



**PROGRESS REPORT ON NATIONAL SKILLS STRATEGY
FOR ENGLAND**

**Response by the
Chartered Management Institute**

30 May 2003

Chartered Management Institute response to the DfES *Progress Report on Developing a National Skills Strategy and Delivery Plan*

1 Introduction

- 1.1 The Chartered Management Institute welcomes the progress report on the national skills strategy and its overall aims to work with employers to align training provision with the skills employers want and to raise the quality, accessibility and effectiveness of the training on offer to stimulate demand from both employers and individuals.
- 1.2 In developing this response, the Institute has surveyed 5,000 members, gaining responses from 721 practising managers on some of the specific questions raised in the progress report. It also reflects the findings of its detailed research programme into management and leadership skills, education, training and development throughout the past two decades and more.
- 1.3 The Institute contributed to the work of the Council for Excellence in Management and Leadership (CEML) (2000-2) which provided a thorough analysis of the multiple factors shaping management capability in the UK and presented a comprehensive set of recommendations. We strongly believe that the Skills Strategy should provide the impetus and additional focused funding that is required to start securing effective delivery of the demanding CEML agenda that the Government committed to in September 2002.

2 Summary of recommendations for action

- Public funding should be targeted towards adults without basic skills, **but not exclusively**. To address the principal skills gap identified in management: a **proportion of funding needs to be flexible to ensure local discretion** for specific management development initiatives on a local or sectoral basis
- It is vital to recognise that the artificial mechanism of **imposing age cut-offs to limit funding creates a bias against** secondary disciplines (in chronological terms) such as **management and runs counter to UK demographic pressures**. The focus should be on raising the game of the current stock of managers
- Discretionary funding should **provide sufficient resource to promote what is currently working well**, such as the work of the Management Standards Centre, rather than creating new collaborative arrangements for delivery. There is evidence that **professional bodies and existing employer networks are the most effective routes to engage employers**
- The professional recognition for management as a discipline, which can now be achieved through the **"Chartered Designation"**, is a **key route to stimulating individual demand**, and this should be **recognised in the National Skills Strategy**
- The Government's central resources should be used to support the creation of clearer pathways through the formal learning and qualifications systems: employers and employees would benefit from a **clear roadmap of management development opportunities**.

3 Management weaknesses holding back innovation

- 3.1 The Council for Excellence in Management and Leadership between 2000 and 2002 was tasked by the DTI/DfES to develop a strategy for improving future management and leadership performance. CEML's final report, highlighted the need to address management weaknesses that are in part responsible for holding back innovation, productivity and performance.
- 3.2 The common estimate is that between 4 and 4.5m individuals in the UK have significant management responsibilities, yet 36 per cent of organisations report that their managers are not proficient. It is noted that the current low level of skills in the workplace is part of the reason for why employers are not moving to higher value added business strategies, but a strong reason is also the combination of low employer ambition and management skill deficiency.
- 3.3 These findings have indeed been recently echoed by Professor Michael Porter's review of the government's work regarding productivity, who found that while the returns from deregulation are diminishing, a focus on improvements in management and leadership would produce far greater returns. He concludes:
- "To achieve higher prosperity, UK companies will need to upgrade their productivity by competing on more unique and more innovative products and services. This will require changes in management behaviour; targeted investments in the business environment and the development and strengthening of new types of institutions."*
- 3.4 The Porter research also indicated that problems with managerial skills in the UK seem likely to be concentrated at the lower and middle management levels and that investing to upgrade managerial skills at these levels in the UK would be beneficial.
- 3.5 The CEML programme also identified a changing emphasis on the required aspects of management competence and leadership ability which previously received less attention: abilities to inspire and motivate; to enable people to do things differently thereby fostering higher levels of creativity and innovation, in order to achieve new levels of customer satisfaction and performance.

4 Priorities for public funding

- 4.1 The latest survey results strongly endorse the view that a significant proportion of public funding should be targeted on adults without formal level 2 achievement, but **not exclusively**.
- 4.2 There is a key danger that by only funding adults who do not already have a level 2 qualification, many of the identified areas of skills shortage, such as management, will be neglected. It is particularly common for management to be taken as a secondary qualification, once primary expertise has been gained in a technical discipline.
- 4.3 As management is identified in the skills strategy as a principal skills gap, the funding needs to be sufficiently flexible to ensure that there is local discretion to fund specific management initiatives on a local or sectoral basis as most appropriate.

