



West Midlands
Regional
Observatory



Skills Balance Sheet

Management &
Leadership 2007



Skills Balance Sheet: Management & Leadership 2007

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1 Introduction

The purpose of the skills balance sheet is to review the supply and demand for management and leadership skills in the West Midlands region. It aims to highlight how closely current education and training provision meets employer needs.

This draft report focuses on the demand for skills from the sector and specifically:

- A profile of the Region's managers and leaders in terms of their absolute numbers, the sectors, industries and sizes of organisations within which they work, the split by gender, ethnicity and age and qualification attainment
- Evidence of demand for management and leadership skills in terms of recent trends and future prospects for employment growth by industry, occupation and sub-region
- Emerging management and leadership skill needs, drivers of skills change and critical skill gaps and shortages, making the distinction between job specific technical skills and generic/transferable skills

The final report will also include:

- An assessment of the extent of employer investment in management and leadership training and development, making the distinction between investment in public sector, private sector, formal and informal provision
- A review of the supply of skills in terms of LSC funded provision primarily within Further Education and apprenticeships, learning funded through other funding streams such as the Train to Gain programme and Higher Education and training that is sourced and funded entirely by employers
- An assessment of any mismatches between the supply and demand for skills together with a series of recommendations for action.

2 Key Issues

2.1 The 'market' for management and leadership training and development

2.1.1 The existing market

It is encouraging to note that around two-thirds of organisations arranged off the job training and nearly 70% of organisations arranged on the job training for managers and leaders over the last 12 months¹. Nevertheless it is likely that a lower proportion invest in specific management or leadership development. Results from the Chamber of Commerce Quarterly Economic Survey² indicate that only half of employers that responded invested in this specific support for their managers and leaders over the last year.

In terms of individuals a third of the Region's managers and leaders received either on or off the job training of some kind during the last 12 months, equating to more than 120,000 people³. The proportion that benefited from specific management & leadership training, however, is likely to be lower than this.

While smaller organisations are less likely to arrange training for managers and leaders (less than 60% of organisations employing less than 25 people compared with 90% of those employing 500 people or more), investment in training per employee is actually higher for smaller than for larger firms. This suggests that smaller organisations are less able to take advantage of economies of scale in training provision available to larger organisations, leading to higher relative costs.

¹ LSC National Employer Skills Survey 2005 (latest available data)

² In summer 2007 WMRO worked with the Confederation of Chambers of Commerce to incorporate a series of questions related to specific management and leadership training for the West Midlands Economic survey for Q3 2007

³ It should be noted that in recent years the boundary between management and leadership has become increasingly blurred. In practical terms, the majority of managers tend to have leadership responsibilities. 'Pure' leaders whose main responsibility is leadership of the company and 'pure' managers whose only responsibility is day-to-day management of the business are rare in even the largest organisations. For the purposes of this project, therefore, our definition of managers and leaders includes all the sub-categories within the 'managers and senior officials' category within the ONS Standard Occupational Classification.

Overall employers in the West Midlands invested some £25 million over the last year in various types of training for their managers and leaders. Levels of investment in specific management & leadership development, however, are likely to be much lower. The 334 companies that responded to the Chamber survey between them spent just under £540,000 on management & leadership development over the last 12 months.

Of those employers that do invest in management & leadership development some 34% deliver training internally and a further 13% provide more informal development within the workplace. While some 29% access private sector provision only 14% utilise training available from the public sector.

2.1.2 The potential market

2.1.2.1 Recent trends and future prospects

While there were just over 341,000 people employed as managers and leaders in the West Midlands in 2006, growth in this occupational group has been relatively modest in recent years. Over the 2001-2006 period growth in employment in absolute (+10,000) and percentage (+3%) terms growth has been the most modest of all the English Regions⁴.

This may largely reflect the weakness of the Region's 'knowledge economy' (i.e. highly skilled individuals adding value to organisations by supporting the development of value added processes, products and services⁵) which is a key stimulus for demand for managerial and leadership skills. In particular the Region's private sector, which is critical to driving up competitiveness and value added, is much less 'knowledge intensive' than is the case in other parts of the country⁶. Only 22% of staff are qualified to NVQ level 4 or above, which compares with 50% in England as a whole⁷.

⁴ LFS

⁵ For further details see WMRO's [policy briefing paper on higher level skills for innovation, management & leadership and a knowledge economy](#)

⁶ While it is recognised that is not a specific measure of the extent of 'knowledge working' it is currently the best available

⁷ For further details see WMRO's [cross cutting report on the knowledge economy](#)

In the future the creation of new management and leadership jobs is expected continue to be modest - growth of 10% over the 2004-2014 period is expected to be the third slowest in England and half the rate in London and the South East. Nevertheless there will still be significant employment opportunities (an estimated 140,000 over the 2004-2014 period) due to 'replacement demand' created by retirements and job moves⁸.

2.1.2.2 Emerging skill needs

Nevertheless the Region's managers and leaders are being required to develop a whole range of new skills and competencies that will need to be addressed by skills providers. At a regional, national and indeed an international level managers and leaders have a critical role to play in supporting improvements in business performance via the development and deployment of workforce skills.

Organisations have identified a range of emerging management and leadership skill needs, some of which are generic and some of which are industry-specific. In terms of those sectors which employ particularly significant numbers of managers and leaders in the Region:

As *retailers* increasingly move away from hierarchical 'command and control' to flatter structures managers and leaders require wider 'skill sets' to include conceptual skills and creativity, business development and people management skills⁹.

Managers and leaders in *passenger transport* are being increasingly required to develop a range of 'softer' generic skills in areas such as leadership, people management, strategic planning, change management, performance management, team working and customer focus¹⁰.

In *logistics* globalisation, technological change and developments in the retail sector are creating a need for broader management perspectives. There is an emerging need for expertise in managing outsourced functions, language skills, partnering and networking skills, understanding and interpreting the potential of ICT, change management skills and communication and negotiation skills¹¹.

⁸ Working Futures II

⁹ Skillsmart Retail Sector Skills Council Market Assessment 2004

¹⁰ Goskills Sector Skills Council Management & Leadership Report 2006

¹¹ Skills for Logistics Sector Skills Council Sector Skills Agreement 2006

A range of emerging skill needs common to a wide range of *manufacturing* industries have been identified. These include skills in risk management, new product development, supply chain management, lean manufacturing, project management, as well as a general understanding of business, systems thinking, team working and other generic skills¹².

It has been identified that, while most *construction* managers have well developed technical skills, many are weak in the 'soft' skills required for successful partnership working, which is vital in an environment where dozens of different contractors, subcontractors, professionals and self employed individuals are all working side by side¹³.

2.1.3 Factors influencing patterns of demand

2.1.3.1 Issues for small and micro businesses

Smaller organisations are less likely to arrange training for managers and leaders than larger organisations. For example less than 60% of organisations employing less than 25 people in the Region provide on the job training compared with nearly 90% of those employing 500 people or more¹⁴.

Nevertheless investment in training per employee is actually higher for smaller than for larger firms - investment per employee is twice as high for an organisation employing between 2 to 4 people than for one employing between 5-24 people and around 4 times higher than for an organisation employing between 200-499 people¹⁵. This suggests that smaller organisations are less able to take advantage of economies of scale in training provision available to larger organisations, leading to higher relative costs.

Smaller organisations tend to have quite specific management and leadership issues, meaning that formal training is often too generic with too little emphasis on their specific concerns¹⁶, for example:

- A particular challenge is leading change within the organisation, in terms of both implementation and communicating with and motivating staff.
- Many managers and leaders find it difficult to separate their roles as leaders of the organisation and day-to-day operational managers of the business, dealing with time pressure, delegation and succession planning tend to be of particular importance.

¹² SEMTA Sector Skills Council Sector Skills Agreement, 2005

¹³ Construction Skills Sector Skills Council Sector Skills Agreement 2005

¹⁴ LSC National Employer Skills Survey 2005

¹⁵ LSC National Employer Skills Survey 2005

¹⁶ Henley Management College: The Development of the SME Leadership Model, 2004

In addition there are a range of attitudinal factors that can act to inhibit investment in training and skills, such as a negative attitude to change, a reluctance to participate in formal development programmes, a lack of interest in what may be seen as ‘theoretical’ issues and the isolation of the chief executive, who may have no one with whom to discuss major issues facing the company.

2.1.3.2 Issues for Women in management and leadership

Although research indicates that, while still limited, the representation of women in senior management positions is increasing, significant numbers of women still enter management and leadership via other less conventional routes and many have quite specific skill and development needs, for example¹⁷:

- A preference for a mentoring and coaching approach including an emphasis on ‘inspirational leadership’
- A need for confidence and assertiveness training
- A preference for development to be delivered in short, frequent sessions with a high degree of flexibility - notably in terms of location to reflect concerns about personal security and in terms of start/finish times to fit with childcare arrangements

2.1.3.3 Managers and leaders from minority ethnic communities

While minority groups often hit a ‘glass ceiling’ when looking to enter and progress in management and leadership roles, many of those that have successfully done so have specific skills issues and needs¹⁸. In particular relatively few black and minority ethnic managers and leaders have engaged in formal training and development and there is a general lack of awareness of what is available. Where there is a demand, however, there is often a need for development to be delivered primarily at community or local level, overcoming potential social, cultural or religious barriers to access.

2.1.3.4 Recruitment issues

In general organisations are comfortably meeting their recruitment needs for managers and leaders. Vacancies are at less than 1% of total employment levels and at 30% the proportion of hard to fill vacancies due to skill shortages is well below the average for all occupations of 41%¹⁹.

¹⁷ North West Development Agency: Women’s, BME and Community Organisations’ Leadership and Management Practices, 2006

¹⁸ North West Development Agency: Women’s, BME and Community Organisations’ Leadership and Management Practices, 2006

¹⁹ LSC National Employer Skills Survey 2005

However a quarter of organisations experiencing difficulties in recruiting highlighted a lack of appropriate experience and qualifications among applicants as a barrier, suggesting that existing skills provision may not always include the most appropriate mix of relevant qualifications and on the job experience. Other common barriers include a lack of interest and a lack of motivation.

While it will be important for providers of careers advice, information and guidance to counter any negative perceptions of a career in management and leadership this lack of interest and motivation may partly reflect salary issues, with some people opting to take better paid jobs in other parts of the country. Average salaries for managers and leaders in the West Midlands are 11% lower than in the South East and nearly 30% lower than in London and salaries for purchasing managers are 19% below the England average and the figure is 17% for HR managers, 17% for health & social services managers, 13% for ICT managers, 12% for R&D managers and 11% for financial managers and chartered secretaries.

2.1.3.5 Dealing with an ageing workforce

These recruitment difficulties and skill shortages, coupled with an ageing workforce, mean that career development and progression for managers and leaders is a key issue for the Region's employers. A concern, however, is that compared to their competitors in other countries UK organisations are²⁰:

- Less likely to have a progressive ethos for the development of managers
- More likely to have weaker career structures for managers
- Less likely to be effective in fostering their internal labour markets through promotion and retention

2.1.3.6 Skill gaps in the workforce

Skill gaps and deficiencies in the workforce can potentially inhibit organisational growth and development, particularly if prevalent amongst managers and leaders. Although only 3% of the Region's managers and leaders are deemed to have skill deficiencies by their employers, below the average of 5% for all occupational groups, this equates to a little over 10,000 staff²¹. The most effective way to address skill deficiencies among the Region's managers and leaders may be further investment in training and development given that some 70% of organisations with gaps cite a lack of experience among newly recruited staff, a third cite their own failure to train and develop staff and a quarter highlight employees' inability to 'keep up with change'.

