

**BIS** | Department for Business  
Innovation & Skills

**LEADERSHIP & MANAGEMENT IN  
THE UK - THE KEY TO  
SUSTAINABLE GROWTH**

A summary of the evidence for  
the value of investing in  
leadership and management  
development

JULY 2012

## Acknowledgements

This paper has been written by the Department for Business, Innovation & Skills Leadership and Management Network Group (LMNG). Key contributors include Petra Wilton and Patrick Woodman of the Chartered Management Institute (CMI), Katerina Rudiger of the Chartered Institute of Personnel and Development (CIPD), David Pardey of the Institute of Leadership and Management (ILM), Penny Tamkin of the Institute for Employment Studies and Peter Rabbits of Acas.



**A full list of LMNG members can be found at Annex 4**

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# Ministerial foreword



**John Hayes MP, Minister of State for Further Education, Skills and Lifelong Learning**

The recent Government Growth Review<sup>1</sup> emphasised the role of good leadership and management in helping us achieve sustainable economic prosperity and growth. This applies to all organisations, regardless of size, sector or location. Strong leadership and management is a key factor in fostering innovation, unlocking the potential of the workforce and ensuring organisations have the right strategies to drive productivity and growth.

Too many of our organisations, both private and public, are failing to achieve their full potential: managerial shortcomings and a lack of strategic thinking are holding them back. Overcoming these weaknesses and improving our leadership and management capability is fundamental to creating a culture where more organisations have the ambition, confidence, resilience and skills to respond to the current economic challenges and compete successfully both nationally and globally. Arguably, these strengths become still more vital as economies become more advanced and more dynamic

Government is supporting this process by creating a framework for business growth and by providing specific support to those businesses with the most potential. Initiatives such as the Growth Accelerator programme, the Growth and Innovation Fund and the new Employer Ownership Pilot are all designed to support and encourage businesses to take responsibility for their future growth, enable them to learn from other businesses, and help develop a mindset of self-reliance and dynamism.

But Government can only do so much. Employers have to be the driving force behind any improvements, taking a critical look at their current leadership practices, being prepared to make changes and where necessary invest more, and more wisely, in management skills. For organisations that are prepared to take action the potential gains are clear: improved survival rates, better employee motivation and well-being, and increased profitability and performance.

The third key players in this triumvirate are business intermediaries and support organisations. Those of you who work closely with businesses, offering trusted advice and support, have a vital role to play in providing the help and encouragement businesses will need to enable them to take the first steps along the path. I hope you will use the evidence presented in this report to convince employers that improving their leadership and management skills is a key to building productivity, securing profitability and ensuring competitiveness.

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<sup>1</sup> [http://www.hm-treasury.gov.uk/ukecon\\_growth\\_index.htm](http://www.hm-treasury.gov.uk/ukecon_growth_index.htm)

# Executive summary

The paper has been developed by the Department for Business, Innovation & Skills Leadership and Management Network Group (LMNG) and is aimed at business intermediaries and representative bodies that offer business support and advice. It puts forward the arguments for business investment in leadership and management skills, based on evidence about current practice and the UK's position relative to key competitor nations.

The paper first explains the business benefits of good leadership and management and presents an analysis of the UK's current leadership and management performance. It is clear that the UK is falling behind many of our key competitor nations in terms of leadership and management capability, which is undermining our productivity compared to those competitors. This is having a direct and detrimental impact on UK business profits, sales, growth and survival.

Research shows that:

- Ineffective management is estimated to be costing UK businesses over £19billion per year in lost working hours.
- 43% of UK managers rate their own line manager as ineffective – and only one in five are qualified
- Nearly three quarters of organisations in England reported a deficit of management and leadership skills in 2012. This deficit is contributing to our productivity gap with countries like the US, Germany and Japan.
- Incompetence or bad management of company directors causes 56 % of corporate failures

This is not a universal problem. The UK does develop some excellent managers. Evidence also shows that the quality of leadership and management has been improving in the UK over the past ten years. But our main competitors are also raising their game so we cannot afford to be complacent. Quite simply, improving leadership and management capability is an issue that no organisation wishing to achieve long-term success can afford to ignore. There is no question that good leadership and management can have a truly significant impact on organisational performance, both in the immediate and longer term.

- Best-practice management development can result in a 23% increase in organisational performance.
- Effective management can significantly improve levels of employee engagement
- A single point improvement in management practices (rated on a five-point scale) is associated with the same increase in output as a 25% increase in the labour force or a 65% percent increase in invested capital.

Our long term success is dependent on developing these skills: the UK Commission for Employment and Skills' Working Futures report indicates that the UK will need 544,000 new managers by end of the decade.

Analysis by UKCES has shown that management skills are crucial to ensuring high performance working and business success. Organisations with a more qualified management workforce and a dedicated programme of management development have been shown to perform better and have more sophisticated and higher quality product and market strategies.

There is no simple answer as to why the UK is underperforming when it comes to management and leadership, although studies suggest that UK managers are significantly less well qualified with substantial skills gaps. Relatively low levels of training, shortages of key skills, the failure to apply skills strategically, and employer concern about the relevance of training provision, have also been identified as potential reasons. Other factors include difficulties in recruiting graduates with the right skills, particularly for small and medium sized companies; a perception that leadership and management skills are something you "pick up" on the job; and lack of clarity about the specific leadership and management skills and behaviours managers need to display.

The report concludes by offering practical recommendations for action which employers can take in order to improve their skills and management capability. Improving leadership and management skills is not just about levels of investment in training. It is also about ensuring that development focuses on activities that support operational objectives and have practical applications in the workplace.

Whatever their specific management and leadership skills needs, employers must take responsibility for ensuring that leaders' and managers' skills and capabilities, at all levels, are effective and aligned to the organisation's strategy. This paper sets out a suggested process for reviewing skills needs, and identifies a number of resources provided by key stakeholders in this area which should be of use to both intermediaries and employers. By regularly reviewing their skills requirements, and taking prompt action to address any gaps, organisations will be better equipped to withstand economic shocks and take advantage of new opportunities when they arise.

There are several widely available models to show what good management and leadership looks like, including the National Occupational Standards for Management and Leadership, Investors in People and the EFQM Excellence Model. These can help organisations to assess and benchmark their leadership and management capability and transform their performance to deliver business impact.

Government also has a role. The Government in England sees its role as creating the right long term conditions to enable organisations to take action to improve their leadership and management skills. This means providing good quality information and support to enable employers to recruit and train the right skills resources, and giving employers the opportunity to influence skills provision to ensure it meets their needs. Supporting growth businesses is a priority and the Growth Review has set out a number of measures specifically to support mid-sized businesses. The Government in England recognises the need to step back and allow businesses, working with industry and sector bodies,

business clusters, colleges and training providers, to develop solutions to meet their skills needs. Three funding streams are available to support projects that businesses themselves have identified will help them meet their skills needs.

Action is also being taken across the UK by the Devolved Administrations. The Scottish Government has placed sustainable economic growth at the heart of its economic strategy. Working with key agencies to implement a shared Framework for Action, it aims to raise the quality of leadership and promote a stronger culture of ambition. Work strands include support for existing leaders, developing a pool of ambitious future leaders, promoting stronger employer collaboration and promoting leadership development as a strategic business issue.

The Welsh Government's Enhancing Leadership and Management Skills (ELMS) programme aims to deliver a range of leadership and management skills that will provide sustainable and enhanced benefit for managers, the workforce and the economy of Wales, recognising that these skills are a key driver in increasing the productivity of the Welsh economy and reducing income inequality.

Leadership and management is a key theme in the Northern Ireland Skills Strategy. The Department for Employment and Learning in Northern Ireland continues to develop its suite of management and leadership training, providing support to private sector and social economy enterprises through three approved management and leadership programmes.

Improving our leadership and management capability makes sound business sense. Helping managers at all levels to develop the right skills and behaviours will ensure organisations have the ability to adapt, innovate and evolve, and seize the growth opportunities that lie ahead.

# Introduction

Most organisations will tell you they know what good management and leadership looks like and will be able to identify people with skills and qualities they admire. They may also tell you they know that good management makes a real difference to organisational performance. There is strong evidence to support this contention: historically, our greatest business leaders have driven economic prosperity and growth.

There is a short list of people – the likes of Richard Branson, Terry Leahy, Anita Roddick – whose names alone have come to define what we most admire about business leadership. And it has long been the case that the British economy has been shaped and driven by the pioneers of business, like James Dyson and Alan Sugar, driving change and making the most of new technologies and opportunities. We celebrate their entrepreneurial spirit, drive, influence and success without necessarily being able to identify exactly what has made their careers so successful on a day to day basis.

Equally, at a local or personal level, we all remember the managers who stand out, for either good or bad reasons, for their impact on our lives. The influence of those who had the ability to engage and inspire, to help us learn and make sense of the business environment and to achieve the right balance between challenge and support. Managers who helped shape not just our current performance, but our own behaviours and practice as new managers as our careers developed.

There is no question that the performance of leaders and managers can have a truly significant impact on organisational performance, both in the immediate and longer term. Skills such as people management, strategy and planning, budgeting and risk management can transform the fortunes of an organisation. But evidence shows that in general – both in the public and private sector – the UK falls behind key competitor nations such as the US and Germany in terms of leadership and management capability. This is having a negative impact on the UK's competitiveness and performance.

This is not a universal problem. The UK does develop some excellent managers and many organisations already benefit from successful approaches to building their management cadre, particularly multi-nationals and large corporates with significant HR functions. However, the evidence suggests that one of the fundamental problems holding back the growth of smaller and medium sized organisations is a lack of leadership and management capability to drive performance and enable them to succeed.

## How do we tackle this problem?

Business intermediaries and business support organisations have a vital role to play in helping companies understand the importance of good leadership and management to their performance, future growth and economic prosperity. Through the advice and practical help they offer, intermediaries and support organisations are a powerful force in helping raise ambitions and giving employers the confidence to take action to boost their leadership and management capability.

The need to improve leadership and management skills is particularly acute in the current economic climate. This applies to all organisations, from large multi-national companies to the generally smaller and medium sized businesses upon which the UK economy is reliant for growth. Strong leadership and management skills are the key to increasing business efficiency and exploiting new business opportunities.

Our long term success is also dependent on developing these skills. The UK Commission for Employment and Skills' *Working Futures*<sup>2</sup> report indicates that the UK will need 544,000 new managers by end of the decade. And while evidence shows that the quality of leadership and management has been improving in the UK over the past ten years, both in relative and absolute terms, our main competitors are also raising their game. We cannot afford to be complacent.

Leadership and management are skills that can be successfully developed. Those organisations that nurture and fully utilise management potential by introducing progressive management strategies for handling change, increasing employee engagement and developing the skills of their workforce, can reap significant rewards in terms of productivity, growth and long-term business success. This is an issue that no organisation wishing to achieve long-term success can afford to ignore.

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<sup>2</sup> [www.ukces.org.uk](http://www.ukces.org.uk) › Publications

# Chapter 1: why is good leadership and management so important?

The job of managing is getting harder. The challenges of 21st century leadership and management include working in an environment of constant change and the increasing complexity of organisational structures. Managers must also deal with a tough economic climate and growing international competition. New technologies, the knowledge economy and the rise of social media, greater transparency, rising consumer demands and environmental resource concerns all add to a potent and complex mix of challenges that managers must negotiate to be successful.

The ways in which an organisation meets these challenges can mean the difference between business success and failure. Successive studies have shown that getting the right mix of inspirational leadership and effective management skills and practices can have a significant impact on organisational performance in terms of profit, sales, growth and survival.

## The business benefits of good leadership and management

### => Improved business performance

Organisations with a more qualified management workforce and a dedicated programme of management development perform better and have more sophisticated and higher quality produce market strategies.

The Department for Education and Skills' 2002 research paper, "Managerial Qualifications and Organisational Performance"<sup>3</sup>, identified the following key findings:

- Better qualified managers are associated with a better qualified workforce.
- Highly qualified managers are more innovative. They appear more likely to adopt strategies introducing new, higher quality products and improving the quality of existing products, while less qualified managers are more likely to be engaged in increasing the efficiency of the production of existing products and services
- Management proficiency and performance appear to be positively linked (although this is a two-way relationship).

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<sup>3</sup> Bosworth, D.L., R. Davies and R.A. Wilson (2002). Skills, High Level Work Practices and Enterprise Performance. IER Research Report. University of Warwick

Investing in leadership and management development is clearly important, but organisations must also ensure that any investment finances activities that support operational objectives and have practical applications in the workplace. Research published in 2012 by the Chartered Management Institute and Penna found significant links between the ways in which employers implemented management and leadership development activities and their overall organisational performance<sup>4</sup>.

