

DRIVING UK POST- PANDEMIC PROSPERITY:

Putting Management and Leadership
skills at the heart of the UK rebuild

February 2021



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Ann Francke & Jonathan Geldart

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FOREWORD: Ann Francke & Jonathan Geldart



ANN FRANCKE OBE CMGR CCMi
Chief Executive, CMI

Managers across all sectors have shown incredible resilience during the Covid pandemic. Working practices and operating models have changed dramatically, and the levels of innovation, at pace, have been inspirational.

The vaccination programme now offers a glimmer of hope for a return to a new normal and the first opportunity to ask - how do we best prepare our workforce for the future?

As this paper demonstrates, there is a clear need to level up the UK's Management and Leadership training provision - and this is the moment for the Government to take decisive action by investing in these core skills, now.

Investing in these skills, today, means that in a decade's time we could see a UK which has finally addressed the long-tail of low productivity firms that hold back our GDP; and which has transitioned to an innovation-led economy with more workers in high-quality jobs.

Management and leadership skills will be central to a fast and resilient economic recovery. The Government cannot afford to overlook this vital aspect of national renewal.

A handwritten signature in dark ink, appearing to read 'A P Francke'.



JONATHAN GELDART
Director General, IoD

Business needs to be front and centre of the Government's recovery plans. Directors and senior leaders will be creating the jobs and driving the innovation that the economy needs to rebuild.

It is too easy to see the recovery simply in terms of big infrastructure spending, but to focus on just one area risks overlooking the benefits of investing in the UK workforce.

The Government is right to put skills at the heart of the UK's recovery plans, and must now take a long term view of what the economy needs. We sincerely believe upskilling directors and managers throughout the UK will provide a compound benefit at a time we need it most.

Directors and senior leaders of organisations have told us they need workers with the management skills necessary to drive companies forward. The leaders of the engine of the economy have spoken and we encourage the Government to listen to their voice.

A handwritten signature in dark ink, appearing to read 'J Geldart'.

SUMMARY

We are at a pivotal moment: as we emerge from the pandemic, carefully targeted investment, now, can help build a more resilient, sustainable economy that meets the needs of employers and UK workers. Investing in management and leadership - in a universally accessible way - is critical to this.

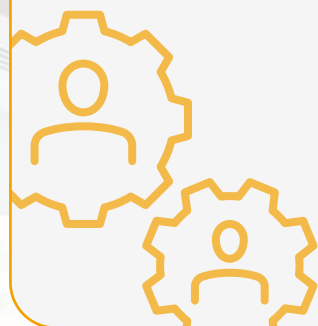
NEW JOINT RESEARCH FROM CMI AND IOD REVEALS¹

▶ 96% of Managers and 89% of Directors say that management and leadership roles are important for shaping the UK's economic recovery in 2021.

▶ 98% of Managers and 95% of Directors highlighted enhancing management and leadership skills as critical to improving organisational performance in the coming financial year.

CMI AND IOD ARE CALLING ON THE GOVERNMENT TO:

- 1 Allocate additional funding to ensure that every course funded through the National Skills Fund also includes a 'bolt on' of high-quality core skills training, including digital, communication and management and leadership provision.
- 2 Extend support for adult skills through the Lifetime Skills Guarantee up to Level 5, enabling adults who already have a Level 3 qualification to access critical training at higher levels.
- 3 Introduce targeted support for all SMEs to boost their management and leadership capabilities, with all SME business leaders given the opportunity to undertake a high quality management or leadership qualification.



THE UK'S MANAGEMENT & LEADERSHIP CHALLENGE

The gap between the skills needs of employers and the capacity of the workforce means that UK businesses are facing the prospect of tackling the national recovery effort from a point of considerable disadvantage; with a workforce not appropriately skilled for the task that lies ahead. We also have a long-standing productivity challenge, constraining our ability to adapt and innovate during future moments of economic uncertainty.