²⁰ Adecco and the Chartered Management Institute: Business Energy Survey, 2005

²¹ LSC National Employer Skills Survey 2005

The most significant skill deficiencies identified amongst managers and leaders relate to both specific management skills and other 'softer' generic skills. These include problem solving, team working, oral communication, customer handling and written communication

3 Profile of the Region's managers and leaders

3.1 Definitions

After many decades of research there remains no single, agreed definition of what a manager or a leader is. For most business people, management is seen as being concerned with implementation, order, efficiency and effectiveness in terms of resources (i.e. planning, budgeting, resource allocation). Leadership, meanwhile, is seen as providing energy and direction for the future of the organisation (i.e. setting goals, influencing, motivating and inspiring)²².

In recent years the boundary between management and leadership has become increasingly blurred. In practical terms, the majority of managers tend to have leadership responsibilities. 'Pure' leaders whose main responsibility is leadership of the company and 'pure' managers whose only responsibility is day-to-day management of the business are rare in even the largest organisations (for further discussion see section 4.4).

For the purposes of this project we have used the following definition of managers and leaders based on the Standard Occupational Classification developed by the Office for National Statistics:

- 111 Corporate Managers & Senior Officials (Directors, chief executives & other senior managers)
- 112 Production Managers (Production managers in manufacturing, construction & utilities)
- 113 Functional Managers (Functional managers in marketing, sales, ICT, finance & HR)
- 114 Quality and Customer Care Managers
- 115 Financial Institution and Office Managers (Office managers)
- 116 Managers in Distribution Storage and Retail (Managers in storage & distribution)
- 117 Protective Service Officers (Security staff & senior police, fire, ambulance & prison officers)
- 118 Health and Social Service Managers (Health & social care managers)
- 121 Managers in Farming, Horticulture, Forestry etc (Managers in agriculture, horticulture and forestry)

²² Henley Management College: The Development of the SME Leadership Model, 2004

- 122 Managers in Hospitality and Leisure
- 123 Managers in Other Service Industries (Managers in land & property, retail & other services)

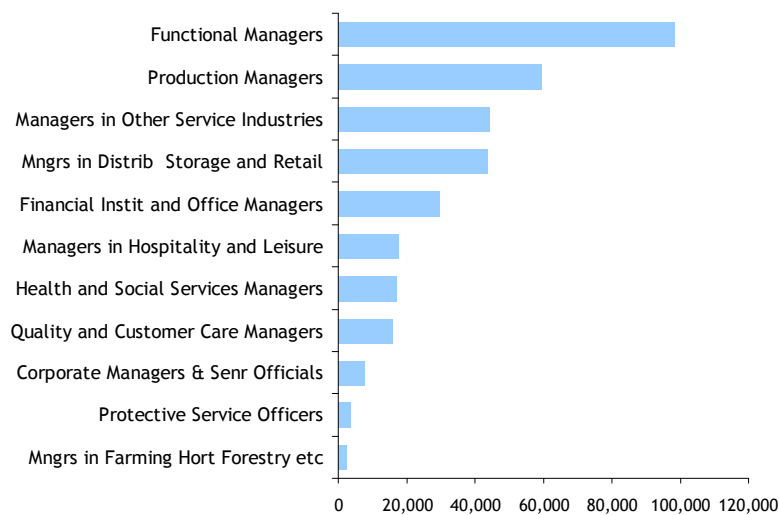
3.2 Occupational profile

There were just over 341,000 people employed as managers and leaders in the West Midlands in 2006. Managers and leaders account for 15% of the Regional workforce, a little below the England average of 16%.

While all of these individuals are managers, many will also have a leadership role. While it is not possible to quantify precisely numbers of leaders within the workforce it is notable that:

- Only just under 8,000 (2%) are directors, chief executives or other senior management, all of whom are likely to have leadership responsibilities
- Just under 100,000 (29%) are functional managers in marketing, sales, ICT, finance & HR, just under 60,000 (17%) are production managers in manufacturing, construction & utilities, just under 45,000 (13%) are managers in land & property, retail & other services and just under 44,000 (13%) are managers in storage & distribution.

West Midlands Managers & Leaders employment by occupation



Source: LFS Oct-Dec 2006

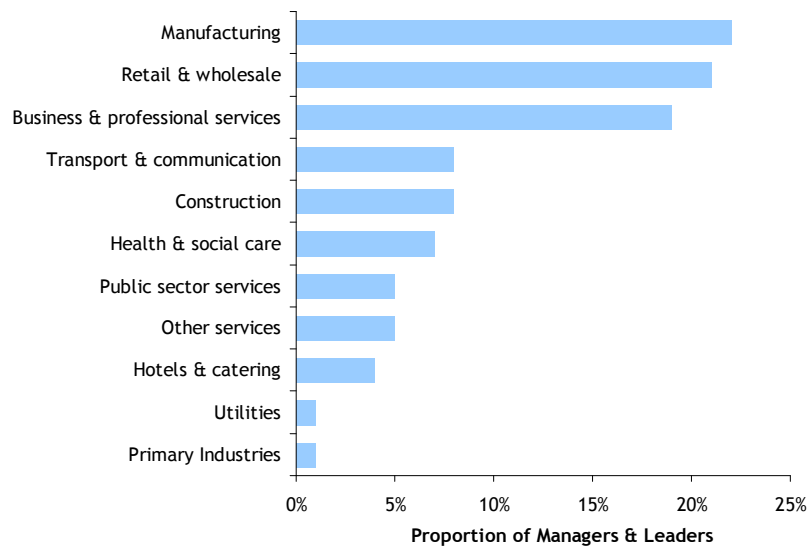
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3.3 Employment of managers and leaders in key sectors

The proportion of the regional workforce accounted for by managers and leaders varies by sector:

- Nearly 72,000 (20%) of the workforce in retail & wholesale and more than 65,000 (20%) of the workforce in business & professional services was made up of managers and leaders in 2006
- More than 75,000 (18%) of the workforce in manufacturing was made up of managers and leaders
- More than 27,000 (17%) of the workforce in transport & communications and nearly 26,000 (15%) of staff in construction were managers and leaders.

West Midlands Managers & Leaders employment by sector



Source: LFS Oct-Dec 2006

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In each of these key sectors employers have identified a range of emerging management and leadership skill needs, some of which are generic and some of which are specific to the sector (for a detailed review see section 4.4).

3.4 Employment of managers and leaders by size of organisation

Managers and leaders are more likely to be employed by smaller organisations than the workforce as a whole:

- In 2006 nearly 85,000 (27%) of the Region’s managers and leaders worked for organisations employing 10 people or less, which compares with 22% of the workforce as a whole
- Nearly 50,000 (16%) of managers and leaders worked for organisations employing 11-24 people, which compares with 13% of the workforce as a whole.

West Midlands Managers & Leaders employment by size of company



Source: LFS Oct-Dec 2006

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These organisations tend to have quite specific management and leadership skill needs and preferred methods of delivery²³.

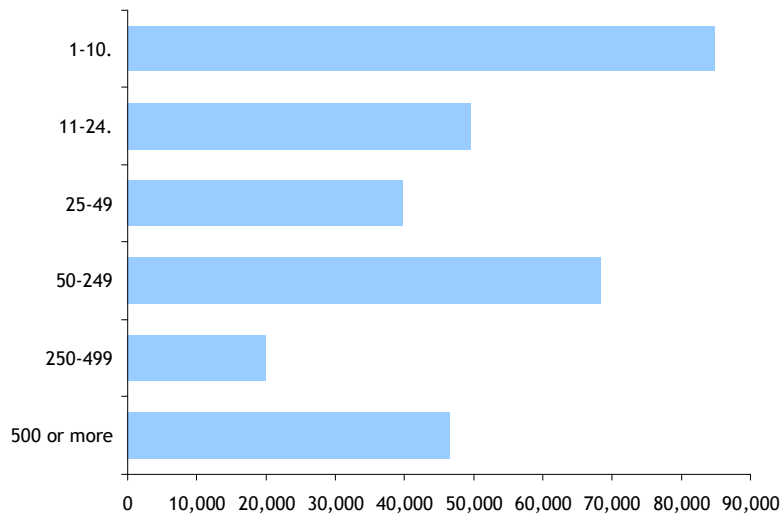
However in absolute terms medium sized and larger organisations are also key employers of managers and leaders in the Region:

- More than 68,000 managers and leaders are working in ‘mid market’ organisations employing between 50 and 249 people²⁴
- Nearly 47,000 managers and leaders work in organisations employing 500 or more people

²³ For more detailed discussion on skill needs of smaller companies see section 4.4. and for details of good practice in delivery see section 5.1

²⁴ For details of good practice in supporting ‘mid market’ companies see section 5.1

West Midlands Managers & Leaders employment by size of company (absolute numbers)



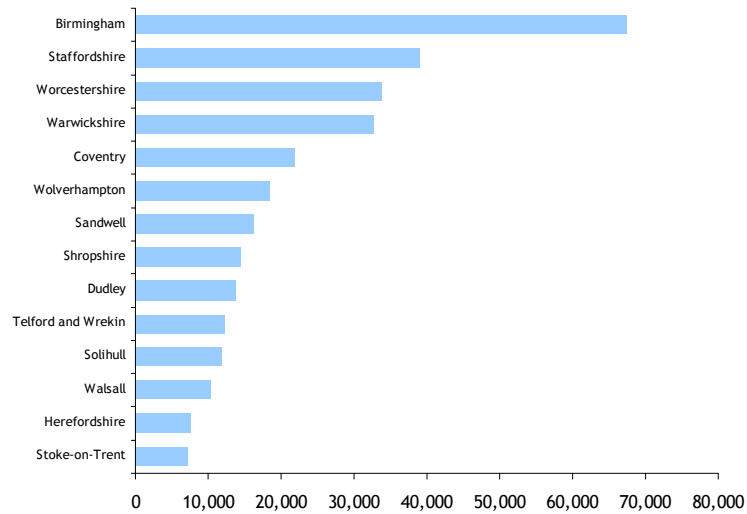
Source: LFS Oct-Dec 2006

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3.5 Employment of managers and leaders by sub-region

In absolute terms Birmingham is the Region's key employment centre for managers and leaders. Nearly 68,000 managers and leaders work in the area, almost double the number in the next largest employment centre. Staffordshire (more than 39,000), Worcestershire (nearly 34,000) and Warwickshire (nearly 33,000) are the next largest employment centres.

West Midlands Managers & Leaders employment by sub-region



Source: LFS Oct-Dec 2006

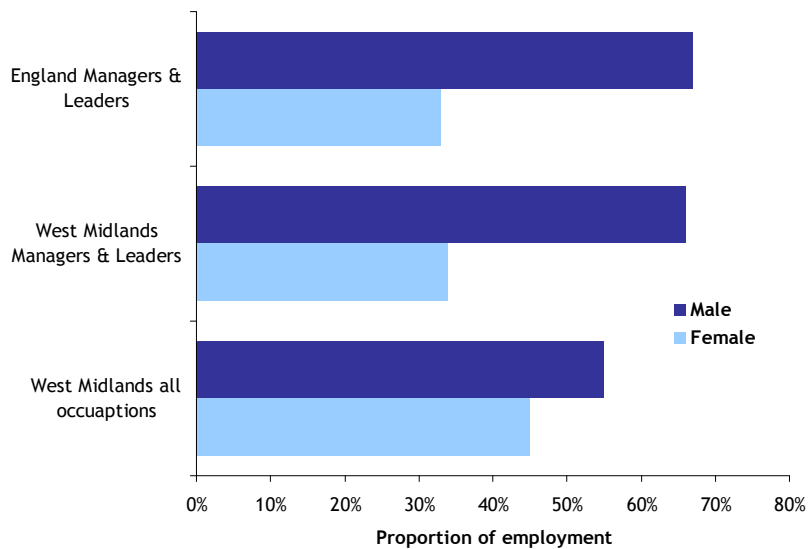
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3.6 Characteristics of the workforce

3.6.1 Gender

Nearly 118,000 (34%) of the Region's managers and leaders were women in 2006. This is much lower than the proportion of women in the regional workforce as a whole (45%) but slightly higher than the proportion in management and leadership nationally (33%).

