



MANAGEMENT 2020

Leadership to unlock long-term growth

THE COMMISSION ON THE FUTURE OF MANAGEMENT AND LEADERSHIP
July 2014

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ABOUT THE COMMISSION

In 2013, the All-Party Parliamentary Group on Management (APPGM) decided to investigate how management and leadership in the UK will need to change by 2020 to deliver sustainable economic growth. The Commission on the Future of Management and Leadership was created with the Chartered Management Institute (CMI) to pursue that inquiry, bringing together members of both Houses of Parliament, across the main parties, with leaders from a wide range of sectors. The Commission considered evidence from academic experts, vibrant entrepreneurs, up-and-coming young managers and world-renowned business leaders alike. Our conclusions are outlined in depth in this report.

THE COMMISSION MEMBERS

Peter Ayliffe CCMi (Co-chair)	President of CMI
Barry Sheerman MP (Co-chair)	MP for Huddersfield, Chair of the APPGM
Lord Bilimoria CBE DL	Chairman and Founder, Cobra Beer
Dame Carol Black DBE CCMi	Principal, Newnham College Cambridge; Adviser on Work and Health, Department of Health
Tamara Box	Global Co-chair of the Financial Industry Group, Reed Smith
Professor Sir Cary L Cooper CBE CCMi	Distinguished Professor of Organizational Psychology and Health, Lancaster University Management School
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Jez Frampton CCMi	Global Chief Executive, Interbrand
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Sir Paul Judge CCMi	Chairman, Schroder Income Growth Fund Plc; Chair, CMI's Academic Advisory Council
Seema Malhotra MP	MP for Feltham and Heston
Derek Mapp CCMi	Chairman of Informa
Dame Mary Marsh CCMi	Founding Director, Clore Social Leadership Programme
Lord Mitchell	Enterprise Adviser, Labour Party
Terry Morgan CBE CCMi	Chair, Crossrail; Immediate Past President, CMI
Meg Munn MP	MP for Sheffield Heeley
Baroness Prosser OBE	Peer, House of Lords
Dr Martin Read CBE CCMi	Chairman of Laird Plc, Low Carbon Contracts Company, Electricity Settlements Company and Remuneration Consultants Group; Non-executive Director of Lloyd's and the UK Government Efficiency and Reform Board
Lynva Russell	Director, Policy Connect
David Rutley MP	MP for Macclesfield
Andy Sawford MP	MP for Corby
Andrew Summers CCMi	Former Chair, Companies House

FOREWORDS



It was my great pleasure to co-chair the Commission on the Future of Management and Leadership.

Our work focused on the role of management in driving economic growth. The Commission consisted of a diverse group of parliamentarians and business leaders who desired to investigate one very important question: how can the UK produce the right kind of managers to galvanise business expansion and growth over the coming years?

To address this issue, we sought to understand three things. Where are we going wrong today? What are the management skills that will be needed in the future? And how can our managers acquire these critical skills?

Ultimately, our inquiry was underpinned by the desire to find out how we can equip the leaders of today and tomorrow with the skills needed to succeed in 2020. We hope that the results of our research will help to drive change in management practice in the UK and contribute to our continued economic growth between now and 2020.

Barry Sheerman MP

Co-chair of the Commission on the Future of Management and Leadership; Chair of the All-Party Parliamentary Group on Management



The UK boasts world-class organisations and some of the best managers in the world. We heard from several in the course of this Commission. The insights they offered about the future of management and leadership, and what we need to do to deliver long-term growth and prosperity, are at the heart of this report.

But the truth is that those shining examples are just too rare. From the evidence seen by this Commission, it's clear that we're faced with a ticking time bomb of myopic management. We neglect the importance of sustainable growth in the long term in favour of cutting costs to deliver profits in the short term. Our managers are not encouraged to take risks or given space to be innovative. They bear a heavy responsibility for driving economic growth yet they are not given the training and coaching that they need to do their jobs properly.

As a result, the UK falls short in the leadership stakes.

Fortunately, however, the Commission found that the current shortcomings of UK management can be addressed. There is a clear way forward if organisations choose to take it.

In this report, we explain how organisations can focus on purpose, people and potential in order to thrive in 2020. Whatever their sector – business, public services or civil society – the demands on managers are changing fast.

It has been my privilege to co-chair this Commission. Its recommendations provide a blueprint for a better managed Britain.

Peter Ayliffe CCMi

Co-chair of the Commission on the Future of Management and Leadership; President, CMI

INTRODUCTION

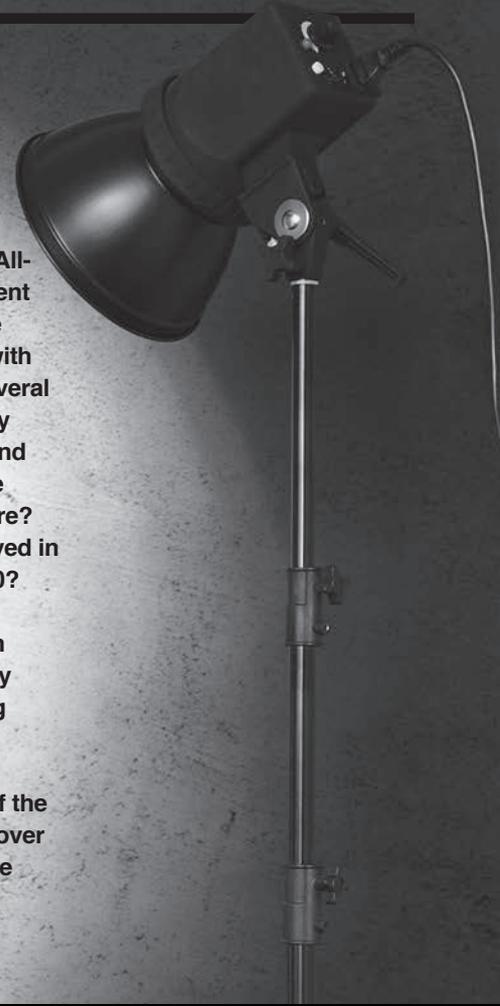
The financial crisis of 2007/2008 plunged the UK economy into the doldrums and shattered trust in business leaders. High-profile leaders who had been publicly fêted were shamed. Businesses that looked like world-beaters teetered on the brink of collapse, exposed as being built on false foundations, driven by skewed short-term priorities.

The resulting economic collapse unleashed a cost-cutting agenda that only reinforced the short-termist outlook that got us into trouble in the first place. Managers were under pressure to “do more with less”, often without adequate training. Many lacked belief in the moral purposes of their businesses or their senior leaders. Instead of viewing people as valuable human capital, many organisations started to treat them as a drag on the bottom line.

So it was against this backdrop that the All-Party Parliamentary Group on Management decided to found the Commission on the Future of Management and Leadership with CMI, launching in October 2013. Over several months, the Commission asked three key questions. How good are management and leadership in the UK today? What are the skills that managers will need in the future? And how can UK management be improved in order to deliver success by the year 2020?

Evidence considered by the Commission identified major changes that are not only reshaping the world of work, but creating profound challenges for managers.

Responding to these challenges is vital if the UK economy is to fulfil its true potential over the coming years. This report outlines the findings and recommendations in detail.



THE CHALLENGES WE FACE

THE UK LAGS BEHIND MANY COMPETITORS ON KEY ECONOMIC INDICATORS

Productivity is 21% lower than that of the rest of the G7 and measures of management are similarly lower than those of many rivals.¹ Time wasted by poor management could be costing the economy as much as £19bn a year.²

YOUNGER GENERATIONS WILL DRIVE NEW WAYS OF WORKING

“Generation Y” and “Millennials” will make up 75% of the workforce by 2025.³ Their expectations about the employment relationship and ways of working demand new approaches. There are also major employability challenges for young people in the UK.

MANAGERS WILL NEED TO BE ADEQUATELY TRAINED

Government data shows that the UK labour market will need one million new managers by 2020 – yet 71% of the leaders surveyed by CMI confess they could do better at training first-time managers, or don’t train them at all. This could leave 150,000 employees a year taking on management roles without adequate preparation.

TECHNOLOGY DEMANDS BETTER PEOPLE SKILLS

New technology doesn’t only demand new technical skills – increased connectivity between people puts a premium on managers’ personal, communication, network-building and collaboration skills.

GLOBALISATION WILL DRIVE DIVERSITY AND MORE CROSS-CULTURAL WORKING

More organisations will operate across borders and need to navigate cultural differences. But too few young people take opportunities to study and work abroad.

LONG-TERM SUSTAINABILITY IS FUNDAMENTAL

The global economic crash exposed the danger posed by short-termism in management thinking and incentives. But those who cut costs and overheads still seem to earn more respect than those who take the riskier, more innovative paths that lead to growth in revenue, profits and jobs. Leaders need to define their organisation’s long-term purpose and resist pressure for short-term results.

¹ *Statistical Bulletin: International Comparisons of Productivity – Final Estimates, 2012*, ONS, 20 February 2014

² *Leadership and management in the UK – The key to sustainable growth*, Department for Business, Innovation & Skills, July 2012

³ www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-dttl-2014-millennial-survey-report.pdf

PURPOSE, PEOPLE AND POTENTIAL: A SNAPSHOT OF CURRENT PRACTICE

The Commission identified key areas of good practice that form the basis of our Management 2020 Framework. It comprises three sections.

PURPOSE

What social benefit does the organisation exist to achieve and how are its leaders held accountable for these aims?

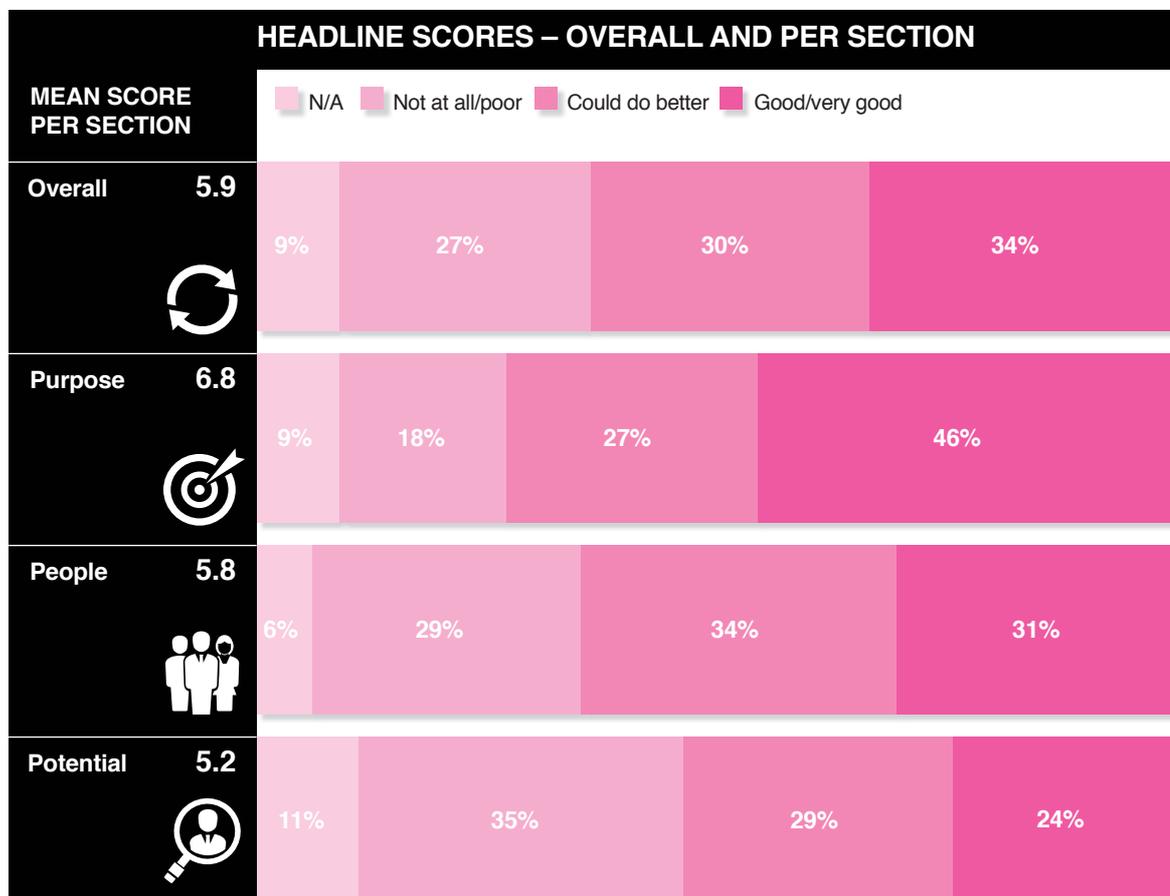
PEOPLE

How does the organisation prepare managers and leaders at all levels?

POTENTIAL

How does the organisation support the next generation of managers and leaders?

We surveyed 2,113 managers – split almost equally between CMI members and non-members – asking them to score their organisation out of 10 on each indicator. A summary of the results is outlined below.



KEY INSIGHTS

Overall, UK organisations were rated by managers and leaders at an average of 5.9 out of 10 across the Management 2020 Framework – the equivalent of “could do better”. This shows significant potential for improving management.

Strikingly, growing organisations scored higher than declining ones across all 18 measures.

Although organisations achieved the best score in the area of **purpose**, with an average score of 6.8 out of 10, this is still equivalent to a “could do better” mark. Organisations scored lower on commitments to their **people**, at 5.8, and lowest, at 5.2, on how they invest in the next generation – their **potential**.



Paul Polman, Chief Executive, Unilever

PURPOSE

When it comes to **purpose**, the bigger the organisation, the better it is at reporting on its aims and commitments to stakeholders.

For example, only 36% of small organisations (one to 50 employees) say they define and publish their commitment to their employees, compared to 58% of large organisations (over 1,000 employees).

Thomas Cook Chief Executive Harriet Green summed up the crucial role that employees play in giving feedback when she told the Commission: “People in the company can tell you what is wrong. They may not be able to fix it, but they can tell you what’s wrong.” As a result, Green prides herself on exchanging emails with people from all

over the business, and commented: “I don’t consider my role at the top of anything, hierarchically. Great CEOs have to consider themselves in the centre of the vortex and they have to be able to gather quality information from all communities, both inside and outside the business.”

