but theoretically can yield meaningless negative values. By convention, GFI should by equal to or greater than .90 to accept the model. AGFI is a variant of GFI, which uses mean squares (instead of total sums of squares) in the numerator and denominator of one minus GFI. It, too, varies from zero to one and can also theoretically yield meaningless negative values. AGFI should also be at least .90. Attainment of a fit index of .90 is not always possible with larger models. Lastly, the RMSEA or root mean square error of approximation should be .05 or less to obtain excellent model fit. Newer research allows for slightly higher results, but it would require substantiation to become reliable.

Nineteen items were used in total. All were highly rated through factor analysis; however, four failed to pass SEM due to high covariance with other items, leading to their removal. From the remaining items, two clear factors developed. The first factor deals with the treatment of employees by managers. The second factor relates to the respondents’ views of managers behaviors. Referring to table 1 in the appendix, items marked “A” spoke to the treatment of employees and items marked with “B” marked employees’ views of managers. Items in the “C” group were removed.

**Results**

The resulting SEM model retains all of the 15 components carried over from the factor analysis. The resulting determinants created by testing are: RMR = 0.028; GFI = 0.950; AGFI = 0.931; and a RMSEA = 0.043. These findings are within a very significant range, indicating a strong model. These findings in this pilot study support the hypothesis stated in this research indicating managerial malpractice exists at some level.
Discussion

This study offers several important contributions to theory and practice. No other empirical study thus far has linked specific behavioral/practice variables into an integrated model and tested it for managerial malpractice. As a result, our research propels the concept of managerial malpractice from sketchy untested theory toward evidence-based reality. Overall, the results of this study suggest that managerial malpractice exists with somewhat disturbing frequency within organizations.

Competent management is one source of sustainable competitive advantage in contemporary, rapidly changing organizations (Nohria, Joyce, & Robertson, 2003; Waldman, Ramirez, House, & Puranam, 2001). Furthermore, a manager’s traits, behaviors, and attitudes directly affect his or her behavior with employees (Smith & Ellingson, 2002). Consequently, our results provide much-needed illumination of the behaviors and practices that contribute to managerial malpractice. Identification of the factors that collectively determine the emergence and prevalence of managerial malpractice yields important insights for organizations.

The overall strength of the model in this study finds support in the previous literature such as Collins’ (1989). For example, of the organizational leaders he surveyed, only 37% agreed that firms are led by the most competent managers, 50% agreed that individuals are promoted to management positions even though they do not possess the proper qualifications, 57% agree that performance appraisals are not meaningful or constructive, and 12% agreed that accountability is lacking.

Evidence suggests that many organizational leaders are not “the best and the brightest” (Collis, 1998, p. 69), which poses concern given the strong influence of managers on the work environment (Drucker, 1999; Howkins, 2001). This study may prompt firms to reconsider current methods used to choose or promote managers, hold them accountable, or enhance managerial efficacy via training, development, or modification of hiring and promotion practices. Gilley and Boughton (1996) suggest “performance coaching” as an antidote to managerial malpractice, while writers such as Collins (1998) argue for accountability. Managers need effective skills to respond to employee concerns, competitive pressures, economic downturns, and rapid change, to name a few. Our findings provide information for managers attempting to enhance organizational competitiveness and effectiveness by improving managerial competence.

Managerial training and development has not been seen as essential to organizational survival until recently; managerial talent was readily available or could be purchased from the outside (Sessa & Campbell, 1997). Unfortunately, nearly half of Fortune 1000 companies have reported that their management development and training programs are outdated (Csoka, 1997). The indication of the prevalence of managerial malpractice emphasizes the need for new paradigms regarding the development of managerial talent.

This study suggests that effective managers possess a multi-dimensional set of interpersonal skills, including abilities such as coaching, evaluating, rewarding, communicating, evaluating, implementing and motivating. The increasing rate of managerial malpractice claims and penalties (Collis, 1998) provide sufficient motivation for organizations to examine their managers’ behaviors and take corrective action as warranted. Given the increasingly competitive
and immensely challenging environment in which organizations operate, managerial malpractice proves an intolerable option.

Limitations

A number of limitations must be considered with this study. The narrow theoretical underpinnings of managerial malpractice concurrently hinder and encourage empirical research. Limited theoretical background constrains development of focused inquiry while simultaneously offering multiple avenues for investigation.

The scope and convenience sampling methodology that drew upon MBA, OD Master’s and Ph.D. students at three different universities may limit the potential for generalization. Respondents engaged in Master’s and PhD programs may be more sensitive to managerial competence issues, and thus may be acutely critical of their leaders. Further, respondents’ self-selection may yield skewed results (Podsakoff, et. al., 2003), which we attempted to mitigate through the use of multiple groups over time.

