



INTERIM LEITCH REPORT

"SKILLS IN THE UK: THE LONG-TERM CHALLENGE"

Response from the Chartered Management Institute

POLICY RECOMMENDATIONS TO MEET THE CHALLENGE

OF RAISING MANAGEMENT SKILLS BY 2020

4 May 2006

1. OVERVIEW: THE CHARTERED MANAGEMENT INSTITUTE

- 1.1 The Chartered Management Institute welcomes the Interim Report from the Leitch Review of Skills as an important and timely contribution to the debate on the future skills base of the UK.
- 1.2 We strongly support the Report's recognition of the high levels of demand for management skills and the growing evidence base demonstrating the strong links between the impact of management skills and increased national competitiveness. We look forward to seeing this reflected in the Review's final recommendations.
- 1.3 In particular, the Chartered Management Institute is keen to promote a new policy focus targeting the development of higher level and intermediate skills. These will be essential if the UK is to prosper in the face of the combined pressures of international competition, a changing demographic profile and the demands of the knowledge economy. We believe that Government must help stimulate a step-change in the performance of UK management.
- 1.4 However, we are concerned that the interim analysis does not fully accept the pivotal role of management in driving improved performance. As the Cabinet Office Performance and Innovation Unit's 2001 Report on workforce development suggested, demand for skills is derived from wider management strategies, and these therefore need to change if we are to successfully make the shift to a high skills, high added-value economy.
- 1.5 We believe that it is essential that the Review's next phase addresses how managers will be properly skilled. In this Response we set out some policy alternatives to help deliver this ambition.
- 1.6 In developing this response, the Institute has used the findings of its detailed research programme into management and leadership skills. Our research has been carried out among the Institute's 71,000 members throughout the past two decades and more.
- 1.7 The Institute contributed to the work of the Council for Excellence in Management and Leadership (CEML) between 2000 and 2002, helping to provide a thorough analysis of the multiple factors shaping management capability in the UK. It also presented a comprehensive and useful set of recommendations. The Institute continues to work with both the DfES and DTI to advise their joint Leadership and Management Programme Board.
- 1.8 Through the Management Standards Centre (MSC), the Institute is appointed by Government (QCA, DfES, SSDA) as the Standards Setting Body for Management and Leadership. The MSC sets and maintains the National Occupational Standards on Management and Leadership, which is a national resource for all those working in management.
- 1.9 A further significant factor that distinguishes the Institute's response is our strong engagement with employers across all sectors. Our members are employed within business and public sector organisations and have a major impact not only on performance and productivity but also on the development of the skills of others.

- 1.10 Our qualifications span all levels of learning from Level 2 through to postgraduate and our membership criteria demand evidence of practical experience. Our continuing professional development programme makes lifelong learning a reality for many of our members.

2 SUMMARY: PRIORITIES FOR ACTION

- 1. By 2020, at least 50 per cent of managers should be qualified in management to level 4 or higher*.**
- 2. Chartered Manager should be established by 2015 as a benchmark against which employers and Government can recognise and measure professional management capability.**
- 3. Funding for individual learners beyond the age of 25 should be used to stimulate greater involvement in adult education. The new Learner Accounts should be implemented to encourage adults to continue to participate in learning.**
- 4. The Framework for Achievement should provide a clear credit framework to give both employers and learners better understanding and greater confidence in the value of qualifications and learning. The new Framework should facilitate progression routes across vocational, academic and professional education and across all sectors and occupations.**
- 5. Professional bodies should be acknowledged as a source of high quality learning and development in their specific fields and targets for professional qualifications should be included as part of the National Employer Training Programme ("Train to Gain") and other Government skills initiatives.**
- 6. A lead partnership should be formally recognised to develop basic standards on Human Capital Management reporting for inclusion in the Business Review.**
- 7. The Chartered Management Institute welcomes the proposal to review the higher education research funding system. As a key stakeholder with responsibility for part of the knowledge transfer process, the Institute seeks to contribute to the development of a new system that includes measures on the transfer and application of management research and learning to business.**

3 MAKING QUALIFICATIONS COUNT

To drive management capability, we recommend that the final report of Leitch Review of Skills identifies new targets for the qualification of managers in the current workforce:

By 2020, at least 50 per cent of managers should be qualified in a management discipline to level 4 or higher. *[This would include Level 4 S/NVQ in Management; management degrees, professional Diplomas in Management and higher level qualifications such as Masters or MBA programmes.]

