

# Management & leadership skills balance sheet: key issues and policy implications

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## 1 Background

The purpose of the skills balance sheet is to review the supply and demand for management and leadership skills in the West Midlands region and the extent to which employer needs are met by available leadership & management training and development provision. To this end:

- A 'demand side' report has been produced that reviews the 'market' within the region's business community for leadership & management training and development. Emerging skill needs and gaps in key sectors and from specific segments of the market such as small and micro businesses, women and minority ethnic communities are highlighted.
- A 'supply side' report has been produced that assesses the supply of leadership & management training and development provision funded by the public sector within higher education, further education and work based learning, together with training that is sourced and funded entirely by employers

A quantitative 'mismatch analysis' comparison of the expected number of new recruits/existing workforce requiring training and the volume of people gaining relevant HEFCE/LSC funded qualifications has been developed for previous sector-based balance sheets. In this case the project steering group has concluded that, however, that this would not necessarily add anything useful to a debate on key issues and their implications for policy. The group felt strongly that, rather than an issue of the volume of learners emerging from the publicly funded training system, of concern is actually:

- The specific leadership & management development needs of the region's businesses
- Issues and barriers deterring them from investing in these skills
- The quality and relevance of existing supply - from both the public and private sectors
- The ability of skills suppliers to address the specific needs and issues of individual businesses
- Models and ways of working in other regions from which lessons can be learned
- The policy priorities and actions which flow from the above

Drawing on the demand and supply side reports, this paper considers these issues and raises a number of questions for consideration by policy makers.

## 2 Demand side issues

The region's leaders and managers have a critical role to play in supporting improvements in the performance and productivity of the region's economy and addressing the £10 billion output gap with the UK highlighted in the West Midlands Economic Strategy. Indeed the strategy states that '*even where strong skill sets are available to business, we do not have sufficient people with the leadership and management abilities to innovate, drive change and get the maximum out of the knowledge available to them*'. As a result it is critical for available provision to effectively meet the leadership and management development needs of business.

The Region's leaders and managers have a critical role to play in boosting organisational performance and competitiveness via:

- The intelligent deployment of information technology, which can enable organisations to make dramatic leaps in productivity and redefine competition within whole sectors.
- Promoting innovation. Research suggests that the most innovative companies have visionary managers and leaders that inspire their workforce, management teams with a commitment to investment in innovation, the stamina to see things through and an openness to new people and ideas and have introduced systems, structures, processes, culture and networks that stimulate creativity.
- The effective development and deployment of workforce skills to support improvements in business performance

Furthermore a range of new leadership & management skill needs are emerging within the region's key sectors which need to be addressed by suppliers of training and development, for example:

- 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 skills<sup>1</sup>.
- 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 focus<sup>2</sup>.

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<sup>1</sup> Skillsmart Retail Sector Skills Council Market Assessment 2004

<sup>2</sup> Goskills Sector Skills Council Management & Leadership Report 2006

- 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 skills<sup>3</sup>.
- 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 skills<sup>4</sup>.
- 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 side<sup>5</sup>.

Despite this, however, the demand for leadership & management training and development remains relatively limited in the region:

- Findings from the West Midlands Confederation of Chambers of Commerce Quarterly Survey indicate that less than half of employers have invested in such training in 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.
- Demand for externally provided leadership & management training and development is particularly limited:
  - Of those that have provided training nearly 60% did this internally or via informal development in the workplace
  - While 30% have accessed private sector provision just 14% have utilised training available from the public sector.

A number of issues and barriers contribute to the limited uptake of leadership & management training and development by the region's businesses. In particular there is a problem that much of the formal, externally provided training and development on offer is too generic with insufficient emphasis on the specific issues, concerns and problems at an individual business level:

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<sup>3</sup> Skills for Logistics Sector Skills Council Sector Skills Agreement 2006

<sup>4</sup> SEMTA Sector Skills Council Sector Skills Agreement, 2005

<sup>5</sup> Construction Skills Sector Skills Council Sector Skills Agreement 2005

- Leaders and managers within small and micro businesses face a range of specific challenges, notably dealing with time pressure, delegation and succession planning and separating their roles as leaders of the organisation and day-to-day operational managers of the business<sup>6</sup>. 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.
- 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 which are not satisfied by much externally provided training and development , for example<sup>7</sup>:
  - 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
- 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 needs<sup>8</sup>:
  - 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 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.