- 4.4 We are particularly concerned by the proposal to focus funding contributions to support learning up to level 3 on adults only up to the age of 30.
- 4.5 It is important that the artificial mechanism of imposing age cut-offs for funding does not create an inherent bias against disciplines such as management which are often required once employees have gained initial qualifications and have had the opportunity to progress within the workplace.
- 4.6 This needs to be viewed alongside demographic considerations. The share of young people in the total population is expected to continue to fall over the next two decades while educational participation rates in higher education are steadily rising. Whereas falling labour market participation is now becoming an issue; the typical retirement age for men is steadily falling, with many leaving in their 50s, and unable to return to the labour market as a result of being unable to gain appropriate skills. Further reductions in activity rates for older people also seems likely, even though this raises significant implications for pensions.
- 4.7 The demographic realities reinforce the importance of investing in the current stock of managers, who will potentially be active in the workforce for another 20 to 30 years. This is also evidenced by the argument around the lack of demand for skills by employers. The Strategy Unit's report on *Adult Skills: Raising Demand* explored the notion that many employers may be unaware that they have significant skills deficiencies in terms of their existing workforce which may be limiting their capacity to compete and indeed survive in the marketplace.
- 4.8 There is evidence however that given sufficient management and leadership skills, firms can try to change their strategies and adopt new ones based more upon product enhancement and competing on quality rather than price, and that this leads to further increases in the skills required across the workforce.
- 4.9 There are now only around 3 million economically active people who possess no qualifications, but there remain over 6 million jobs for which no qualification is required for entry (Felstead et al, 2002). This aggregate imbalance powerfully suggests that the key challenge is in encouraging individual employers to raise their strategy to enable them to compete on a higher level.
- 4.10 Research also shows that highly qualified managers appear more likely to adopt strategies of introducing new, higher quality products and improving the quality of existing products. Conversely, less qualified managers are more likely to be engaged in increasing the efficiency of the production of existing products/services (DfES Research, Bosworth et al, June 2002).

4.11 In terms of our latest survey findings, managers' priorities for the skills areas requiring public funding and support were as follows:

Base: 721 respondents	Top priority %
Basic skills (literacy and numeracy)	69
Management and leadership to drive forward innovation and better work practices	20
Intermediate-level skills, technical training and vocational, for skilled trades	16
Mathematics, as a basis for technical training	11

Source: Chartered Management Institute policy survey April/May 2003

4.12 This supports the rationale that improving management needs to run parallel to raising workforce skills, as the necessary management and leadership skills are required to create an organisational culture that can grasp the right opportunities to innovate, change and grow. The clear majority of managers support the government's current focus on tackling basic skills.

5 Extent of management training in the UK

5.1 Over the past two decades there has been much discussion and debate about the skills of managers, and their education and training. In 1987 reports by Charles Handy, John Constable and Roger McCormick concluded that British managers lacked the training and development opportunities of overseas competitors; that the pattern of provision was fragmented, and that the majority of executives received no formal training.

5.2 The results of research carried out in the mid-1990s, suggested that organisations were slowly beginning to respond to the challenge. Institute surveys in 1994 and 1996 pointed to a great increase in the numbers taking management qualifications and the recognition among managers of the need for developing themselves.

5.3 The Institute's Achieving Management Excellence project of the year 2000 therefore provided a unique longitudinal perspective. The significant message of the study was the significant progress made in both the quantity and quality of management development in the UK. The Institute is now seeking to continue the tracking element of this important study through a further longitudinal research project through 2003 to 2004.

5.4 Our recent survey among 721 managers, also serves to reflect latent demand for further development. 81 per cent of managers have "a few" or "several" aspects of their present job where they would like to develop greater skills; and 26 per cent of respondents claimed to have had no training over the past year, and a further 27 per cent had too little training.

5.5 These findings also reflect the detailed research into the UK's need for better managers and leaders carried out by CEML between 2000 and 2002. The Council "uncovered a deficit in management and particularly leadership skills with supply mixed in quality, often inflexible, lacking practical application and presenting a confusing plethora of options to the consumer". The Council's final report also identified a "large latent

demand for management and leadership development, that is mostly immune to existing Government or supply-side interventions”.