- 3.1 The management population is significantly under-qualified, as recognised in the Interim Report: "41 per cent of managers hold below a Level 2 qualification" (Box 5.1). Furthermore, Labour Force Survey data (March-May 2002) indicates that just 38.5 per cent of managers and senior officials are qualified at NVQ level 4 or above compared to 80.9 per cent of those in professional occupations.
- 3.2 However, the Interim Report currently falls short in that it does not go on to identify the additional point that most managers lack qualifications related to their profession as managers. Too many remain what can be termed 'accidental managers' – highly skilled specialists or technicians who are promoted to management positions on the basis of their technical or specialist skills, not because of their suitability for a management role.
- 3.3 The Final Report of the Council for Excellence in Management and Leadership (2001) concluded that on a "rough estimate ... the proportion of managers with management related qualifications will not get much above 20 per cent in the longer term". This level should be viewed as untenable given the UK's ambition to shift to a high skills, high added-value economy.
- 3.4 This estimated level of only 20 per cent of managers being qualified is unacceptable given that it already takes into account both a strong growth in specific management qualifications, such as a 20 per cent growth in first degrees in business and management studies, and also the fact that the number of management NVQs has remained fairly static.
- 3.5 The extent to which UK managers are under-qualified and its likely impact on British competitiveness is partly evidenced by the higher level of management qualifications achieved by our US and European counterparts and their higher levels of productivity.
- 3.6 The 2006 UK Productivity and Competitiveness Indicators published by the DTI (March 2006) show that UK managers are perceived to lag their colleagues in France, Germany and the US in terms of "management quality", this is according to the latest survey by the International Institute for Management Development (IMD). These results are consistent with the CEP/McKinsey study which finds that UK manufacturing firms perform less well in terms of overall management practice, including talent management and performance management, compared with their international counterparts.

- 3.7 The Department for Education and Skills' research paper, "Managerial Qualifications and Organisational Performance" (Bosworth, Davies and Wilson, 2002), 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).
- 3.8 Research into process innovation in manufacturing, conducted at the ESRC Centre for Organisation and Innovation (COI) and the Institute of Work Psychology (IWP) at the University of Sheffield, and summarised for the TUC-CBI Productivity Challenge (2001), raised concerns about UK managers' skills in that:
- UK companies had a comparatively low rate of adoption of new practices;
 - UK companies preferred new practices relating to technology and techniques over 'people practices';
 - UK companies had adopted fewer new practices than their counterparts abroad.
- 3.9 Evidence from a Chartered Management Institute survey into skills (2002/3) demonstrated that employers welcome a plurality of options for work-based qualifications with a more practical content. Employers have also strongly indicated that assessed qualifications are often more appropriate than examined qualifications. Professional qualifications were generally rated as more relevant than academic and vocational qualifications.
- 3.10 While a qualification may be able to assess competence and knowledge at a given point in time, it does not always provide evidence of the application of management skills and an individual's impact in the workplace. Professional qualifications can combine evidence of impact with evidence of relevance through continuing professional development programmes.
- 3.11 Therefore, in the same way that public services are beginning to demand management qualifications for those responsible for delivering change, more could be done to help employers in other sectors demand management qualifications. Examples of good practice in this area include the Cabinet Office's Professional Skills for Government programme and the DfES's current proposals for qualification requirements for newly appointed Principals of FE colleges.
- 3.12 Raising employer demand for management qualifications could be achieved by creating "Licences to Practice" on a sector basis. For example, the care industry already requires NVQs in management.
- 3.13 Public procurement processes could also demand that an appropriate proportion of their suppliers' or contractors hold a recognised management qualification.