The study – based on a major survey of almost 4,500 managers, including 300 CEOs and 550 HR managers – showed that a range of factors were clearly associated with high performance organisations. Such organisations appear to take a more strategic view of management development, with three factors identified as particularly important:

- Commitment to Management and Leadership Development (MLD) – driven by the CEO and senior management
- HR practices that reinforce MLD – such as performance management, leadership succession planning and competency frameworks
- Alignment between business strategy and HR strategy – managers' skills are clearly developed to drive business results.

These factors were found to be associated with a 23 per cent variation in organisational performance measures. The commitment of senior leaders alone, demonstrated through their actions and behaviours, was associated with a 21 per cent difference in 'people performance' measures.

### => **Improved employee performance**

- Employee Wellbeing

CIPD research finds that excessive workload and management style are the top causes of stress at work. Stress at work has been shown to be behind musculoskeletal problems, the biggest cause of time lost to employee absence accounting for 13.4 million lost working days a year, according to the Health and Safety Executive (HSE)<sup>5</sup>. Stress at work also tends to result in long-term absence; the CIPD research found that the average spell of stress-related absence is 21 days (CIPD/AHP 2007).

Ensuring managers are aware of these issues and have the skills to deal with them can clearly pay dividends in terms of helping staff to manage their workloads and thereby reducing employee absence levels.

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<sup>4</sup> McBain R, Ghobadian A, Switzer J, Wilton P, Woodman P, Pearson G, (2012), The Business Benefits of Management and Leadership Development, CMI and Penna

<sup>5</sup> HSE/CIPD/IIP, (2008), Management competencies for preventing and reducing stress at work. Research report. London: Health and Safety Executive.

- Employee Engagement

Leadership and management skills have a direct impact on effective employee engagement. This matters because engaged employees give a business its competitive edge. Levels of employee engagement can correlate with performance and even more significantly, there is evidence that improving engagement correlates with improving performance.

Engagement is about establishing mutual respect in the workplace for what people can do and be. It is about the business valuing the employee and the employee valuing the business. The MacLeod Review on Employee Engagement<sup>6</sup> reported a range of business performance benefits associated with employee engagement, including:

- Engaged employees have less sickness absence. In the UK engaged employees take an average of 2.69 sick days per year; the disengaged take 6.19. This is costing businesses money; estimated in the MacLeod Review at £13.4bn, the latest CBI/Pfizer Absence and Workplace Health Survey from 2011 found that sickness absence is costing the UK economy £17bn a year<sup>7</sup>.
- Engaged employees understand customer needs. Seventy per cent indicate they have a good understanding of how to meet customer needs while only 17 per cent of non-engaged employees say the same.
- Engaged employees are loyal. They are 87 per cent less likely to leave the organisation than the disengaged. The cost of high turnover among disengaged employees is significant; some estimates put the cost of replacing each employee at equal to annual salary.
- Surveying the evidence, the MacLeod report concluded that the “joint and consequential failure of leadership and management is the main cause of poor employee engagement”.

The CMI-Penna report on the management and leadership development<sup>8</sup> also found evidence of links between employee engagement levels and organisational performance. As demonstrated in Figure 1, below, organisations which were ranked in the top performance quartile were more likely to have highly engaged employees.

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<sup>6</sup> MacLeod D and Clarke N, (2009), Engaging for Success: enhancing performance through employee engagement, Department for Business, Innovation and Skills

<sup>7</sup> CBI (2011), Healthy returns? Absence and workplace health survey 2011

<sup>8</sup> McBain et al (2012), The Business Benefits of Management and Leadership Development, CMI and Penna

Employee engagement levels were five per cent higher in organisations reporting higher levels of management and leadership development activities. The perceived effectiveness of MLD was also related to higher engagement scores.

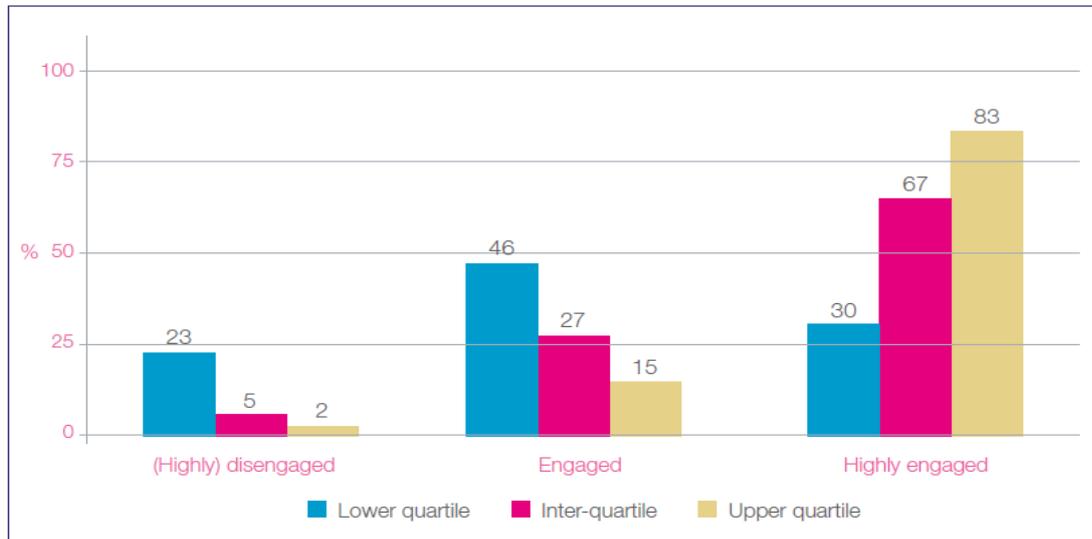


Figure 1 – Employee Engagement levels and organisational performance

There were, however, differences depending on the management level of individual respondents, with more senior managers reporting higher levels of engagement. CEOs and senior managers showed significantly higher levels of engagement than all other levels, with CEOs scoring 46 out of 50 compared with 42 for senior managers and 40 for middle and first line managers.

The CMI-Penna report also provides further evidence to support MacLeod's findings about the importance of line management, with analysis showing that levels of employee engagement were significantly related to the perceived skills of the individual's manager.

## The consequences of poor leadership and management

Whilst the arguments for improving leadership and management skills are compelling, the consequences of not addressing these issues are equally stark. Poor leadership and management can erode business profits and ultimately contribute to business failure.

### => Business Costs

Evidence reveals a direct cost to UK businesses resulting from the underperformance of managers. Research by the CMI shows that ineffective management could be costing UK businesses over £19 billion per year in lost working hours<sup>9</sup>. The study of 2000 employees

<sup>9</sup> This figure was calculated using average hours wasted a week (1.51) x 48 weeks worked in a year x median value of that time (£12.5) x number (21.32m) of fulltime employees in workforce = value of time wasted, annually, across the UK (£19,315,920,000)

across the UK reveals that three quarters (75 per cent) of workers waste up to two hours out of their working week due to inefficient managers. Worst management practices responsible for time lost include unclear communication (33 per cent); lack of support (33 per cent); micro-management (26 per cent); and lack of direction (25 per cent).

Taking the average hours wasted in a week (1.51) across the 48 weeks a year worked by the majority of workers, this equates to a loss of £900 per employee per year – and a total loss to UK plc of £19.3billion.

Failing to effectively implement leadership and management development activities in the workplace is also costing businesses money. The CMI/Penna research shows that fewer than half of all managers (47 per cent) reported that they have current opportunities to use the skills and knowledge they have gained, suggesting that organisations are failing to make the most of their training investment.

## => Business Survival

At its most extreme, poor leadership and management can cause a business to fail. A poll of insolvency experts carried out by insolvency trade body R3 found that incompetence or bad management of company directors causes 56 per cent of corporate failures, while nearly 40 per cent of businesses could have been saved if professional advice had been sought earlier.

R3's President Steven Law commented:

*“Regardless of the economic circumstance, no business will survive with poor management in place. I have seen a good workforce let down and sometimes laid off due to management which do not admit and correct their mistakes.”<sup>10</sup>*

## Conclusion

There is clear and compelling evidence to show that failings in our leadership and management skills are holding back the UK's competitiveness. The UK Commission for Employment and Skills' National Strategic Skills Audit 2010 found that good managers and leaders, and more specifically their management skills, are crucial to ensuring high performance working and business success. The report highlighted a need for improved management skills across a wide range of sectors and cited this as a high priority issue for immediate action.

Quite simply, improving leadership and management skills is the key that will unlock the potential of UK businesses, allowing them to seize the opportunities available to them and achieve sustainable economic prosperity.

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<sup>10</sup> R3, <http://www.r3.org.uk/index.cfm?page=1114&element=12964>

# Chapter 2: leadership and management in the UK

## The Evidence

The CIPD Annual Survey Report 2012<sup>11</sup> showed that nearly three-quarters (72 per cent) of organisations in England reported a deficit of management and leadership skills. Very small organisations, with fewer than 50 people, are less likely to report a deficit (30 per cent); however the lack of management and leadership skills is observed across all sectors and all sizes of organisation.

Nearly two-thirds (65 per cent) of organisations who responded to the survey report senior managers are deficient in management and leadership skills, while the vast majority (85 per cent) report line managers and supervisors lack these skills. The deficit of management and leadership skills at line manager and supervisor level is particularly apparent in the manufacturing and production sector (86 per cent) and least common in the public sector (76 per cent)

The CIPD report highlights the widespread need for good management and leadership skills. The findings show that that, on average, a quarter of the workforce in the sample have line management responsibilities. Three-fifths (60 per cent) of organisations across all sectors report that management and leadership skills are very important when promoting individuals into positions that have people management responsibilities and only 2 per cent report they are not important.

Unsurprisingly, the report shows the more importance given to management and leadership skills when promoting individuals the less likely the organisation is to report they have a deficit of these skills (71 per cent compared to 94 per cent of those who consider such skills only somewhat important). Nevertheless, the proportion with a skills deficit is still extremely high, even when high importance is given to these skills for promotions, suggesting a serious deficiency of management and leadership skills across their workforce.

## International Comparisons

Research shows that UK productivity levels are distinctly mid-table by international standards for developed countries, below the US, Japan, Germany, Sweden and Canada. Studies by Bloom and Van Reenen (2007)<sup>12</sup>, Bloom et al. 2011<sup>13</sup> and Homkes (2011)<sup>14</sup>

<sup>11</sup> CIPD Annual Learning and Talent Development Survey Report 2012

<sup>12</sup> Bloom, N, Van Reenen, J. (2007) 'Measuring and Explaining Management Practices Across Firms and Countries', Quarterly Journal of Economics

<sup>13</sup> Bloom N, Lemos R, Qi M, Sadun R, Van Reenen J (2011) Constraints on Developing UK Management Practices, BIS Research Paper No 58, November 2011, BIS

have used an interview-based evaluation tool to measure international management practices. The authors note that the large productivity gap with some of the UK's major competitors, as high as 20 per cent in 2008, is clearly worrying. Exploring the variation in productivity levels has led to the interest in management practices as one element of the gap.

Figure 2 below shows that the difference in management practice scores tells a very similar picture to the differences in productivity, with the UK middle ranking and behind the key competitors whose productivity levels outrank us.