The UK economy and labour force has been fundamentally changed by the pandemic: GDP has seen the **largest decrease since 1709**, workforces have been displaced, and some industries may never recover from the negative impact of Covid. The pandemic has also produced a dramatic change in working practices, with businesses being forced to quickly change their operating models. These changes may become permanent, and we have an opportunity to capitalise on these changes. Good management and leadership has never been more important to **build back better** - to deliver thriving and innovative companies, and good quality jobs. Yet the UK remains at the epicentre of a management and leadership skills crisis: globally the UK has been ranked well behind key competitors such as the US, Japan and Germany in terms of its leadership capabilities² and this management and leadership crisis shows no signs of abating.

Industrial Strategy Council analysis of the Organisation for Economic Co-operation and Development **Jobs for Skills database** suggests that three of the top four largest skills shortages projected for the UK in 2030 are core management skills: leadership and managing others, critical thinking and decision-making, and advanced communication and negotiation.

The Department for Education's (DfE) 2019 **Employer Skills Survey** also demonstrates a dearth of management skills, with a lack of management and leadership skills reported by employers as a factor in three-fifths (57%) of skills gaps.

SKILLS SHORTAGES IDENTIFIED BY THE INDUSTRIAL STRATEGY COUNCIL

2.1
million

► **2.1 million** workers are likely to be acutely under-skilled in at least one core management skill (leadership, decision-making or advanced communication).

800,000

► **800,000** workers are likely to face an acute shortage in teaching and training skills - which are defined as the ability of those in the working environment to upskill others.

1.8
million

► **2.1 million** workers are estimated to face under-skilling in terms of knowledge necessary for educating and training.

DELIVERING A SUSTAINABLE PLAN FOR GROWTH IS NOT POSSIBLE WITHOUT CLOSING THE PRODUCTIVITY GAP

The UK has for many years lagged behind other G7 nations in terms of its productivity. At a firm-level, the UK has a so-called '**long-tail of low productivity**' SMEs relative to other developed nations. This is partly due to a lack of government investment in higher level skills and the lack of a supportive policy framework to enable private investment. Yet there is a way to turn this productivity deficit around: good management and leadership skills are a key enabler of firm level productivity by unlocking important drivers of growth such as capital investment, technology adoption, on-the-job learning, and efficiency improvements.

The **Bank of England** finds a lack of management quality is an explanation for the UK's poor productivity and research from the **Confederation of British Industry (CBI)** indicates that businesses that improve their management practices from the lowest levels to the UK median can increase their productivity by 19%. The Government recognised this in its **2019 Productivity Review** noting: 'Businesses that embrace leadership and management best practice and adopt tried-and-tested technologies are more profitable, productive and are better to work for. We need to get businesses across the country to adopt these actions and boost their own productivity'.

The review also went on to highlight the lack of quality management provision targeted at SMEs: 'We agree that there is a lack of trusted training provision available nationally targeted at SME business managers. Respondents stated training courses needed to have flexibility and be focused on the specific issues facing the SME managers, and not one-size-fits all.'

Both **the IoD** and **CMI** have consistently highlighted the benefits of lifting the lid on this longtail of productivity, by improving management and leadership skills. We are of the opinion that an emphasis on key management and leadership skills can add to the overall economic growth of the UK by expanding employment as well as earning opportunities for individuals, and increasing labour market competitiveness.

At the height of the pandemic, our joint research shows that **96%** of managers and **89%** of directors feel that management and leadership roles are important for shaping the UK's economic recovery in 2021.³

▶ **98%** of managers and **95%** of directors highlighted enhancing management and leadership skills as critical to improving organisational performance in the coming financial year.

▶ Over half of managers (**54%**) and directors (**53%**) consider leading change and innovation or digital transformation to be among the most important management skills for driving their organisation's performance in 2021.

These findings were consistent across all organisation sizes and regions.