Overall, 51% of managers say their organisations are poor or could do better when it comes to escalating bad news and ensuring that the senior management team receives feedback directly from employees around the organisation. Among the sectors, the public sector scores worst: 25% say such feedback mechanisms are poor or non-existent, compared to 18% in the private and 16% in the charity sectors.

“Our model is built on a total value chain approach, on growing our business, reducing our environmental impact, reaching a billion people with health and well-being programmes and moving our whole business to sustainable sourcing. We do this on the basis of a common purpose.”

Paul Polman, Chief Executive, Unilever. Unilever recorded a 9% rise in pre-tax profits for the 2013 financial year.

PURPOSE: CURRENT PRACTICE

	Average score out of 10	N/A	Not at all/poor	Could do better	Good/very good
Q1. We define and publish the long-term purpose of our organisation, ensuring it covers measurable commitments to all stakeholders.	6.5	10%	21%	27%	42%
Q2. We track the annual progress towards our overall stated purpose at our AGM/annual review and discuss during at least one board meeting.	7.5	10%	12%	22%	58%
Q3. Our CEO/top team is rewarded on the basis of delivering value to all stakeholders and not just on meeting financial targets.	6.2	17%	21%	25%	37%
Q4. Our senior leaders champion the organisation’s values and act as role models.	7.0	4%	16%	30%	51%
Q5. Senior leaders are recruited for their values and track record of delivering long-term performance.	6.7	9%	17%	31%	44%
Q6. Feedback mechanisms exist to escalate both good and bad news, and ensure the senior management team hears directly from employees at all levels.	6.7	5%	19%	32%	44%



Sean Taggart, Chief Executive, the Albatross Group

“We always believe management is our biggest differentiator, a source of competitive advantage.”

Sean Taggart, Chief Executive at travel company the Albatross Group

PEOPLE

The best score for people practices relates to the extent to which people are assessed for their behaviours, not just their results.

This was a key theme that emerged during the evidence sessions.

“We have put much more emphasis on how, as well as what, managers and leaders achieve. We now bring it into appraisals, throughout the organisation.” Sir Charlie Mayfield, Chairman of the John Lewis Partnership.

Echoing submissions made to the Commission, management training is usually too little, too late: only 23% of organisations rank as good or very good in terms of whether staff are trained in management and leadership before, or within three months of, taking on a management role.

The use of mentoring and coaching also appears very limited, rated good or very good by only 24% of organisations, despite persuasive testimony about its effectiveness in helping managers

improve their practical skills and make an impact at work.

There were key links between the **people** scores and organisational growth. Almost 60% of organisations in decline do not train their staff or do so poorly, compared to only around a quarter of growing organisations.

Equally, only about 13% of managers in declining organisations say training of staff immediately after a promotion is good or very good, compared to almost 30% of growing organisations. Those that are struggling also use mentoring and coaching programmes far less.

Smaller organisations are much better at learning from mistakes: 48% of managers in large organisations say they do not do this at all well, compared to only 20% in small ones.

PEOPLE: CURRENT PRACTICE

	Average score out of 10	N/A	Not at all/poor	Could do better	Good/very good
Q7. All staff are trained in management and leadership before, or within three months of, being promoted into a management role.	5.2	7%	37%	34%	23%
Q8. Our organisation uses mentoring and coaching programmes to support all newly promoted managers.	5.3	7%	36%	33%	24%
Q9. We use performance assessment and appraisal tools that evaluate people on their behaviours and not just their results.	6.6	6%	20%	30%	43%
Q10. “Off-the-job” development opportunities focusing on core interpersonal and people-management skills are offered to managers and leaders at all levels.	5.7	7%	31%	34%	29%
Q11. We learn from our mistakes and encourage risk-taking and innovation.	6.2	3%	24%	38%	35%
Q12. We champion the diversity of our talent pipeline at all levels and set targets to benchmark our achievements in terms of equal pay and promotion.	5.9	7%	28%	34%	32%



Kim Winser OBE, founder of Winser London

“Every division of the company adds to the existing talent with university leavers, school leavers or career-break women wanting to get back into business.”

Kim Winser OBE, founder of fashion company Winser London

POTENTIAL

The third area of the framework, the development of **potential**, is the area where employers are currently the weakest, scoring just 5.2 on average.

A particular weakness relates to the recruitment of young people and school leavers. Employers also scored poorly in terms of reporting on how they work with educational institutions. Measures to encourage people back to work after career breaks, which could include parental leave, appear to be weak too.

Only 24% of managers say their organisation is good at reporting on their cooperation with schools. The private sector is lagging behind when it comes to reporting on how organisations are working with schools, colleges and universities: 41% of organisations say they are bad at doing this, or aren't doing it at all, compared to 35% in the public and 21% in the charity sectors.

One witness said: “Our owners are great believers that one of the roles

of business is about giving back to the community, and sustaining communities, in the broadest sense of the word. We don't see that as a burden. Actually it's quite liberating.”

Not only does supporting **potential** represent the weakest area of current practice among employers, but it's also the area where Government action may be most effective, for example through education and skills policy. This is reflected in our recommendations.

POTENTIAL: CURRENT PRACTICE

	Average score out of 10	N/A	Not at all/poor	Could do better	Good/very good
Q13. We offer opportunities for young people to gain practical experience and skills within our work environment.	6.3	7%	22%	35%	38%
Q14. We report on how our organisation is working with schools, colleges and universities.	5.0	14%	38%	26%	23%
Q15. Our organisation sets targets to focus recruitment on school leavers and young people.	4.4	14%	45%	24%	17%
Q16. Our organisation supports others in our supply chain or local community with development opportunities and mentoring.	4.9	11%	39%	31%	19%
Q17. We have a programme that actively encourages parents, carers or others to return to work after career breaks.	4.9	13%	39%	29%	21%
Q18. We collaborate with different sectors and other organisations to exchange ideas and people.	5.6	8%	32%	32%	28%

SUMMARY OF RECOMMENDATIONS: PATHWAYS TO PROGRESS

FOR EMPLOYERS

To ensure successful long-term leadership, we recommend that organisations should review and focus on three critical areas: how they define their **purpose**, how they lead and develop their **people**, and how they invest in their **potential**.

But, with official data showing that the UK labour market needs almost 200,000 new managers a year, the scale of the challenge is clear.⁴ Developing these new managers' skills, mentoring them and helping them maximise their potential is a clear priority.

For more detailed recommendations, see page 50.

To help kick-start the process, we've developed the **Management 2020 Benchmarking Tool**, which is freely available. The tool enables managers to benchmark their organisation against best practice in the three areas distilled from this inquiry.

With our survey revealing an average score of just 5.9 out of 10, there's clearly huge scope for improvement to create a **better managed Britain**.

FOR GOVERNMENT

Our recommendations for Government focus on where employers need the most support, as evidenced by the low scores around how they develop their **potential**. With unemployment of young people running at over 18%, it's critical that employability outcomes are improved – giving young people better prospects and helping to create a much stronger potential talent pool

for employers. The recommendations are as follows.

Build employability into education.

We recommend a series of practical proposals to help embed practical management, enterprise and leadership experiences into the world of education. Secondary schools should be measured on employability outcomes, and pupils provided with much greater real-life experience, perhaps through the "Enterprise Advisers" scheme recommended by Lord Young. The standing of business studies courses should be reviewed to ensure they are relevant, attractive to young people and respected by employers and higher education.

In addition, the apprenticeships trailblazers could be expanded to include management, putting young people on the track to professional management status. In higher education, all management degrees should include experiential learning and work placements.

Develop exchange networks.

Government should work with partners to encourage placements, secondments and much more extensive exchanges of ideas and people across different sectors, through supply chains, and between business and education.

Encourage reporting and promote excellence. Government can do more to encourage employers to expand annual reports to include both social purpose and broader people metrics about their people. With

greater transparency, professional bodies and other partners can work together to help promote excellence and showcase best practice.

IMPLICATIONS FOR INDIVIDUALS

Coach and champion your team:

as a manager, be a role model, be authentic and start mentoring others. Support new managers and review and reward behaviours, not just performance.

Embrace change: challenge the status quo, embrace and lead change.

Collaborate and connect: keep learning, extend your networks across generations, different sectors and cultures, and stay connected.

FURTHER RESOURCES

The full report includes further detail on our findings and recommendations. It's available at www.managers.org.uk/management2020 – where you'll also find short videos, reports on the oral evidence sessions, additional papers and the Management 2020 Benchmarking Tool.

Other useful sources include:

- A Blueprint for Better Business, an initiative aiming to unite corporate purpose and personal values to serve society: www.blueprintforbusiness.org
- Valuing Your Talent, a framework for better measurement of the contribution that people make to organisations: www.valuingyourtalent.co.uk
- The Supper Club, the UK's leading club for entrepreneurs: www.supper-club.net

⁴Based on IER estimates in *Working Futures 2012-22*, UK Commission for Employment and Skills, 2014

WITNESSES

Ruth Ambrose	Director, Legal, AMEC Plc
Professor Julian Birkinshaw	Professor of Strategy and Entrepreneurship, London Business School
Tom Bromley	Student and Entrepreneur, University of the West of England
Alex Cheatle	Chief Executive, Ten Group
Duncan Cheatle	CEO, Prelude Group (including the Supper Club); Co-founder, StartUp Britain
Peter Cheese	Chief Executive, CIPD
Mark Goyder	Director, Tomorrow's Company
Professor Lynda Gratton	Professor of Management Practice, London Business School
Harriet Green	Group Chief Executive Officer, Thomas Cook
Anthony Hesketh	Senior Lecturer, Department of Management Learning and Leadership, Lancaster University Management School
Brian David Johnson	Futurist, Intel
Shivam Kagadada	Assistant Tutor, Explore Learning; and Owner, Original Karma
Arthur Kay	Co-founder and Chief Executive, bio-bean
Debbie Klein	Chief Executive, The Engine Group
Thomas Lawson	Chief Executive, Leap Confronting Conflict
Alastair Lukies CBE	Chief Executive, Monitise
Cary Marsh	Chief Executive and Founder, Mydeo
Sir Charlie Mayfield	Chairman, John Lewis Partnership
Ry Morgan	Co-founder and Chief Executive, PleaseCycle
Kevin Murray	Chairman, The Good Relations Group
Professor Kai Peters	Chief Executive, Ashridge Business School
Paul Polman	Chief Executive, Unilever
Rebecca Ray	Executive Vice President, The Conference Board
Clare Reinhold	Engineering Associate, Building Design Partnerships
Sean Taggart	Chief Executive, Albatross Group
Duncan Tait	Head of EMEIA and Corporate Senior Vice President, Fujitsu Ltd
Dylan Valentine	Bid and Delivery Excellence Apprentice, Fujitsu
Robert Wilson	Student and Entrepreneur, University of the West of England
Kim Winser OBE	Founder and Chief Executive, Winser London
Mike Wright	Executive Director, Jaguar Land Rover
Professor Mick Yates	Visiting Professor, Leeds University Business School

The full list of those who gave written evidence can be found on page 54.

1. THE STATE OF UK MANAGEMENT AND LEADERSHIP TODAY

“We need a change in attitude in the UK, whereby management is seen as a highly professional role, where integrity is seen as a virtue, and where ethics are valued as highly as profitability. Until attitudes change, we’ll continue to focus on the short, rather than the longer, term.”

John W Stephens, written evidence to the Commission

At its heart, the art of management is the art of managing people. But, worryingly, this is where British managers fall down most today.

The Commission examined a vast range of evidence that highlighted a wide range of issues. Economic analysis shows a productivity gap between the UK and its international competitors. Other research suggests we trail behind many of those competitors on scores of management practice. Evidence also highlighted organisations’ failures to provide adequate training for their managers and weaknesses in managers’ abilities to motivate and engage employees.

KEY POINTS

The UK lags behind its competitors in terms of productivity and management practice: output per hour is 21% lower than the average across the rest of the G7.

Poor management could be costing UK businesses over £19.3bn a year in lost working hours.

Forty-three per cent of UK line managers rate their own managers as ineffective.

Four-fifths of workers don’t think their manager sets a good moral example. Less than one-fifth are aware of their organisation’s values.

UK managers are underqualified and undertrained: two-thirds (71%) of employers give either no training or inadequate training to new managers.

Risk-taking and innovation is scarcely encouraged at three-fifths (62%) of UK companies.

Low levels of engagement are damaging productivity, while hierarchical and silo-based organisational structures are detrimental to innovation.

The perception that leadership is the preserve of the talented few is a myth.

Taken together, these findings paint a picture of shortcomings in many aspects of UK management in 2014. It is crucial that we address these concerns. The underlying weakness in management and leadership is holding back our economic performance.

1.1 ECONOMIC INDICATORS AND INTERNATIONAL COMPARATORS

The UK lags behind its competitors in terms of productivity and management practice.

The UK is undoubtedly a major force in the global economy. It is the world’s sixth-largest economy and may overtake France to claim fifth place by the end of 2014.¹ It was ranked 10th in the world on the World Bank’s “ease of doing business index” in 2014.² Overall, it remains an attractive location for business.