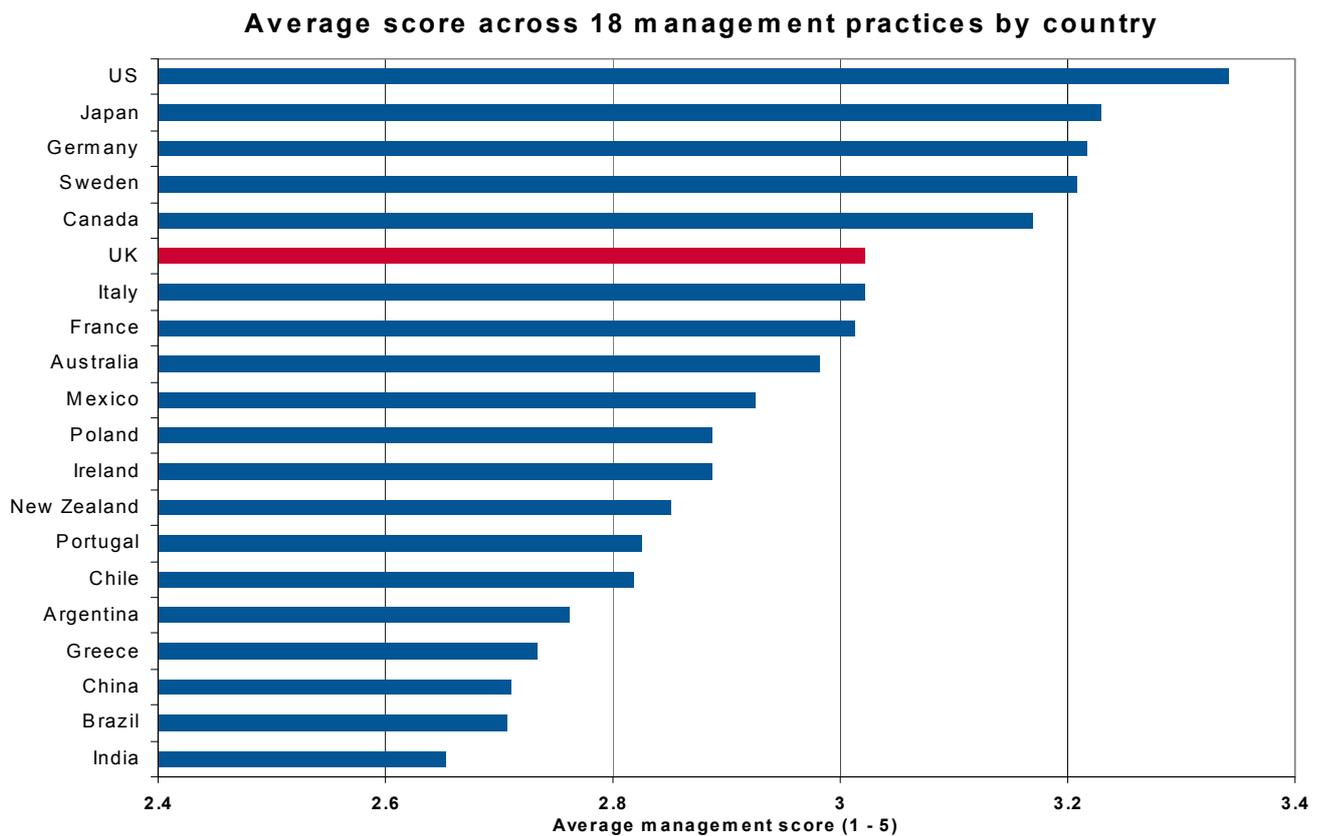


Figure 2: Average scores across 18 management practices by country<sup>15</sup> Source: Constraints on Developing UK Management Practices, BIS 2011

Bloom and Van Reenen find that there does appear to be a concept of “best” practices, at least for a core set of management practices around monitoring, targets, and incentives. Firms adopting these practices are more profitable and more productive, grow faster, and survive longer, in every country looked at.

<sup>14</sup> Homkes, R (2011) Why Management Practices Matter for Productivity and Competitive, and what It Means for Government Policy, Centre for Economic Performance

<sup>15</sup> Constraints on Developing UK Management Practices, Department for Business Innovation and Skills (2011). Note: based on 8,597 management interviews between 2006 and 2010, CEP pool across multiple survey waves to maximise the extent of cross-country management comparison

Moreover, in recent experimental studies randomly chosen treatment firms which were helped to adopt these practices demonstrated large causal improvements in profitability compared to the control firms<sup>16</sup>.

Bloom et al. conclude:

- The UK has a deficit in management quality relative to the US, Germany, Japan and Sweden. This management deficit is likely to be a cause of our productivity gap with countries like the US, Germany, and Japan. If we want to increase our competitiveness vis-à-vis such countries, then we need to consider how to improve management practices in the UK.
- There is a large variation of management quality across firms in all countries and much of what accounts for the cross country differences is the absence (e.g. US) or strong presence (e.g. UK, India) of a long tail of poorly managed firms. If the quality of the poorly managed firms could be lifted, even up to the median, this would be a tremendous improvement

The adoption and utilisation of new management practices is viewed as being closely linked to productivity and the broad consensus is that efforts by UK managers to translate new management practices into improved performance have been both slower and less successful than some of their counterparts in France, Germany and the US. Given evidence of the likely increase in demand for good managers and the challenging economic context, making these improvements is becoming ever more critical.

## Mid-Sized Businesses

The Government Growth Review explored the contribution to the UK economy of middle sized businesses (MSBs). MSBs account for some 10,000 companies and about 20 per cent of private sector employment, so constitute an important part of the UK economy. Despite this they contribute less to the UK economy than their peers in some of our competitors. For example, in Germany MSBs provide about 32 per cent of private sector turnover versus 20 per cent in the UK. This suggests that there is opportunity to improve performance in this group.

Evidence that suggests that leadership and management capability it is a factor in MSB underperformance. For example, the ownership of MSBs is concentrated, with over 60 per cent of MSBs having five or fewer shareholders (2009 data). This reflects either family ownership, where the business has been passed down to the next generation, or rapid growth of a small business founded by an entrepreneur. Family-owned firms tend to score poorly on an index of management practice, creating a long tail of underperforming companies. These firms may require additional support from intermediaries to help them to see their growth potential and to give them the confidence to seek outside help.

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<sup>16</sup> Bloom N, Genakos C, Sadun R, Ven Reenen J, (2012), Nber Working Paper Series, Management Practices Across Firms and Countries, Working Paper 17850, National Bureau Of Economic Research, Cambridge, MA <http://www.nber.org/papers/w17850>

## Why does the UK continue to underperform?

There is no simple answer to this question. Some of the gap between the UK and its competitors may be explained by differences in terminology. A detailed exploration by UKCES<sup>17</sup> highlights the fact that in the UK, the definitions of being a manager tend to be interpreted more loosely so we seem to have a larger population compared to other countries. However, when compared with data for other professional groups, UK managers are significantly less well qualified and skills gaps are also much greater than for professional populations.

Some of the main reasons for our current underperformance are set out below.

### ⇒ **UK managers are less qualified**

Evidence suggests that UK managers are less well qualified compared to their peers in other advanced economies. UK managers remain significantly under-qualified with just 38.5 per cent qualified at level 4 and above compared to 80.9 per cent in other professional occupations<sup>18</sup>. Only one in five has a management-related qualification, a number not expected to climb much above 20 per cent even over the longer term, if current trends continue.

### ⇒ **UK managers are under-trained**

Alongside qualification deficits, levels of training and development of the management population continue to be comparatively low. The UK Commission's Employer Skills Survey reports that only 34 per cent of all employers provided management training; with 2.4 million managers receiving training in the UK in the past 12 months. In absolute terms, this was more than any other occupational group. However, relative to the numbers employed in each occupation, UK managers are among the least likely to receive training (2.4 million is just 45 per cent of all managers) (UKCES 2012)<sup>19</sup>

Thirty-two per cent of Small to Medium Enterprises (SMEs) provided managers with some training or development to improve their leadership and management skills in the last 12 months, within the UK. This proportion varied from 28 per cent of micro businesses, to 49 per cent of small businesses and 67 per cent of medium sized businesses. This type of

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<sup>17</sup> Bosworth D, Wilson R (2005) Sectoral Management Priorities: Management Skills and Capacity, SSDA, January 2005, IER

<sup>18</sup> Wilton, P et al, (2007) The Value of Management Qualifications, Chartered Management Institute

<sup>19</sup> UKCES (2012) UK Commission's Employer Skills Survey 2011: UK Results, UK Commission for Employment and Skills

training was most likely to occur in business services (40 per cent) and 'other services' (46 per cent) (Small Business Survey 2010)<sup>20</sup>

### ⇒ **UK Managers lack key skills**

Research shows much higher skills deficiencies amongst managers than amongst professionals which might be used as a suitable comparator group. The 2009 National Employer Skills Survey<sup>21</sup> reported that 40 per cent of employers in England saw the need to up-skill some of their managerial staff. This was the top skills need, four times greater than sales, which came second. Ninety three per cent of senior managers responsible for management recruitment and development surveyed by the Institute of Leadership and Management (ILM) reported that skills deficiencies amongst their managers were reducing their ability to achieve their goals<sup>22</sup>.

CMI research also makes the link between skills and performance, with 'shortages of key skills' being the number one issue faced by managers in trying to meet their business objectives in 2012, followed by 'poor morale' and 'poor leadership'<sup>23</sup>. In CMI's latest Economic Outlook survey (April 2012) almost 40 per cent of managers predicted that management skills shortages would have a damaging impact on their organisation in the next six months. Yet 38 per cent expected investment in management and leadership development to fall. Such findings suggest that organisations continue to face a management skill deficit that is harming performance.

CMI's latest Economic Outlook survey (April 2012)<sup>24</sup> almost 40 per cent of managers predicted that management skills shortages would have a damaging impact on their organisation in the next six months. Yet 38 per cent expected investment in management and leadership development to fall. Such findings suggest that organisations continue to face a management skill deficit that is harming performance.

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<sup>20</sup> BIS, (2010) Small Business Survey, 2010

<sup>21</sup> Shury et al, (2010) National Employer Skills Survey for England 2009: key findings report, UK Commission for Employment and Skills

<sup>22</sup> ILM surveyed 750 senior HR managers during March 2012 for its report into the Talent Pipeline, due June 2012

<sup>23</sup> Pearson G., and Woodman, P., (2011) Future Forecast: Expectations for 2012, Chartered Management Institute

<sup>24</sup> Hutchings P and Woodman P, (2012) Economic Outlook – April 2012, Chartered Management Institute

### ⇒ **Leadership and management skills are not applied strategically**

Developing the right leadership and management skills is only the first step; the ability to deploy these skills effectively in the workplace is equally important. Evidence shows that UK provision of leadership and management training tends to be ad hoc rather than strategic. Research by CMI emphasises the importance of embedding leadership and management development into working life. Wilton et al point out, 'the greatest productivity gains are achieved where employers are actively supporting learners to ensure the practical application of learning in the workplace'<sup>25</sup>.

More recent research emphasises this, with McBain et al finding that commitment of senior leaders to MLD, reinforced by HR practices such as performance management and competency frameworks, with development aligned to the business strategy, accounted for 23 per cent variation in organisational performance measures. However, the Mabey longitudinal study revealed a low and declining level (from 30 to 15 per cent) of line manager involvement in the implementation of leadership and management development<sup>26</sup>.

### ⇒ **UK employers feel that training provision does not meet their needs**

Some employers feel that the leadership and management training on offer is too inflexible, both in terms of content and delivery. For smaller organisations, specifically commissioned training is difficult; they struggle to release staff for training because of the difficulty of providing cover and they tend not to have dedicated training budgets. However, without training, a manager's ability to fulfil their potential will be limited.

The recent Growth Review also identified concerns about the quality and relevance of MBAs and other graduate management qualifications. Many have been criticised for not adequately focusing on people management skills. Instead, this type of training tends to focus on business related content such as accountancy, marketing and law. While important, these are not the only key requirements for the management of an organisation.

### ⇒ **Other factors affecting the UK's leadership and management capability**

- *Difficulties in recruiting graduate talent with the right skills.* Smaller firms in particular report problems attracting and retaining business graduates, who often prefer to work for larger companies. Research shows that firms with fewer than 50 employees are the least likely to have a graduate recruitment programme or a talent plan, and are more likely to recruit managers externally.

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<sup>25</sup> Wilton P et al, (2007) The Value of Management Qualifications, Chartered Management Institute

<sup>26</sup> Mabey C, (2005) Management Development Works: The Evidence, Chartered Management Institute

- CBI has highlighted the weaknesses of management and leadership in medium-sized businesses (MSBs), identifying management capacity as one of five key factors for growth in this sector. The CBI concluded that “too many MSBs don’t have the right management skills or capability, and...this is a real block to their growth<sup>27</sup>.”
- *The perception that leadership and management skills are something you “pick up” on the job.* First line managers are primarily selected because of their technical capability rather than their potential to move into more senior positions, despite technical proficiency being far less significant when considering subsequent promotion<sup>28</sup>. They frequently do not receive any specific management training and are not only ill-equipped to take on this role, but their immediate line managers often lack the knowledge and skills to support them.
- *Managers struggle to self-assess.* Research shows that many managers are unable to make an objective assessment of the effectiveness of their own management practices<sup>29</sup>. The end result is that managers tend to think that they do not have a capability problem themselves.
- *Reluctance to make changes.* The link between leadership and management development and organisational performance is notoriously hard to prove. Many organisations are therefore reluctant to make changes to their management capability and working practices that may be difficult and costly to implement and which have no guaranteed success or tangible outcomes.
- *Many employers are not clear about the specific leadership and management skills and behaviours they need to display:* these may include areas such as self-awareness, communication, influencing, team-work, and more. They are unsure how to create and embed the right behaviours that support engagement and well-being in the workplace.