GOOD MANAGERS & LEADERS ARE ESSENTIAL TO RESKILL THE NATION

With the Office for Budget Responsibility estimating that there could be 2.6 million people unemployed by the middle of 2021, the Government is about to embark on a substantial programme of job creation. The Government's "Plan for Jobs" aims to create tens of thousands of new roles in infrastructure, decarbonisation and maintenance projects, among other areas.

Highly skilled, capable and empathetic managers will be essential to absorb, train, guide and develop recruits for these new roles, particularly in new professions where ways of working are only just being established. These managers will be needed in large numbers, so consistent high standards of training for them is essential. For instance, the Government plans to create two million green jobs alone by 2030; this could require a minimum of 130,000 new leaders/ managers.⁴

Skills gaps identified by the Industrial Strategy Council reiterate the need for upskilling those who are responsible for the growth and development of others. This is because individuals in management and supervisory positions play a **fundamental role** in helping their co-workers strengthen personal skills and improve their performance. For a resilient business it is important, therefore, that managers and directors **not only be evaluated** on the basis of the performance of their business but also on the basis of the performance of their people.

Good managers will send their workers on training courses to upskill, provide mentoring and coaching, or create other ways in which workers can learn on the job. We have also seen an **increased demand for a focus on more human skills** in the workplace such as communication and wellbeing. Indeed, CBI **analysis** finds that if the UK improved its performance on people management by 7%, £110bn could be added to the country's income. That's about equal to doubling the value of the UK's construction sector.

The evidence is undoubtedly strong for investing in management and leadership skills, but we are all too aware that the take up of high quality management and leadership training is still very low. As the professional bodies that set management and leadership standards, we know that most managers and leaders do not have the skills to support these recruits. In the UK, there are approximately 11,000 Chartered Managers and 1,000 Chartered Directors: a tiny proportion of the 3.5 million people working as Managers, Directors or Senior Officials in 2019.⁵

With our latest joint research showing that, on average, in 2020 it took **69 days to recruit a senior leader and 58 days to recruit a manager, the Government must ensure that it invests in management and leadership skills at the same rate as it invests in job creation. This is essential to deliver high quality work in these new industries and for new recruits.**

⁴ CMI estimates based on the number of green jobs that government plans to create (2 million) and McKinsey research on the maximum direct reports for a manager (15).

⁵ Oxford Economics, The Economic Impact Of Chartered Managers, September 2019 (unpublished)

LEADING & MANAGING ORGANISATIONS THAT ARE RESILIENT FOR THE FUTURE

Covid-19 has demonstrated that business leaders in the UK cannot be complacent. Before the pandemic we had already seen technological innovation, but the past year has ushered in an unprecedented era of change and unpredictability. Business resilience has been hit hard: in **January 2021** **32%** of businesses had three months' or less cash reserves, while only **73%** of businesses remained trading.

Organisational resilience is poorly defined in management literature, however a recent review⁶ has conceptualised organisational resilience as the ability “to maintain functions and recover fast from adversity by mobilising and accessing the resources needed... resilient behaviour, resilience resources and resilience capabilities enable and determine organisational resilience”.

Managers and leaders can help ensure organisations are resilient, by being quick to innovate, and to assess and mitigate risks. Our joint research demonstrates that **74%** of managers and **63%** of directors identify either managing uncertainty, managing risk or leading change and innovation as important management competencies for driving organisational performance in 2021.

High quality training in management and leadership development is essential to ensure that UK businesses can deal with future economic shocks. We've seen this happening in the recent pandemic. Organisations using management degree apprentices, for example, which lead to a professional management qualification, equip future managers with these skills. Our case study from 2021 describes the impact in the recent pandemic.

Investing in management and leadership skills is essential to promote long-term resilience in the UK economy.



This pandemic brought on untold challenges for everyone but more so for us working in healthcare; we've faced one of the biggest challenges of our careers. While nothing could have prepared us for this, my management training has made a huge difference.