4 A NATIONAL MEASUREMENT OF MANAGEMENT CAPABILITY

Support for the development of Chartered Manager should establish this designation by 2015 as a benchmark against which employers and Government can recognise and measure professional management capability.

- 4.1 The designation of "Chartered Manager", introduced by the Chartered Management Institute in 2003, enables individuals with a management qualification and a significant commitment to CPD to gain externally validated recognition of their ability to deliver significant change in their workplace.
- 4.2 The six core leadership and management skills areas required to achieve Chartered Manager status are explicitly aligned to the skill areas identified in the National Occupational Standards for Management and Leadership. It therefore provides employers with a benchmark for professional management. As such, it could be promoted more widely by Government to help drive demand for professional managers.
- 4.3 In the shorter term, management qualifications that have also been developed using the competencies and behaviours identified by the National Occupational Standards for Management and Leadership should be used as key performance indicators for those Government departments and agencies responsible for delivering skills.

5 FUNDING FOR ADULT LEARNING

Funding for individual learners beyond the age of 25 should be used to stimulate greater involvement in adult education. The new Learner Accounts should be implemented to encourage adults to continue to participate in learning.

'Matched funding' options drawing on Government funding, employer investment and employee commitment would offer a simple and effective incentive for individuals to engage in training.

- 5.1 Given that the interim Leitch Report identified that 70 per cent of the workforce of 2020 has already completed compulsory education, the demographics demand that greater attention should be given to developing the skills of the current workforce.
- 5.2 It is therefore disappointing that the latest Budget Statement announced that free further education up to A-level will only apply to those under the age of 25. Demographic change, new age discrimination regulations and pension reforms all point towards the extension of working life – so Government support for skills must extend to all ages. It is unfortunate not to see more measures or incentives for adult training in the workplace.
- 5.3 Qualifications in management are often taken as a secondary discipline to augment a technical skill or specialism. As a result, management studies frequently suffer when funding stops at the age of 25.
- 5.4 Proposals for more flexible funding are generally welcomed, particularly where funding streams are re-routed through the employers and employees.
- 5.5 Alongside the entitlement approach of the National Employer Training Programme, introduced in the Skills Strategy as a way of raising minimum skills levels and engaging individuals, there is a case for reviving Individual Learning Accounts (ILAs) in a more carefully managed form, with a particular focus on training to Level 3 and above. As such the Institute welcomes the proposals within the Further Education White Paper to introduce a new Learner Account.
- 5.6 The use of the ILAs helped to reveal a strong preference among individuals for training and there is no doubt that learning is highly valued. Expressing the entitlement to learning as a form of empowered choice, with a matched contribution from employees, employers and government, can be a useful vehicle to encourage an intelligent discussion of co-financing. Both employers and employees have a very clear understanding of the idea of a 'government match', and might be more inclined to invest in their own learning if they believed that the government would contribute a similar amount.

6 CLEARER PATHWAYS TO PROGRESSION

The Framework for Achievement should provide a clear credit framework to give both employers and learners better understanding and greater confidence in the value of qualifications and learning.

The new Framework should facilitate progression routes and links across vocational, academic and professional education and across all sectors and occupations.

- 6.1 The government must give a clear signal that its current commitments to implement credit-based learning for adults through the new Framework for Achievement will be integrated with similar commitments for 14–19 years olds into a simple, well-understood system of comprehensive lifelong learning.
- 6.2 Learners need to be able to navigate their way with ease through the qualifications system. They must see qualifications as relevant, believe that achievement is properly recognised and be confident that the returns from learning – both economically and in terms of meeting their own potential – are high. It is vital that on and off the job learning can be united by a system of interchangeable, mutually recognisable credits. From the employers' perspective, it is essential that the qualifications framework is credible and offers an adequate guarantee of competence.
- 6.3 There must be parity of esteem between the academic, professional and vocational routes. The UK has always been reluctant to grant vocational qualifications the same respect that academic qualifications – honours degrees, A Levels, O Levels and latterly GCSEs – have been accorded.
- 6.4 The new Framework for Achievement should facilitate progression in a number of different directions:
 - Across educational stages – requiring alignment with the 14–19 curriculum and the Higher Education Qualifications Framework.
 - Across geographical boundaries – requiring alignment with the Scottish, Wales and Northern Ireland Frameworks and eventually extending beyond the UK.
 - Across occupations and sectors – requiring alignment with national occupational standards, sector skills strategies, professional body qualifications and CPD frameworks.
- 6.5 There is also a need for the regulatory bodies, such as QCA, HEFCE and QAA, to seek greater alignment of their qualifications and funding mechanisms to provide the desired progression routes across all levels of education.