A more detailed exploration of some of the issues in this chapter can be found in the CIPD’s ‘Work Horizons’ paper, Good Management – A New (Old) Driver for Growth?<sup>30</sup>

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<sup>27</sup> CBI (2011) *Future Champions: Unlocking growth in the UK’s medium-sized businesses*

<sup>28</sup> ILM (2012) *The Talent Pipeline*

<sup>29</sup> Bloom, Dowdy, Dorgan and Van Reenen (2007), *Management Practices and Productivity: Why They Matter*, <http://cep.lse.ac.uk/management>

<sup>30</sup> CIPD (2011), *Good Management – A New (Old) Driver for Growth?*

# Chapter 3: what *is* good leadership and management?

## How can we define good Leadership & Management?

The National Occupational Standards (NOS) for leadership and management<sup>31</sup> offer a definition of key leadership and management skills. They are structured around five broad themes or functional areas which broadly define what leaders and managers do: providing direction, working with people, using resources, facilitating change and achieving results. Within each of these areas the individual standards describe best practice at a high level of detail.

These standards have been reviewed and revised regularly, in consultation with employers and education and training practitioners, increasing both their depth and breadth of coverage. The NOS are designed to provide the benchmark against which leaders and managers at all levels can review and reflect on their role performance.

Similarly, Investors in People and the EFQM Excellence Model, both of which are described in more detail in Annex 1, provide frameworks to allow organisations to assess and benchmark their leadership and management capability and transform their performance to deliver business impact.

Whichever model or tool an organisation chooses to adopt there are some core skills that every manager needs to develop. This chapter looks at these in more detail.

## Core Leadership and Management Skills

### ⇒ Providing Effective Leadership

Leadership is all about setting direction and creating the right organisational conditions for heading in that direction. This is as true for the team leader as it is for the chief executive, although the scope and scale of the task varies significantly. Truly effective leaders have a clear vision of the future and the capability to communicate that vision to others so that they are inspired to share it and work collaboratively to achieve it. It means ensuring that the right working conditions and physical resources are available but, more importantly, creating the culture, relationships and motivation to inspire people to make the most effective use of them.

The best leaders face problems head on and have the confidence to propose sometimes innovative or difficult solutions. They also have the humility to accept that they do not have all the answers and will encourage others to make decisions by delegating authority

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<sup>31</sup> <http://www.cfa.uk.com/standards/leadership-and-management.html>

and responsibility. Alongside this, they make sure the contribution of others is recognised and rewarded.

All managers need to be effective leaders. While a command and control culture will ensure that employees comply with organisational procedures and the terms of their employment contract, it does not create the enthusiasm, innovation and engagement that modern organisations need to compete effectively in a global marketplace. By developing their leadership capability, managers can achieve outstanding results from ordinary people and businesses, getting the best out of their employees and benefiting from the knowledge and skills that often they are not even aware that they possess. Above all, leaders need to inspire trust in their capability to take the organisation in the right direction.

Research into leadership trust by ILM over three years, from 2009 to 2011<sup>32</sup>, found that although trust in UK leaders and managers is reasonably high there is substantial room for improvement. This is especially the case in larger organisations, where distance makes it particularly challenging for CEOs and other senior managers to build trust in their leadership abilities. Leadership trust is strongly dependent on employees' perceptions of leaders' competence in their role, their integrity and their openness and fairness towards employees.

### ⇒ **Strategy and Planning**

Sustainable performance requires good leadership and management capability at all levels of the organisation. Managers need to develop the skills to manage immediate operational needs whilst simultaneously planning for the future. Senior managers must be able to see the big picture, developing long term strategies that maximise opportunities to add value and support sustainable economic growth. They must have a clear understanding of the organisation's direction and the ability to continuously seek out ways to improve and build a leaner, more flexible and responsive business.

### ⇒ **People Management**

Core skills for people managers include reviewing and guiding performance, offering constructive feedback and praise, and identifying current and future skills needs. Good managers lead from the front, communicating with clarity, conviction and enthusiasm and mapping out for their employees a clear direction for the business.

Managers should also create a learning culture within their team, taking responsibility for people's career development and promotion, as well coaching team members and supporting informal, on-the-job learning. The 2008 Who Learns at Work? CIPD survey<sup>33</sup> revealed that half of training and development at work is now initiated by line managers.

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<sup>32</sup> The Index of Leadership Trust 2009/2010/2011: ILM

<sup>33</sup> <http://www.cipd.co.uk/hr-resources/survey-reports/employees-experiences-workplace-learning.aspx>

However, according to the CIPD's quarterly Employee Outlook survey series, nearly half of employees say their line manager rarely or never coaches them. Furthermore, a third of employees report that their line manager rarely or never discusses their training and development needs

If organisations want to ensure that their investment in training and development has maximum impact, they must make sure that they develop managers' ability to support, accelerate and direct learning in the workplace. Line management behaviour will also decide to a large extent which employees are given the opportunity to use their skills and are motivated to put in discretionary effort.

### ⇒ **Budgeting & Financial Planning**

Planning and control of financial resources lies at the heart of good management, from the most junior front line manager to the CEO. Budgeting and financial planning ensure that the organisation is capable of achieving its goals. The monitoring and control of financial flows, and the people and physical resources that generate those financial flows, should be a primary responsibility if those goals are to be achieved.

Whilst most senior managers are aware of the significance of financial management, too often managers in more junior positions do not have the knowledge or skills to appreciate fully its significance, nor are they given the responsibility for planning and control that would enable them to gain these insights.

### ⇒ **Risk Management**

If UK businesses are to lead the way from recession to economic growth they need to be innovative and entrepreneurial, both of which mean being willing and able to assess risks and seize opportunities. From the front line manager ensuring a safe and healthy workplace that minimises its environmental impact, to the senior management team identifying and taking advantage of new product and market opportunities, risk permeates business. The challenge for managers at all levels is to be able to assess the level of risk and the potential benefits that will accrue from taking them. This is what risk management is all about – not avoiding risk but ensuring that the scale of risk facing the organisation is understood and acceptable.

### ⇒ **Fostering innovation and creativity**

Managers have a key role to play in fostering innovation, by adopting business strategies which focus on innovative products and services, and by leading the adoption of new technologies and work processes which improve productivity. There is now significant evidence to support the view that effective use of knowledge and technologies depends on the quality of management, with studies showing that firms adopting continuous innovation

strategies are managed by more highly educated and better informed managers (Lal and Dunnewijk, 2008).<sup>34</sup>

A 2009 CMI report in partnership with NESTA found that the most important catalyst of innovation was seen as support and openness to innovation among managers. Moreover, 70 per cent of the managers surveyed felt that innovation would become more important due to the pressures of the recession<sup>35</sup>.

With employers facing a number of skills shortages, employers also need to be better at harnessing talent from across the UK's increasingly diverse workforce. Managers are responsible for ensuring fairness and equality in the workplace from the point of recruitment onwards. Drawing on diverse experiences and abilities can strengthen performance and may help businesses serve diverse customers, domestically or in global markets.

### ⇒ Partnership Working

An increasingly important role for managers is to foster the development of collaborative or partnership working with other organisations. Developing mutually beneficial 'win-win' relationships requires a range of skills, including personal skills, negotiating skills, the ability to build alliances, and the strategic abilities needed to define an organisation's purpose and anticipate changes in its operating environment. Reflecting the 'political' nature of building such relationships, these skills are sometimes referred to as political awareness, or political astuteness<sup>36</sup>.

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<sup>34</sup> <http://browse.oecdbookshop.org/oecd/pdfs/product/9211011e.pdf>

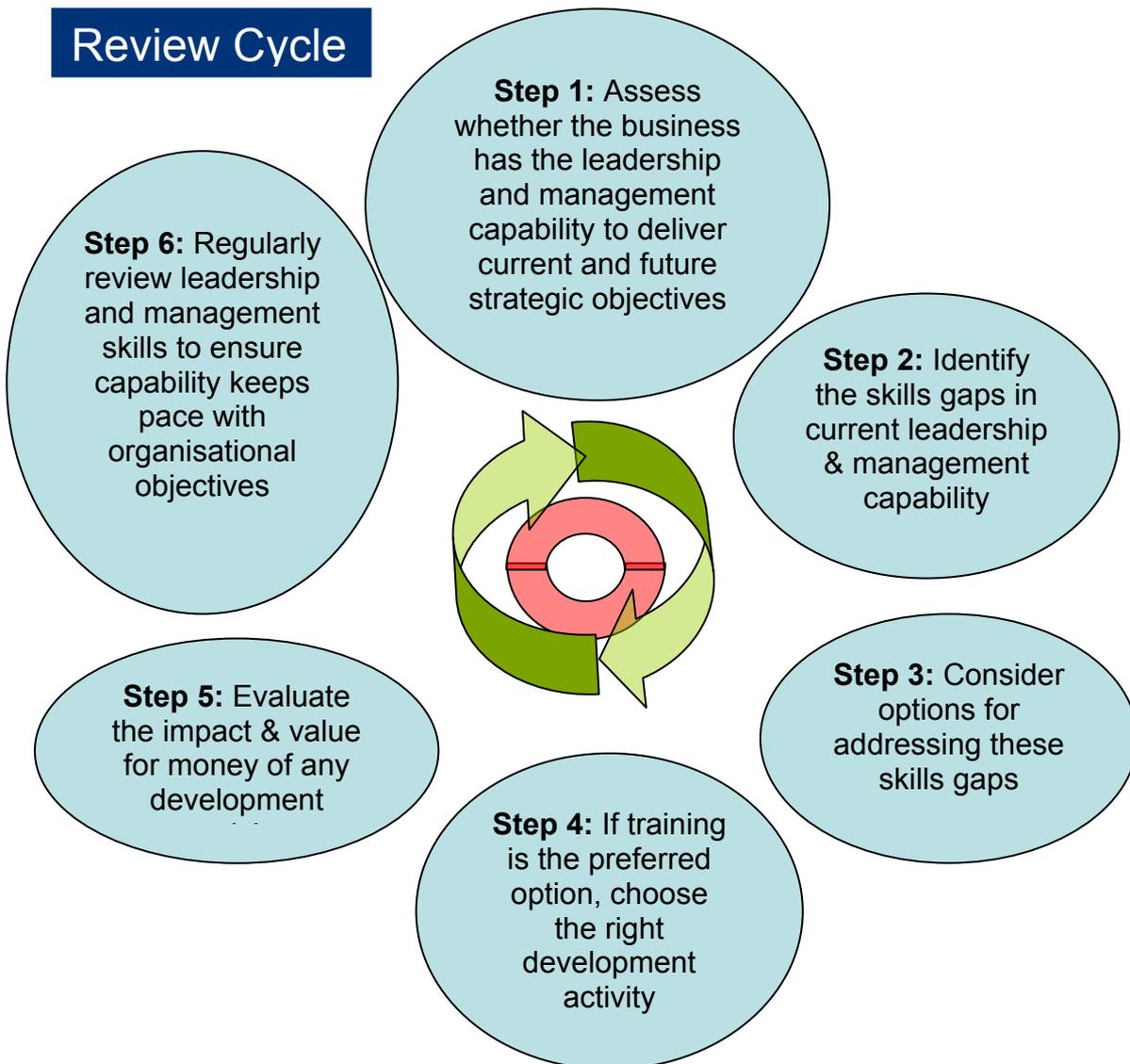
<sup>35</sup> Patterson F, Kerrin M, (2009) Innovation for the Recovery: Enhancing innovative working practices, Chartered Management Institute)

<sup>36</sup> Hartley J, Fletcher C, Wilton P, Woodman P, Ungemach C, (2007) Leading with Political Awareness, Chartered Management Institute

# Chapter 4: improving leadership and management capability

Employers can do much to improve their leadership and management capability and boost business performance. Trusted intermediaries can play a valuable role in helping employers in that process. This chapter sets out a customer journey for businesses, starting at the point of assessing leadership and management skill requirements through to the application of potential solutions to any gaps that are identified.

The Chapter finishes with “10 Top Tips” for employers to optimise leadership and management performance. Business intermediaries and advisors may find it helpful to use these tips to encourage employers to review their attitude and approach to leadership and management and to advise employers on the actions they can take to improve capability.