But the evidence suggests that there are underlying weaknesses in the UK economy that do need to be urgently addressed to ensure long-term competitiveness. Compared with other major countries in the

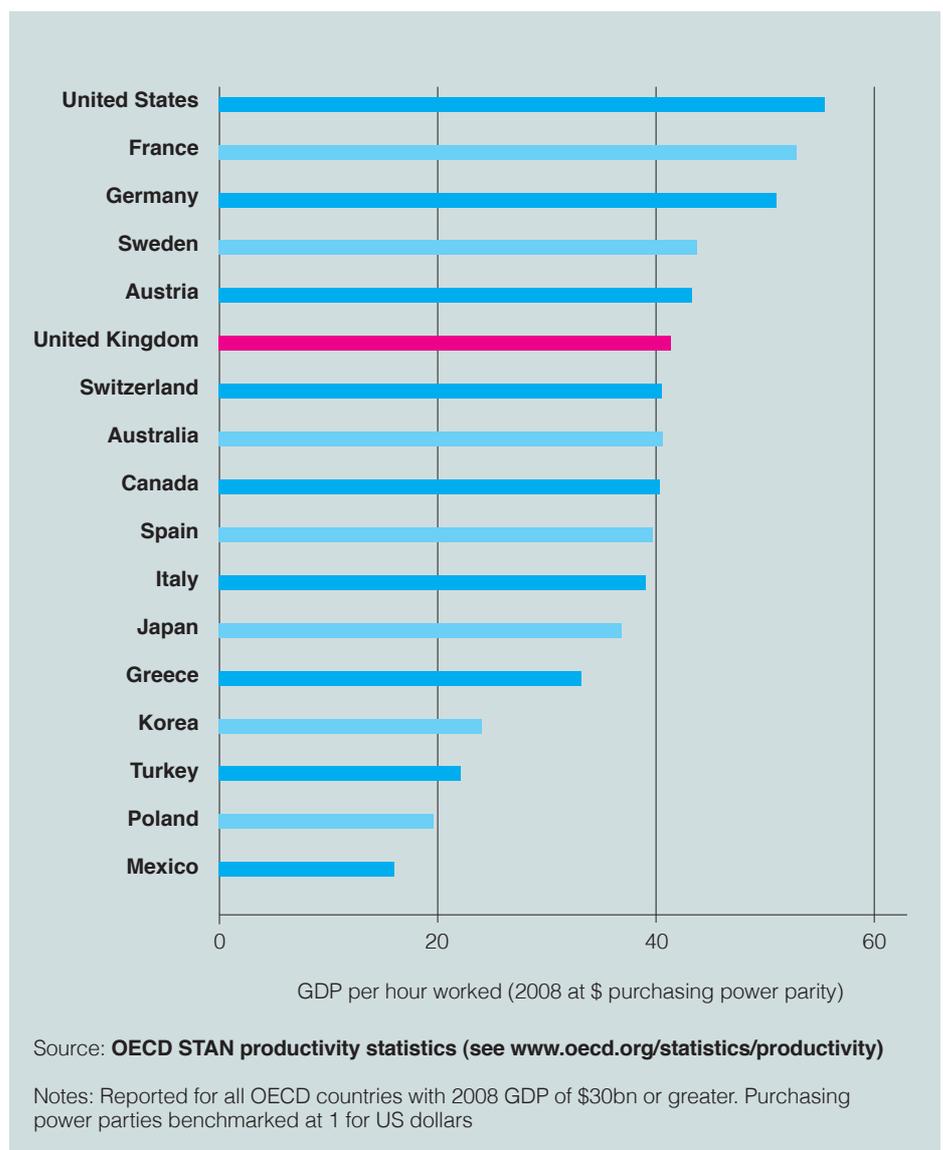
Organisation for Economic Co-operation and Development, the UK ranks mid-way down the table for productivity. In particular, it suffers from a significant productivity gap compared with the US, Japan and Germany (see Figure 1).

Furthermore, statistics released by the Office for National Statistics (ONS) in 2014 show that output per hour worked in the UK is 21% lower than the average for the other six members of the G7 – the US, Germany, France, Italy, Japan and Canada.³

Meanwhile, the UK also lags behind its international competitors in terms of its management practices. A 2012 report by the Department for Business, Innovation & Skills (BIS) found that its average management score is some way below that of the US, Japan, Germany and Canada (see Figure 2).⁴ Since management and productivity are intrinsically linked, it is likely that management practice is one of the major factors holding the UK back from achieving its full economic potential.

The cost in lost productivity is potentially huge. Research by CMI in 2012 suggested that poor management costs UK businesses over £19.3bn a year in lost working hours.⁵

**FIGURE 1:
GDP PER HOUR WORKED FOR MAJOR OECD COUNTRIES**



¹ www.dailymail.co.uk/news/article-2615425/UK-economy-fifth-biggest-world-year-banker-says.html

² www.doingbusiness.org/rankings

³ *Statistical Bulletin - International Comparisons of Productivity - Final Estimates, 2012*, ONS, 20 February 2014

⁴ *Leadership & Management in the UK - The Key to Sustainable Growth*, BIS, July 2012

⁵ *Leadership & Management in the UK - The Key to Sustainable Growth*, BIS, July 2012

THE STATE OF UK MANAGEMENT AND LEADERSHIP TODAY

1.2 CONCERNS ABOUT MANAGEMENT EFFECTIVENESS

Good management is crucial to driving growth and productivity, but many of today's managers are simply not up to the job.

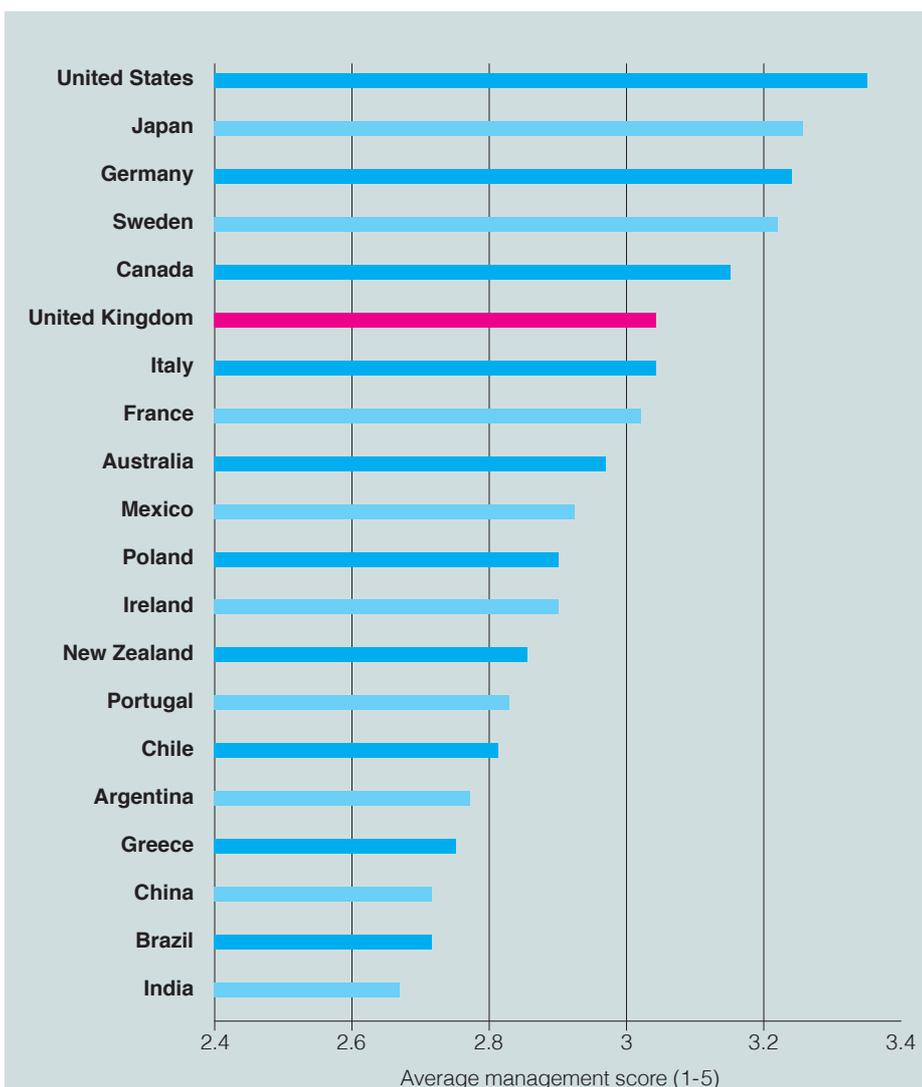
The Commission was privileged to hear from many talented managers working in well-managed organisations during the course of its inquiry. Witnesses emphasised that the UK has many world-class businesses and there are many examples of excellence.

But the Commission also received substantial evidence raising concerns about management and leadership shortcomings affecting organisations of all sizes. There was widespread consensus that the quality of managers plays a crucial role in performance, productivity and ultimately growth. Nevertheless, research suggests that many of today's managers are simply not up to the job.

A study by CMI in 2012 found that nearly half (43%) of UK managers rated their own line managers as ineffective.⁶ Going on to explore the impact of management and leadership development, it suggested that developing managers can make a real difference: effective management development was linked to 23% higher organisational performance scores.

Meanwhile, a survey of UK employers by Cranfield School of Management in 2013 revealed that nearly two-thirds (64%) of employers think that a lack of leadership and management skills is holding back growth.⁷ Even more (68%) believe these deficiencies are preventing their employees from reaching their full potential.

FIGURE 2: AVERAGE SCORE ACROSS 18 MANAGEMENT PRACTICES BY COUNTRY



Source: *Constraints on Developing UK Management Practices*, BIS, 2011

1.3 ETHICS

Four-fifths of workers don't think their manager sets a good moral example and less than a fifth are aware of their organisation's values.

Not only are managers ineffective, they also appear to be unethical. This is a grave concern, since ethics are core to the transformation that needs to take place if businesses are to fulfil their true economic potential.

Eighty per cent of workers don't think their manager sets a good moral example, according to research undertaken by CMI in 2013,⁸ while less than a fifth (17%) are aware of their organisation's values. This is also echoed in research from the Chartered Institute of Personnel and Development (CIPD), which found that only 37% of employees trust their organisation's senior management.⁹ Furthermore, only 36% of UK employees think their senior leaders take an interest in their well-being, according to Towers Watson (2012).¹⁰

1.4 TRAINING IS "TOO LITTLE AND TOO LATE"

UK managers are underqualified – and many are left without the training and development they deserve to succeed in their jobs.

Estimates on the changing needs of the UK labour market suggest that the management workforce will grow by some 586,000 people between 2012 and 2022. At the same time there will be a "replacement demand" created by people exiting the labour market – retiring, for example – of some 1,378,000 managers. Combined, that means around 1.96 million people will enter management roles over the decade, or, on average, 196,400 per year – many of whom

will not be given sufficient training and development in their new roles.¹¹

The evidence suggests that a lack of skills, qualifications and training appears to be one of the principal reasons why UK line managers are underperforming. Just one in five managers has a management qualification, according to BIS.¹²

John Board, Dean of Henley Business School, argued in written evidence to the Commission that the fact most managers do not have a qualification is an important factor as to why UK companies are less productive than their overseas competitors. He also said that the UK's competitors spend significantly more on management training than we do. "More attention, therefore, needs to be paid to the development of managers," he added. He suggested that two potential ways of encouraging this would be by providing tax breaks for CPD activities and creating regional hubs of business schools to offer training to SMEs.

Other evidence highlighted the fact that managers only receive very limited amounts of training. The Employer Skills Survey from the UK Commission for Employment and Skills found that a staggeringly low 34% of all employers provide management training.¹³ Management was the occupation in which skills gaps were most likely to be attributed to low levels of training.

In written evidence to the Commission, the Institute of Leadership and Management (ILM) noted that "managers are likely to have an average of four days training per year". It added: "For many new managers, there is unlikely to be access to more substantial training prior to appointment or during the early months in the role."

Even when employers do train their managers, they can be reluctant to let them employ their new knowledge and skills, meaning that the limited investment that employers do make in training often goes to waste.

Worryingly, senior leaders are likely to miss out most, according to 2007 research by US-based global consulting and training firm Novations Group.¹⁴ Its study found that just 59% of senior executives were expecting to receive training that year.

CMI's Management 2020 Survey for the Commission confirmed many of these indications. Some 71% of respondents reported that their organisation's commitment to training staff before, or within three months of, being promoted into a management role was either non-existent or could be improved. (See Chapter 6 for more details.)

Giving oral evidence to the Commission, Ruth Ambrose, Director Legal at AMEC, observed that there is no lack of management talent in the UK, but across industry generally there is a lack of training, a lack of focus at an early enough stage and a lack of career-path development. "As a country, we tend to focus on management very late," she said.

⁶ *Leadership & Management in the UK – The Key to Sustainable Growth*, BIS, July 2012

⁷ *The New Vocational Currency: Investing for Success*, Cranfield School of Management, July 2013

⁸ *Managers and the Moral Maze*, CMI, September 2013

⁹ *Are organisations losing the trust of their workers?*, CIPD, December 2013

¹⁰ *Global Workforce Study*, Towers Watson, 2012

¹¹ Based on IER estimates in *Working Futures 2012-22*, UK Commission for Employment and Skills, 2014

¹² *Leadership & Management in the UK – The Key to Sustainable Growth*, BIS, July 2012

¹³ dera.ioe.ac.uk/19271/1/evidence-report-81-ukces-employer-skills-survey-13-full-report.pdf

¹⁴ www.trainingzone.co.uk/topic/leadership/senior-managers-least-likely-get-development

THE STATE OF UK MANAGEMENT AND LEADERSHIP TODAY

Her observation is backed up by independent research. According to the *Harvard Business Review*,¹⁵ the average age at which managers first get leadership training is 42 – about 10 years after they first began supervising people.

Should leadership development start in childhood? According to a survey by the Center for Creative Leadership, nearly a quarter (21%) of leaders believe it should begin when people are less than five years old and half (50%) say it should take place before the age of 10.¹⁶

1.5 TRAINING FALLS VICTIM TO SHORT-TERM PRESSURES

Why are employers neglecting managers' development? We were told that in many cases it was because organisations are too focused on other short-term priorities elsewhere.

The economic downturn has undoubtedly had an effect on the degree to which companies have invested in their managers since 2008. A *Training and Skills Panel Report* by the Forum of Private Business (FPB), published in January 2014, revealed that two out of five panel members felt senior management skills had been neglected during the recession, since employers' primary focus tended to be on the survival of the business.

In its written evidence, the British Psychological Society also noted leaders and managers are under pressure to focus on the short term. But it emphasised the importance of these individuals being aware that they are "powerful role models", not only for setting standards of ethical behaviour but for "creating an open, learning culture within an organisation".

The ILM echoed this, warning in its written submission that, if the development of new managers is left solely to current managers, there is a "risk that existing underperformance will become the model that these new managers learn from".

The SME sector has particular issues. For many, cost is seen as a barrier to training – something cited by 61% of businesses (mainly SMEs) surveyed by the FPB, with many trying to take advantage of low-cost development routes.¹⁷ Forty per cent of FPB panel members said that availability of training was a problem; more than a quarter (28%) indicated quality of courses was an issue; and 22% reported that time was a barrier. With SMEs accounting for over half of private-sector employment growth in 2012, these shortcomings are of some concern.¹⁸

Duncan Cheattle, Chief Executive of Prelude Group, told the Commission that CEOs often play a deciding role in whether this training is provided, especially in SMEs – but, as they may lack training themselves, they are often blind to the potential for improvements. They need to lead the change. "It can be enlightening for CEOs to have the opportunity to view their business through the eyes of their peers in a group setting. Hearing first-hand from those who have benefited from training – both themselves and their teams – can be very persuasive, especially when it's coming from someone with no vested interest in trying to sell something. Getting the business leader bought in first is crucial. The rest follows."