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<sup>6</sup> Henley Management College: The Development of the SME Leadership Model, 2004

<sup>7</sup> North West Development Agency: Women’s, BME and Community Organisations’ Leadership and Management Practices, 2006

<sup>8</sup> North West Development Agency: Women’s, BME and Community Organisations’ Leadership and Management Practices, 2006

### 3 Supply side issues

The volume of individuals emerging from the publicly funded education and training system with leadership & management related skills and qualifications is increasing significantly year-on-year. LSC investment in provision via FE colleges and work based learning, for example, has risen by some 80% in the last year.

The vast majority of business investment, however, is in leadership & management development offered by private sector providers. These organisations, who unlike those in the public sector are not constrained by funding regimes, curriculum structures and assessment requirements, are able to offer tailored support to address specific issues, concerns and problems at an individual business level via, for example:

- Training and development in the workplace
- Group and personal and 1:1 support
- Short courses
- Full qualifications or support on a module-by-module basis
- Coaching that provides practical support to address specific issues
- 1:1 mentoring

Recognising these clear signals from the 'market' for management & leadership development, public sector agencies have begun to develop new and innovative approaches:

- Some have involved new ways of working between funders of training such as the LSC HEFCE and Regional Development Agencies, business advisers and brokers such as Business Link and networks of public and private leadership & management training providers and consultants.
- Others have involved sharing of best practice, ideas, knowledge and expertise and the creation of networks and partnerships which harness and share this wealth of expertise.
- The common principle, however, has been a highly flexible approach that can address leadership & management needs, issues and problems at an individual business level.
- Evaluation of the activity has demonstrated that in many cases there are positive outcomes in terms of the productivity, profitability, sales and turnover of participating businesses.

### 4 Policy implications

While public sector investment in leadership & management training and development has risen to record levels in recent years the demand from businesses has remained weak. This reflects a lack of alignment of supply and demand with:

- A preponderance of externally delivered, generic provision

- A demand for tailored provision that addresses the specific needs, issues, problems of individual businesses

Attempts by public sector agencies to develop innovative new approaches that meet these requirements have met with considerable success, with positive impacts on economic performance.

## 4.1 Questions for policy makers

### 4.1.1 'Demand side' issues

To what extent do qualifications provide the underpinning knowledge and skills required for leaders and managers?

To what extent are 'off the shelf' training packages meeting the needs of employers and individuals?

Some must be of value or they would have disappeared long ago - which are of value and in what particular circumstances?

To what extent do providers of training tailor their 'off the shelf' products to meet employers' needs?

Does this 'tailoring' provide the impact employers are looking for?

To what extent do private training providers achieve bottom line benefits for businesses from their programmes?

To what extent do employers train their own managers and is that training more or less effective than 'off the shelf' or tailored provision from professional training providers?

While public sector agencies are making efforts to adopt good practice - are they as effective in providing bottom line benefits as the private sector?

To what extent are subsidised and non subsidised training packages meeting the needs of employers?

Is the education and training available effective enough in equipping leaders and managers to be better purchasers of training in the future and to measure its impact in terms of business benefits?

How do we effectively communicate the benefits of investment in leadership and management to stimulate increased activity?

Building on our experiences of working with the senior management teams of a targeted group of businesses, what more can we do to ensure that businesses have the leadership capacity to make the most of their new investments and work on innovation and exporting to new markets?

What role should the Sector Skills Council network, cluster groups and other employer networks play in stimulating demand?

#### **4.1.2 'Supply side' issues**

To what extent is offering a tailored solution (including for example flexibility in the mode and timing) to employers' needs a financially viable proposition for suppliers?

What are the key changes needed in the training industry to drive 'demand-led' public sector provision?

Are these changes likely to be implemented in the next ten years?

To what extent are funding regimes, curriculum structures and assessment requirements inhibiting the development of a demand-led public sector provider base?

How will the Sector Skills Council network ensure that the leadership and management qualifications funded by the public purse are fit for purpose?

How will we capture all of the provision that is available and link this to the integrated business and skills brokerage service?

Is it feasible to adopt the 'good practice' approaches adopted in the West Midlands and elsewhere more widely?

Are there particular examples of good practice to be noted?

What has worked, why did it work and can we learn from or apply the example in the West Midlands?

Could we take a structured approach to identifying successful work elsewhere?