Employment of Managers & Leaders by gender



Source: LFS Oct-Dec 2006

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Research indicates that, while still limited, the representation of women in senior management positions is increasing. Nationally in 2006 more than 10% of directors (up from 6% in 2000) and nearly 4% of executive directors (up from 2% in 2000) in FTSE 100 companies were women. The number with no female directors has fallen from 42 to 23 over this period²⁵.

However significant numbers of women enter management and leadership via other less conventional routes. Common examples are starting up in business to develop a personal interest or idea or to pass on their experience (often gained in the public sector) to others on a commercial basis²⁶. As a result women often identify quite specific skill and development needs (see section 4.4 for more details).

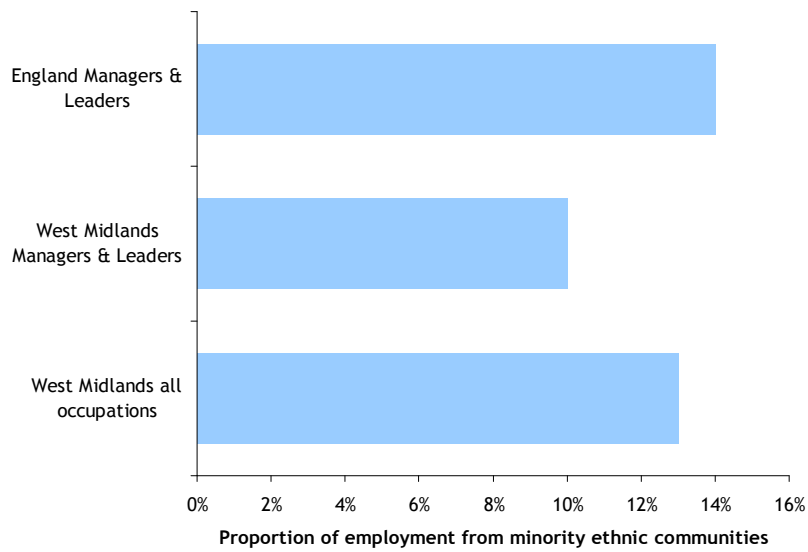
3.6.2 Ethnicity

Just under 35,000 managers and leaders in the Region were from minority ethnic communities in 2006. At 10% the proportion is lower than the proportion in the regional workforce as a whole (13%) and the proportion of managers and leaders nationally (14%).

²⁵ Cranfield University School of Management: The Female FTSE Report 2006 - Identifying the New Generation of Female Directors

²⁶ North West Development Agency: Women's, BME and Community Organisations' Leadership and Management Practices, 2006

Proportion of Managers & Leaders from minority ethnic communities



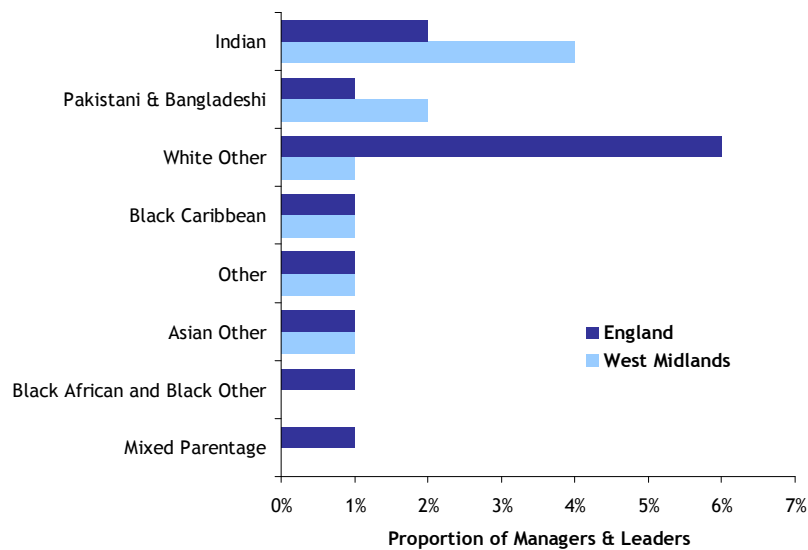
Source: LFS Oct-Dec 2006

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However the proportion from some communities is above the national average:

- More than 12,000 (nearly 4%) of managers and leaders in the Region are from the Indian community compared with 2% in England as a whole
- Nearly 6,000 (nearly 2%) of managers and leaders in the Region are from the Pakistani or Bangladeshi communities compared with 1% in England as a whole

Proportion of Managers & Leaders by ethnic group



Source: LFS Oct-Dec 2006

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While research demonstrates having a diverse leadership team can help organisations:

- Develop a deeper understanding of their customers by having a leadership team that mirrors their buying community
- Spot and quickly seize new market opportunities
- Operate effectively across borders and cultures

Minority groups often hit a glass ceiling when looking to enter and progress in management and leadership roles²⁷.

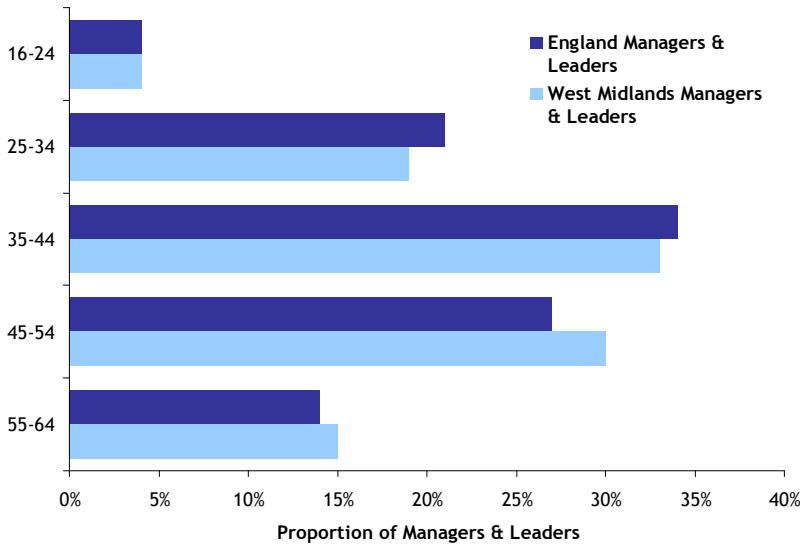
In many cases those that have successfully moved into leadership and management have specific skills issues and needs, which are discussed in section 4.4.

3.6.3 Age

Managers and leaders in the West Midlands are older, on average, than in England as a whole:

- Just under 13,000 (4%) are aged 16-24, close to the England average
- Just under 175,000 (52%) are in the 25-44 age range, which compares with 55% in England as a whole
- Just over 154,000 (45%) are aged 45 or over, which compares with 41% nationally.

Age profile of Managers & Leaders



Source: LFS Oct-Dec 2006

²⁷ Hay Group, 2005

The ageing workforce with significant numbers of managers and leaders likely to retire in the future, taking their considerable skills and experience with them, is a key issue. As a result it is vital that organisations undertake appropriate succession planning and offer development and progression opportunities for younger staff.

A concern, however, is that compared to their competitors in other countries UK organisations are more likely to take a short term, tokenistic and non-strategic approach to these issues. In particular they are²⁸:

- Less likely to have a progressive ethos for the development of managers than their counterparts in other European countries
- More likely to have weaker career structures for managers
- Less likely to be effective in fostering their internal labour markets through promotion and retention

Research indicates that many younger UK managers are frustrated by a limited potential for progression and a significant proportion move to other employers to achieve their career goals. While almost 60 per cent of managers under the age of 40 are seeking promotion within the next three years, only a third will stay within their current organisation to achieve it due to perceived barriers to progression²⁹.

3.7 Qualification levels in the workforce

Research reveals that nationally spending on training per manager is well below the EU average and UK firms place less emphasis on vocational qualifications, despite evidence that better qualified managers tend to be more effective³⁰.

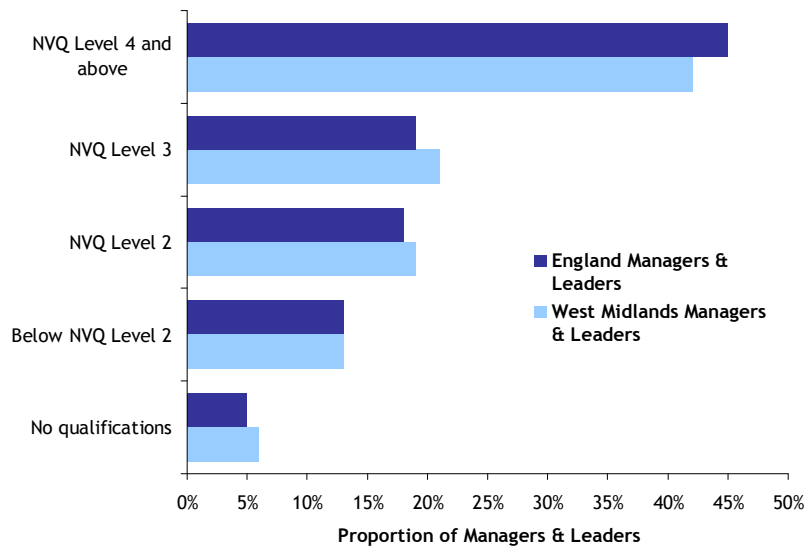
In turn, managers and leaders in the West Midlands are less well qualified than in England as a whole. Although a slightly higher proportion are qualified to NVQ level 2 (19% compared with 18%) and to NVQ level 3 (21% compared with 19%), nearly 22,000 managers and leaders (6% compared with 5% nationally) have no formal qualifications.

²⁸ Sector Skills Development Agency: The Comparative Capability of UK Managers - Research Report No 17, April 2006

²⁹ Adecco and the Chartered Management Institute: Business Energy Survey, 2005

³⁰ Chartered Management Institute: Developing Managers A European Perspective, 2005

Qualification levels of Managers & Leaders



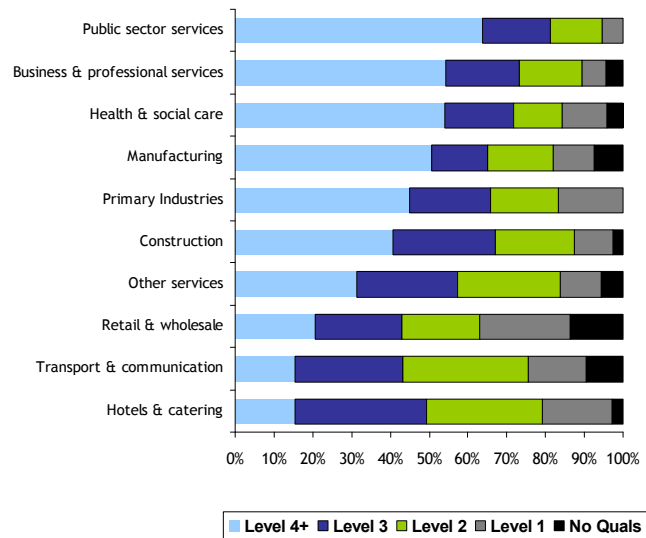
Source: LFS Oct-Dec 2006

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Managers in the Public sector, business and professional service, health and social care and utility³¹ sectors are most likely to be well qualified. This reflects the occupational mix of these sectors, with a higher than average proportion of professional staff working within these sectors who need to be suitably qualified. By contrast, managers working within the hotels and catering, transport and communication and retail and wholesale sectors are least likely to hold higher level qualifications, reflecting the fact that a lot of managers in such sectors are promoted from within.