7 BROKERAGE: RECOGNITION OF THE ROLE OF PROFESSIONAL BODIES

Professional bodies should be acknowledged as a source of high quality learning and development in their specific fields and targets for professional qualifications should be included as part of the National Employer Training Programme ("Train to Gain") and other initiatives.

- 7.1 The National Skills Strategy has led to several significant initiatives: modern apprenticeships, skills academies and the new, more vocational 14-19 diplomas, together with the support infrastructure of LSCs, RDAs and SSCs. It has however neglected to recognise and harness the considerable resource provided by the professional bodies.
- 7.2 There are close to 400 professional associations in the UK, with memberships extending to several million learners. They cover the full spectrum of those occupations which cut across industry sectors and are critical to the successful management of business and public services. They have a deep understanding of the challenges their members face and of their learning needs.
- 7.3 The Chartered Bodies in particular are instrumental in defining the standards for their professions and the development routes and qualifications that recognise learning and skills. We would point to the fact that many more people take professional qualifications, usually paid for by their employer, than take NVO's or post-graduate academic qualifications in management related fields as evidence of the relevance of what we do.
- 7.4 Another distinguishing feature of professional bodies is their commitment to raising standards through their codes of conduct, guidance on good practice and the emphasis on continuing professional development (CPD). The medium term prosperity of the nation is dependent upon upskilling, reskilling and updating knowledge within the current workforce.
- 7.5 Chartered Bodies go well beyond the delivery of professional standards and qualifications to give real public benefit in terms of lifelong learning. Most provide journals and other publications, research, contributions to public policy, libraries, websites, courses, conferences, face-to-face and electronic networks and other up-to-the-minute services, all extensively used by members and non-members for the purpose of continuous learning.
- 7.6 Much workplace development of all skills is led by management professionals. It is an area for which there is little public funding and support beyond Level 2 qualifications or apprenticeships. The Chartered Bodies play a vital role in encouraging CPD amongst their members. They also provide relevant frameworks and support to employers seeking to develop their staff and to transfer newly acquired skills into employment.
- 7.7 Some of the Chartered Institutes are already working closely with Government Departments and Agencies in the development of the National Occupational Standards for their disciplines. Their access to many thousands of practising executives is invaluable in ensuring that skills development is based on the real challenges of the occupation and on the needs of employers. It is a model of partnership that could be extended more widely. Unfortunately there are too few examples of this kind. Instead we see duplication of effort within the new

structures set up to promote the skills agenda and a failure to draw on the knowledge and expertise that exists within professional bodies.

- 7.8 There is a clear opportunity for Government to include professional training and qualifications within the targets relating to its current initiatives. An example of this is the National Employer Training Programme (NETP). At present the skills brokerage for this scheme signposts LSC accredited provision with an emphasis on Government targets. To achieve the improvements the nation seeks in productivity, in innovation and in public service delivery, it is vital that we encourage individuals and their employers to engage in continuous professional development of those skills which are fundamental to performance. The professional bodies should be acknowledged as a source of high quality learning and development in their specific fields and promoted as part of NETP and other initiatives.

8 CORPORATE REPORTING

A lead partnership should be recognised to develop basic standards on Human Capital Management reporting for inclusion in the Business Review.