1.6 LEADERS CAN BE DEVELOPED

The perception that leadership is the preserve of the talented few – that leaders are born, not made – is still holding us back.

Despite extensive debate over the years, there remains a perception in the UK that leadership is the preserve of a few talented individuals who were fortunate enough to enter the world equipped with natural leadership skills. Witnesses to the Commission argued that not only is this perception wrong, it is also potentially harmful to growth, since it discourages people from stepping up into managerial and senior leadership roles, thereby depriving businesses of their input.

That point is particularly relevant in the context of the debate about gender equality, with recent CMI research highlighting the need for more female role models in senior management roles.¹⁹

But the effects of this misconception are widespread. Giving written evidence to the Commission, Dr Mark Pegg, Chief Executive of the Leadership Foundation for Higher Education, observed: "As a nation, we have collective psychological barriers to break: a belief that leaders are in short supply, that too few natural leaders are born, that leadership can't be taught and the problem is intractable. Many of my students arrive brainwashed to believe this and start 100m behind the starting line because of it. But it is a myth. Some leaders are born, but most are made and the supply of leaders is expandable."

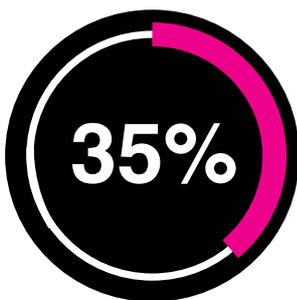
1.7 INNOVATION IS SQUEEZED OUT

A focus on the short term also means many organisations lack the patience required to innovate for long-term results.

The Commission heard that many managers are risk-averse and unwilling to take the risks required to innovate. There was a feeling that this has been exacerbated by the economic crisis, making managers more risk-averse and less willing to contemplate failure. CMI's

“WE LEARN FROM OUR MISTAKES AND ENCOURAGE RISK-TAKING AND INNOVATION”

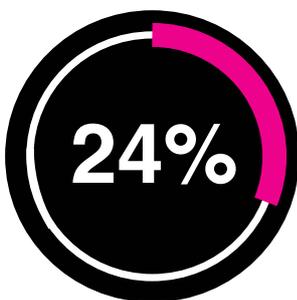
HOW DO MANAGERS RATE THEIR ORGANISATIONS?



GOOD/VERY GOOD



COULD DO BETTER



NOT ALL/POOR

Management 2020 Survey found that 62% of organisations were rated either poor or mediocre at encouraging risk-taking and innovation.

An aversion to risk-taking is holding back both managers and their businesses, according to Leadership Coach Kevin Murray, who gave oral evidence to the Commission. “To take some risk to grow is a requirement of leadership and that means having the courage to do things, even though you’re going to be under the spotlight.”

1.8 ENGAGEMENT IS LACKING

Too many in the UK workforce are disengaged, which is damaging productivity.

Julian Birkinshaw, Professor of Strategy and Entrepreneurship at London Business School, told the Commission that “we have a very poorly engaged workforce” – a challenge faced, he said, by businesses around the world.

Research shows that poor employee engagement acts as a drag on business growth. According to a 2007 study by human resource consultancy Towers Perrin-ISR, a group of global companies with highly engaged employees saw their net income grow by 13.7% over a 12-month period, while net income fell by 3.8% among companies with low levels of employee engagement.²⁰

In his evidence, Kevin Murray highlighted the difference made when a manager succeeds in engaging the workforce. “I have seen cases where underperforming teams have had a new leader come in who’s been much more about involving people and having conversations with them on a continuous basis, and who engages them in the process of new ideas, taking new products to market, and inventing new ideas around new product opportunities. The performance of the teams changes overnight.”

Managers trying to engage employees need to relate to up to four different generations, all with different expectations of the workplace. Giving oral evidence to the Commission, Chief Executive of Engine Group Debbie Klein highlighted that Generation Y (those born in the 1980s and early 1990s) expect high levels of feedback

and rapid promotion. They are also wedded to social media. “It’s not out of the ordinary for them to be in the meeting room on two screens and they are doing their jobs,” she said. “They are listening, they are hearing and they are passing on.” Generation Y is discussed further in Chapter 2.

1.9 SILOS ARE A PROBLEM

The rigid, hierarchical organisational structures favoured by most businesses today are hampering performance.

In written evidence to the Commission, Strategic Development Mentor Colin R Tuckwell pointed out that management as a discipline is primarily about making knowledge effective. In practice, this means that managers need to have capabilities in technical, commercial, human, social and societal knowledge. These capabilities are not usually acquired through working in silos, which is standard practice within many organisations. He added: “Too long spent in silos limits the brain’s broader development and ability to relate to people with different backgrounds and experiences.”

Narrowness in management experience is also in evidence at the top of Britain’s biggest businesses. In 2013, analysis by recruiter Robert Half found that more than half (52%) of FTSE 100 chief executives come from a finance background and 12% had moved from a finance role to chief executive at the same company.²¹

In his paper, Tuckwell noted: “There can be little doubt that this relative narrowness of people’s work experience and neurological development limits the capacity of the UK’s economy to evolve competitively, whilst making it more fragile and slow to adapt.”

It also explains why businesses tend to focus heavily on a cost-cutting agenda during difficult periods for the economy.

¹⁵ blogs.hbr.org/2012/12/why-do-we-wait-so-long-to-trai/
¹⁶ Van Velsor, Ellen and Wright, Joel, *Expanding the leadership equation: developing next-generation leaders*, Centre for Creative Leadership, 2012: www.ccl.org/leadership/pdf/research/expandingleadership-equation.pdf
¹⁷ *Training and Skills Report*, Forum of Private Business, January 2014
¹⁸ www.gov.uk/government/uploads/system/uploads/attachment_data/file/80247/bpe-2012-stats-release-4.pdf
¹⁹ *The Power of Role Models*, CMI, 2014
²⁰ [dop.bps.org.uk/organisations/insights-research/the-business-benefits-of-employee-engagement\\$.cfm](http://dop.bps.org.uk/organisations/insights-research/the-business-benefits-of-employee-engagement$.cfm)
²¹ www.roberthalf.co.uk/id/PR-03593/FTSE-100-Companies-UK-Press-Release

2. THE WORLD OF GENERATION Y

“Space and autonomy instils a high level of responsibility, trust and authenticity. That’s how I would have liked to have been managed and I think that’s how I manage others.”

Ry Morgan, Co-founder and Chief Executive, PleaseCycle, oral evidence to the Commission, 14 January 2014

Generation Y, also known as ‘Millennials’, is the generation of people born in the 1980s and 1990s. By 2025, these individuals will comprise 75% of the global workforce, according to Deloitte.²² They will inevitably play a pivotal role in shaping the future development of management, both in the UK and globally. In order to understand how management is likely to evolve in the future, it is crucial to understand their views on, and expectations of, the workplace.

2.1 WHAT MILLENNIALS WANT

Generation Y looks for an ethical employer, opportunities for progression, a good work-life balance and interesting work.

A job is more than just that to Generation Y. The managers who belong to this generation want to work somewhere where there is a positive, values-driven culture, job security, the chance to learn new skills, a good work-life balance, regular/instant feedback and interesting work. These were the findings of a study by not-for-profit organisation Net Impact in 2012.²³

The oral evidence of University of the West of England (UWE) student and entrepreneur Tom Bromley, who addressed the Commission on 14 January 2014, supports this view. He said: “I’d like to work for an organisation where I have the opportunity to progress and take on

KEY POINTS

By 2025, Generation Y will comprise 75% of the global workforce.

Generation Y looks for ethical employers, opportunities for progression, a good work-life balance and interesting work.

More than half (57%) of UK members of Generation Y intend to leave their jobs within one to two years of joining.

Millennials tend to be extremely independent and resistant to micromanagement. However, they have a strong appetite for feedback and coaching.

Generation Y is very comfortable with technology and social networks. It is also creative and open-minded, multiculturally aware, confident, able to collaborate, and ethical.

But it can display a strong sense of entitlement, an inability to communicate face-to-face, a lack of decision-making skills, a poor sense of awareness, a low work ethic and a tendency towards overconfidence.

Generation Y lacks a global mindset – just one UK student studies abroad for every 15 international students in the UK.

More than three-quarters (77%) of Generation Y view formal management qualifications to be the most effective method of learning and development.

Entrepreneurialism is very attractive to Generation Y. More than a quarter (27%) of 16- to 30-year-olds in the UK claimed that they were increasingly thinking of setting up a business, according to 2012 research by The Prince’s Trust.

different roles. I’d hate to have a job where I go in every day and do the same thing nine to half-five.”

Bromley highlighted the value that he places on getting prompt feedback by sharing his experience of working for a door-to-door sales company, saying: “The managers there did a great job of motivating people, making sure everyone was happy at the end of the day and talking through how your performance went.”

Robert Wilson, another UWE student and entrepreneur, emphasised in his oral evidence to the Commission on 14 January that he wanted “the ability to have influence over change”. His observation

was that many managers working today are unwilling to change.

In written evidence to the Commission, Dr Mark Pegg, Chief Executive of the Leadership Foundation for Higher Education, said of Generation Y: “There is a clear shift in this generation towards action learning, to collaboration, to sharing thinking on difficult problems, to embracing the power of the team in distributive learning, with leadership starting earlier in their career and functioning at every level. They have a stronger desire to learn transferable skills and best practice from other sectors.”

Furthermore, values matter greatly to Generation Y. Deloitte’s *Millennial Survey*,

published in 2014, found that half of Millennials surveyed wanted to work for a business with ethical practices, while separate research by CMI revealed that 90% of young managers would prefer to join an organisation that does something they can believe in.

Giving oral evidence to the Commission, Dylan Valentine, an apprentice at technology company Fujitsu, said: "The thing I immediately noticed when I joined Fujitsu is that it's very people-focused. I also thought it was very innovative and aspirational. It's set out long-term and challenging goals in an IT industry that has essentially stagnated."

Flexibility is important to Generation Y – nearly half (45%) will choose workplace flexibility over pay, according to CMI research.²⁴ Hence, being comfortable with flexible schedules is among the top five qualities that members of Generation Y look for in a boss, along with a willingness to help them navigate their career path, an inclination to give straight feedback, mentoring and

coaching abilities, and being prepared to sponsor them for formal development programmes, according to the *Harvard Business Review*.²⁵

Furthermore, members of Generation Y are not likely to work for any one employer for a significant length of time. Research by Ashridge Business School found that more than half (57%) of UK members of Generation Y intend to leave their jobs within one to two years of joining.²⁶ Meanwhile, the *Harvard Business Review* found that top young managers are often on a non-stop job hunt, with three-quarters (75%) admitting that they had sent out applications and interviewed for jobs at least once a year during their first employment stint.²⁷

Millennials tend to be extremely independent and resistant to micromanagement. Research by London Business School found that, instead, members of Generation Y prefer to be self-managed and receive feedback and coaching, rather than subject themselves to more traditional "management".²⁸

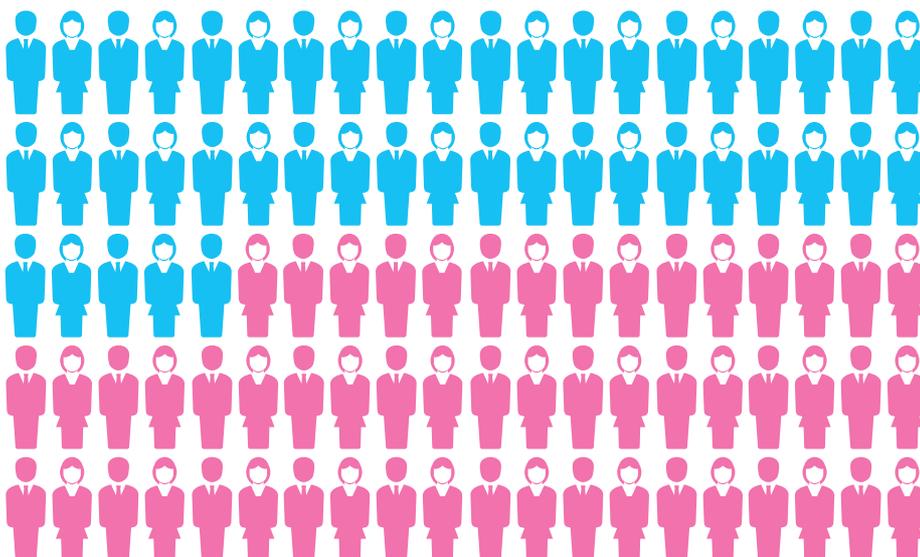
Indeed, management does not appear to be a particularly appealing concept to Generation Y in some respects. In his oral evidence, Ry Morgan described management as being about control, whereas leadership is about inspiring individuals to do things for themselves, "which is much more about freedom". He added: "I would consider myself more of a leader than a manager and I would definitely be drawn towards people who are more leaders than managers."

2.2 STRENGTHS AND WEAKNESSES

Generation Y is creative and open-minded, multiculturally aware, technologically-savvy, confident, able to collaborate, and ethical. But it can also have a strong sense of entitlement and lack decision-making skills.