³¹ Not shown on the chart as the sample size for this sector is too small.

Highest qualifications managers and leaders hold, by sector, 2006

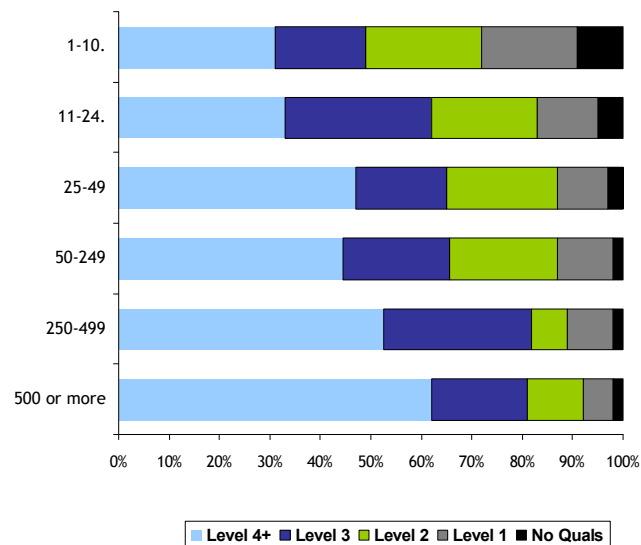


Source: LFS Oct-Dec 2006

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Larger companies are more likely to employ managers and leaders with higher level qualifications, with almost two-thirds of companies employing 500 or more people employing managers and leaders with qualifications equivalent to at least Level 4. By contrast, smaller forms are more likely to employ managers with lower or no qualifications. This may reflect the generally lower qualification profile of sole traders and small businesses owners across the region.

Highest qualifications managers and leaders hold, by company size, 2006

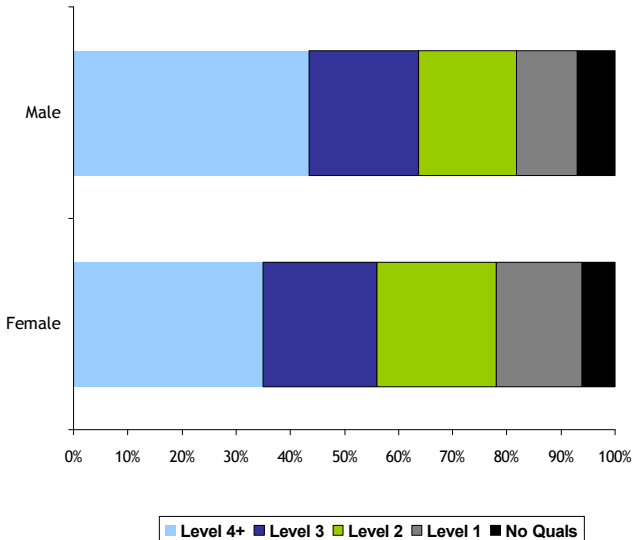


Source: LFS Oct-Dec 2006

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Male managers and leaders are more likely to hold qualifications equivalent to at least level 3 than female managers; however the qualification profile of males and females differs only markedly for those holding degree level qualifications (at least level 4) and is otherwise very similar.

Highest qualifications managers and leaders hold, by gender, 2006



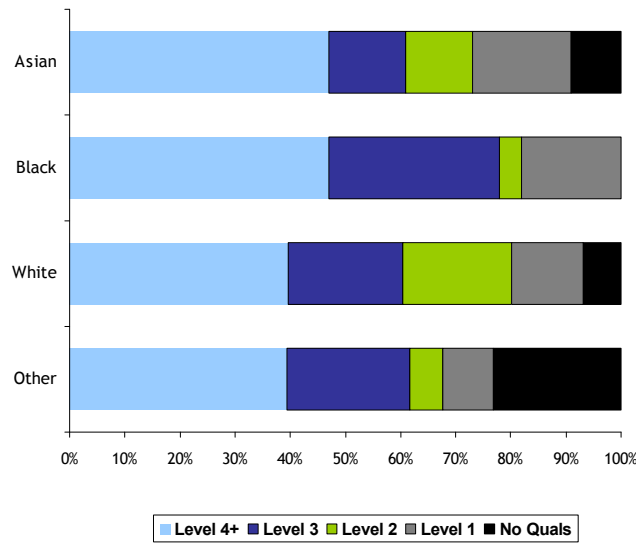
Source: LFS Oct-Dec 2006

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Managers and leaders from Asian and Black ethnic groups are more likely to hold higher level qualifications than their White counterparts. Paradoxically Asian managers and leaders are also more likely to hold no or low qualifications (equivalent to Level 1). Black managers and leaders appear to be relatively well qualified also³².

³² It should be noted that Chinese managers and leader also appear to be, in general, better qualified. However sample sizes are small for ethnic groups so any assertions made about qualification levels of managers and leaders from ethnic minority groups have to be treated with caution.

Highest qualifications managers and leaders hold, by ethnic group, 2006

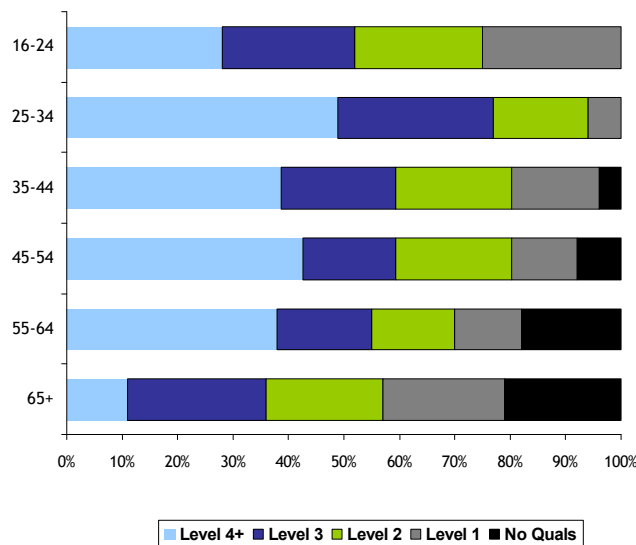


Source: LFS Oct-Dec 2006

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Those managers and leaders aged between 25-34 are by far the best qualified, with four-fifths qualified to at least level 3 and half qualified to at least Level 4. The opposite is true, with older managers and leaders less likely to hold higher level qualifications and close to a fifth of those aged 55 or over having no qualifications. This will reflect in part the recent and growing emphasis on individuals needing to acquire degrees before taking on entry-level posts leading to managerial positions.

Highest qualifications managers and leaders hold, by age, 2006



Source: LFS Oct-Dec 2006

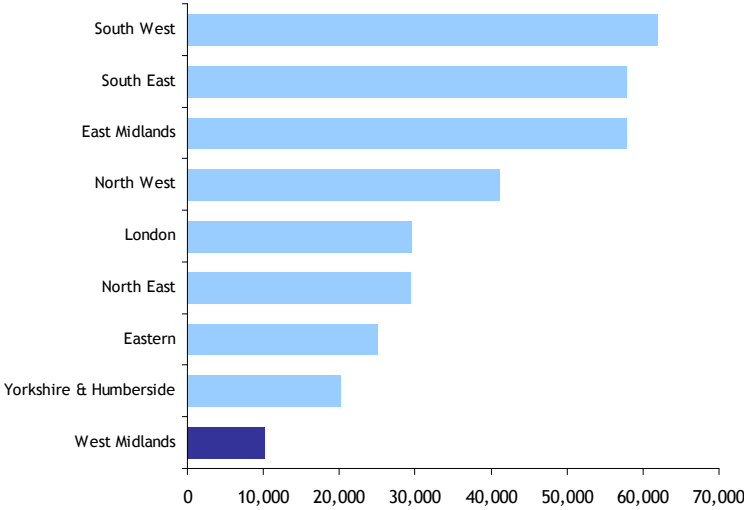
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4 Demand Issues

4.1 Recent trends in employment

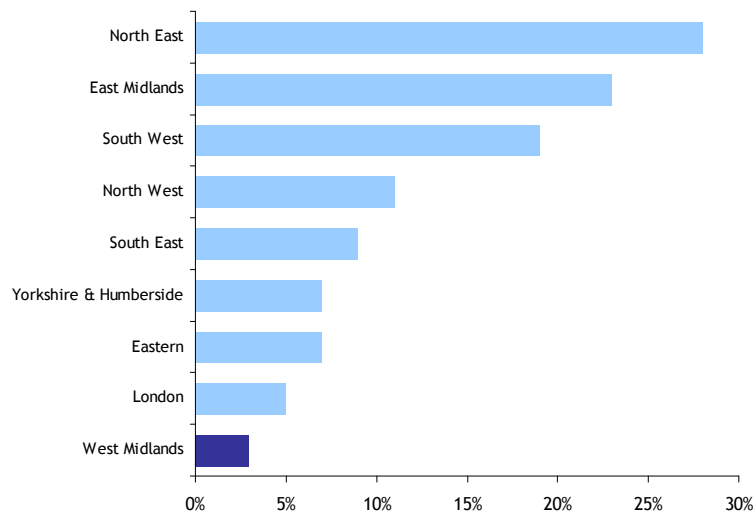
The net increase in the number of management and leadership jobs in the Region has been quite limited over the 2001-2006 period. In both absolute (+10,000) and percentage (+3%) terms growth has been the most modest in England.

Absolute change in numbers of Managers & Leaders by Region: 2001-2006



Source: LFS Oct-Dec 2001-2006

Percentage change of Managers & Leaders by Region: 2001-2006

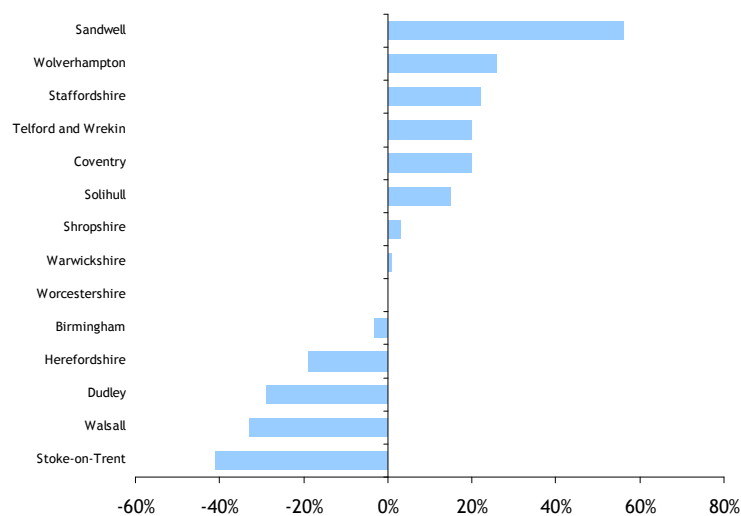


Source: LFS Oct-Dec 2001-2006

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Rates of change in the employment of managers and leaders have been uneven across the Region. Over the 2001-2006 period employment increased by nearly 6,000 (60%) in Sandwell, nearly 4,000 (26%) in Wolverhampton, more than 7,000 (22%) in Staffordshire, nearly 2,000 (20%) in Telford & Wrekin, more than 3,500 (20%) in Coventry and more than 1,500 (16%) in Solihull. However this was offset by falls in employment of nearly 5,000 (41%) in Stoke-on-Trent, more than 5,000 (33%) in Walsall, nearly 6,000 (29%) in Dudley and nearly 2,000 (19%) in Herefordshire.