## Step 1 – Assessment

Every business is different, varying in factors such as their size, product or service, or technical complexity. Yet there are enough common characteristics to make a process of self-assessment a valuable one. By looking at its performance against metrics such as Key Performance Indicators, or other measures such as customer satisfaction or quality of leadership, a business can examine its capability at an organisational and an individual level. It can then identify the type of skills, knowledge, understanding and experience required to undertake current and planned organisational activities.

The capacity of an organisation to achieve its objectives is a reflection of its leadership and management capability. In this regard, every business needs to identify the particular competencies required across the range of management jobs, from senior managers to front line supervisors.

## Step 2 – Identify Skills Gaps

This skills-profiling approach generates a set of standards for job holders to attain. Where a shortfall is observed and so a need for development in that area is revealed. Applying a skills gaps analysis across an organisation will allow it to target resources on those necessary skills that require most attention. This will ensure optimal use of resources in terms of improving overall performance.

Numerous tools are available to support the training needs analysis. These include CMI's tools for organisations and individuals, available online at <http://www.managers.org.uk/practical-support/management-tools-diagnostics> (free to use, though online registration is required.)

## Step 3 – Addressing Skills Gaps

### ⇒ Developing internal talent

Options for making the most of existing resources should be the first consideration. Developing internal talent ideally pre-supposes an element of succession planning. Potential candidates for management positions need to be identified at an early stage and entered into a suitable development programme. This should include some basic management training, but further value would be added by real working experience – this could be job shadowing or a mentored secondment into a supervisory position. Such a strategy positions the organisation well in managing its manpower needs, but also assists staff in their career development.

Attracting the required quality of staff into leadership and management roles is of critical importance. Developing internal talent may satisfy a business's needs, but care should be taken not to use promotion into a management role as a reward for technical attainment or good performance in non-management roles: evidence of the necessary skill set is essential.

## ⇒ Recruitment

In some cases it may be necessary to bringing fresh talent into the business, though external recruitment should be treated with care given the additional costs involved, such as those of advertising and induction. It is important to think through the elements of the job, arriving at a comprehensive description. Identifying the skills required will then allow the production of a full person specification, the standard by which candidates will be assessed. An important aspect to filling posts either internally or externally is the operation of a fair and effective selection system based on proper criteria and administered by people with the necessary skills.

The Businesslink.gov website offers guidance on advertising vacancies and taking on new staff. See [www.businesslink.gov.uk](http://www.businesslink.gov.uk).

## Step 4 – Choosing the Right Development Activity

### ⇒ Training

Training can be in-house or external and may be delivered by a range of different methods. Key considerations are the form, content, timing, duration and cost. Most value will be gained if these are considered as part of an accredited, holistic programme of development rather than as a piecemeal approach to leadership and management training, which picks off generic skills (e.g. influencing) or contextual categories (e.g. performance management) without setting them in the context of developing the complete leader and manager.

Choosing the right type of development activity for the individual is crucial. Recent CMI-Penna research<sup>37</sup> showed that whilst on-the-job experience was cited as the most common development activity, managers clearly rated accredited learning and qualifications as having the most impact on their management abilities. Information on leadership and management qualifications is provided in Annex 2.

### ⇒ Informal Development

Several of the routes to improving leadership and management capability can be facilitated by engaging with others across the business community. Secondments and networking opportunities depend on participating in communities of interest. These could be arranged bilaterally, or businesses could investigate brokerage by third parties such as Chambers of Commerce, Local Enterprise Partnerships, or Sector Skills Councils.

Working in partnership may also be a way forward for smaller businesses to progress management training. Engagement with Local Enterprise Partnerships may enable the formation of consortia of small businesses with an interest in procuring training. Alternatively, dialogue can be established with further and higher education establishments directly.

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<sup>37</sup> McBain et al (2012) The Business Benefits of Management and Leadership Development, CMI and Penna

Information about how to find Local Enterprise Partnerships can be found at <http://www.bis.gov.uk/policies/economic-development/leps/>

## ⇒ Timing

The recent CMI-Penna research<sup>38</sup> looked at the importance of the timing of any development activity for managers at different levels with an organisation. For example, “professional bodies” qualifications are seen as being more important in the early stages of a management career while coaching, external conferences, workshops and business school qualifications are more highly valued in later career stages.

The value of coaching was highlighted. Fifty-seven per cent of CEOs and senior managers who received coaching in the last three years said that they would have benefited from coaching from external practitioners earlier in their career, while twenty seven per cent said they would have benefited by receiving coaching from their line manager sooner.

## Step 5 – Evaluation

Given the investment necessarily incurred in procuring training, it is important to gauge its success or otherwise. Learning objectives, which link to the skills profile for the job, should be agreed with the individual concerned. On completion of the training, feedback should be sought from the recipient as to its perceived value. The evaluation process does not stop there, as it is also important to measure how effective the training was in enhancing performance. This needs to be done after a period of time, so allowing for newly learned skills to bed in: the effect on the business as well as the learner needs to be examined.

## Step 6 – Review Cycle

Without continuous management-level support, an initiative that began with enthusiasm can easily fade into a cycle of inaction and apathy. To prevent this from happening, it is imperative that organisations regularly review their leadership and management capability as part of their strategic business reviews.

The usual mechanism for this process is performance management reviews, although individuals can be encouraged to assess themselves against agreed standards, such as the National Occupational Standards, on a more or less continuous basis.

**Annex 1 provides details of sources of support available to help organisations take action to improve their leadership and management skills.**

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<sup>38</sup> McBain et al (2012), *ibid*

## 10 top tips for employers: improving leadership and capability management

### 1) **Recognise that good leadership and management matters**

Good management is not all about balance sheets and business strategies. Your employees and how they are managed and engaged are crucial to business success. The extent they are aligned to your organisation's purpose and values and are prepared to go the extra mile at work is fundamental to organisation performance. How people are managed on a day to day basis will influence their opinions, behaviours and decisions in the service of your organisation. Managing people is difficult and it is easy to get it wrong, so you need to dedicate time and resources to this.

### 2) **Be a role model: good leadership and management starts at the top**

When was the last time you asked your employees 'how are you' or asked for their views? Do you listen to your employees when they ask for help? Do you treat people with consideration, act calmly under pressure and do you act with integrity? You need to be a role model and lead by example if you want to improve your organisation's management and leadership capability.

### 3) **Implement good working practices as a framework for good management and leadership**

Good quality leadership and management cannot exist in a vacuum. You need to implement good working practices, such as High Performance Working (HPW), that offer greater autonomy and help to improve the way employees apply themselves in order to embed and enable good management. These practices empower individuals instead of controlling them and therefore increase levels of commitment and organisational performance. They cover a range of practices and an overall approach that includes:

- Effective recruiting and resourcing of roles in the organisation
- Appropriate skills development and training
- Practices to improve the engagement, motivation and morale of the workforce
- Ensuring people's skills and motivation can be properly applied through effective organisation and job design.

**See Annex 3 for more information on High Performance Working**

### 4) **Effective leadership runs through organisations like writing through a stick of rock**

Good senior management is only part of the equation for a successful business. First level and middle management are just as important, as they typically make up the majority of a

company's total management and they supervise the majority of the work force. It is important to know how to audit for leadership and management capability and how to address skills deficits.

#### **5) Provide training, support and mentoring to new line managers**

Do not promote your employees into management positions because of their technical skills and expect them to pick up their management and leadership skills on the job. You would not leave any other skill, in any other job to the lottery of trial and error. Not addressing these training and development needs is asking for trouble and leads to higher levels of absence, conflict and stress in the workplace. Untrained line managers may also mean your organisation ends up in court as a result of things like discrimination, harassment, and constructive dismissal claims. Line management is most employees' first experience of managing people, so it is crucial to provide training, support and mentoring.

#### **6) Be clear about what good management skills and behaviours look like**

Managers need to offer clarity, appreciation of employees' effort and contribution, treat their people as individuals and ensure that work is organised efficiently and effectively so that employees feel they are valued, and equipped and supported to do their job. Employees need to feel that they are able to voice their ideas and be listened to, both about how they do their job and in decision-making in their own department, with joint sharing of problems and challenges and a commitment to arrive at joint solutions. The key competencies of a good manager are: reviewing and guiding, feedback, praise and recognition, autonomy and empowerment.

#### **7) Assess your organisations' management capability at individual and organisational level and act upon it**

Make sure you know how well individual managers are performing as well as assessing the management capability in your workplace with the help of the available tools (see Tip 8). A wide range of interventions can support better management capability in the workplace. These include 360 degree feedback, blended learning, combination of classroom/e-learning, line management workshops, line management champions, secondments, peer networking, and mentoring.

#### **8) Make the most of the practical tools that are available**

Make sure you are aware of the support available. There are a number of organisations that provide free, independent advice and guidance and that have developed tools to assess and support management capability, such as:

- CIPD (employee engagement, job design, line management) ,
- Business Link (management training courses, guide on employee engagement)
- ACAS (The Model Work Place), Investors in People (aligning skills development to your business strategy) and the Management Advisory Service (support for management training).
- The EFQM Excellence Model
- CMI (diagnostic tools, online resources e.g. management checklists, qualifications)

**Annex 1 gives further details of some of the support available.**

### **9) Invest in your workforce, routinely and as part of your business strategy**

Do not just fix things when they go wrong. Have a progressive, long-term and sustainable approach to your workforce planning in skills development. Those organisations that continuously invest in people as part of their business strategy tend to also have better managers and higher employee engagement. Schemes such as Investors in People can provide advice on how to align training and skills development to business strategy.

### **10) Be authentic about good leadership and employee engagement**

Important as they are, good systems and practices will not lead automatically to better management and leadership capability. Instead, it is how those practices have been implemented and why that matters. Be clear that you genuinely want to empower people and increase their engagement with your organisation so they can perform to their best.

# Chapter 5: the role of Government

Skills are a devolved issue in the UK. The research data quoted in this paper applies across all four nations and is being used to inform policy, strategy and programmes by all the governments. Many of the identified needs, actions and solutions proposed are generic and are being worked on in each of the four nations.

This Chapter gives brief details of the approaches taken to leadership and management support across the UK.

## Leadership and Management in England

The Government in England sees its role as creating the right long term conditions to enable organisations to take action to improve their leadership and management skills. This means providing good quality information and support to enable employers to recruit and train the right skills resources, and giving employers the opportunity to influence skills provision to ensure it meets their needs.

Business advisors and intermediaries can play a key role in this process, helping organisations see the range of options open to them, from changing their business structure, to recruiting new talent, and up-skilling both themselves and their workforce.

### ***Support for Small and Medium Sized Businesses***

The Government's strategy for skills, "*Skills for Sustainable Growth*"<sup>39</sup>, emphasised the importance of leadership and management skills and set out the Government's commitment to continue to support the development of these skills in Small & Medium Sized Enterprises (SMEs). SMEs in particular can find it difficult to engage with the skills system and often lack the resources to adequately invest in training their staff. The Government is therefore providing additional support to help develop leadership and management skills in SMEs that demonstrate potential for growth through the new **Growth Accelerator** programme.

The Growth Accelerator programme puts leadership and management skills right at the heart of a new package of support for up to 10,000 high-growth SMEs a year. The programme will help SMEs overcome the barriers they face in achieving their high growth potential. SME clients who are assessed as high growth potential will have access to grant funding of up to £2,000 per individual for use on management and leadership training. The amount of grant must be fully matched by the beneficiary.

Support will be aligned with an overall package including coaching of senior management teams; access to business and knowledge networks; and fast track access to sources of specialist advice. Leadership and management support will help senior leaders in SMEs to develop their own personal leadership and management skills so that they are better

<sup>39</sup> <http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/s/10-1274-skills-for-sustainable-growth-strategy.pdf>

able to create a high performing innovative workplace and to improve the skills of their workforce. <http://www.growthaccelerator.com>

### ***Support for Mid-Sized Businesses (MSBs)***

The Growth Review set out a range of measures to address the specific problems faced by MSBs. These include:

- Establishing a Business Schools Task Force to consider how business schools can help develop the management skills of MSBs and help MSBs attract and retain the best graduates and leaders.
- Local Enterprise Partnerships (LEPs) pathfinder programmes to develop business networks between mid-sized businesses in their local area.
- Establishing an Institute of Directors' online directory of Non-Executive Directors, marketed directly to MSBs. <http://nxd.iod.com/>

### ***Putting Employers in the Lead***

The Government in England recognises the need to step back and allow businesses, working with industry and sector bodies, business clusters, colleges and training providers, to develop solutions to meet their skills needs. Two funds are available to support projects that businesses themselves have identified will help them meet their skills needs.