Millennials are the least experienced cohort of managers working in the UK at present due to their youth. Research by EY in 2013 found that 87% of the Generation Y managers that they had surveyed had moved into a management role during the last five years, compared with 38% of Generation X managers and 19% of Baby Boomers.²⁹

FLEXIBILITY MATTERS TO GENERATION Y – NEARLY HALF (45%) WILL CHOOSE WORKPLACE FLEXIBILITY OVER PAY



Having come of age in the technological era, Generation Y is very comfortable with technology and social networks – qualities that make its members very attractive to today's leaders, according to the Center for Creative Leadership (CCL).³⁰ Furthermore, leaders are excited by Generation Y's creativity

²² www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-dtl-2014-millennial-survey-report.pdf

²³ *What Workers Want in 2012*, Net Impact, 2012

²⁴ *Generation Y: Unlocking the Talent of Young Managers*, CMI, 2008

²⁵ hbr.org/2010/05/mentoring-millennials/ar/1

²⁶ www.ashridge.org.uk/Website/Content.nsf/wCOR/Research+reveals+the+reality+of+the+workplace+for+graduates?opendocument

²⁷ hbr.org/2012/07/why-top-young-managers-are-in-a-nonstop-job-hunt

²⁸ Kelan, E, *The Reflexive Generation: Young Professionals' Perspectives on Work, Career and Gender*, London Business School, 2009

²⁹ *Generations Survey*, EY, 2013

³⁰ www.ccl.org/leadership/pdf/capabilities/GenerationY.pdf

THE WORLD OF GENERATION Y

and open-mindedness, multicultural awareness, confidence, ability to collaborate, and strong sense of ethics.

But CCL also found that today's leaders had some significant concerns about Generation Y. They worry that members of that generation have a strong sense of entitlement, an inability to communicate face-to-face, a lack of decision-making skills, poor self-awareness, a low work ethic and a tendency towards overconfidence.

A 2013 study by Young Enterprise found that British employers believe the top two skills young people lack most when entering the workforce are the very basic skills of self-management (50%) and communication and literacy (44%).³¹ Meanwhile, a poll of employers conducted by training provider BPP in March 2013 revealed that more than half (59%) were having difficulty filling vacancies due to the lack of available talent.³²

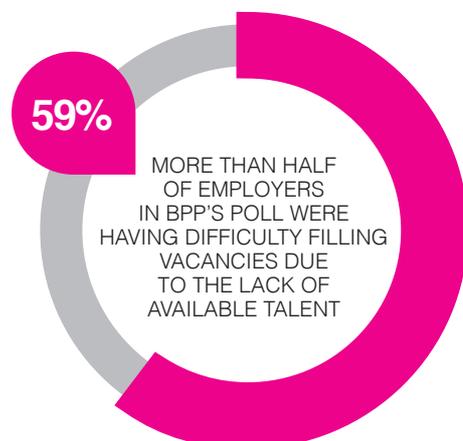
A big disappointment for many employers is that Generation Y in Britain appears to lack the global mindset that will be necessary for success in an increasingly interconnected world. Just one UK student studies abroad for every 15 international students in the UK, according to the Higher Education Funding Council for England (HEFCE). Figures from HEFCE and *Spiegel* show that just 1.6% of UK students study abroad, compared with 6.4% of German students.³³ This may explain

why nearly half (47%) of employers are dissatisfied with graduates' international awareness and more than half (55%) are disappointed with their foreign language skills, according to research from the Confederation of British Industry.³⁴

It seems that both Generation Y and the Baby Boomers can learn from their counterparts in Generation X (those born in the 1960s and 1970s). Research by EY found that Generation X managers were perceived more favourably on nearly every management characteristic compared with the other two generations. These characteristics included the ability to manage change, as well as communication, decision-making, flexibility, leadership, motivational, strategic and talent-development skills.

Nevertheless, as members of Generation Y increasingly come to dominate the workplace, it seems probable that the rest of the workforce will need to adapt to be like them, rather than the other way round. As chief executive of the Engine Group Debbie Klein told the Commission: "We are not going to wean them off the need for instant gratification. You cannot change the generation; you cannot change the world that they have grown up in. Actually, I don't get obsessed with them anymore; I just accept that they are different."

Given the significance of Generation Y, it is concerning that employers are not living up to its members' expectations at present. According to research from CMI, more



than three-quarters (77%) of Generation Y view formal management qualifications to be the most effective method of learning and development. Yet just 27% of male managers and 17% of female managers had experienced any form of coaching and mentoring, CMI found.³⁵

2.3 AGE OF THE WOULD-BE ENTREPRENEUR

Entrepreneurialism appeals to young people, but they do not see owning a business as a long-term strategy.

The idea of entrepreneurship is very appealing to young people. More than a quarter (27%) of 16- to 30-year-olds in the UK claimed that they were increasingly thinking of setting up a business, according to 2012 research by The Prince's Trust in association with RBS.³⁶ Yet just 5% of 16- to 30-year-olds are actually self-employed. The main barriers to Generation Y entrepreneurs starting their own businesses are not having enough money (cited by 59%) and fear of failure (a concern for 43%), The Prince's Trust found.

When the Commission asked witnesses about the appeal of entrepreneurship at an oral evidence session, UWE student and entrepreneur Robert Wilson said he had always enjoyed making his own money from an early age. "It was the independence I had from making my own money and not relying on others or my parents," he said.

Shivam Kagadada, Assistant Tutor with Explore Learning and owner of Original Karma, described the allure of entrepreneurship as follows: "That drive to push the boundaries has always been there and I've always wanted to prove to other people and prove to myself that I can actually do these things."

But, just as Generation Y employees will move jobs quickly in order to progress, its entrepreneurs often look for short-

term exits from their businesses rather than long-term satisfaction. Giving oral evidence, entrepreneur Ry Morgan said: "The one thing that an exit gives you, if you exit for any sort of reasonable amount of value, is it gives you choice – choice to do what you want with your lifestyle."

At present, however, the UK is not as entrepreneurial as it could be. It was ranked ninth on the *Global Entrepreneurship & Development Index* 2014, which identifies the strengths and weaknesses of the economies of 120 countries and compares their entrepreneurial characteristics. This put us behind the US and other nations, including Australia, Taiwan, Finland and the Netherlands.³⁷ The researchers who compiled the index said: "While entrepreneurial activity is innovative in the UK, Britons were less likely to choose entrepreneurship as a career path because they had a wealth of employment options available to them. This made them reluctant to leave secure, well-paid jobs for the uncertainty of starting up a business."

The Prince's Trust research found that almost half (48%) of self-employed young people say starting their own business is the best decision they have ever made.³⁸ But the aura of glamour that surrounds entrepreneurialism could be negatively affecting more "traditional" industries by reducing the pool of talented people who are available to them. Giving oral evidence to the Commission on 14 January 2014, Clare Reinhold, Engineering Associate with Building Design Partners, said that the UK engineering profession is struggling to recruit people with good technical skills. "I don't think there's much enthusiasm for engineering," she observed. "It's not seen as an exciting career. Being an entrepreneur and having your freedom is seen as more exciting."

2.4 NEXT COMES GENERATION Z

Generation Z sees learning power as more important than factual memory.

Of course, the future of management is not all about Generation Y. Generation Z (those born after 2000) will have different expectations again of the working landscape. In his written evidence, Mark Pegg noted that today's 11- to 18-year-olds still want university places but only if they get their money's worth – "quality contact time, learning facilities and a social life". He pointed out that: "Leading schools are moving en masse to iPads, installing wi-fi, fibre optics and intranets, and backing up to the cloud. Leaders in this generation see learning power as more important than factual memory."

³¹ *Employability Report*, Young Enterprise, 2013

³² www.bpp.com/about-bpp/aboutBPP/press-releases#Employability-is-key

³³ www.hefce.ac.uk/news/newsarchive/2013/news82822.html and ml.spiegel.de/article.do?id=910810

³⁴ www.cbi.org.uk/media-centre/press-releases/2012/06/further-progress-on-school-and-college-leaver-attainment-requires-radical-new-vision-cbi-pearson

³⁵ *Generation Y: Unlocking the Talent of Young Managers*, CMI, 2008

³⁶ *The Start-up Generation*, The Prince's Trust and RBS, 2012

³⁷ www3.imperial.ac.uk/newsandeventspggrp/imperialcollege/newssummary/news_9-4-2014-14-50-27

³⁸ *The Start-up Generation*, The Prince's Trust and RBS, 2012

3. THE WORKING WORLD IN 2020

“The future is not an accident; it doesn’t just happen. The future is built every day by the actions of people.”

Brian David Johnson, Futurist, Intel

It may be just six years into the future, but one thing we can be sure about is that the working world in 2020 will be very different from the world that we know today. While we can’t predict exactly what that working world will look like, there are a number of important trends that are likely to shape how the future will evolve.

3.1 TECHNOLOGY

Technology will be integral to the way that managers manage and lead.

Since the turn of the century, the technological revolution has transformed our existence, and the pace of change will only get faster. By 2020, Gartner predicts that the world will be a hive of interconnectivity.³⁹ On average each person will have six different devices that will be connected to the internet. In an interview with the Commission, Brian David Johnson, Futurist at chip-maker Intel, predicted that, by 2020, “we will have smart buildings and smart cars and smart cities”.

Not only will technology be even more integral to the way that we work than it is today, it will be central to the way that managers manage and lead. The most obvious manifestation of this is that managers will need to be able to lead teams consisting of workers who work flexibly, independently and in a broad range of geographical locations. The future office will comprise “core teams” whose members work around the globe

KEY POINTS

Technology is transforming how organisations function. By 2020, each person will have six different devices that will be connected to the internet.

As a result, people skills will become even more vital to managers.

Managers will need to be able to lead teams consisting of workers who work flexibly, independently and in a broad range of geographical locations.

Workplace structures will become wider, flatter and less hierarchical.

Managers will have tools for analysing staff emails and social media accounts in order to gauge staff engagement and manage performance.

Diversity will become even more of a business imperative. Nearly one billion women are likely to enter the global workforce over the next decade. By 2020, women are expected to take up 56% of the net increase in jobs in the UK.

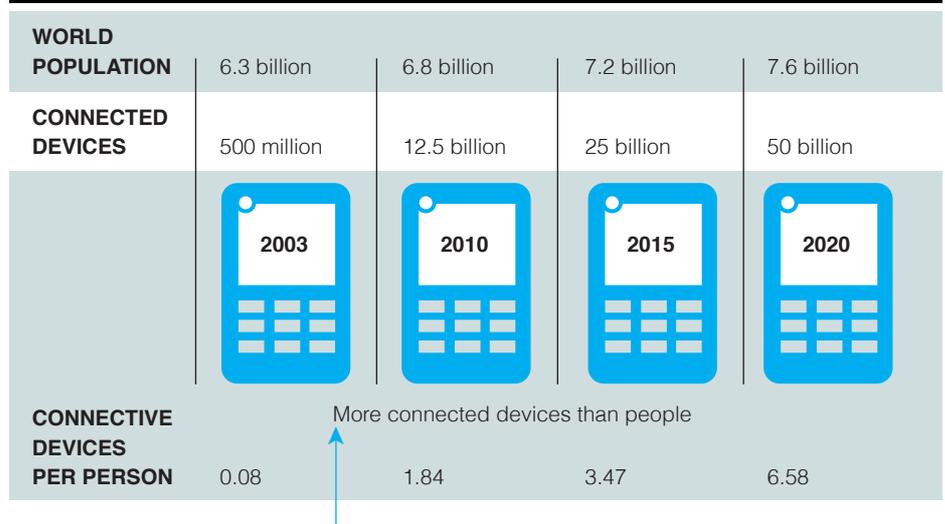
The proportion of black, Asian and other ethnic minorities in the UK population will rise to 20% by 2051.

Many of the young people joining companies today will live to 100 years old and they will be working until they are about 85.

Managers need to develop a business culture that makes ethics, corporate social responsibility and sustainability an integral part of the company’s business model.

Future leaders need to be agile, authentic, sustainable and talented.

FIGURE 3: THE WORLD POPULATION’S CONNECTIVITY OVER THE YEARS



and connect with each other online. Workplace structures will become wider, flatter and less hierarchical as a result, Brian David Johnson told the Commission.

According to PwC,⁴⁰ the average number of host locations for a global organisation will have grown to 33 by 2020, up from 13 in 1998. In 2011, Mercer forecast that by 2020, 70% of workers would deal with their manager online rather than face-to-face. Meanwhile, in 2012, the BBC predicted that by 2025 “technology will allow us to conjure workspaces out of thin air by using interactive services”; that holographic teleconferencing and virtual “dry runs” of projects will “consign old office templates to the dustbin”; and that workforces will become more dispersed, with workers having diverse careers in different locations and working for shorter periods on projects.

As technology evolves, it will make some of the lower-skilled roles that exist today redundant. Hence there will be less demand for sales and customer service operators, and plant and machine operators. A report by the UK Commission for Employment and Skills (UKCES) reveals that the groups that are expected to experience the greatest growth in employment over the period 2010-2020 are higher-level occupations.⁴¹ These include managers, directors and senior officials (up 18%), professional occupations (up 15%), and associate professional and technical occupations (up 14%).

Managers will also need to get to grips with the potential of big data, since it is a powerful tool that can help them to lead people more effectively. Research by training company Cegos Asia Pacific in 2013 suggests that, by 2020, big data will have transformed many of the core tasks undertaken by managers.⁴² In particular, they will have tools that

TABLE 1: EMPLOYMENT LEVELS BY INDUSTRY SECTOR (000s)

	1990	2000	2010	2015	2020
Managers, directors and senior officials	2,284	2,540	3,016	3,279	3,560
Professional occupations	4,181	4,820	5,843	6,189	6,712
Associate professional and technical	3,050	3,561	3,926	4,138	4,476
Administrative and secretarial	4,437	4,078	3,698	3,466	3,312
Skilled trades occupations	4,736	3,767	3,526	3,389	3,295
Caring, leisure and other service	1,446	2,142	2,719	2,801	3,032
Sales and customer service	2,309	2,479	2,608	2,555	2,610
Process, plant and machine operatives	2,819	2,349	1,950	1,829	1,737
Elementary occupations	3,504	3,454	3,173	3,209	3,274
Total	28,768	29,192	30,458	30,855	32,008

Source: *Working Futures 2010-2020, UKCES, December 2013*

enable them to analyse staff emails and social media accounts in order to gauge staff engagement and manage performance. They will also be able to analyse social media profiles to assess the intelligence and emotional stability of potential recruits. Behavioural and sentiment analysis will allow managers to predict the likelihood of staff turnover among high-potential employees, so that they can identify employees who are considering leaving long before notice is handed in, resulting in a lower staff turnover.