Employment change of Managers & Leaders by sub-region: 2001-2006



Source: LFS Oct-Dec 2001-2006

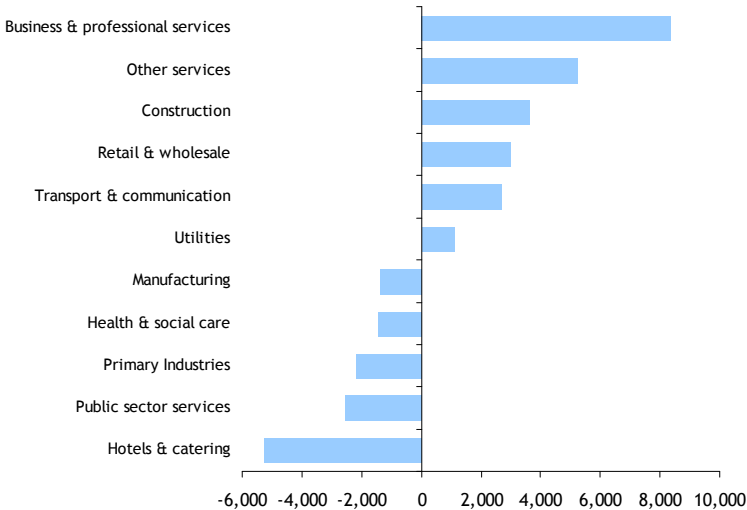
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While there was a net increase of some 8,000 in the number of managers and leaders working in business and professional services and an increase of some 6,000 in the number working in other services (principally culture, leisure, sport, media and other ‘creative industries’), 4,000 in the number working in construction and around 3,000 in the number working in the retail & wholesale and transport & communications sectors respectively.

This was offset by a net decrease of more than 5,000 in the number of managers and leaders working in hotels & catering and a fall of nearly 3,000 in the number working in public sector services, around 2,000 in the number working in primary industries (principally agriculture, mining and quarrying) and around 1,000 in the number working in health & social care and manufacturing respectively.

While employment levels increased in business and professional services, construction and transport & communications the rate of growth lagged the England average.

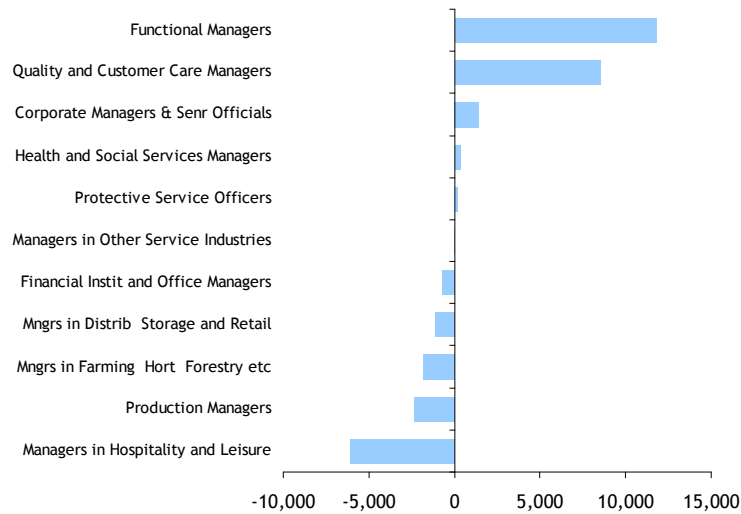
Absolute change of West Midlands Managers & Leaders by Sector: 2001-2006



Source: LFS Oct-Dec 2001-2006

While there was a net increase of some 12,000 in numbers of functional managers in marketing, sales, ICT, finance and HR and some 9,000 in numbers of quality and customer care managers, this was offset by a net decrease of some 6,000 in numbers of managers in hospitality & leisure and nearly 3,000 in numbers of production managers and managers in agriculture, horticulture & forestry respectively.

Absolute change in numbers of Managers & Leaders by occupation: 2001-2006

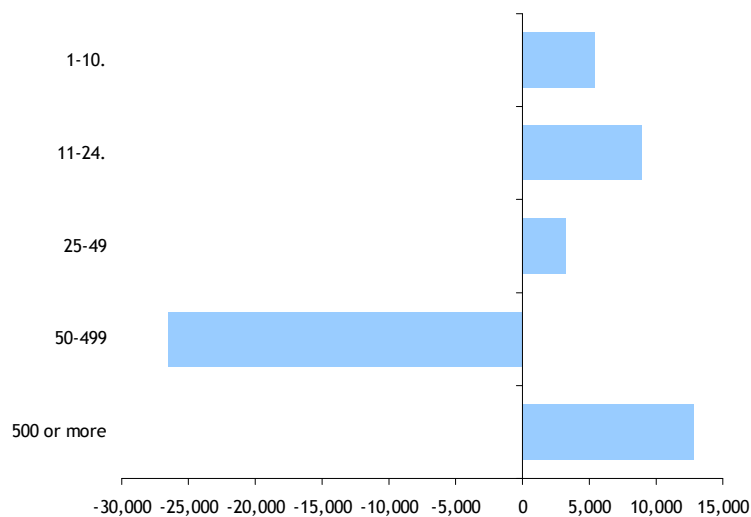


Source: LFS Oct-Dec 2001-2006

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Smaller companies are in general employing more managers and leaders than 5 years ago. The largest companies are also employing more managers, with 13,000 (40%) more managers and leaders working for the largest companies. This is offset somewhat however by those companies employing between 50-500 people employing some 26,000 (20%) less people than in 2001.

Absolute change in numbers of Managers & Leaders by company size: 2001-2006

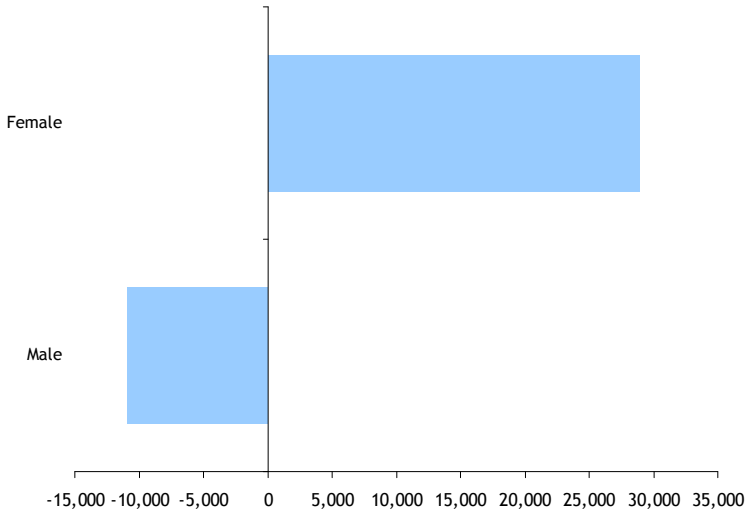


Source: LFS Oct-Dec 2001-2006

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There has been a notable expansion in the number of female managers and leaders employed in the Region, with a net increase of 29,000 (30%) females employed since 2001. By contrast, the number of male managers and leaders employed showed a net decrease of 11,000 (5%).

Absolute change in numbers of Managers & Leaders by Gender: 2001-2006

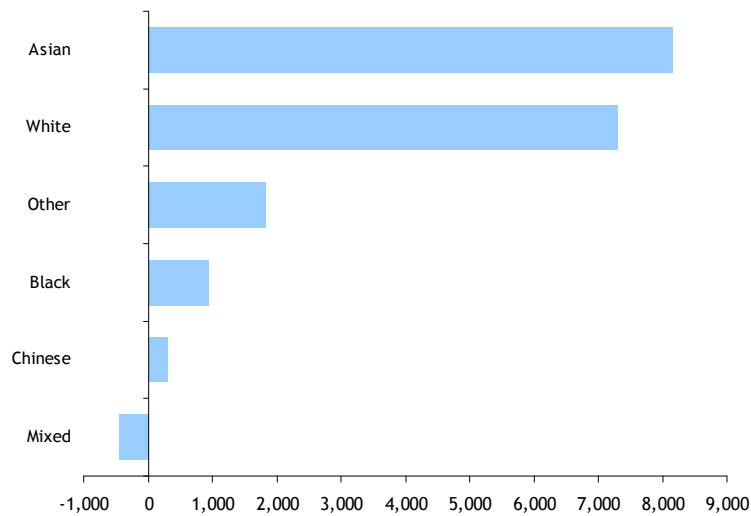


Source: LFS Oct-Dec 2001-2006

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There has been a notable expansion in employment of managers and leaders from ethnic minority groups over this time period with a net increase of 8,200 Asian and 1,000 Black managers and leaders and 2,100 managers and leaders from Chinese and Other ethnic groups. Although there is a net increase of 7,300 managers from White ethnic groups, this represents growth of only 2%, which is far slower than the equivalent growth rates for managers employed from a Chinese (22%), Black (24%) or Asian (65%) ethnic group.

Absolute change in numbers of Managers & Leaders by Ethnic Group: 2001-2006

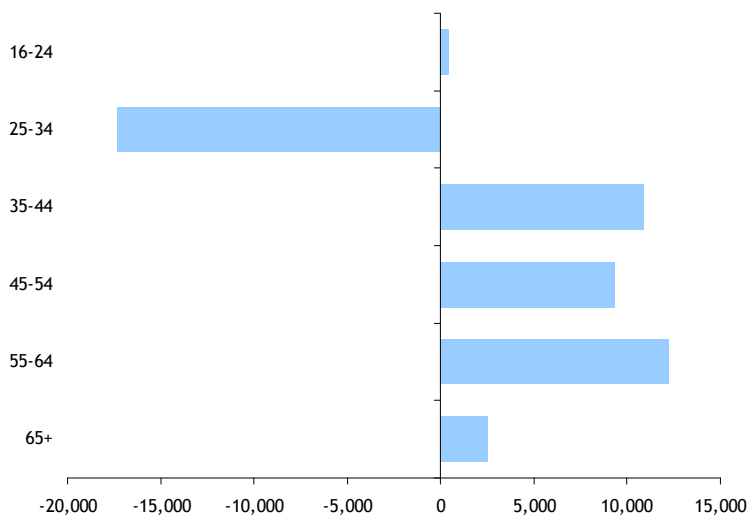


Source: LFS Oct-Dec 2001-2006

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There has been a strong decline in the number of managers and leaders employed between the ages of 25 to 34, with a net decrease of 17,000 (22%) since 2001. This has been partially offset by a net increase of 11,000 (11%) managers and leaders aged between 35 to 44. However it seems clear that a number of young managers in the Region are either leaving the workforce or leaving the Region. There is strong net growth in the numbers of older managers and leaders employed, with a net increase of around 15,000 managers aged 55 or more since 2001, representing growth of approximately a third. This appears to be a clear indication of an ageing workforce in the Region.

Absolute change in numbers of Managers & Leaders by Age: 2001-2006



Source: LFS Oct-Dec 2001-2006

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This relatively modest demand for managers and leaders in the Region may largely reflect the weakness of the Region's 'knowledge economy' (i.e. highly skilled individuals adding value to organisations by supporting the development of value added processes, products and services³³) which is a key stimulus for demand for managerial and leadership skills. In particular the Region's private sector, which is critical to driving up competitiveness, and value added, is much less 'knowledge intensive' than is the case in other parts of the country³⁴. Only 22% of staff are qualified to NVQ level 4 or above, which compares with 50% in England as a whole³⁵.

4.2 Employment change 2004-2014

While in the longer term demand for managers and leaders is forecast to expand in the Region, this will be principally driven by 'replacement demand' created by retirements and job moves.

