

# SCOTTISH GOVERNMENT'S BUDGET CONSULTATION: CHARTERED MANAGEMENT INSTITUTE (CMI)

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Scotland's recovery is impossible without good management and leadership

## Executive Summary

Emerging from the pandemic, the Scottish Government has rightly signalled its intention to support Scotland's recovery and renewal towards a greener, fairer and more inclusive society. We know that difficult decisions will need to be made following the tax and budget consultation, particularly on spending.

CMI is pleased to see that meta-skills, resources for the development of human capital, management and social leadership capabilities, are regarded as essential in the Scottish skills landscape. If the Scottish Government is serious about recovering from the pandemic it must continue to make a strong case for management and leadership in its future spending priorities.

## Why Management & Leadership Is Central To Scotland's Recovery

It has been well documented that a lack of management quality is a key driver of the UK's poor productivity, and that making small improvements in management practices can lead to a [significant increase in productivity](#). The 2020 CBI - KPMG productivity [report](#) shows that Scotland's productivity has fallen further behind other parts of the UK and overseas competitors in 10 out of 15 key indicators.

The scale of the challenge is significant. [Industrial Strategy Council analysis of the OECD Jobs for Skills](#) 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 changing nature of the labour market also [means that demand for management and leadership skills is going to increase](#).

We therefore welcome [Skills Development Scotland's](#) long term investment in meta-skills and employability skills, as one of the four priorities in the [National Improvement Framework](#). These are core management and leadership skills: problem-solving, critical thinking, communication, and creativity. Investing in meta-skills will drive innovation, encourage entrepreneurial behaviour, and will also ensure Scotland's labour force is adaptive and resilient in supporting the country's economic recovery.

Core skills are also essential to prepare learners for the world of work. New CMI [research](#) finds the key skills employers want graduates to have are team working, problem solving & communication skills. Yet nearly 80% of employers believe that current graduates do not arrive fully equipped with the skills they need to be work-ready.

Indeed data from [ONS](#) shows that better managed firms fared better during Covid. Our recent [research](#) with the Institute of Directors shows that 94% of Managers in Scotland say that management and leadership

roles are important for shaping the UK's economic recovery in 2021.

Private sector investment in management and leadership development is also essential. But there is a market failure here: without incentives, businesses simply do not spend money on management training. [2019 Longitudinal Small Business Survey](#) found that 35% of Scottish SME employers had provided training for managers, but the vast majority of this training was for technical, practical or job-specific skills. Only 12% of SMEs in Scotland offered training to develop management skills and capabilities, a figure that remains unchanged since 2017.<sup>1</sup> The figures mirror the pattern across the UK.

Good management and leadership will be essential to deliver the Scottish Government's growth plans post pandemic towards a greener, fairer and more inclusive Scotland. This is also critical to ensure that everyone, no matter what background, is able to achieve their potential in work. It will also help the Scottish Government to realise its previous [ambition](#) to increase productivity and rank in the top quartile for productivity against its key trading partners in the OECD.

### CASE STUDY: Making Work Work – for Women Returners

Making Work Work (MWW) is an 8-week online course delivered in Scotland by Challenges Catalyst designed to empower women to overcome barriers in the workplace. MWW offers the opportunity to obtain a CMI-accredited Level 5 Management and Leadership Certificate. This Management and Leadership training developed key employability skills around entrepreneurship, self-management and resilience.

Denise has worked in Scotland and abroad supporting women who have experienced domestic violence but took a career break. She feels the MWW course has solidified some of the core management experience and skills she already had. "It has reconfirmed my own passion and purpose – empowering women. This training enabled me to realise how important that mission is to me."

Overall, the course has prompted participants to have a greater capacity for self-management and explore other professional development avenues. 81.5% of the women are working six months after the end of the programme (employed or self-employed) and nearly 70% are volunteering or considering it, including in a trustee capacity.

MWW is funded by the Scottish Government and the new funding Challenges Catalyst has just received is administered by the Skills Development Scotland.

## Skills, infrastructure investment and transition to net zero

Management and leadership skills are critical to helping businesses and public sector organisations in all places to grow and thrive. It would not be possible for the Scottish economy to recover and flourish post pandemic without continued spending in areas that contribute to the development of core management and leadership skills.

Managers and leaders will be needed to oversee the design, application, and effective operation of big infrastructure commitments and green projects. For example, this year the Scottish Government's [Infrastructure Investment Plan](#) outlines a long term vision of infrastructure for an inclusive and net zero carbon economy. Around 45,000 construction and maintenance jobs will be supported annually through the total capital investment in Scotland. Jobs, especially green jobs, will be created through capital investment

<sup>1</sup> Calculated from [UK Government data](#) using the proportion of SMEs offering training for managers in Management and Leadership in the UK and the number of SMEs in the UK .

like this, but good managers will be required to secure the long term success of this investment.