The use of self-rated, imprecise measures and perceptual data invite concern about methods variance and attribution bias. Perceptual, highly subjective data regarding managerial behaviors may be wrong or based on inaccurate or incomplete information (Bandura, 1989). Respondents’ degree of involvement with their managers or the impact of managerial actions on them personally may have influenced their opinions and subsequent ratings, in spite of their attempts to assess matters objectively. Quantifiable organizational results such as revenue, profit, market share, and customer satisfaction, rather than employee perceptions, may provide a more defendable diagnosis of managerial malpractice.

Recommendations for Future Research

Given the relative newness of the concept of managerial malpractice, avenues for future research abound. Additional studies may yield deeper understanding of managerial malpractice, its symptoms, antecedents, consequences, and remedies. This study reveals employees’ perceptions of managerial skills and practices or malpractice, which might be augmented by future research that examines skills of management most in need of improvement. Also, asking how these skills should be developed, measured, and rewarded are worthy of further exploration.

Our findings reveal associations between managerial behaviors and malpractice, which have valuable implications for organizations. Future research might examine in more detail the variables that influence managerial malpractice. Larger, more heterogeneous samples should be tested and cross-validated with the results presented in this study. Additional research should compare and contrast employees’ opinions of their managers skills and behaviors with quantifiable organizational results such as new product developed, productivity, revenues, profitability, and customer satisfaction levels; thus revealing linkages between managerial malpractice and organizational results.
Additional factors to consider are respondents’ and managers’ rank or level within the firm. Future investigation might explore whether ones rank within the organization influences perceptions of managerial behaviors. Is any particular level of management better or worse than others? Data collection at multiple points throughout a manager’s career could be facilitated via a longitudinal design, while pre- and post-measures may allow for causal conclusions. Points of managerial missteps or effectiveness could be isolated and analyzed to enhance the understanding of effectiveness, malpractice, required skills, and needed training and development.

**Conclusion**

The strength of our findings speaks volumes to the management of all organizations in today’s economy. This type of research may support the findings that employee satisfaction is as important as customer satisfaction. It has been stated repeatedly in the past that extra training provides extra benefits, which is supported by this study. Shareholders, taxpayers, and other stakeholders have taken notice of the negligence, lack of competence, arrogance, or intentional wrongdoing of management as companies are now paying for their oversight.

Many of these managerial missteps were unfortunately rewarded, leading to their rapid decline. The findings of this study point to the very attributes that should capture stakeholder’s focus when mapping their future talent. The importance of managerial competence is evident and at the very foundation of a company’s function. As witnessed in recent times, throwing money at top management has not been productive. It’s time for a change.
References


Cronbach, L. J. (1951) *Coefficient Alpha and the Internal Structure of Tests* Psychometrika 16: 297-334


Appendix: Managerial Practices Survey

I. Please indicate the frequency with which the following actions occur within your current or most recent organization.

<table>
<thead>
<tr>
<th>Action</th>
<th>Frequency of Occurrence</th>
</tr>
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<tbody>
<tr>
<td>The most qualified people are placed in management positions.</td>
<td></td>
</tr>
<tr>
<td>Managers treat their employees fairly and consistently.</td>
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<tr>
<td>Ineffective or poor managers are demoted or fired.</td>
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<tr>
<td>Managers who make mistakes are sent to training.</td>
<td></td>
</tr>
<tr>
<td>Managers coach their employees.</td>
<td></td>
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<tr>
<td>Managers create hostile or fearful work environments.</td>
<td></td>
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<tr>
<td>Managers encourage teamwork and collaboration.</td>
<td></td>
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<tr>
<td>Managers effectively evaluate their employees.</td>
<td></td>
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<tr>
<td>New managers are selected because they are the best performers or producers.</td>
<td></td>
</tr>
<tr>
<td>Managers effectively reward/recognize their employees.</td>
<td></td>
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<tr>
<td>Managers are held accountable for securing results through people.</td>
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<tr>
<td>Managers appropriately communicate with their employees.</td>
<td></td>
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<tr>
<td>Managers effectively implement change.</td>
<td></td>
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<tr>
<td>Individuals who do not possess appropriate supervisory/management skills are promoted to or hired for management positions.</td>
<td></td>
</tr>
<tr>
<td>Managers motivate their employees.</td>
<td></td>
</tr>
<tr>
<td>Ineffective or poor managers are promoted.</td>
<td></td>
</tr>
<tr>
<td>Managers treat employees as unique individuals.</td>
<td></td>
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<tr>
<td>Managers encourage their employees' growth and development.</td>
<td></td>
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<tr>
<td>Managers encourage feedback and suggestions from their employees.</td>
<td></td>
</tr>
</tbody>
</table>

“A” items: 2, 5, 7, 8, 9, 10, 13, 15, 17, & 19

“B” items: 1, 3, 11, & 14