³⁹ www.gartner.com/newsroom/id/2603215

⁴⁰ *Talent Mobility: 2020 and Beyond*, PwC, 2010

⁴¹ *Working Futures 2010-2020*, UKCES, December 2013

⁴² www.slideshare.net/JeremyBlain/leading-and-managing-in-the-2020-workplace-challenges-for-gen-x-leaders-in-waiting

THE WORKING WORLD IN 2020

In 2013, Gartner predicted that, by 2020, the career paths of the majority of “knowledge workers” (workers whose main capital is knowledge – for example, software engineers, doctors and architects) will be disrupted by “smart machines” in both positive and negative ways. Smart machines that learn from results will be able to enhance process- and decision-making but could also “remove the need for humans in the process and decision effort”, Gartner said.⁴³ Meanwhile Cisco has predicted that a \$1,000 computer will have the processing power of the human brain by 2020,⁴⁴ and, in 2012, NBC News forecast that, by 2020, we will control devices via microchips implanted in our brains.⁴⁵ According to Gartner, we will suffer from an information overload of sorts, since we will have more information concerning ourselves and our surroundings than we can actually act upon. Meanwhile, the way in which digitalisation will drive labour reduction could lead to social unrest in mature economies, Gartner warns, and this is something to which managers will need to be sensitive.⁴⁶

Intel Futurist Brian David Johnson argues that people skills will become even more vital to managers in the technological age. In his interview with the Commission, he said: “The wonderful thing about managers is that we’re going to need them. Technology is always about people. Human beings are really good at communicating with other human beings and computers are really bad at it. One of the things managers excel at is emotional intelligence – being able to empathise and sympathise, and being able to guide careers.”

3.2 DIVERSITY

“As populations shift and the world becomes more interconnected, and

“An essential factor for leaders and managers who will be successful in recruiting, retaining, developing and enabling the best talent is their ability to create cultures that are positively focused towards diversity and inclusion”

The British Psychological Society

travel and work become more flexible across national boundaries, diversity in organisations is increasing,” stated the British Psychological Society, in written evidence to the Commission.

Women are the world’s great, untapped economic resource. As of today, their potential is scarcely realised. But, over the next decade, nearly one billion women are likely to enter the global workforce, according to a report by consultancy Booz & Company.⁴⁷ And, if female employment rates matched those of men, GDP would increase by 5% in Britain and America and 9% in Japan by 2020, according to the European Commission.⁴⁸ By 2020, women are expected to take up 56% of the net increase in jobs in the UK, according to UKCES.⁴⁹ The impact of women joining the workforce will be even greater in high-growth countries, such as India, where they are under-represented today.

When it comes to management roles, there will be more jobs for both men and women at the manager, director and senior official levels, but the UKCES highlights that men are expected to get the “lion’s share” of these kinds of jobs.⁵⁰ However, if the EU presses ahead with its proposed legislation to impose

quotas for female non-executive directors on the boards of listed companies, this could drive further opportunities for women, since companies will need to invest in developing their female talent pipelines.

It’s clear that managers will need to draw out and develop their female talent over the coming years. The evidence shows that better gender balance is good for performance. Research by Credit Suisse showed that companies with women on their boards outperformed those with men-only boards during the downturn, notching up 14% net income growth on average, compared with 10% for those with no female director on the board.⁵¹ Submitting written evidence to the Commission, the British Psychological Society observed that an “essential factor for leaders and managers who will be successful in recruiting, retaining, developing and enabling the best talent is their ability to create cultures that are positively focused towards diversity and inclusion”. In an interview with the Commission for this study, Paul Polman, Chief Executive of fast-moving consumer goods company Unilever, explained why enhancing gender diversity is a major part of his company’s strategy. “To solve today’s challenges you need more partnerships, you need a longer-term view and you need to be driven by a greater sense of purpose,” he said. “It has been shown that women tend to possess these qualities to a higher degree than men.”

A study by the University of Leeds in 2010 predicted that the proportion of black, Asian and other ethnic minorities will rise from 8% of the UK population, as recorded in the 2001 census, to 20% by 2051.⁵² Meanwhile, the UK

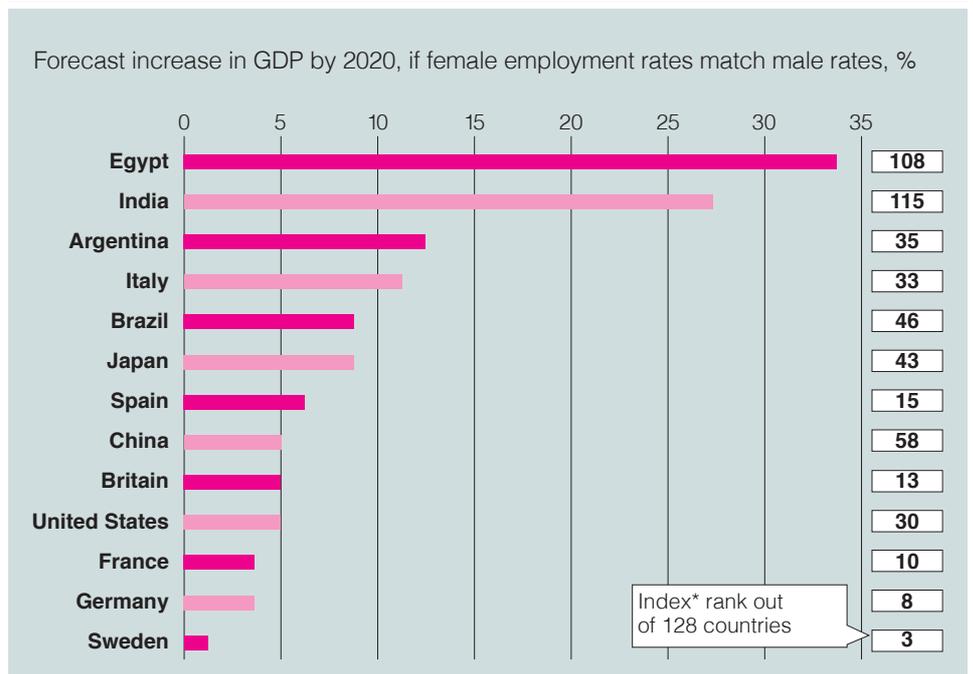
Government has set a target of doubling exports to £1tn by 2020. Hence cross-cultural awareness and sensitivity will be important skills for managers to possess in 2020, both in terms of how they interact with employees in their organisation's UK workforce and with those based overseas. In its written submission to the Commission, the Association of Business Schools stated: "UK firms operate in increasingly globalised markets, and therefore managers will need to cultivate a shared understanding of company values and goals across employees, even if they live in different countries and speak various languages."

Rising retirement ages and longer life expectancy mean that, by 2020, there will be five generations working alongside each other in the UK workforce. These five generations are the Traditionalists (those born between 1927 and 1945), the Baby Boomers, Generation X, Generation Y and Generation Z. So managers will need to become comfortable with managing both those who are significantly older, and those who are significantly younger, than they are, which will require them to further hone their people-management skills. Furthermore, managing an ageing workforce will continue to be a pressing concern, Lynda Gratton, Professor at London Business School, observed in oral evidence to the Commission. She noted: "Many of the young people joining companies right now will live to 100 years old, which means they'll be working until they're about 85. I don't think there's any understanding of that."

3.3 GLOBALISATION AND DEMOGRAPHICS

Managers need to harness the power of globalisation in order to help their businesses succeed.

FIGURE 4: THE ECONOMIC CONTRIBUTION OF WOMEN BY COUNTRY



Source: **Booz & Company, 2012**

*Economic empowerment of women ("Third Billion Index")

Globalisation is the process of integrating economies, industries, markets, cultures and processes around the world. It has gathered pace over the past three decades and it will accelerate faster in the future, thanks to ongoing technological developments, which are making the world a smaller place. The world is also becoming increasingly urban. Research by the UN Department of Economic and Social Affairs found that, by 2050, the world's urban population is expected to increase by 72%, from 3.6 billion to 6.3 billion.⁵³

In its written evidence to the Commission, the Association of Business Schools emphasised that managers need to harness the power of globalisation in order to help their organisations succeed.

⁴³ www.gartner.com/newsroom/id/2603215

⁴⁴ www.cisco.com/web/about/ac79/docs/Top_25_Predictions_121409rev.pdf

⁴⁵ www.nbcnews.com/id/55092370/ns/technology_and_science-science/t/human-brain-microchip-times-faster-pc/

⁴⁶ www.gartner.com/newsroom/id/2603215

⁴⁷ *Empowering the Third Billion: Women and the World of Work*, Booz & Company, 2012

⁴⁸ ec.europa.eu/europe2020/pdf/themes/31_labour_market_participation_of_women.pdf

⁴⁹ *Working Futures 2010-2020*, UKCES, December 2013

⁵⁰ *Working Futures 2010-2020*, UKCES, December 2013

⁵¹ *Gender Diversity and Corporate Performance*, Credit Suisse Research Institute, 2012

⁵² www.leeds.ac.uk/news/article/3354/more_ethnically_diverse_populations_for_uk_local_areas

⁵³ esa.un.org/unup/pdf/WUP2011_Highlights.pdf

THE WORKING WORLD IN 2020

Supporting this view, Professor Lynda Gratton told the Commission that today's multinational businesses set a good example that locally based businesses should follow. She said: "Any UK company that wants to be high-performing in the long term needs to globalise."

Research by the EU in 2008 found that countries with high levels of educational attainment, employment and productivity, along with a high share of employment in advanced sectors, are set to benefit most from globalisation. This is good news for countries such as the UK, Denmark, Finland, Ireland and Sweden. It is less welcome news for countries such as Greece, Italy, Hungary, Latvia and Spain. There will be huge changes in the world economy over the coming years as the BRIC and MINT economies continue to develop. By 2030, China is expected to overtake the US as the world's largest economy. Meanwhile, the UK is likely to leapfrog Germany to become the largest economy in Western Europe, according to the Centre for Economics and Business Research *World Economic League Table*, published in December 2013.⁵⁴ The UK has got the fastest-growing population in Europe and it will have the largest population in Western Europe by 2050.⁵⁵ Its population will increase to 77 million in 2050 from 62.2 million today, a rise of almost 24%.⁵⁶ Having such a large population will mean that it will be well placed to benefit from globalisation, providing it can use its demographics to its advantage.

On the other hand, the population of the EU is projected to become both smaller and older, mainly as a consequence of declining

fertility rates and increasing life expectancy. By 2050, there will be 48 million fewer 15- to 64-year-olds and 58 million more people over 65 in the EU, according to 2009 figures from research institute Ismeri Europa.⁵⁷ Ismeri Europa also predicted that from 2017 a shrinking workforce will reduce overall employment and act as a brake on potential growth in the EU.

3.4 SUSTAINABILITY

Ethics, corporate social responsibility and sustainability should be an integral part of an organisation's business model.

As the world's resources grow scarcer and more expensive to extract, organisations will have to become more focused on operating sustainably. They will also need to combat the threat of climate change, which is leading to extreme weather, putting stress on food-producing systems and increasing the risk of pandemic diseases.

Sustainability is at the heart of the integrated reporting initiative,⁵⁸ which encourages organisations around the world to produce integrated reports that communicate their strategy and performance in the context of the external environment in which they operate. This means that, besides reporting on their financial results, they will also be reporting on factors such as their environmental and social impact.

Fast-moving consumer goods company Unilever is one of the participants on the integrated reporting pilot programme and it has a strong commitment to sustainability through its Sustainable

Living Plan. The company has three big goals that it wants to achieve by 2020 and it is involving its entire workforce in order to achieve them. Its goals are: to help more than one billion people to improve their health and well-being; to halve the environmental footprint of its products; and to source 100% of its agricultural raw materials sustainably, while enhancing the livelihood of people across its value chain.

In an interview with the Commission, Unilever Chief Executive Paul Polman said: "If we believe in the long-term sustainability of this company, then we also have to have a supplier base that is sustainable in the long term."

Sustainability will inevitably become more integral to management practice over the coming years. In its written submission to the Commission, the Association of Business Schools said that managers and leaders need to "develop a business culture that makes ethics, corporate social responsibility and sustainability an integral part of the company's business model".

Fortunately, however, sustainability has a clear appeal to the leaders of both today and tomorrow, since it fits with their desire to make a difference. Giving oral evidence to the Commission on 14 January 2014, Clare Reinhold, Engineering Associate with Building Design Partners, said: "My passion and the reason why I went into the construction industry is foremost as an engineer, rather than as a manager. When I do get made director, I would like to be involved in taking the company forward in sustainability."

“Managers and leaders need to develop a business culture that makes ethics, corporate social responsibility and sustainability an integral part of the company’s business model”

The Association of Business Schools

3.5 THE FUTURE OF SKILLS

Over three million people are working as managers in the UK today, according to UKCES.⁵⁹ But UKCES predicts that this figure will leap by more than 18% to 3.6 million by 2020. Taking replacement demand into account, UKCES believes that a total of 1.3 million managers, directors and senior officials will be needed by 2020.

So what skills will the managers of 2020 need to possess in order to meet the challenges posed by technology, diversity, globalisation and sustainability? PwC sums up the characteristics of our future leaders in four words: agile, authentic, sustainable and talented.⁶⁰ Meanwhile, the American Management Association has identified the “four Cs” as the most important skills for managers in the future.⁶¹ These are critical thinking and problem solving; communication skills; collaboration skills; and creativity and innovation skills. The University of Phoenix Research Institute also points out that managers will need to have social intelligence, new-media literacy, computational thinking and an

ability to collaborate virtually, among other qualities.⁶²

Research firm Bersin & Associates believes that the four critical functions of future leaders are to develop a vision, share goals, gain support, and deliver support.⁶³ Significantly, however, Professor Linda Hill from Harvard Business School argues that the next generation will need to act like shepherds and “lead from behind”. This will require them to decide who is in and who is not in the group and to articulate the values that will inform the group. It will also require them to develop the talents of members so that they can flourish in their roles, set boundaries for the group’s activities and manage the tensions that are inherent in group life.