5.6 These findings need to be applied to the consideration of appropriate public funding to stimulate management and leadership.

5.7 Our latest survey carried out among managers, confirms that the majority of employer and employee engagement is with the private sector and professional bodies. As such, the Government should focus on supporting existing effective delivery channels rather than creating new public sector delivery vehicles.

6 Incentives to stimulate demand

6.1 Looking at the possible funding mechanisms that would be most effective in stimulating demand, we asked managers to identify which measures they would find most beneficial to them personally and to their organisation.

Base:721	Most benefit personally %	Most benefit to organisation %
Employer subsidies for time off for learning	23	48
“Chartered” designation for enhanced recognition	21	30
Statutory right to time off for learning	18	23
Career Development Loans	12	42
Learner support funds (e.g. transport, childcare paid for)	9	46
Models of “licences to practise/operate”	5	30
Statutory training levy on employers	4	14
Consumer protection legislation requiring level of certification / qualification	3	35

Source: Chartered Management Institute policy survey April/May 2003

6.2 As expected, the preferred incentives reflect managers key potential barriers when they considered selecting and funding their own development outside of their normal work environment. Across the board, time pressures were cited as the key barrier to training: 56 per cent cited time pressures at work and 49 per cent cited personal commitments. Overall, 60 per cent denied that cost was the main factor limiting training.

6.3 A quarter of managers claimed the lack of assurance that development activities were pitched at the right level was a potential barrier.

6.4 One in five managers cited that lack of knowledge about the opportunities available and lack of confidence in the benefits to be gained were also barriers.

- 6.5 In terms of rating the likely impact of measures designed to make training providers more responsive to customer demands, there was a strong preference for giving employers and employees more direct control of the available funding:

Base: 721	Top priority %
Giving employers more control of the available public funds for learning	42
Giving individuals more direct ownership of public funds to support their learning (i.e. Individual Learning Accounts)	39
Linking the allocation of funds for adult learning to regional, local or sectoral analyses of needs	33
Giving greater weight to learners' views in the performance monitoring arrangements	29

Source: Chartered Management Institute policy survey April/May 2003

7 Professional recognition – a key driver of demand

- 7.1 As indicated in the table above (6.1), the Chartered designation giving professional recognition for management was rated as the second most effective incentive to stimulate demand.
- 7.2 The Skills Strategy “Underlying Evidence” quotes from Bosworth and Massini (2000) that whilst management is often considered a profession, it does not have the qualification standards of other professions.
- 7.3 Labour Force Survey data (March-May 2002) indicates that 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. The Learning and Skills Council report *Skills in England* notes that this high proportion of managers who have low qualifications levels raises concerns that it may be reflected in their having low managerial skills.
- 7.4 Recognising the need to drive up the level of professionalism, the Government awarded the Institute the Royal Charter in 2002. This is a crucial first step in putting management on a par with the other chartered professions.
- 7.5 In terms of being able to identify and recognise managers with the required abilities to drive innovation and performance in the workplace, the Institute has been at the forefront of recognising managers' development within the workplace. It has been done by developing a new Chartered assessment approach that recognises an individual's current management competence and positive impact in the workplace.
- 7.6 The Institute is now introducing the new designation of Chartered Manager, enabling individuals to gain public recognition for their management capability and providing employers with tangible evidence of current competence.

- 7.7 This should be an important step towards encouraging individuals to progress their personal development so that they can join a pool of professionals capable of leading innovation and maximising the value of our science and technology to achieve success for their organisations.
- 7.8 It is unique in that managers will be assessed based on evidence from the workplace and their practical capability (using 360-degree feedback and other assessments), rather than their ability to excel at examinations.
- 7.9 The Chartered Manager Designation will provide an unequivocal definition of what it means to be a professional manager. It will provide employers with a template and kite mark of quality. The Chartered Manager designation requires prospective candidates to make significant commitment to continuing professional development (CPD), in addition to rigorous qualifying requirements.
- 7.10 The Institute will look for Government support in promoting to employers the Chartered Manager award as a key route for developing managers in the workplace.