- **Employer Ownership pilot:** The Employer Ownership pilot offers all employers in England direct access to up to £250 million of public investment over the next two years to design and deliver their own training solutions. The pilot is jointly overseen by UKCES, the Department for Business, Innovation and Skills and the Department for Education. This is a key part of the Government's Growth Review. For further information see <http://www.ukces.org.uk/ourwork/employer-ownership>
- **Growth & Innovation Fund (GIF):** GIF helps employers develop their own innovative, sustainable skills solutions which have the potential to transform growth in their sector, region or supply chain. GIF will co-invest up to £34 million with employers in 2012-13, including funding for innovative leadership and management projects, with comparable levels of investment planned for the following two years. For further information see <http://www.ukces.org.uk/ourwork/investment/growthinnovationfund>

## **Leadership and Management in Northern Ireland – Department for Employment and Learning**

The vision for skills in Northern Ireland is set out in Success Through Skills Transforming Futures, the Northern Ireland Skills Strategy. This includes the key theme of Leadership and Management Development. 'Management Matters in Northern Ireland and the Republic of Ireland'<sup>40</sup> produced by McKinsey & Co, suggests a significant managerial weakness in the occupation structure of the Northern Ireland economy. This shortage is a likely function of the type of activity carried out in the region and the limited amount of headquarter type functions carried out in the region's firms. Yet, as management skills have an important influence on how firms react to competition and new innovations, and on how physical investments and human capital are employed, their importance, at all levels, to the future development of the Northern Ireland economy cannot be overstated. We know that as many as 40per cent of Northern Ireland's workforce will need to be employed as managers and professionals in 2020 – an increase of 6per cent from 2005.

### ***Enhancing Management and Leadership Training in Northern Ireland***

The Independent Review of Economic Policy (IREP)<sup>41</sup> published in 2009 recommends "significantly developing management and leadership skills in Northern Ireland." In pursuit of this recommendation the Department for Employment and Learning in Northern Ireland continues to develop its suite of management and leadership training - providing support to private sector and social economy enterprises through three approved management and leadership programmes:

The ***Management Analysis and Planning Programme*** offers a business diagnostic programme, which involves an analysis of employees' management and leadership skills by an independent business consultant appointed by the Department. The business consultant will provide a report outlining the management and leadership strengths and areas for development of the organisation's employees, as well as a training and development plan which will outline recommended training to help address the identified needs.

The ***Management and Leadership Development Programme*** comprises 15 endorsed management and leadership programmes aimed at first-line, middle and senior management level. They cover a broad range of themes including; Sales and Account Management; Management Skills for Technical Professionals; Project Management; First-line Manager's Survival Kit; Developing Managers; Business Leadership; Export Skills; Mentoring Programme and Director Development.

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<sup>40</sup> 'Management Matters in Northern Ireland and Republic of Ireland', March 2009

<sup>41</sup> Independent Review of Economic Policy Report, September 2009

The **INTRO Programme** is a graduate entry to management programme which combines 4 weeks off-the-job training in essential management skills (leadership and team building, managing people, finance, marketing, business excellence, and strategic planning) with a 20-week placement where participants complete a measurable work-based Business Improvement Project with a host employer. Funding is available from the Department to assist employers with the associated costs of this training.

## Work in Development

### **Integrated Framework for Management and Leadership Development in NI:**

The Department for Employment and Learning (DEL) in collaboration with the Department of Enterprise, Trade and Investment (DETI) and Invest NI (INI) are currently developing on-line diagnostic tools for management and leadership. Two online diagnostic tools will become available in the format of a questionnaire and report which provides the user with advice and signposts them to relevant DEL and INI management and leadership resources and events. The first tool helps companies to identify their current management and leadership strengths and shortcomings and assists them to recognise areas for development. This tool is referred to as the "Business Diagnostic". The second tool which is referred to as the "Skills Needs Analysis" assists individual leaders and managers to identify their personal areas for development within an organisational context. Testing of the diagnostic tools will take place over the summer.

### **Leadership and Management Development in NI Micro businesses**

Recognising that it is difficult for micro-businesses to invest in management and leadership development, there is evidence which indicates that those who do will be more likely to survive the effects of the current difficult financial climate. Building on the experience of the Management Analysis and Planning programme outlined above, the Department for Employment and Learning will also develop new delivery models for management and leadership development in micro-businesses, i.e. those employing fewer than nine employees.

### **Improving Skills Utilisation**

The Department for Employment and Learning is looking at ways in which it can encourage companies to utilise the skills within their workforce more effectively to bring about higher levels of business performance. As part of the skills strategy Success Through Skills Transforming Futures, the Department will carry out initial desk research and work with the UK Commission for Employment and Skills and other devolved administrations to identify what is best practice on the integration of skills utilisation and high performance working into business practices.

**By September 2012, the Department will have identified best practice in high performance working and have begun to implement a policy which helps businesses apply best practice in the utilisation of the skills of their workforce.**

## Leadership and Management in Scotland

There are some clear parallels in policy thinking between the UK and Scotland, but some key differences in the approach adopted in Scotland which may offer lessons elsewhere. Leadership development has been identified by the Scottish Government as a key priority and enabler in realising “sustainable economic growth”, the central purpose of the Government Economic Strategy. The Scottish Government and its key public delivery agencies have taken a strategic, joined-up approach by focusing on raising the level of ambition and stimulating excellent leadership among Scotland’s people and organisations.

The strategic and policy direction is set by ***Empowering Ambition and Leadership Excellence: A Framework for Action***. This was endorsed, and is being implemented by, the Scottish Government the key agencies: Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, the Scottish Funding Council, Visit Scotland and CoSLA.

The Framework for Action draws on the current evidence base as well as a detailed Review of Leadership and Management in Scotland<sup>42</sup> and stakeholder consultation. It targets leadership development and the level of ambition among individuals and organisations as the focus for public sector intervention:

- raising the quality of leadership so that excellence becomes the norm will drive greater organisational resilience in an increasingly complex, fast-moving and ambiguous world; and
- promoting a stronger culture of ambition among employers, employees and young people will encourage a drive to succeed and innovate in grasping new opportunities.

Management development still remains a policy priority for the Scottish Government. The specific focus on ambition and leadership does not imply that management is not important; simply that feedback suggests a relatively greater need for a dedicated focus on strengthening ambition and leadership.

The *Framework for Action* provides an ambition vision for Scotland, supported by three strategic objectives focusing on supporting people, organisations and ‘system level’ issues:

1. To help **people** from all backgrounds and at all ages and stages of life to develop the ambition and skills to pursue leadership roles and exhibit progressive and innovative behaviours;

<sup>42</sup> <http://www.scotland.gov.uk/Topics/Education/skills-strategy/making-skills-work/utilisation/LMRS>

2. To help **organisations and sectors** foster an embedded culture of ambition and leadership and build their leadership capacity, supported by strong collaboration within and across sectors; and
3. To encourage more people and organisations to increase their **investment** in high quality leadership development and ensure that provision is **responsive** and relevant to their needs.

A steering group is coordinating the ongoing development and delivery of an Action Plan to deliver the Framework for Action, reporting to the Strategic Forum in order to ensure a comprehensive and co-ordinated approach. The relevant agencies are responsible for delivering their contribution to the overall Action Plan as well as opportunities for innovating to identify more effective ways to intervene. For example, the approach is centred around an 'enabling' model in contrast to the conventional 'top down' approach.

The actions focused on stimulating stronger ambition and leadership by companies include:

- supporting existing leaders through business mentoring, learning journeys, networking and peer to peer learning;
- developing a pool of ambitious future leaders by supporting succession planning in companies, strengthening alignment with graduate entrepreneurship programmes and attracting high-potential individuals to jobs in Scotland through the Fresh Talent scheme;
- promoting stronger employer collaboration through sharing good practice, enabling an industry-led approach to identifying leadership development priorities and strengthening links with FE and HE; and
- promoting leadership development as a strategic business issue (not a skills issue) through an integrated approach to supporting company growth.

Scottish Enterprise has developed and adopted a wide range of leadership development initiatives to support companies including:

- Information, research and on-line resources e.g. the Leadership Guide and webcasts, through to structured programmes, such as the Leadership for Growth and the Rural Leadership Programmes. A new leadership programme is launching in Spring.
- Through the Business Mentoring Scotland service, in partnership with Scottish Chambers of Commerce, SE is able to provide support to senior decision makers in businesses and social enterprises to enable them to tap into the knowledge, experience and insight of around 800 business mentors.
- In addition, these services are complimented by a number of leadership activities including best practice visits, master classes and international leadership learning

journeys.

- A number of other Scottish Enterprise interventions, such as the Companies of Scale programme and the High Growth Start-Up Unit, focus on developing leadership capabilities within supported firms.
- Over the last year, leadership development has become more widely embedded in a range of other services including Scottish Manufacturing Service and the SMART Exporter programme.

SE has developed and is now implementing a **leadership development performance measurement framework**. This framework aims to assess the benefits and impacts of our more intense leadership development services at the individual, organisational and business levels.

## Welsh Government – Department for Education and Skills.

### Background

The Enhancing Leadership and Management Skills (ELMS) project began officially in October 2009 with the aim of raising the performance of leaders and managers in Welsh-based businesses. The intention is to improve their productivity and provide a test bed for approaches to inform future policy. The projects are designed to provide a solution to a perceived market failure. On the supply side, the quantity of, and information about, good quality leadership and management training provision was limited. On the demand side, firms show low demand for improving management practices through training because of a lack of a clear link to improvements in productivity and the bottom line – “value for money.”

Bloom and Van Reenen at the London School of Economics found that low market competition and a large number of family run firms are in particular cited as the main reason for the persistence of poor management practices<sup>43</sup>. Wales has a large number of micro firms (with less than nine employees) relative to the overall structure of the economy and these are often family run. We know that leadership and management is amongst the highest value added type of training undertaken by businesses but it is also the type of training businesses are least likely to invest in.

### Vision

The ELMS programme aims to deliver a range of leadership and management skills that will provide sustainable and enhanced benefit for managers, the workforce and the economy of Wales. Leadership and management skills are a key driver in increasing the productivity of the Welsh economy and reducing income inequality. It is essential that the scope and delivery of leadership and management within the project is limited only to

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<sup>43</sup> Measuring and explaining management practices across firms and countries – November 2005

training that:

- demonstrates the greatest value to businesses and enhances their aspiration, echoing the ambition of the Economic Renewal Programme;<sup>44</sup>
- places sustainability at the heart of good leadership and management practice, by introducing Sustainability in Business Practice National Occupational Standards developed by the Cogent Sector Skills Council as approved leadership and management course content within the scope of the ELMS projects;<sup>45</sup>
- offers more flexible programmes and specific ‘bespoke’ advanced leadership and management that incorporates High Performance Working (HPW) practices.<sup>46</sup> This includes a higher-level leadership and management programme to support development in priority sectors and permeate new leadership and management culture within Welsh organisations. Fundamentally, many businesses need to revise their mindset and such a transition requires a higher level investment in Leadership and Management Development.
- work with sector teams and panels to ensure that leadership and management support through ELMS is accessible to sector priority companies, identified as part of the Economic Renewal Programme.

To ensure that the training supported through ELMS is of the highest added value to the Welsh economy, the Centre for Excellence for Leadership and Management, known as Leadership Management Wales (LMW), will lead in providing an evidence base to demonstrate “what works” by surveying the impact of all leadership and management training undertaken with an ELMS subsidy. This research will support the overarching evaluation of ELMS.

### Strands

The suite of ELMS projects are:

- The Leadership and Management Workshops Programme
- Workforce Development Programme Discretionary Funding
- Sector Leadership Fund
- Mentoring and Coaching Skills Training

<sup>44</sup> Economic Renewal Programme a new direction – July 2010

<sup>45</sup> <http://www.management-standards.org/standards/full-list-2008-national-occupational-standards>

<sup>46</sup> Wales Employment and Skills Board, High Performance Working – July 2011

- The Centre of Excellence, known as Leadership Management Wales (LMW)

The **Leadership & Management Workshops**, which to date have been the main contributor to overall targets, is delivered through 12 contracted providers. Companies have access to tailored leadership and management workshops delivered on a geographical basis.

**Discretionary Funding** available through the Workshop development programme for leadership and management is a significant contributor to the projects. This strand will support, for example, a senior leader wishing to undertake an MBA or a cohort of first line managers undertaking performance management training.