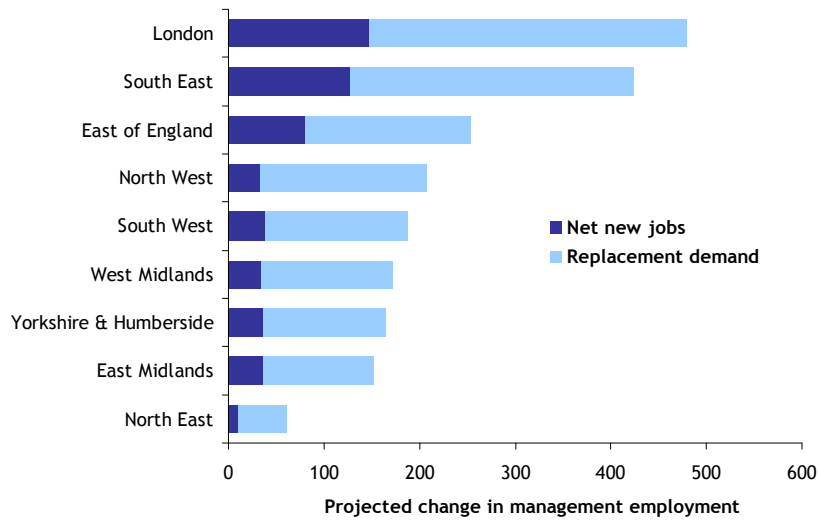
- Overall some 172,000 job opportunities are expected to arise in management and leadership roles within the West Midlands.
- While 34,000 are expected to be new jobs, the vast majority (some 138,000) opportunities are expected to be due to replacement demand.
- In terms of new job creation, the West Midlands is expected to see growth of 10% over the given time period, the third slowest in England, behind only the North East and North West. New job growth in the East of England, London and the South East is expected to be around double the West Midlands rate.

³³ For further details see WMRO's [policy briefing paper on higher level skills for innovation, management & leadership and a knowledge economy](#)

³⁴ While it is recognised that is not a specific measure of the extent of 'knowledge working' it is currently the best available

³⁵ For further details see WMRO's [cross cutting report on the knowledge economy](#)

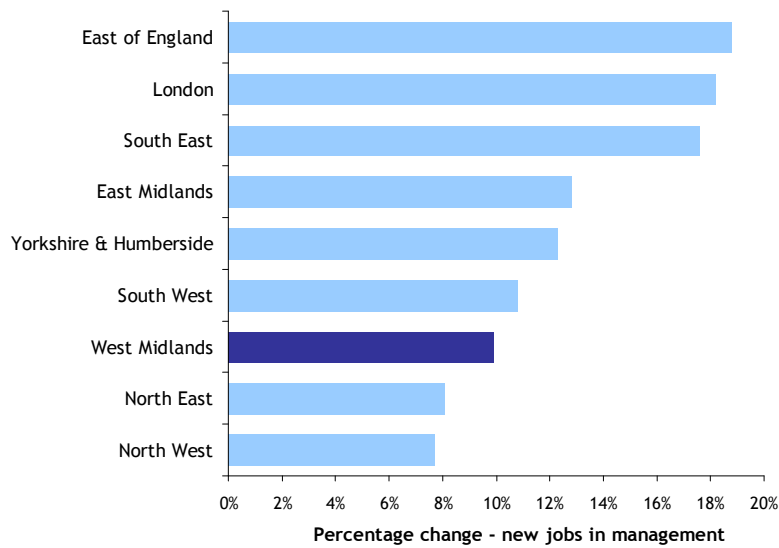
Projected change in management employment: 2002-2012



Source: Working Futures II

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Percentage change - net new jobs in management, 2002-2012



Source: Working Futures II

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4.3 Drivers of skills change

The role of managers and leaders within organisations in terms of their contribution to improvements in organisational performance and competitiveness is being increasingly recognised. In particular, managers and leaders play a critical role in the effective exploitation of new technology, stimulating innovation and the development and deployment of workforce skills.

4.3.1 Exploiting new technology

A critical challenge for leaders and managers is to maximise the benefits of advances in information technology, harnessing the potential for business transformation. Deployed intelligently, information technology can enable organisations to make dramatic leaps in productivity and redefine competition within whole sectors³⁶.

Globalisation, the pace of technological innovation and the emergence of developing nations such as China and India are transforming the business landscape. New business models involving integrated customer and supply chains, global product development and servicing all rely on information technology to create new ways of working. The key challenges for managers and leaders are to:

- Create transformational value rather than just implementing IT projects
- Build capacity for on-going change and predict future business needs
- Create a climate of open communication
- Manage confidence and risk - and understand the impact of external changes
- Build personal capacity, learning and confidence.

4.3.2 Management and leadership and innovation

While data suggests that the UK's science base is excellent we often we fail to capitalise on this to develop high value products and services that can compete in the global economy. Effective management and leadership is critical to such innovation and research suggests that the most innovative companies have:

- Visionary managers and leaders that inspire their workforce by setting and communicating a clear corporate vision and strategic direction
- Management teams with a commitment to investment in innovation, the stamina to see things through and an openness to new people and ideas³⁷

³⁶ Chartered Management Institute: Business Leadership of Technological Change - Five Key Challenges Facing CEOs, March 2007

³⁷ The Manufacturing Foundation: Innovation Essentials, 2003

- Introduced systems, structures, processes, culture and networks that stimulate creativity and ideas³⁸.

4.3.3 Development and deployment of workforce skills

Managers and leaders have a critical role to play in supporting improvements in business performance via the development and deployment of workforce skills. High performance businesses support improvements in innovation, quality, productivity customer satisfaction and ‘bottom line’ profitability by:

- Introducing leading edge HR practices
- Engaging and motivate the workforce
- Investing in management & leadership capability to ensure that skills and motivation are effectively applied in the workplace (see Figure 1).

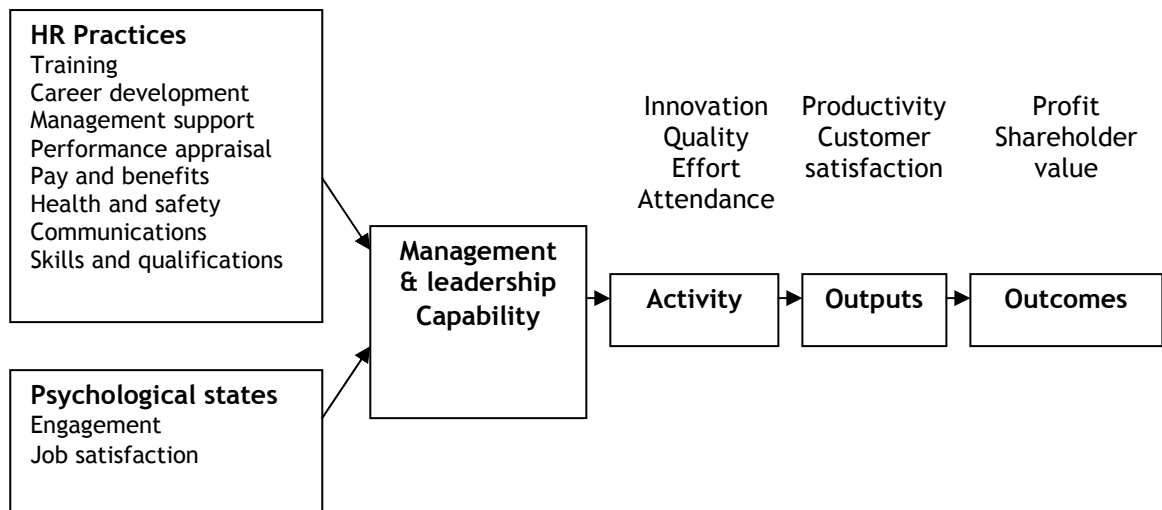


Figure 1: The Chain of Impact³⁹

³⁸ AIM Management Research Forum in co-operation with the Chartered Management Institute: Leadership for Innovation, 2005

³⁹ Institute for Employment Studies: The Contribution of Skills to Business Performance, 2005

4.4 Emerging skill needs

While management and leadership skills are often difficult to define, with core competencies varying depending on the level and type of responsibilities undertaken and the nature of the industry, a range of skills and attributes are clearly required to respond to the challenges set out in section 4.3. These include:⁴⁰

- Organisational skills and specific technical know-how to manage operations and develop a business
- A wide range of 'softer' generic skills including:
 - Communication, team working, problem solving and influencing
 - Customer handling and customer relations
 - Managing change in the face of fragmented global markets, growing commercial pressures and a rapid pace of technological change
 - Strategic thinking to analyse information, solve problems and make decisions, requiring continuous learning
 - Leadership and the ability to engage others in sharing and pursuing the vision being targeted, requiring the trust and respect of the team and good working relationships within it.

The sector skills agreement analysis conducted by the network of Sector Skills Councils has identified more than 150 management and leadership skills issues. Again the focus is on generic/transferable skills which can be grouped into a number of areas that link with emerging National Occupational Standards for training and qualifications⁴¹:

- Working with people to develop high performance teams
- Providing direction and leadership in a rapidly changing world
- The effective use of resources
- Coaching to develop individual contributors into effective first line managers.

⁴⁰ Summary document prepared for the Skills for Business Network Leadership & Management Advisory Panel by John Baker (DTI), August 2005

⁴¹ Skills for Business Network: all sector management & leadership development programme mid term update, January 2006

4.4.1 The blurring of the boundary between management and leadership skills

In recent years the boundary between management and leadership skills has become increasingly blurred⁴²:

- In practical terms, all leaders within smaller organisations have tended to have both leadership and management responsibilities
- Some larger corporate organisations may have people that are ‘pure’ leaders whose main responsibility is leadership of the company and other ‘pure’ managers whose only responsibility is day-to-day management
- However it is likely that these ‘bi-polar’ positions are rare in even the largest organisations as most move away from hierarchical ‘command and control’ to flatter structures, developing new business models that involve new ways of working.

4.4.2 Management and leadership skill needs in key sectors

A range of specific and generic management and leadership skills are increasingly required in a range of sectors that, as highlighted in section 3.2, employ particularly significant numbers of managers and leaders in the Region:

4.4.2.1 Retail

As organisations increasingly move away from hierarchical ‘command and control’ to flatter structures. Managers and leaders require wider ‘skill sets’ to include conceptual skills and creativity, business development and people management skills⁴³.

4.4.2.2 Passenger transport

Managers and leaders are being increasingly required to develop a range of ‘softer’ generic skills. Among senior managers the development of leadership, people management, strategic planning and change management skills is seen as critical. Among middle managers the development of people management, leadership, performance management and team working skills is seen as key. Among supervisory staff developing people management skills and improving customer focus is seen as particularly important⁴⁴

⁴² Section 4.4 provides more detailed analysis of changing management and leadership skill needs

⁴³ Skillsmart Retail Sector Skills Council Market Assessment 2004

⁴⁴ Goskills Sector Skills Council Management & Leadership Report 2006

4.4.2.3 Logistics

A range of developments are creating a need for broader management perspectives. Globalisation is creating a need for expertise in managing outsourced functions, language skills, partnering and networking skills. Technological change is leading to a need for skills in understanding and interpreting its potential, change management skills and communication skills. Developments in the retail sector are creating a need for negotiation skills and creative thinking to take the initiative in proposing practical and cost effective solutions⁴⁵

4.4.2.4 Manufacturing

A range of emerging skill needs common to a wide range of industries have been identified. These include skills in risk management, new product development, supply chain management, lean manufacturing, project management, as well as a general understanding of business, systems thinking, team working and other generic skills⁴⁶

4.4.2.5 Construction

It has been identified that, while most managers have well developed technical skills, many are weak in the 'soft' skills required for successful partnership. On a construction site where dozens of different contractors, subcontractors, professionals and self employed individuals are all working side by side the ability to work in partnership is vital. It has also been proven that successful partnering in the supply chain has the added benefits of improved client satisfaction, increased productivity and a better safety record⁴⁷.