8 More flexible funding of learning and more flexible qualifications

- 8.1 The proposals for more flexible funding are generally welcomed, particularly where funding streams are re-routed through the employers and employees.
- 8.2 In terms of the suggested changes to make the qualifications system more responsive to the needs of learners and employers, the preferred routes were as follows:

Base: 721	Net level of agreement
Increase the scope for individuals to build up units of learning over time	84
Create clearer pathways of progression through the National Qualifications Framework	76
Increase the availability of online assessment processes	46
Create more employer-specific forms of qualification	40

Source: Chartered Management Institute policy survey April/May 2003

- 8.3 The work of the Council for Excellence in Management and Leadership looked in part at the required competences for today's and future managers and leaders. Its findings have now formed the basis of the revision of the Management Standards.
- 8.4 Picking up this theme, we also found a new emphasis on informal and in-organisation learning in developing these required competences. We recognise the increasing importance of work-based learning to achieving the UK's ambition of creating a pool of professional managers and leaders of the appropriate calibre that will lead to improved performance and higher levels of innovation.

9 The scope for working more effectively through employers

9.1 There is a clear need for better integration of business support services. Our skills survey showed that the first port of call for information, advice and guidance on management and leadership development opportunities was human resources/personnel department (18 per cent), followed by professional bodies (16 per cent) and website search engines (16 per cent). The main sources that would not be considered were bankers (62 per cent); accountants (55 per cent) and trade union learning representatives (44 per cent). The full results were as follows:

Base: 721	First port of call %	Other possible sources considered %	Sources that would not be considered %
Human resources/personnel department	18	24	19
Chartered Management Institute	16	53	3
Other professional bodies	16	48	4
Website search engine	16	38	11
University / business school	8	40	7
Personal mentor / coach	6	17	20
Business networks	4	29	10
College of further education	3	27	16
Business Link Advisers	2	14	22
Careers consultant	1	13	34
Trade association	1	13	27
Local Chamber of Commerce	1	12	28
Non-executive director	1	10	30
Learndirect	0	13	25
Local Learning and Skills Council	0	13	24
Regional Development Agency	0	9	29
Sector Skills Councils	0	7	26
Accountant	0	5	55
Union Learning Representative	0	4	44
Banker	0	2	62

9.2 The breakdown in terms of occasional/active engagement with regional and local agencies was as follows:

Base: 721	% of managers
Business Links	21
Local Learning and Skills Councils	12
RDAs	10
Premier Business Centres	8

9.3 Only 7 per cent of managers reported any level of involvement with the more recently established SSDA; SSCs, and FRESAs.

9.4 This raises the issue that the Government should be seeking to target support more effectively at existing collaborative arrangements that are already recognised by employers as effective routes to raising skills for productivity.

9.5 The Institute and UFI/Learndirect are currently working in partnership looking at the feasibility of an online signposting system across all levels of provision and linking to the diagnostic tools already being used such as IiP, Laurel online, BITE etc.

9.6 The Institute has a key role in creating partnership working and coalitions to address the skills issues. Successful initiatives include:

- work of the Management Standards Centre in bringing together a steering committee from across all stakeholders
- Technology Means Business initiative with the DTI
- work of the professional management bodies looking at collaboration on CPD schemes
- partnership work with UFI/Learndirect in respect of online signposting proposals
- *Leading Change in the Public Sector: making the difference*, a research report, supported in part by the DfES, is being published on 17 June: this has successfully brought together many public sector organisations
- Work with a broad partnership to advise on the next stage of the Institute's longitudinal study of management development in the UK (which began in 1986)

9.7 The Institute plays a key role in leading pilots and steering collaborative projects, but sufficient pump-priming and central Government support is often required.

10 Systematic improvement in provision for young people, including improvements to Modern Apprenticeships and vocational courses in FE and HE

- 10.1 The ratings managers gave in our latest survey to the relevance of management qualifications in terms of their organisation, were lowest for Modern Apprenticeships in Management, NVQs/SVQs in management and also for doctorates. In preference, managers rated professional management qualifications including certificates and diplomas in management, and MBAs as more relevant to employers.
- 10.2 Significant work has to be done to raise awareness of the newer vocational qualifications among managers and employers, if young people are to achieve their desired level of recognition for developing relevant skills.
- 10.3 Further research into the likely uptake and levels of employer recognition would be recommended as a first step towards developing foundation degrees in management.
- 10.4 As already mentioned above, qualifications in management are often taken as a secondary discipline to augment a technical skill or specialism. This should be recognised in the funding arrangements for vocational courses in management, such as the Modern Apprenticeships, where funding is stopped at the age of 25. This should also be recognised in the development of vocational courses.