⁵⁴ www.cebr.com/reports/cebr-world-economic-league-table

⁵⁵ www.telegraph.co.uk/news/politics/10230468/UK-has-fastest-growing-population-in-Europe.html

⁵⁶ www.independent.co.uk/news/uk/home-news/uk-population-largest-in-western-europe-by-2050-2039395.html

⁵⁷ ec.europa.eu/regional_policy/sources/docgener/studies/pdf/challenges2020/regional_challenges_demographic_challenge.pdf

⁵⁸ www.theiirc.org

⁵⁹ *Working Futures 2010-2020*, UKCES, December 2013

⁶⁰ *Talent Mobility: 2020 and Beyond*, PwC, 2010

⁶¹ www.amanet.org/news/AMA-2010-critical-skills-survey.aspx

⁶² www.phoenix.edu/forward/careers/2012/06/5-strengths-workers-need-for-the-future.html

⁶³ *Employee Development Planning: The Four Critical Elements*, Bersin and Associates, December 2012

4. HIGH-PERFORMING INDIVIDUALS – TOP TEN TRAITS

“If the UK wants more inspiring leadership in the next 10 years, it must prepare leaders for many new challenges – the ones that stand out are globalisation, diversity, sustainability and digital technology.”

Dr Mark Pegg, Chief Executive, Leadership Foundation for Higher Education, written evidence to the Commission

Our evidence found that anyone can be a manager and anyone can be a good manager. But what does “good” look like in the context of both the organisation and the individual? These questions were at the heart of the Commission’s investigation into the future of management and it considered a wide range of written and oral evidence in order to address them.

This chapter focuses on the attributes sought at an individual level. The Commission’s evidence revealed that the characteristics of high-performing leaders are reflected in how they lead their organisations. They have a clear sense of purpose, strong values and a commitment to developing others. Furthermore, they can communicate with

a diverse workforce, work collaboratively and flexibly, understand the importance of self-reflection, demonstrate grit and perseverance, and deliver excellent results time after time.

From the evidence gathered, the Commission distilled 10 characteristics of a highly effective 21st century leader and manager (see table below).

4.1 HIGH-PERFORMING INDIVIDUALS

The Commission heard a lot of evidence countering the popular notions of leadership being an innate gift given to a select few or a trait that can be measured according to a set of clearly defined attributes. Similarly, the evidence contradicted the myth of a leader being a “heroic”, charismatic individual who

single-handedly guides an organisation to glory. Instead, the Commission heard that leadership qualities are commonly found throughout the workforce. Moreover, and especially in today’s complex, high-tech world, leadership is about developing and working with teams, rather than “leading” in the more traditional sense. As a result, strong leaders need to combine what appear to be opposite qualities. They need to be confident, but modest. They need to be adaptable, but decisive. They also need to be good listeners who are able to nurture the people they work with to help them reach their full potential.

The 10 key characteristics of highly effective leaders and managers in the 21st century identified by the Commission are as follows:

TOP TEN CHARACTERISTICS THAT MANAGERS NEED

- 1 Clear sense of purpose.
- 2 Strong values and personal integrity.
- 3 Commitment to developing others through coaching and mentoring.
- 4 Champion of diversity.
- 5 Ability to engage and communicate across all levels.
- 6 Self-awareness and taking time to reflect.
- 7 Collaborative, networked and non-hierarchical.
- 8 Agile and innovative, technologically curious and savvy.
- 9 Personal resilience and grit.
- 10 Excellent track record of delivery.

1. Clear sense of purpose

Employees need to understand what their leaders are trying to do, why they are trying to do it, and what it will achieve not only for the organisation itself but also for the organisation's wider stakeholders, including society in general. Only then will they truly buy into the leader's vision. Giving oral evidence to the Commission, Dylan Valentine, a young manager at Fujitsu, said of his manager: "She has been very good; a very good people person. Her best trait [is] she can take people on that journey. You feel like you're searching for the one common goal or purpose. She sets extremely challenging targets; you know you have a key part to play."

2. Strong values and personal integrity

Over the past few years, a series of scandals have rocked both the profit and not-for-profit sector, exposing the failings of leaders within those sectors. For example, banks were fined heavily for mis-selling payment protection insurance and manipulating the Libor, the benchmark interest rate. Some well-known companies and media personalities have come under scrutiny for the way they manage their tax affairs. Within the health service, the Mid Staffordshire NHS Foundation Trust was criticised by a public inquiry for causing the "suffering of hundreds of people" between 2005 and 2008.

These well-publicised episodes have served to make employees increasingly sceptical of their leaders' motivations and inclined to demand higher levels of integrity than ever before. So leaders and managers, even at a junior level, need to demonstrate strong values and conduct themselves well. Unilever Chief Executive Paul Polman told the Commission that the company places a heavy emphasis on integrity. For him, integrity includes: "Putting the interests of others ahead of your own, and wanting to make an impact in the world."

3. Commitment to developing others: coaching and mentoring

Even at a junior level, management is a leadership role. Therefore, individual managers must take responsibility for the morale and sense of purpose of each person reporting to them. They

need to develop a coaching style that is collaborative, open and fair, and support the career development of their team. At the same time, they need to know how to have difficult conversations about performance. It is not good management to give false reassurance to someone who is not performing well, since this will affect the morale of other team members. Sir Charlie Mayfield, Chairman of the John Lewis Partnership, told the Commission: "A good leader, if they are doing their job properly, is supporting and encouraging their people, and should instil confidence in their people."

4. Champion of diversity

Demographic, social and technological changes mean that the workforce is becoming more diverse all the time. Moreover, it is becoming ever more geographically dispersed. So good managers must feel comfortable with leading groups of people from different age groups, ethnic origins, genders, nationalities and professional backgrounds. To achieve this, they need to be sensitive to cultural and language differences and open to new ways of working. Rather than trying to bring team members round to their way of thinking, they will embrace the fresh perspectives that they bring. As Sean Taggart, Chief Executive of the Albatross Group, told the Commission: "[When we hire] people from outside, we make sure we keep their external view. It's good to welcome different views; otherwise you don't get better. We have no bias: we hire people when they're good and manage them when not."

5. Ability to engage and communicate across all levels

Having the ability to communicate with a wide range of people is crucial to good leadership, our evidence found. Managers don't just set a strategy and give guidance and instructions. They need to continually engage with everyone who has to make the strategy happen. This involves communication running both ways. It also involves communicating why something needs to be done – for example, what difference will the proposed action make to the end customer? Communication does not just take place through words,

either. It also occurs through actions, so a leader communicates by being a role model. Giving evidence to the Commission, Head of EMEA and Corporate Senior Vice President of Fujitsu Duncan Tait said: "You have to communicate like crazy, much more than you ever thought you'd have to do. And you have to say the same thing again and again and again and again, often to the same people, by different ways. So, I tweet every day to our internal people. They know exactly what I'm up to."

6. Self-awareness and taking time to reflect

Attributes such as self-awareness and having the ability to reflect may not sound like leadership qualities in the conventional sense, but the Commission found they are crucial attributes of the leaders that organisations need today. At evidence sessions, the Commissioners heard that organisations could be weakened if they come under the undue influence of flamboyant personalities with big egos. Instead, the most effective leaders tend to be those who have quiet confidence, emotional intelligence, listening skills and strong values, as well as being people who do not allow themselves to be dominated by the ideas of the person they last spoke with.

Self-awareness doesn't mean being indecisive, the Commission heard. It means taking decisions in a more thoughtful and grounded way so that you bring people with you. Thomas Lawson, Chief Executive of Leap Confronting Conflict, observed: "You can't be a great leader unless you can lead yourself, so unless you've got emotional intelligence and an ability to understand yourself, you won't be able to communicate effectively."

7. Collaborative, networked and non-hierarchical

Management is no longer about issuing commands; it is about collaboration. A study by Robert Hamlin and Alf Hatton that was submitted as written evidence to the Commission identified collaborative working as having a number of key elements. These include: effective planning and organising; proactive execution and control; supportive management; delegation and empowerment; care and concern for staff

TOP TEN TRAITS

and other people; a willingness to work in the interests of team members; support for career development; and open communication.

Duncan Cheatle emphasised the importance of learning from one's peer group – for example, through professional body networks, trade association groups or more informal groups like the Supper Club, a leading UK network for entrepreneurs. “Regularly coming along and meeting a trusted peer group, free from sales pitches, and sharing and learning with each other” can lead to innovative new approaches to problem solving.

Collaborative working is supported by advances in technology that allow managers and leaders to draw on far wider networks – and a wider range of skill sets – than have been available to them in the past. The Commission also heard from Brian David Johnson of Intel that technology has played a pivotal role in enabling these wide networks, which in turn are causing traditional hierarchies to be replaced by flatter organisational structures. Organisations with flat structures tend to be flexible and nimble, which gives them an advantage in a complex world that presents complex challenges. As Unilever Chief Executive Paul Polman told the Commission: “You need partnerships; the problems are so big you can't solve them by yourself.”

8. Agility and continual innovation – technologically curious and savvy

The days of five-year plans, if they ever truly existed, are over. Today, markets change within months and developments in areas such as mobile working and big data are radically reshaping business models. As economies develop rapidly, and new competitors emerge, business leaders need to be tuned in to technological advances and responsive to changing events. Harriet Green, Chief Executive of Thomas Cook, told the Commission: “Strategic agility, for me, defines great leadership.”

Our evidence shows that leaders must be hungry for knowledge and continually questioning whether their teams have the right skills and experience to take advantage of emerging technologies, legislative change and other external events. In written evidence to the Commission, Chris Rodgers of the Centre for Progressive Leadership argued that leaders should lead by asking questions, rather than by thinking that they need to provide all the answers.

9. Personal resilience and grit

Failure, error and unwelcome external shocks, such as political violence, earthquakes and ash clouds, are an inevitable part of life. No organisation, even the best managed, can ever be perfect, and a lot of damage can be done by just a small number of individuals.

“You can't be a great leader unless you can lead yourself, so unless you've got emotional intelligence and an ability to understand yourself, you won't be able to communicate effectively”

Thomas Lawson, Chief Executive of Leap Confronting Conflict

Nevertheless, evidence from our expert witnesses, along with research, clearly shows that better-run companies, which are run by the best-prepared leaders, are less affected by the external shocks that they encounter, and they recover from them more quickly when they do occur.

At the individual level, this means managers within organisations must develop reserves of personal resilience. They must take a long-term view and recognise that no crisis lasts forever. They should also do the right thing even if those around them are impatient for a quick fix. A leader often has to project a confident future, even if they struggle to feel it inside, as it is their job to encourage others to become engaged

in the turnaround when a business has suffered a setback. Alex Cheatle, Chief Executive of concierge provider Ten Group, told the Commission: “Two of the times when we've had the best motivation in our business and the best leadership were when we'd become bust and then managed to save the business – or bits of it.”

10. Excellent track record of delivery

A good manager is expected to deliver and they are expected to deliver consistently strong results time and time again. By doing this, they set the strongest possible example to the people who follow them. Our evidence found the most senior managers should set the standards of delivery that are expected and then convey these to the rest of the workforce. Head of EMEIA and Corporate Senior Vice President of Fujitsu Duncan Tait said: “We expect our people to be great for their customers... We've got to be the best employer in our industry, and we have to deliver a set of results that are better and better. So we set the framework for what we expect, and our style is to then tell people what we want, and they decide the 'how'.”



CASE STUDY: TRANSFORMATIONAL CHANGE

HARRIET GREEN
CHIEF EXECUTIVE
THOMAS COOK

Harriet Green told the Commission about her personal “transformation toolkit”, which she has used to overhaul a number of organisations on different continents, including Thomas Cook.

“Driving transformation is a 24/7 job,” she said. “Organisations are like living organisms and, when looking to transform them, you need to consider all elements, whilst addressing the most urgent priorities.” The critical three elements are:

The psychology: how people think, feel and act – in other words, the organisation’s culture, values, ways of working and “the way we get things done round here”.

The physiology: the systems and processes that underpin and connect the business, like nerve endings and blood flows.

And, finally, *its anatomy:* the organisational structure. Businesses need to create a lean, agile structure as befits a digitally enabled business, supporting fast decision-making, and reducing the layers of management between the CEO and customers.

Harriet believes a CEO must lead change in all three areas to truly transform the organisation. An effective CEO today needs to operate at the centre of the vortex – not from the top of the pyramid in a historical, hierarchical construct – and has to gather information from all the organisation’s communities, both internal and external.

“Organisations are like living organisms and, when looking to transform them, you need to consider all elements, whilst addressing the most urgent priorities.”

Harriet described some of the key “tools” in her personal leadership toolkit that are helping her to drive the ongoing turnaround at Thomas Cook.

INVESTIGATE THE PROBLEM

On her first day as CEO, Harriet sent a survey to everyone in the business asking what was wrong with it. In under a month, over 8,000 people had replied. Those at the frontline usually know what’s not working and have a passion for fixing it.

BE VISIBLE

Communicate often, update the organisation regularly, and use different media, like video. Be available and reply quickly. Be visible, share honestly and celebrate success.

BE OPEN

Ensure you are open to feedback from employees. At Thomas Cook, Harriet developed an “Ask Harriet” email address, so employees could email in confidence on any issue. At its peak, Harriet received 200 emails a day and prides herself on replying to everyone.

IDENTIFY TALENT

Leaders need to identify their talented performers quickly. Engage with people across the

organisation – meet the key players in every area, know their direct reports, and meet with up and coming talent. Identify quickly those who are not “on the bus” – make decisions quickly. When transforming an organisation, moving at pace is essential – don’t waste time trying to convert those managers and leaders who don’t want to change and who make it clear that they will never support the new ways. Give everyone a fair chance to change but then take the tough decisions. Middle-management is often a big part of the problem – and also the solution. By engaging and fostering belief at the top and the bottom of the organisation, those in the middle who might be slower to change begin to feel the squeeze and move forward positively.

BUILD A WINNING TEAM

Bringing in fresh talent, different industry experience and a different perspective is vitally important, as is identifying the skills and knowledge gaps early on. At Thomas Cook, Harriet personally recruited close to 80 people, believing that, when transforming the leadership of an organisation, the principle of “a third, a third and a third” is usually the right balance: keep one-third of the original leadership team, promote one-third from within and bring in one-third to give fresh perspective and learnings from other industries, and then involve and engage them to work together as one aligned team.

DEVELOP THE CULTURE

From the very start, focus on the culture. Develop and agree

together the values and the ways of working. Create a strong code of conduct and involve the whole organisation. Everyone needs to clearly know what the organisation believes in, how it works and “how we do things round here”. Together, these will create a culture and build trust. Every employee needs to see themselves and their beliefs reflected in the culture to succeed – like a flamingo looking into a pool. Develop clear leadership competencies to measure the performance of your leaders and enforce the code of conduct fairly and clearly for everyone without exception. Lead with integrity and by example every day. Be a role model.