4.4.3 Management and leadership skill needs specific to smaller organisations

Research suggests that smaller organisations face a range of specific management and leadership challenges, meaning that formal training is often too generic with too little emphasis on their specific concerns⁴⁸.

For example, a key challenge for smaller firms is leading change within the organisation, in terms of both implementing change initiatives and providing the appropriate communication and motivation to staff.

⁴⁵ Skills for Logistics Sector Skills Council Sector Skills Agreement 2006

⁴⁶ SEMTA Sector Skills Council Sector Skills Agreement, 2005

⁴⁷ Construction Skills Sector Skills Council Sector Skills Agreement 2005

⁴⁸ Henley Management College: The Development of the SME Leadership Model, 2004

Whilst there may be little difference in management or leadership theory between large and small organisations, the most effective way to implement this may differ. For many managers and leaders in smaller organisations it can be difficult to separate their roles as leaders of the organisation and day-to-day operational managers of the business. Dealing with time pressure, delegation and succession planning tend to be of particular importance.

In addition there are a range of attitudinal factors that can act to inhibit investment in training and skills, for example:

- A negative attitude to change
- A reluctance participate in formal development programmes
- A primary concern to keep the company running on a day-to-day basis and a lack of interest in what may be seen as ‘theoretical’ issues
- The isolation of the chief executive, who may be the only person concerned with policy decisions, and has no one with whom to discuss major issues facing the company.

4.4.4 Women’s management and leadership skill development needs

Research suggests that many women managers and leaders have accessed much training and development in the past and recognise its benefits. They often have strong views on needs and requirements, for example⁴⁹:

- A preference for a mentoring and coaching approach including an emphasis on ‘inspirational leadership’
- A need for confidence and assertiveness training
- A preference for development to be delivered in short, frequent sessions with a high degree of flexibility - notably in terms of location to reflect concerns about personal security and in terms of start/finish times to fit with childcare arrangements

⁴⁹ North West Development Agency: Women’s, BME and Community Organisations’ Leadership and Management Practices, 2006

4.4.5 Needs and issues for black and minority ethnic managers and leaders

There has been a relative lack of interest in, and recognition of the need for, leadership and management development among black and minority ethnic organisations⁵⁰. Many individuals tend to focus on their business as an employment need or lifestyle option, lacking longer term objectives or goals.

Relatively few black and minority ethnic managers and leaders have engaged in formal training and development and there is a general lack of awareness of what is available. A need is identified, however, for development to be delivered primarily at community or local level, overcoming potential social, cultural or religious barriers to access.

4.5 Recruitment problems

Given the increasing importance of manager and leaders in driving up performance and competitiveness, it is vital that they are able to address their needs via recruitment from the labour market. It is encouraging that, in general, the Region's organisations are comfortably meeting their needs for managers and leaders, with vacancies at less than 1% of total employment levels. Around 30% of all management and leadership vacancies are described as hard-to-fill, significant but somewhat lower than the average for all occupations of 41% whilst skill shortage vacancies for managers and leaders, at around a fifth of all vacancies are also notably lower than the average for all occupations. Within the Region it seems that Staffordshire has the greater recruitment problems for managers and leaders, with close to half of vacancies described as hard-to-fill, all due to skill shortages.

Table 1 - Density of recruitment problems for all managers and leaders

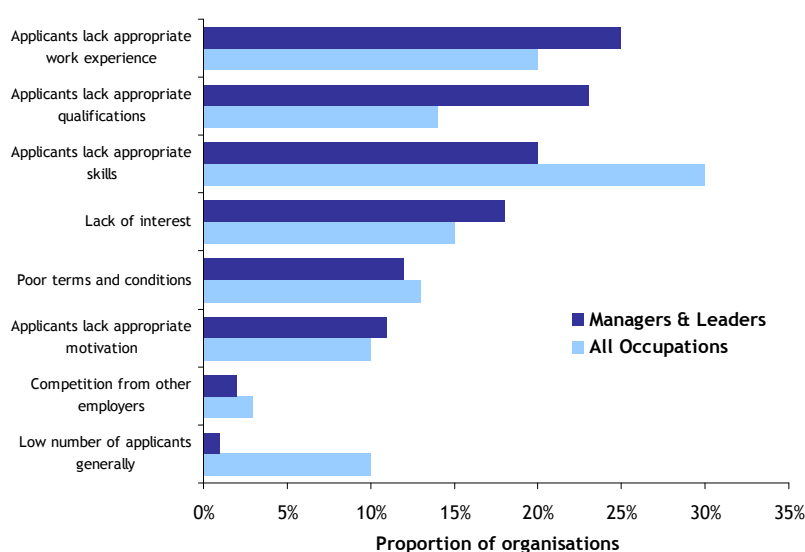
	Number of Vacancies	Vacancies as a % of employment	Hard to Fill Vacancies as a % of vacancies	Skill Shortage Vacancies as a % of vacancies
Birmingham and Solihull	504	0.7%	30%	29%
Black Country	282	0.4%	18%	15%
Coventry & Warwickshire	566	1.0%	36%	16%

⁵⁰ North West Development Agency: Women's, BME and Community Organisations' Leadership and Management Practices, 2006

Herefordshire & Worcestershire	434	0.8%	20%	11%
Shropshire	256	0.7%	23%	9%
Staffordshire	285	0.5%	46%	46%
West Midlands	2,327	0.7%	29%	21%
All Industries (WM)	61,187	2.7%	41%	33%

Source: LSC, National Employer Skills Survey 2005

Proportion of organisations identifying specific recruitment difficulties, W Midlands



Source: NESS 2005

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Recruitment difficulties due to a lack of appropriate skills from applicants do not appear to be a major barrier to recruitment of managers and leaders, with just over a fifth of all vacancies due to this, far lower than the regional average for all occupations of 33%.

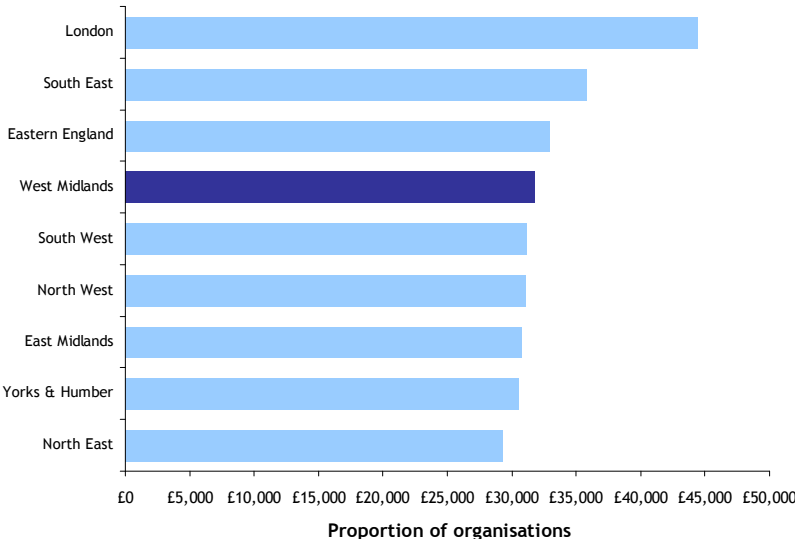
However, a significant proportion of employers cite a range of other barriers, notably applicants lacking appropriate work experience (25%) and qualifications (23%) - suggesting that existing skills provision may not always include the most appropriate mix relevant qualifications and on the job experience.

In terms of problems not related to the applicant's skills and knowledge, key barriers include a lack of interest (18% for managers and leaders compared with 15% across all occupations) and a lack of motivation (11% compared to 10% for all occupations).

While it will be important for providers of careers advice, information and guidance to counter any negative perceptions of a career in management and leadership this lack of interest and motivation may partly reflect salary issues, with some people opting to take better paid jobs in other parts of the country:

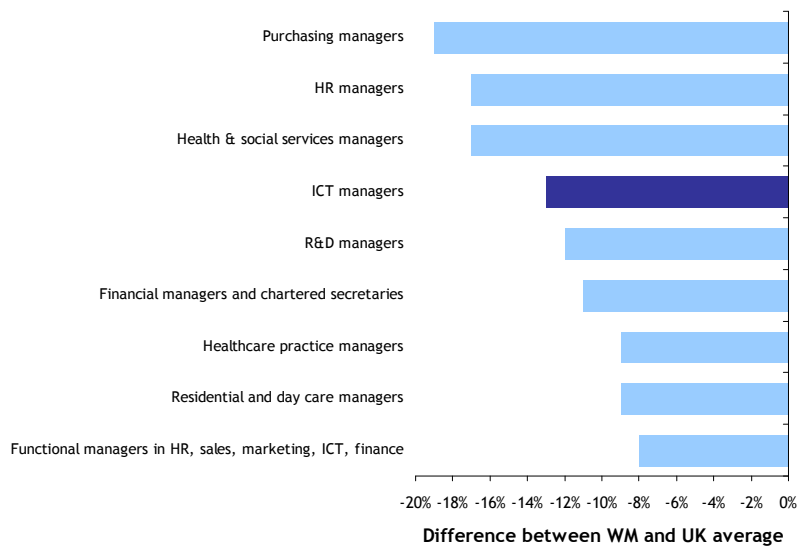
- While average salaries for managers and leaders in the West Midlands are higher than in the North East, the North West, Yorkshire & Humber, the South West and the East Midlands, they are 11% lower than in the South East and nearly 30% lower than in London.
- Average salaries are well below average for certain management occupations. For example salaries in the West Midlands for purchasing managers are 19% below the England average and the figure is 17% for HR managers, 17% for health & social services managers, 13% for ICT managers, 12% for R&D managers and 11% for financial managers and chartered secretaries.

Average salaries of managers & leaders by region, 2006



Source: ASHE 2006

Salaries of managers & leaders by occupation - regional/national comparison, 2006



Source: ASHE 2006

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4.6 Skill gaps in the workforce

Skill gaps and deficiencies in the workforce can potentially inhibit organisational growth and development, particularly if prevalent amongst managers and leaders. Around 3% of the Region's managers and leaders are deemed to have skill deficiencies by their employers, below the average of 5% for all occupational groups (although equating to a little over 10,000 staff). Indeed, of all occupational groups, only professional occupations have a lower proportion of staff with skill deficiencies (2.4%).