Those who were on our management degree apprenticeship programmes have been conspicuous during these challenging times, showing their willingness to step up and be leaders that we need; to make decisions, adapt and make rapid changes to our services and teams, as required by the COVID pandemic. However, the next phase of rebuilding and getting back to a new normal is going to require leaders with even more core skills that apprentices develop as part of their learning.

Jill Ablett, Consultant and Director of Medical Education at Royal Berkshire NHS Trust, and Chartered Manager Degree Apprentice



CONCLUSION & POLICY RECOMMENDATIONS

The evidence is clear: that training in leadership and management is vital to **boost productivity** and ensure workers are resilient to the rapidly changing labour market. They should be considered - along with English, Maths, digital and communications - core skills, which are vital regardless of sector, size of business, or role. Leadership and management skills widen the pool of jobs people can access and enhance their ability to progress within those roles. These skills will also be key to the success of other government investment, for example in research and development and infrastructure; we need competent managers and leaders to deliver those projects successfully.

The Government has indicated it intends to address some of the challenges addressed in this paper, recognising, for example, the importance of digital skills and investment in this area, and facilitating greater use of modular learning. This is positive but does not go far enough. To enable greater government support for the vital skills which the private sector currently under-invests in we are calling on the Government to:

- 1** Allocate additional funding to ensure that every course funded through the National Skills Fund also includes a 'bolt on' of high-quality core skills training, including digital, communication and management and leadership provision.
- 2** Extend support for adult skills through the Lifetime Skills Guarantee up to Level 5, enabling adults who already have a Level 3 qualification to access critical training at higher levels.
- 3** Introduce targeted support for all SMEs to boost their management and leadership capabilities with all SME business leaders given the opportunity to undertake a high quality management or leadership qualification.

Co-investment is an important principle for management and leadership development but we know that without initial government funding not enough businesses will invest in these vital skills; and it is especially difficult for SMEs. This initial government funding will, in turn, unlock further contributions from employers. We can point to strong examples of where businesses have been encouraged - through government funding - to take up training opportunities which have then caused them to further invest in management and leadership development within their organisation:

Mike Green left school at 16 and had gained lots of work experience but no formal higher education. Working for large UK Construction companies he progressed to the role of Project Manager before setting up RED Systems Ltd in 2003, a UK-wide company that designs, supplies and installs a range of structural glazing, aluminium windows, doors, curtain walling and rooflight and atrium systems.

As a result of his Senior Leader apprenticeship and being able to identify and implement improvements, as Managing Director Mike has seen turnover rise to £11m and he has been so convinced of the value of this training that he has empowered 7 members of staff to undertake professional education whilst fully employed.

This universality of offer is more likely to drive rapid take up of management and leadership development. This could be achieved, for example, by the Government paying a fixed amount for a course which is claimed by training providers on the employer's behalf, with the employer topping up the difference. This would build on the way some training is now being funded such as the current **Skills Bootcamps**.

As we emerge from the pandemic, a critical success factor to deliver resilient economic growth will be to address firm level productivity. Investing in management and leadership is an effective way to do this. The Government must make this a priority by taking a universal - not piecemeal - approach.

Chartered Management Institute (CMI)

The Chartered Management Institute (CMI) works with business and education to inspire people to unleash their potential and become skilled, confident and successful managers and leaders.

With a wealth of practical qualifications, events and networking opportunities on offer throughout the UK and Asia-Pacific, CMI helps people boost their career prospects and connect them with other ambitious professionals in any industry and sector.

In fact, CMI has more than 90,000 people training to be better managers right now.

Backed by a unique Royal Charter, CMI is the only organisation allowed to award Chartered Manager status – the ultimate management accolade.

Practical insight on critical issues for a 140,000 plus membership community and anyone looking to improve their skills, nurture high-performing teams and help pave the way for the next generation of managers and leaders.

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