- 8.1 The Business Review, which replaces the requirements of the Operating and Financial review, could play a significant role in setting and raising the standard of people management in companies.
- 8.2 The development of workforce reporting measures within the new Business Review could help to drive employer understanding of the strategic benefits that can be gained from investing in better people management. There is already good evidence of the process by which good HCM reporting combines narrative and hard data about the aspects of people management that most affect business performance.
- 8.3 The introduction of basic standards on HCM reporting by a recognised partnership could help to stimulate progressive thinking and developments in this area that focus on future value creation by seeking competitive advantage through the strategic management, deployment and development of employees.
- 8.4 Currently, the Chartered Management Institute is working with Investors in People UK, the Chartered Institute of Personnel and Development, and a number of other bodies including investor representatives and large employers on a Human Capital Management Standards Group. The aims of the group are to produce and test more unified and supportive guidance on the measures and information that companies should be using to report on their human capital.
- 8.5 The outcomes of this work will be shared with Government and disseminated more widely to help develop both the reporting capabilities of UK companies and investor insight into management performance. This current partnership offers a model of how Government could work with external partners to develop knowledge and capability in this area. The Institute could take a lead role in developing this model.

9 DRIVING KNOWLEDGE TRANSFER PARTNERSHIPS

The Chartered Management Institute welcomes the proposal to review the higher education research funding system. As a key stakeholder with responsibility for part of the knowledge transfer process, the Institute seeks to contribute to the development of a new system that includes measures on the transfer and application of management research and learning to the business community.

- 9.1 It is important that higher education institutions are responsive to the needs of practising managers. In order to achieve more effective knowledge transfer from academia to business, it will be important that this becomes a high priority in the commissioning of research and that practising managers are involved in the research process.
- 9.2 Therefore, the Chartered Management Institute welcomes the announcement in the March Budget that a radical simplification of the university research funding system is being considered. This could potentially include dropping the 2008 Research Assessment Exercise, if an alternative system could be agreed and adopted.
- 9.3 We are concerned that the current RAE system has dominated the agenda of business school Deans and faculty towards academic publications and citations to the detriment of teaching practice and knowledge transfer to practising managers.
- 9.4 The need for the greater involvement in institutions is one of the themes that runs through the Porter report: "Competitiveness increasingly relies on a country's appropriate structure of roles, institutions and processes to enable, organise, and drive efforts to improve business environments and clusters."
- 9.5 Professor Porter's most radical claim was that the old model of national competitiveness, which depended upon sharpened competition and took the institutional environment for granted, is now being supplanted by a new model. Firms still compete for custom, but their edge is more likely to come from the context in which they operate and how they manage their connections with the wider world. In the new model national competitiveness is improved collaboratively by firms, government (at all levels), educational institutions, and what he terms 'institutions for collaboration.'
- 9.6 These 'institutions for collaboration' enable firms to work together and take collective action, but at arms' length or one stage removed – firms can support marketing or promotion of the whole industry, co-ordinate their research, disseminate best practice and establish common standards for professions, trades and products. They provide a neutral ground for this work, and build up the collective intellectual capital of the industry. Examples given by Professor Porter include professional bodies, chambers of commerce, industry associations, unions and think tanks.

- 9.7 Unfortunately, such evidence as Professor Porter was able to put together confirmed a picture of a weak institutional landscape: "In the UK, there is anecdotal evidence that these critical institutions are less numerous and less effective than in competing locations. The government effort to create a network of industry forums, for example, is believed to have had some success in the automotive cluster, but little impact elsewhere."
- 9.8 The current programme of HEIF Bids for Knowledge Transfer partnerships could provide a basis for developing a new system that focuses on institutional collaboration and brings in professional bodies and think tanks alongside HE and business partners in setting the research agenda.
- 9.9 The Chartered Management Institute welcomes this development and will seek to contribute to the development of an alternative research funding mechanism that helps to prioritise the value of the knowledge transfer process. This would recognise the Institute's role in communicating and disseminating management research both to our membership and to a wider community of practising managers.
- 9.10 Knowledge transfer from research to teaching in business schools is only one of the routes to achieving improvements in practice. We therefore believe that it is vital that research knowledge is not only shared amongst teachers and students of research institutions, but is communicated as widely as possible to all practitioners working in all sectors.

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