Table 2 - Skill gaps amongst all managers and leaders

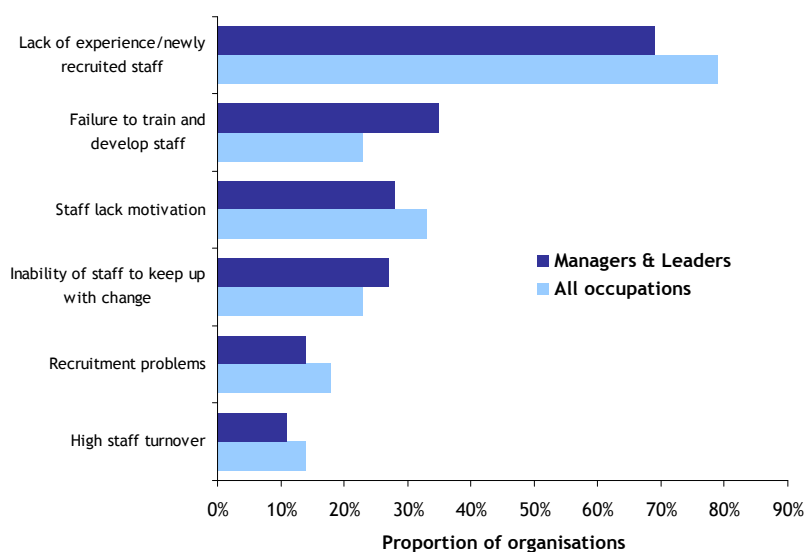
	Staff with a skills gap	% employers reporting a skills gap#	Skills gaps as a % of employment
Birmingham and Solihull	2,212	4%	3%
Black Country	1,848	4%	3%
Coventry & Warwickshire	1,315	4%	2%
Herefordshire & Worcestershire	1,715	4%	3%
Shropshire	745	3%	2%

Staffordshire	2,491	4%	4%
West Midlands	10,326	4%	3%
All Industries (WM)	115,927	17%	5%

Source: LSC, National Employer Skills Survey 2005

Variable weighted by employer base rather than employees

Proportion of organisations identifying particular causes of skill gaps, W Midlands



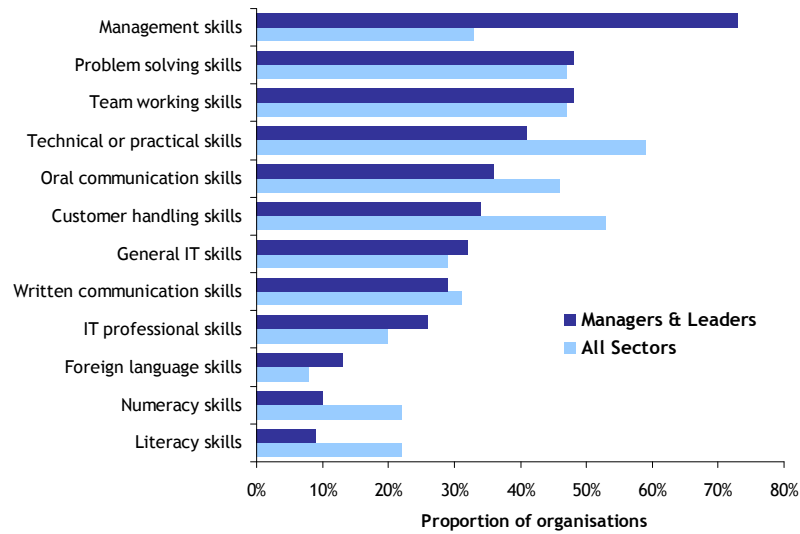
Source: NESS 2005

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The evidence suggests that the most effective way to address skill deficiencies among the Region’s managers and leaders may be further investment in training and development:

- Some 70% of organisations with gaps cite a lack of experience among newly recruited staff
- A third cite their own failure to train and develop staff
- A quarter highlight employees’ inability to ‘keep up with change’

Proportion of organisations identifying particular skill shortages in workforce, W Midlands



Source: NESS 2005

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Skill deficiencies amongst managers and leaders relate to both job specific technical and ‘softer’ generic skills:

- Perhaps unsurprisingly the proportion of organisations citing deficiencies in specific managerial skills among managers and leaders (three quarters) is significantly higher than for all occupations (a third).
- In addition, however, it is clear that deficiencies in generic skills are an issue for managers and leaders as well as staff at lower levels of the organisation:
 - Around half of organisations cite deficiencies in the softer generic skills of problem solving and team working among managers and leaders. This is a slightly higher proportion than that cited across all organisations.
 - A third of organisations also noted deficiencies in oral communication, customer handling and written communication amongst their managers and leaders.

4.7 Current employer investment in training and development

It is encouraging to note that organisations recognise the importance of investment in the development of their managers and leaders. The 2005 LSC National Employer Skills Survey (NESS) indicates that around two-thirds of organisations arranged on the job training of some sort for managers and leaders over the last 12 months, which compares with around half for admin/secretarial staff and personal service staff, less than a quarter for associate professional/technical, professional and routine/unskilled staff and less than 10% for other occupations.

Nevertheless results from the Chamber of Commerce Quarterly Economic Survey⁵¹ indicate a lower proportion invest in specific management or leadership development. Only half of employers that responded invested in this specific support for their managers and leaders over the last year.

The NESS survey indicates that a third of the Region's managers and leaders received either on or off the job training of some kind during the last 12 months, equating to more than 120,000 people. The proportion that benefited from specific management & leadership training, however, is likely to be lower than this.

Smaller organisations are less likely to arrange training for managers and leaders than larger organisations, with the likelihood of training increasing with the organisations size for both on and off the job training. For example less than 60% of organisations employing less than 25 people provide off the job training compared with 90% of those employing 500 people or more.

This can also be seen in terms of the proportion of employed managers receiving training, with less than a fifth of managers employed in the smallest firms receiving off the job training, compared to around half of all managers employed in organisations employing 25 or more staff.

⁵¹ In summer 2007 WMRO worked with the Confederation of Chambers of Commerce incorporate a series of questions related to specific management and leadership training for the West Midlands Economic survey for Q3 2007

Table 4 - Off the job training of managers and leaders by size of organisation (W Midlands)

	2-4	5-24	25-99	100-199	200-499	500+
Number of managers and leaders trained	15,460	30,178	32,548	13,714	16,782	13,745
% of managers and leaders trained	17%	29%	49%	47%	56%	52%
% organisations training Managers & Leaders off the job	55%	56%	67%	70%	85%	90%
% organisations training Managers & Leaders on the job	47%	54%	60%	63%	68%	86%

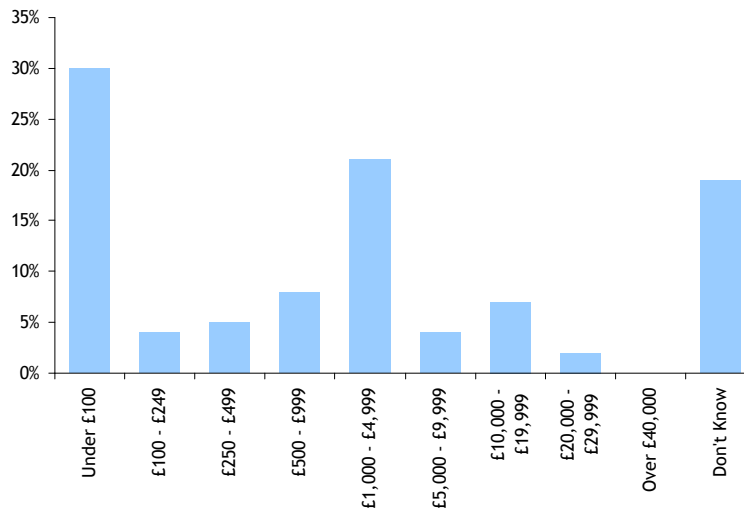
Source: LSC, National Employer Skills Survey 2005

Nevertheless the same survey shows that investment in training per employee is actually higher for smaller than for larger firms. While small sample sizes mean that results should be viewed as indicative, investment per employee is twice as high for an organisation employing between 2 to 4 people than for one employing between 5-24 people and around 4 times higher than for an organisation employing between 200-499 people. This suggests that smaller organisations are less able to take advantage of economies of scale in training provision available to larger organisations, leading to higher relative costs.

4.7.1 Levels of investment in management & leadership development

The NESS survey suggests that overall employers in the West Midlands invest some £25 million in various types of training for their managers and leaders. Levels of investment in specific management & leadership development, however, are likely to be much lower. The 334 companies that responded to the Chamber survey between them spent just under £540,000 on management & leadership development over the last 12 months. Of those that had made an investment only 10% had spent more than £5,000 on such training, almost half had spent less than £1,000 and 30% had spent less than £100.

Expenditure on management and leadership training



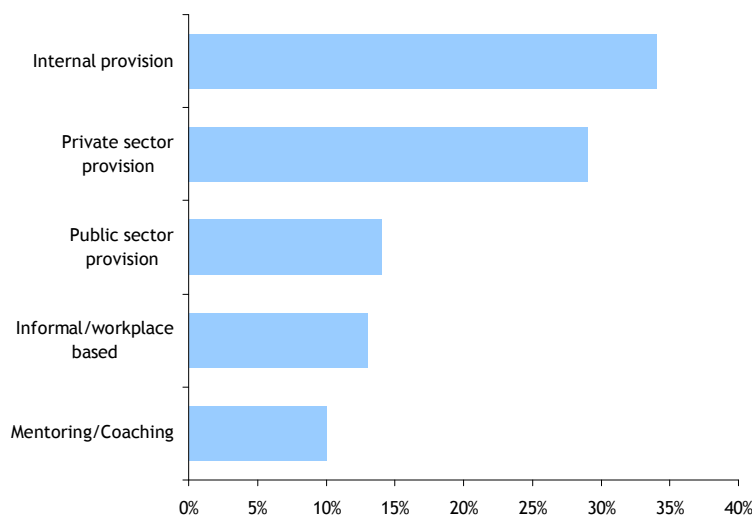
Source: West Midlands Chamber of Commerce Survey, 2007

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The Chamber survey indicates that nearly 40% of employers that invested in management and leadership development opted for ‘on-the-job’ provision. 30% opted for ‘off the job’ provision’ and 10% opted for a mixture of the two.

A significant proportion of employers (34%) opt to provide management and leadership training internally and a further 13% provide more informal development within the workplace. While some 29% access private sector provision only 14% utilise training available from the public sector.

Management and leadership training by type of provision



Source: West Midlands Chamber of Commerce Survey, 2007

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Appendix One: Standard Occupational Classification for Management & Leadership

Minor group	Unit group
111 Corporate Managers & Senior Officials	1111 Senior officials in national gov 1112 Directors & chief execs of maj orgs 1113 Senior officials in local gov 1114 Sen. officials spec interest orgs
112 Production Managers	1121 Prod. works & maintenance managers 1122 Managers in construction 1123 Managers in mining and energy
113 Functional Managers	1131 Financial managers & chartered secs 1132 Marketing and sales managers 1133 Purchasing managers 1134 Advertising & public rel managers 1135 Pers training & ind rel mngers 1136 Info & communication technol mngers 1137 Research and development managers
114 Quality and Customer Care Managers	1141 Quality assurance managers 1142 Customer care managers
115 Financial Instit and Office Managers	1151 Financial institution managers 1152 Office managers
116 Mngrs in Distrib Storage and Retail	1161 Transport and distribution managers 1162 Storage and warehouse managers 1163 Retail and wholesale managers
117 Protective Service Officers	1171 Officers in armed forces 1172 Police officers (inspectrs & above) 1173 Snr officers fire amb prson et al 1174 Security managers
118 Health and Social Services Managers	1181 Hospital and health service mngers 1182 Pharmacy managers 1183 Healthcare practice managers 1184 Social services managers 1185 Residential and day care managers
121 Mngrs in Farming Hort Forestry etc	1211 Farm managers 1212 Natural environ & cons managers 1219 Mngr anml hsbndry frst fish nec.

<p>122 Managers in Hospitality and Leisure</p>	<p>1221 Hotel and accommodation managers 1222 Conference and exhibition managers 1223 Restaurant and catering managers 1224 Publicans & managers licensed premises 1225 Leisure and sports managers 1226 Travel agency managers</p>
<p>123 Managers in Other Service Industries</p>	<p>1231 Property housing and land managers 1232 Garage managers and proprietors 1233 Hairdressing & beauty salon manager & proprietors 1234 Shopkeepers wholesale & retail dealers 1235 Recycling and refuse disposal managers 1239 Managers and proprietors in other services NEC</p>

5 Full document information

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