11 A Delivery Plan that sets out the roles and responsibilities of the main stakeholders and agencies

- 11.1 A key role for central government is to create clearer pathways through the formal learning and qualifications system for those seeking to develop their management skills (para 59, p24; National Skills Strategy – progress report).
- 11.2 The Management Standards Centre (MSC), which is an organisation within the Chartered Management Institute, was established in July 2000, following the de-recognition of METO by the DfES and is formally recognised as the guardian and standard setting body for the national management standards.
- 11.3 It will be important that within the National Skills Strategy there is appropriate recognition of the role of MSC and identified support for the promotion of the new occupational standards for Management and Leadership.
- 11.4 It is generally understood that there will not be a Sector Skills Council (SSC) for management and leadership. This is sensible given the all-pervasive cross sectoral nature of management and leadership. The MSC is already engaged with key activities to develop and support the infrastructure for management and leadership development. Its role includes co-ordinating the Management Awarding Bodies Forum and liaison with and support for the emerging network of Sector Skills Councils and the Regional Development Agencies.
- 11.5 The MSC is prepared to lead this work and will seek to contract with the Strategic Skills Development Agency for various projects to support the uptake of management and leadership across Sector Skills Councils.

- 11.6 It should be noted that mechanisms are already in place which allow the inclusion of management and leadership units within NVQs/SVQs. However, in developing hybrid NVQs/SVQs, there are often practical difficulties with respect to the funding streams. As part of the review of the standards, a project has already been designed to address introducing core units in management and leadership from level 2 and above into all NVQs/SVQs.
- 11.7 It will be important that the MSC is supported sufficiently to allow the promotion of the availability and use of the standards to a range of organisational and individual users, particularly employers. The unique selling point of the standards is that they will be the most widely researched and up-to-date articulation of the management and leadership skills needed by UK employers. They are a national resource which should be exploited to the full.

12 Clearer Pathways: a new roadmap

- 12.1 The Institute fully supports the identified priority within the progress report to create clearer pathways through the formal learning and qualifications system for those seeking to develop their management skills (para 59a).
- 12.2 There are two fundamental areas that need to be developed. The review and promotion of the National Occupational Standards to provide a benchmark for mapping the qualifications framework, and a review of how best to map and make accessible the existing learning and development opportunities.
- 12.3 There still needs to be a much more integrated approach across vocational, academic and professional learning opportunities, which can be easily understood and accessed by both employers and employees.
- 12.4 Evidence clearly shows that employers welcome a plurality of options for work-based qualifications. They express a desire to be able to choose between qualifications with a more practical content and those with a more academic focus. Employers have also strongly indicated that assessed qualifications are often more appropriate than examined qualifications.
- 12.5 The Institute, through its membership criteria, is already supporting the promotion of all certificates and diplomas in management and vocational qualifications such as NVQs/SVQs that fit within the National Qualifications Framework.
- 12.6 The strategic issue that Government and the regulatory bodies should be addressing is the need for all providers and awarding bodies to map their qualifications onto the National Qualifications Framework and thereby create a plurality of routes to management learning that improves access to all academic, vocational and professional qualifications. All awarding bodies should consider such progression routes and enable linkages to the qualifications of other awarding bodies.
- 12.7 The Department for Education and Skills should take the lead in seeking to simplify progression for individuals between the various routes.

BACKGROUND INFORMATION



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As the champion of management, the Chartered Management Institute shapes and supports the managers of tomorrow. By sharing the latest insights and setting standards in management development, we help to deliver results in a dynamic world.

Encouraging management development, improving business performance

The Institute offers a wide range of development programmes, qualifications, information resources, networking events and career guidance services to help managers and organisations meet new challenges in a fast-changing environment.

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With in-depth research and regular policy surveys of its 93,000 individual members and 500 corporate members, the Chartered Management Institute uses its deep understanding of the key issues to improve management performance.

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