The **Sector Leadership Fund** relies on Sector-specific solutions being developed by Sector Skills Councils. Sector representatives can apply with their ideas for approaches that will improve the Leadership and Management Capability of businesses in their sector.

The **Coaching and Mentoring** training strand of the ELMS project has been designed to be highly sustainable. It will enable business people to train others to coach and mentor within their organisations as well as to coach and mentor others themselves.

**Leadership Management Wales** is now increasingly recognised as the Centre for Excellence for Leadership and Management in Wales. The Centre is the only element of the programme (and the only institution of its kind in the UK) that is working to drive up the demand for the uptake of leadership and management training amongst businesses. In particular, the three-month impact evaluation data available online for every Leadership and Management workshop funded by ELMS will become the first website of its kind for leadership and management/work-based learning for employed adults in the UK. This is a unique, time-critical, quality resource for businesses, enabling them to make informed decisions about the impact of leadership and management training.

# Annex 1: sources of leadership and management advice and support

## Acas

Acas offers a range of services and support for organisations across a variety of employment relations issues. This support is applicable to all sizes of organisations but many of the products available are particularly suitable for the small to medium-sized enterprise.

Leadership and Management are at the heart of much of the advice Acas offers: engaging staff within an organisation and having the processes and skills in place to make things happen.

## Training

Acas offers both skills-based and contextual training to encourage good leadership and management. Training is available across a broad spectrum, ranging from Skills for Supervisors to Managing Change. See the full range of courses at the Acas website. We can also offer bespoke training to suit your organisation.

## In depth support

Experienced Acas staff can help you diagnose issues facing your business, and support you through times when difficult decisions have to be made - resulting in change and possibly conflict. We can help you with employee engagement. We will work with you and, where applicable, your employee representatives. For more information see the Acas website.

## On-line training

A range of on-line training is available through the Acas website. These modules cover a range of leadership and management issues, and offer you the flexibility to complete training at a time that suits you. A new Leadership and Management course is currently in development

## Written Guidance

Acas guidance can be accessed in a variety of formats, from short 'how to' style guides to in-depth advisory books. The full range of Acas publications can be found on the Acas website. In addition there is an extensive Advice A-Z available on the website offering straightforward advice on common workplace issues.

## The Acas Model Workplace

The Acas Model Workplace provides organisations with an opportunity to diagnose potential employment issues, help you to check how good your organisation is at people management and directs you towards appropriate advice and guidance. The Acas Model

Workplace is a particularly popular tool amongst managers within small to medium sized businesses and can be accessed through the Acas website.

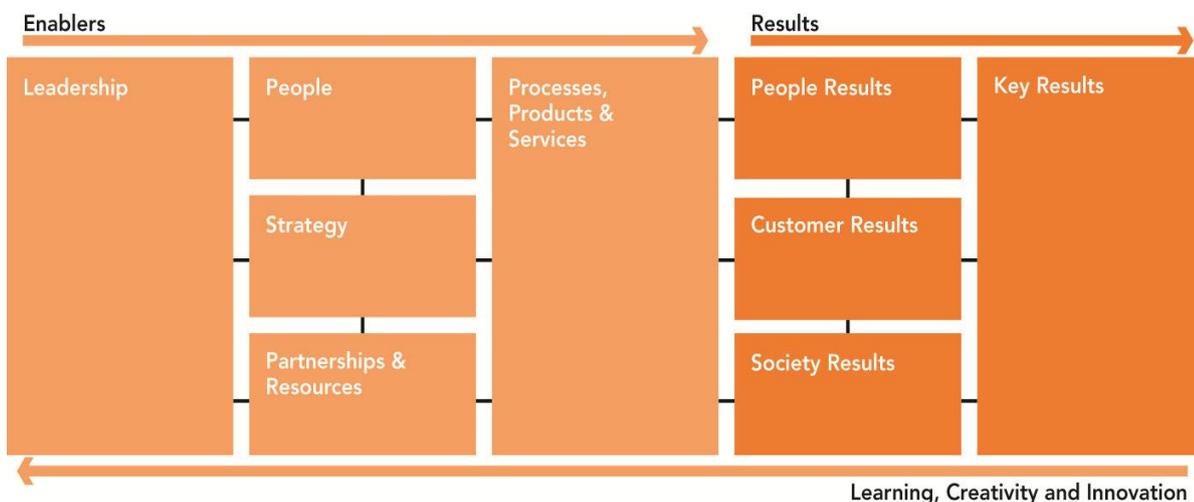
Did you know Acas also has an employee feedback survey? Identify and measure the people issues that are affecting your performance.

Visit [www.acas.org.uk](http://www.acas.org.uk) for more details of all of the above

## British Quality Foundation

The BQF is the community for every business seeking excellent insights, tools and experiences to improve itself. It is a not for profit corporate membership organisation offering a variety of performance improvement products and services, many of which are based on the EFQM Excellence Model (the Model). The Model provides a wide-range of benefits including increased employee engagement, streamlined operations and improved productivity, improved organisational performance and increased customer satisfaction.

The Model provides a complete view of an organisation and can be used in conjunction with other management tools and techniques as an overarching framework. The Model can be used by organisations of all sizes in all sectors. It has nine criteria, five of which are Enablers (what the organisation does) and four of which are Results (what it achieves).



The Model is used as a basis for self-assessment, an exercise in which an organisation grades itself against the nine criteria. This enables leaders and managers to understand how effectively they are deploying their strategy; identify the cause and effect relationships between what the organisation does and what it achieves; and identify current strengths and prioritise opportunities for improvement.

Other BQF services include business school seminars, best practice showcases, training, workshops, networking groups and benchmarking services.

High performing organisations assessing themselves against the Model can apply to win the UK Excellence Award, a national prize presented annually by the BQF.

For more information see [www.bqf.org.uk](http://www.bqf.org.uk)

## Businesslink.gov.

Employers will only invest in leadership and management skills if they are able to make informed choices about what training they need and where to find it. Providing reliable, good quality information is central to helping employers make these choices. The revamped Businesslink.gov website can help organisations to identify their leadership and management development needs and provides links to a wide range of information about the curriculum, quality and value of different learning opportunities. See [www.businesslink.gov.uk](http://www.businesslink.gov.uk)

## Business in the Community (BITC)

### BITC Diversity

The diversity campaigns at Business in the Community have toolkits and factsheets on good leadership and management. Visit <http://www.bitcdiversity.org.uk/resources> to download.

A free toolkit titled '*5-Points for Progress*' is available to promote employee engagement and give employers some practical tools and advice on how to be compliant with the Equality Act 2010. It contains the key steps employers should take to recruit the best talent for their organisation, how to reduce employee turnover and reduce related costs.

The toolkit was created by the independent Ethnic Minority Advisory Group (EMAG) who provide advice to government, in collaboration and partnership with Business in the Community's Race for Opportunity (RfO), supported by Department for Work and Pensions (DWP), Equality and Human Rights Commission (EHRC), UNITE the Union and Jobcentre Plus. The toolkit has also been promoted for use across Whitehall.

To help employers get started with good practice on race and other equality strands, the toolkit includes the '*Know Yourself Tool*'. This enables both employers/employees to consider how their decisions impact on their diverse workforce and customer base.

Business in the Community's Race for Opportunity '*Bridging the Value Gap*' toolkit was created as a conversational tool for senior leaders, line managers and individuals to bring value to direct relationships and organisational culture.

Feeling valued, proper pay and adequate training are the three basic demands shared by workers from all backgrounds. Employers must re-double their efforts to ensure that the rewards and training support in their organisations meet these needs. These changes are both simple and low-cost if you have the right toolkit - see RfO's Bridging the Value Gap toolkit which makes them easy areas to focus on.

More resources are available on the Business in the Community Diversity Website at [www.bitcdiversity.org.uk](http://www.bitcdiversity.org.uk)

## Business Schools

Business Schools are educating the next generation of business leaders, ensuring that students are better equipped with the skills and knowledge that business expects and requires them to possess in order to become successful employees

Business Schools provide a range of courses including undergraduate degrees, MBAs and PhDs. But they're not just about professional qualifications. Many also offer short, practical courses that build leadership and management excellence across many levels, sectors & industries. They can also help with student projects and internships and work with employers to help find employment opportunities for students on graduation

<http://www.associationofbusinessschools.org/>

## CIPD

The Chartered Institute of Personnel and Development (CIPD) is the world's largest Chartered HR and development professional body. As an internationally recognised brand with over 135,000 members across 120 countries, it prides itself on supporting and developing those responsible for the management and development of people within organisations.

It produces a wide range of research, guidance, tools, and training courses to equip leaders and managers at all levels within organisations with the knowledge and skills to get the best out of their people.

CIPD research provides insights into the changing nature of leadership in modern organisations and what this means for leadership and management development in order to transform organisational culture and embed behaviour change. For more information on CIPD research and other resources go to: <http://www.cipd.co.uk/hr-resources/>

CIPD also know what good HR looks like and what HR professionals need to know and do at every stage of their career, whether they're working in the UK or internationally to drive sustainable organisation performance.

They are advancing HR globally and driving HR capability within organisations. The CIPD's HR Profession Map sets out globally transferable standards for the HR profession and provides a robust framework for the assessment, development and recognition of HR capability, regardless of market or sector.

Find out more at <http://www.cipd.co.uk/cipd-hr-profession/>

## Chartered Management Institute

The Chartered Management Institute (CMI) is the only chartered professional body in the UK dedicated to promoting the highest standards of management and leadership excellence. CMI sets the standard that others follow.

As a membership organisation, CMI has been providing forward-thinking advice and support to individuals and businesses for more than 50 years, and continues to give managers and leaders, and the organisations they work in, the tools they need to improve their performance and make an impact. As well as equipping individuals with the skills, knowledge and experience to be excellent managers and leaders, CMI's products and services support the development of management and leadership excellence across both public and private sector organisations.

Through in-depth research and policy surveys of its 90,000 individual and 450 corporate members, CMI maintains its position as the premier authority on key management and leadership issues. Reports are published at [www.managers.org.uk/researchreports](http://www.managers.org.uk/researchreports)

In addition to membership, managers can benefit from a range of qualifications delivered through a UK-wide network of Approved Centres or through CMI's own open programmes, all leading to Chartered Manager (CMgr) status, the ultimate recognition of a professional manager and leader with proven experience.

Support for employers includes development programmes and qualification addressing core management and leadership capabilities as well as areas such as management coaching and mentoring skills, all with clear progression to Chartered Manager. Accreditation and validation services are also offered, providing benchmarking and recognition of in-house management and leadership development. Other services include ManagementDirect, CMI's online management and leadership resource portal; ManagementKnow, part of a suite of diagnostic and evaluation tools that support needs analysis and benchmarking of capability; and an innovative ROI Alignment Tool, which measures the degree of alignment between learning and development activities and both individual and organisational objectives. Find out more about CMI at [www.managers.org.uk](http://www.managers.org.uk)

## Employer Investment Fund (EIF).

To ensure that Sector Skills Councils are more focussed on the needs of their sectors the Government has moved to a competitive funding model through (EIF). The EIF is only open to licensed Sector Skills Councils. It has been created to stimulate employer investment in skills and to improve the use of these skills in the workplace in the most effective way. The fund aims to drive innovation, change employer behaviours and develop new ways of working. For further information see <http://www.ukces.org.uk/ourwork/investment/eif>

## Employer Ownership Pilot

The Employer Ownership pilot offers all employers in England direct access to up to £250 million of public investment over the next two years to design and deliver their own training solutions. The pilot is jointly overseen by UKCES, the Department for Business, Innovation and Skills and the Department for Education and is a key part of the Government's growth review. <http://www.ukces.org.uk/ourwork/employer-ownership>

## FE Choices

FE Choices is the official site for comparing the performance of further education colleges and other organisations that receive government funding to educate and train people over the age of 16. Organisations can use the site to compare performance information about colleges and other training providers to help them find the right training for themselves and their staff. For more information see <http://FEChoices.skillsfundingagency.bis.gov.uk>

## Growth and Improvement Service.

For entrepreneurs who wish to develop their business, Businesslink have launched a new Growth and Improvement Service. The service offers access to informative videos, case studies and events. It also provides details of government support and allows employers to share useful tips with other businesses. For more information see [www.businesslink.gov.uk/improve](http://www.businesslink.gov.uk/improve)

## Growth and Innovation Fund (GIF)

GIF helps employers develop their own innovative, sustainable skills solutions which have the potential to transform growth in their sector, region or supply chain. GIF will co-invest up to £34 million with employers in 2012-13, including investment funding for innovative leadership and management projects, with comparable levels of investment planned for the following two years.