Good social and emotional skills will also be required to motivate workers and deliver good quality work. Therefore, the Scottish Government must build good management into education, training and industrial policy in a systematic way. CMI's [Management Transformed](#) research found that communication and trust were vital management skills for delivering happy and productive workplaces.

#### *Recommendations for Government:*

1. Maintain spending on meta-skills programmes and ensure all those who need to upskill or retrain can access these programmes. Investment in meta-skills should go beyond schools and colleges, e.g. this could be targeted against the Government's Investment Plan for 2021/22 - 2025/26 priorities for infrastructure and net zero.
2. The Scottish Government should intensify its focus on management and leadership development by making a financial commitment to M&L development to deliver access to a core skills bolt on to Skills 4.0 and Skills 2035: A Human Future programmes.
3. Government procurement for publicly-funded infrastructure and green projects should ensure all bids demonstrate their commitment to management and leadership investment as a condition for being awarded the contract. Government agencies should also require contractors to apply similar conditions to their subcontractors, in a proportionate way that protects access to government procurement opportunities for SMEs.

## An inclusive and innovative Scotland

### Innovation

The ONS recently demonstrated the [positive relationship](#) between good management practices and innovation. Better-managed firms also see higher labour productivity per pound of R&D spending than comparable less-well-managed firms.

To unleash innovation and growth in Scotland, SMEs need a productive business environment to scale up. [ESRC research](#) highlights the need for management training to build the next generation of entrepreneurs in SMEs. However, SMEs are often [unaware they have a training need](#) and lack an awareness of the opportunities available in the current training system. This is reflected in Scottish SMEs' low investment in management skills and capabilities - 12% in 2019, a figure that remains unchanged since 2017 ([BEIS](#)).

For Scottish SMEs to innovate and scale up they need support to develop their management and leadership capability. We stand ready to partner with and support the Government in Holyrood to promote high quality leadership training for the R&D sector and upskill individuals involved with R&D in Scotland.

### Inclusive workplaces

Recovering from the pandemic also means delivering a more equitable, more diverse and more inclusive society. We are delighted to see this is one of the Scottish Government's priorities. This is not only the right thing to do but it makes business sense. More diverse and inclusive firms increase the ability of businesses to attract and retain talent, manage risk better and be more innovative, and it also [boosts their financial performance](#) and the UK's GDP.<sup>2</sup>

However, we found that more can be done to deliver genuinely diverse and inclusive workplaces. This will be

<sup>2</sup> [BEIS](#) analysis cited in [The McGregor-Smith Review](#) (2017), p.2

essential for Scotland's pandemic recovery. CMI [research](#) has shown an 'action gap' between the rhetoric and action of managers and leaders and recent [research with the Work Foundation](#) finds that, despite rapidly changing ways of working, two thirds of managers report they have not received training on how to manage remote working staff. To deliver good quality work for all, we need to prioritise upskilling of managers to create more inclusive workplaces, and support employees in a hybrid working environment.

The Scottish Government should focus on providing employers with support and a commitment to continual improvement of management and leadership practice.

*Recommendations for Government:*

4. Partner with CMI to promote high quality leadership training for the R&D sector, and explore piloting a programme focused on upskilling individuals involved with R&D.
5. Be fully transparent by committing to conduct and publish in one place equality impact assessments for all Covid-19 recovery programmes to get a full picture of the economic impact of the pandemic across different protected characteristics.
6. Work with other directorates and agencies, such as Economic Development Directorate, Equality, Inclusion and Human Rights Directorate, Fair Work, Employability and Skills Directorate or Skills Development Scotland to fund research to improve our understanding of the impact of continued remote or hybrid working on groups with shared protected characteristics.
7. Require that organisations with more than 50 employees and a turnover over £10m to produce an up to date EDI strategy and action plan as part of the application for public funds for the recovery programmes, including publish their gender, ethnicity and disability pay gaps.

## Conclusion

Overall, in this submission, we are urging the Scottish Government to prioritise investment in management and leadership skills and capability in its new budget. This will be crucial to Scotland's economic recovery post-pandemic and to move towards a greener, fairer and more inclusive society.

If you have any questions or wish to discuss our proposals further please do not hesitate to contact the policy team at [policy@managers.org.uk](mailto:policy@managers.org.uk). For any press inquiries please contact [press.office@managers.org.uk](mailto:press.office@managers.org.uk).