<http://www.ukces.org.uk/ourwork/investment/growthinnovationfund>

## Institute of Leadership & Management

The ILM is the UK's largest provider of leadership and management qualifications at all levels, from team leaders and first line managers to senior executives. It also provides networking and continuing professional development services to its members. ILM

operates through a network of around 2,500 education and training providers worldwide, including private training providers, universities and colleges, and corporate training departments, offering ILM quality assured programmes to leaders and managers at all levels. ILM is also the UK's largest provider of coaching qualifications, developing capability and ensuring the effectiveness of organisations' coaching activity. ILM's distinctive philosophy is to ensure that assessment focuses on the ability to use what has been learnt in the workplace, bringing about real improvements in performance directly through leadership and management development.

ILM also provides practical advice and guidance to employers and individuals to support their leadership and management development, and offers access to a variety of social networking opportunities. It also undertakes research into leadership and management practice to help employers in shaping their leadership and management and organisational development strategies.

## Investors in People (IiP)

Investors in People (IiP) is the UK's leading people management standard. It is a business improvement tool designed to help all kinds of organisations develop performance through their people. IiP is an outcome-based framework of best practice that's written in plain English and designed to be tailored to business needs. No less than a fifth of the IiP Standard and extended framework focuses specifically on leadership and management. It is all about ensuring managers have the capabilities they need to lead, manage and develop people effectively.

IiP will help business choose the parts of the framework most relevant to their organisation and its goals, and provide one-to-one advice, plus a range of interactive tools and resources. They will monitor progress using interview-based assessments and give in-depth feedback so businesses can keep improving performance. When a business meets the Standard, they are accredited as an Investors in People organisation. The whole approach is forward-thinking, flexible and personal. For more information see the Investors in People website <http://www.investorsinpeople.co.uk/Pages/Home.aspx>

## Mentoring

New and existing SMEs help drive economic growth by raising competition, stimulating innovation and were recently shown to make a disproportionate contribution to job creation. Using external information, advice and guidance (for example, through a mentor) can have a major impact on improving business skills and, through this, improve business outcomes. Mentoring is particularly suitable for engaging with entrepreneurs as it meets a common preference for learning to be informal, from experienced peers, and it can be tailored to the needs of their business.

Research and evaluations have shown that mentoring can have significant impacts including:

- Positive improvements in soft skills such as business confidence and aspiration which can lead to improved business performance, including increased sales, employees, turnover and profit
- Professional development of both parties, enhancing leadership and management skills and abilities of both mentor and mentee

Get Mentoring, led by the Small Firms Enterprise Development Initiative (SFEDI), is a new initiative to recruit and train thousands of business mentors in the UK from the small, medium and micro business community. Once trained they will be deployed across a range of mentoring organisations accessible via [www.mentorsme.co.uk](http://www.mentorsme.co.uk), the national web portal that provides a single point of access to mentoring services.

## National Skills Academies

National Skills Academies are employer led; sector specialist organisations aimed at delivering the skills that employers need to develop their workforce. Delivery is through quality assured training providers and many National Skills Academies have in place solutions to support leadership and management development.

Key features of National Skills Academies is that solutions are developed in partnership with employers, for example, Financial Services has developed two accredited Institute of Leadership and Management programmes for leaders throughout the organisation. They are a mix of online learning, face to face workshops and peer support and lead to accreditation at level 3 and 5. These programmes have been extremely well received due to their relevance and contextualisation to the specific industry. Solutions are designed to bring learning back to the workplace so that practical solutions to current issues can be found.

All National Skills Academies work closely with their industry to create and develop solutions that are relevant to them and for generic subjects such as leadership and management are able to bring relevance to the delivery by understanding the issues the industry faces.

## Sector Skills Councils (SSCs)

Sector Skills Councils (SSCs) are recognised by Governments throughout the UK as the independent, employer-led organisations which provide the employer leadership to address skills needs within and across sectors.

Through their sectoral reach, SSCs

- analyse what skills are needed

- articulate the voice of employers on skills
- develop innovative skills solutions
- galvanise employer ambition and investment in skills
- develop national occupational standards that describe what someone in a particular occupation needs to do to be occupationally competent
- develop and issue Apprenticeship frameworks.

Leadership and Management is a cross-cutting theme in the Sector Skills Councils' annual Sector Skills Assessments. For more information about Leadership and Management in a particular sector please refer to each individual SSC.

## **The UK Commission for Employment & Skills (UKCES)**

UKCES works with a range of partner organisations to develop and deploy high quality and accessible Labour Market Intelligence and analysis to help employers make the best choices for their business. They provide an overarching analysis of skills in the UK which aim to provide insight and foresight about the UK's future skills needs. Translating that research into strong compelling messages which drive behaviour changes in employers is critical in achieving the significant step change required. Ultimately the UKCES wants to see more employers investing in a sustainable way in the capacity and capability of their workforce including their leadership and management capabilities. For more information see [www.ukces.org.uk](http://www.ukces.org.uk)

## **UK Trade and Investment (UKTI)**

UKTI provide expert trade advice and practical support to UK-based companies wishing to grow their business overseas. With 2,400 staff and a presence in 96 countries, UKTI can assist on every step of the exporting journey and give businesses the support that they need to expand and prosper.

UKTI have launched a programme of training to teach SME managers how to export their products and services. This is part of the UKTI strategy Britain: Open for Business. For more information see [www.ukti.gov.uk/export/howwehelp.html](http://www.ukti.gov.uk/export/howwehelp.html)

## Annex 2: a guide to leadership & management qualifications

The majority of leadership and management development is undertaken by employers in-house (especially amongst medium-sized and large employers) and tends to focus on specific knowledge and skills needed to achieve a specific strategic priority or address an operational requirement or weakness. Unlike most occupations, it is rare for people to have any leadership and management training before taking up the responsibility, either in their first management role or in subsequent promotions<sup>47</sup>. The training that they do have, after appointment, rarely leads to a qualification, despite the advantages this can offer.

Some individual managers decide to make a personal investment in management qualifications to help their career progression and as part of their continuous professional development. However, those provided by employers are more likely to be aligned to the specific needs of the business and as a result are also more likely to result in increased productivity and the application of the learning in the workplace.

Qualifications have two major advantages, from an employers' point of view:

1. They provide evidence that real, deep learning has taken place, to a standard that is subject to robust quality assurance
2. They provide additional motivation to leaders and managers to acquire new knowledge and skills.

There are increasing opportunities for leaders and managers to acquire qualifications, by accrediting existing in-house training programmes and by taking advantage of new approaches to learning and accreditation. E-learning has reduced the amount of time that managers need to be away from the workplace; credit accumulation and transfer, associated with short, modular programmes, enables accredited programmes to be delivered over extended periods of time.

There are two broad types of leadership and management qualification available in the UK – those provided by professional bodies and by other, general awarding bodies, through networks of independent centres (colleges, universities, training companies and corporate training departments), and qualifications provided by University Business Schools.

Most of the qualifications available from professional associations, like CIPD, CMI and ILM, and general awarding bodies like Edexcel, OCR and others, are part of the Qualification and Credit Framework (QCF). The QCF covers England, Wales and Northern Ireland; in Scotland, the equivalent is the Scottish Credit and Qualification Framework (SCQF). This means that they are built up from individual units covering specific topics, each one of which is assessed individually and for which credit (a measure of the amount

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<sup>47</sup> ILM (2012), The Talent Pipeline

of learning) is issued. A qualification is dependent on a certain volume of credit being achieved. There is more detail about the QCF on the Ofqual website, at [www.ofqual.gov.uk](http://www.ofqual.gov.uk).

All QCF units and qualifications are placed at specific levels reflecting their demands and complexity. There are qualifications for team leaders at Level 2 (equal to GCSEs), for first line managers at Level 3 (equal to A Levels), for middle managers at Levels 4 and 5 (the first two years of undergraduate study) and at Levels 6 and 7 for senior managers (honours and post-graduate degree level), and at Level 8 for senior leaders at a strategic level (doctorate level). The QCF structure offers a high degree of flexibility through its credit-bearing unit structure, and clear progression routes to both broaden the scope (by adding further units) and increase the demand (by moving up through the levels).

Many universities and colleges offer under-graduate programmes with a management component (eg Foundation Degrees at Level 5 and Bachelors degrees at Level 6). Although traditionally under-graduate programmes are designed for full time students, there is increasing part-time provision available as well. However, the most widely known HE provision is the Masters in Business Administration (MBA) at (Level 7), although other, usually more specialised, Masters and Doctoral (Level 8) programmes are also available. Executive MBAs are the part-time version of the MBA and these are designed for managers in or near to a senior management role, to develop their strategic management capability. Many universities now offer modular versions of MBAs and other post-graduate level programmes enabling them to be better integrated into employers' own development strategy.

There are also Apprenticeships in leadership and management available, at Intermediate Level (for prospective team leaders), Advanced Level (for prospective first line managers) and Higher Level (for prospective middle managers). These offer large, medium and small companies alike the opportunity to develop their future managers and ensure effective leadership and management throughout their organisations.

Work-based qualifications can also help increase the transfer of learning to the workplace and other employees, with a recognised multiplier effect in terms of productivity, as qualified managers are more likely to be committed to the development of their own staff. Managers who are qualified and can also demonstrate the application of their skills in the workplace together with their commitment to continuous professional development can also seek Chartered Status. Chartered Managers are recognised management professionals, in the same way as other professions such as accountancy, HR, or surveying have Chartered recognition as their 'Gold Standard'.

The increasing flexibility of leadership and management qualifications offers employers the opportunity to maximise the benefits from their investment in training and development and have a clear measure of its effectiveness. The opportunity for adding to their existing qualifications through the credit accumulation opportunities now available acts a powerful incentive for employees to stay.

Paradoxically, the willingness of their employers to invest in them in ways that improve their position in the labour market is also a major factor in retention: the more employees are able to move, the less likely they are to want to. As has often been said, "worry less

about the managers you train who then leave; worry more about the managers you don't train who stay!"

# Annex 3: high performance working

## High Performance Working (HPW) practices as a framework for good management and leadership in the workplace

High performance working encompasses the bringing together and implementation of a number of practices in a holistic way to effectively manage an organisation. As such, it provides an important means to stimulate businesses to: review their business strategies; move up the value chain (i.e. by delivering higher value goods and services); raise their demand for high skills; reorganise their work; and by so doing improve skills utilisation in the workplace and, hence, firm performance<sup>48</sup>.

HPW systems cover HR policy and practice, employment relations, management and leadership, and organisational development. HPW practices can have a positive impact on a number of indicators (engagement, skills utilisation, well-being, management capability) and good management and leadership is a key driver for the successful implementation and application of the practices.

They are linked to management capability through:

- Empowering individuals and making the most of their skills i.e. provide autonomy instead of control, continuously develop people and let them apply themselves, use performance management to ensure effort is focused on added value activities.
- Impact on employee engagement and contribution to improved productivity/performance. Understanding what drives engagement and the implications for management skills development.
- Impact of job design including the scope and flexibility of jobs, understanding the manager's role in determining the scope and flow of work.
- Impact of workforce planning, enabling organisations to ensure the right supply of skills in the right locations at the right time. Understanding the manager's role in terms of both understanding and communicating the need for skills and labour and enabling them to effectively deploy labour as necessary.

There is now a considerable body of research that indicates that introducing HPW is associated with economic benefits in terms of a company's profits, sales and productivity. The evidence on the impact of HRM practices also shows that organisations that adopt an integrated range of practices are likely to perform better on key indicators like profit and sales growth. There is agreement that it is the implementation of sets of HRM practices or systems that is associated with performance improvements, rather than the individual practices in themselves.

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<sup>48</sup> UKCES (2010) High Performance Working: A Policy Review



# Annex 4 – leadership and management network group members

ACAS

Advanced Institute of Management

Alliance of Sector Skills Councils

British Chambers of Commerce

British Quality Foundation

Business in the Community

Chartered Institute of Personnel and Development

Chartered Management Institute

Department for Business, Innovation and Skills

Department for Education and Skills, Welsh Government

Department for Employment and Learning Northern Ireland

Foundation for Management Education

Institute for Employment Studies

Institute of Leadership and Management

Leadership and Management Wales

Scottish Government

Skills Funding Agency

Trades Union Congress

UK Commission for Employment and Skills

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