BREAK DOWN BARRIERS

Silos and organisational politics have no place in transformations – build new teams, share best practice and encourage openness.

CELEBRATE SUCCESS

Remember to take time to celebrate success – it’s an important part of rebuilding belief, particularly in an organisation that’s been through a tough time. Pride in the company, its performance, its products and its services is important for everyone.

LISTEN TO STAKEHOLDERS

Never stop listening to your customers. Never be so remote or so arrogant to think you can stop listening to any of your key stakeholders.

5. PATHWAYS TO PROGRESS – PURPOSE, PEOPLE AND POTENTIAL

60-
65%

OF THE TOTAL WORTH
OF LISTED COMPANIES
ALL OVER THE
WORLD CONSISTS OF
INTANGIBLE ASSETS
SUCH AS THE SKILLS
AND RELATIONSHIPS
OF THEIR PEOPLE

Now we know what “good” looks like at an individual level, how do we ensure that organisational cultures and structures enable leaders to flourish at all levels? Our best way to provide a route map to 2020 is to study today’s highly performing organisations, and to distil the features that will provide a pathway to progress for others.

It is the Commission’s view that a high-performing organisation is characterised by its focus on long-term growth, sense of purpose and values. It will be an organisation with a comparatively flat organisational structure that prepares people at every level for leadership, and rewards according to behaviours, not just results. It celebrates failure, champions diversity, and is committed to investing in the next generation.

The next question is: how do we get there? In order to identify the pathways to progress, the Commission interviewed some of the leaders of major British companies that are charting a radically new approach to business governance. These organisations are not only improving their profits, but are also improving outcomes for employees, the environment and society at large. The Commission also reviewed written evidence on this subject from a wide range of sources, including business schools and leadership organisations.

Our evidence shows that boards need to focus on three critical areas: how they define their **purpose**, how they lead their **people**, and how they manage their **potential**.

What this means in practice is that we need boards to refocus on their organisation’s longer-term purpose, which extends beyond making money and meeting targets. They should set measurable commitments to customers, suppliers, employees, communities, and the environment, as well as to investors.

We also need managers who inspire and support their teams to succeed. These managers should be recruited not only for the technical skills they possess but also because they have the right attitudes, values and ethics. They should be managers who are assessed and paid not only on their results, but on how they achieved them.

Finally, we need to focus on the longer term rather than continually succumbing to short-term pressures. That means building for the future – by supporting our education system through providing students with access to the world of work, by training new managers and mentoring them, and by encouraging larger organisations to share management expertise through their supply chain and across different sectors.

By doing this, we can create a **better managed Britain**, with long-term, sustainable growth for the benefit of all.



“Great leaders are people who are able to lead those organisations where, actually, people at the very bottom of the organisation can be just as influential as the people at the top.”

Commissioner
Dame Mary Marsh

PURPOSE

Our evidence shows that companies that are committed to long-term growth, serve their customers effectively and treat their staff well typically generate excellent returns for shareholders

Define long-term goals

The evidence presented to the Commission was clear: businesses that do well in the long term plan consciously for the long term. Hence they need to set out long-term goals, as Unilever has done with its Sustainable Living Plan, and these goals should cover the company's measurable commitments and relationships to its customers, employees, investors and suppliers, as well as to the environment and local community. These align with the Blueprint for Better Business initiative, which was unveiled by business leaders at the Davos summit of world leaders in January 2014.

"You need to fight short-termism," said Unilever CEO Paul Polman. "In the financial world; in the business world; in the political world." Talking about the Unilever Sustainable Living Plan, he added that the company's purpose with the plan "is very much shared with everybody".

Elaborating on Unilever's sense of purpose, Polman said: "It's about being authentic and acting with integrity. It's putting the interests of others ahead of your own and wanting to make an impact in the world, increasingly by working in partnership." He added that the company has a passion for the "world's citizens", saying: "You need to have that passion, a passion for people, a passion for winning and a bias for action."

Having a long-term strategy means companies must shy away from "quick fixes" such as brutal cost-cutting strategies and large-scale redundancy programmes, unless they are absolutely necessary. It also requires them to put a management team in place that

has the vision to guide the organisation effectively over the longer term and that is committed to building strong and enduring relationships with stakeholders.

Unilever is very focused on talent development over the long-term, Polman told the Commission, and spends a lot of time reviewing the leadership skills that will be needed in 2020. "We also have hard measures and very tangible programmes to deliver the type of leaders we want," he added.

Emphasising that every organisation relies on the continued well-being of others to some extent, Charlie Mayfield, Chairman of the John Lewis Partnership said: "We're a business, not a philanthropic organisation. There is no disguise about that: we have robust conversations with suppliers – but we recognise that our future depends on them remaining in business, so it's in our interest and theirs to have an equitable relationship."

Our evidence shows companies that are committed to long-term growth, serve their customers effectively and treat their staff well typically generate excellent returns for shareholders.

Duncan Tait, Head of EMEIA and Corporate Senior Vice President of Fujitsu, told the Commission: "Being a successful leader in the private sector is not just about making money. It's about being a great employer, being great for your customers [and] bringing value to the society that you happen to invest and employ people in."

Polman told the Commission that taking a longer-term approach requires a significant change in thinking among individuals,

businesses and politicians. "There has to be far more emphasis on purpose, on ways of running a business, on education and on transparency," he said. He noted it is the responsibility of leaders, rather than boards, to drive change and build trust, but added: "We are short of courageous leaders who are willing, at personal risk, to drive change."

Track annual progress towards the overall stated purpose at the AGM

At its annual general meeting (AGM), the board of an organisation will typically present its annual report, containing information about its performance and strategy, to investors. Going forward, organisations should also use AGMs to convey important messages to investors about their purpose and their performance against non-financial targets, as well as financial targets.

Ultimately, all value is created by the flair, innovation, organisational ability and technical skills of the people working within an organisation. "Value" can mean the social value of a product or service provided by either the profit or not-for-profit sector – not just financial returns within the private sector. Financial results are essential for accountability, but they can only show part of the picture when it comes to performance. Kevin Murray, Chief Executive of PR company the Good Relations Group, told the Commission that around 60-65% of the total worth of listed companies all over the world consists of intangible assets such as the skills and relationships of their people.

Witnesses to the Commission argued that businesses with non-financial objectives, such as improving quality of life for

customers and society, tend to have stronger financial returns than companies whose main objective is maximising profits, especially when measured over longer time frames.

Unilever Chief Executive Paul Polman said: “Our model is built on a total value chain approach, on growing our business, reducing our environmental impact, reaching a billion people with health and well-being programmes and moving our whole business to sustainable sourcing. We do this on the basis of a common purpose”. Unilever recorded a 9% rise in pre-tax profits for the 2013 financial year.⁶⁴

Giving evidence to the Commission, Duncan Tait, Head of EMEA and Corporate Senior Vice President of Fujitsu, said: “We tend to measure the outcome a lot more than we measure the input, so we are going to have to improve on our engagement and enablement. Engagement is: how do I feel about being here? Enablement is: how easy is it to get my job done around here? If you can measure those two, you’ll grow faster than you can imagine.”

In written evidence, Colin R Tuckwell wrote: “There may well be a strong case to legally facilitate a healthier, more rounded business focus within the annual report. Requiring historic performance information (against previous plans) and future (range) projections relating to both quantitative and qualitative matters – for example, share price, corporate data, the relevant business environments, the company’s position within them, its value chain, strategic development, adaptive capability, risk management and profit and market capitalisation (for public), valuation including method for privates – would ‘raise the bar’ significantly for all involved.”

He explained the benefits of this approach as follows: “It would require the board, senior managers and auditors to consider bringing in wider business

capability when reporting, as well as being educative for the report producers and readers, including staff, service providers, regulators, customers and other stakeholders.”

But, in a written submission, John W Stephens observed how remarkable it is that basic indicators on staff are not routinely measured even though they have an obvious impact on performance. He said: “I’ve seen few companies measuring ‘staff retention’ – this is possibly the cheapest and most honest measure of employee engagement. I remember joining one company where the staff turnover was measured and stood at over 25% per annum... [it] became a key focus area, and, after much effort and investment, it fell to zero, and did so for my last three years there. As a by-product, the revenue/margin/customer retention/profits all grew.”

A parallel initiative, called “Valuing Your Talent”, which is led by CIPD and supported by the UK Commission for Employment and Skills, CIMA and the RSA, is currently exploring ways in which the value that employees represent can be expressed in reporting terms. The All-Party Parliamentary Group strongly supports this initiative. More information can be found at: www.cipd.co.uk/hr-resources/valuing-your-talent.aspx

Reward the chief executive and top team on the basis of the value that they deliver to all stakeholders

While revenue generation and profitability are important criteria of success within the private sector, they are far from being the only criteria. Therefore financial targets should not be the only results by which achievement is measured and

⁶⁴ www.bbc.co.uk/news/business-25823492

PHARMACEUTICALS: THE TROUBLE WITH TARGETS

Sales targets and financial incentives are not necessarily the best way of motivating a workforce, Commissioner Dr Jules Goddard of London Business School explained during one evidence session. He recounted the story of a well-known pharmaceutical company that conducted an interesting experiment with its sales force.

“We divided their German sales force into two. One half were left

with all their bonuses, quotas and incentives in place. With the other half, the sales director took all the incentive programmes off their shoulders, and simply said to them: ‘Do the best you can.’ At the last count, the ‘do the best you can’ group were 23% ahead of those still on incentives.”

Goddard continued: “That shook us; it also shook the board. But it absolutely goes with the psychology of financial incentives

– that somehow the inherently cynical nature of a target or a bonus says: ‘You’re naturally idle and you need some incentive to go to work and do a good job’ – rather than assuming that human nature prefers to do a good job.”

PURPOSE

13%

OF DECLINING ORGANISATIONS SAY THEIR TRAINING OF STAFF IMMEDIATELY AFTER A PROMOTION IS VERY GOOD, COMPARED WITH ALMOST 30% OF GROWING ORGANISATIONS

recognised. Chief executives and the top leadership teams should be rewarded according to additional criteria, such as job creation, employee engagement scores, customer satisfaction scores, diversity and the percentage of young people hired each year, as well as financial targets. This means paying attention to the way in which management is done, as well as to the products and services delivered.

In his evidence, John W Stephens wrote: "We need to preach that performance-related pay should concentrate on the long-term prospects of the business, not just last year's profit and loss account."

Senior leaders champion the organisation's values and act as role models

There is rarely a better way to lead than by example. Therefore business leaders need to ensure that they do actually live and breathe the values that they espouse and act as good role models. As Stavros Baroutas put it in his written evidence: "A leader must be able to operate like a justice scale and, thus, communicate such high ideals to the rest of the executives within the organisation." He added: "Everyone pays attention to the leader's actions and often tries to imitate them. In this sense, justice ensures that the leader's message is transferred within the workforce in a proper fashion."

Being a good role model is key to gaining the respect of others and leaders need to be respected in order to manage effectively. In her oral evidence, Kim Winser said: "For me, a leader is respected and they respect others equally. Key is listening as well as talking."

The ability to give regular, fair and honest feedback is an important part of leadership. As Debbie Klein, Chief Executive of The Engine Group, noted: "This is something leaders are generally terrible at; they don't give feedback in bite-sized chunks. Great leaders do that well – they are great communicators."

Creating a code of conduct is a good way to establish a framework of behavioural expectations that underpins the values of a company. These are timeless principles by which managers and others throughout an organisation are expected to abide, irrespective of the market conditions. Harriet Green has introduced a code of conduct at Thomas Cook that defines the standards expected of managers, and encourages all staff to become more engaged with the business.

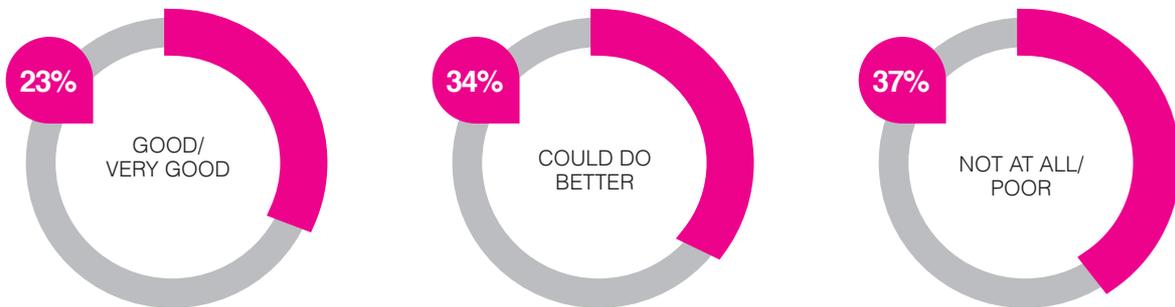
Creating a decent culture is about more than being a good corporate citizen. Abiding by strong values also helps prevent ethical failures and corporate scandals. Professor Mick Yates, of the University of Leeds, told the Commission: "There's a code of ethics for doctors, one for lawyers; there isn't one for bankers and there isn't one for CEOs. One wonders about that. You wouldn't want to stifle entrepreneurship, but there has to be a set of ethics inside management education."

Recruit senior leaders for their values and track record of delivering long-term performance

When recruiting leaders, organisations must ensure that they are not swayed by larger-than-life personalities who have moved from role to role quickly and have an apparently strong history of delivering

“ALL STAFF ARE TRAINED IN MANAGEMENT AND LEADERSHIP BEFORE, OR WITHIN THREE MONTHS OF, BEING PROMOTED INTO A MANAGEMENT ROLE”

HOW DO MANAGERS RATE THEIR ORGANISATIONS?



Source: **Management 2020 Survey, CMI, 2014**

“results”. Instead, they should look for candidates who have high levels of emotional intelligence and who have a history of bringing people with them when they implement change.

According to written evidence supplied by David Shaw and Kyle Ingram, of the University of Greenwich, businesses need senior management teams that have the “emotional intelligence and resilience to manage the ambiguities and unpredictability of enterprise-wide organisational change, while at the same time communicating to their employees a consistent logic that should underlie the apparent contradictions and unpredictability of their actions”.

The pair added that organisations should “seek to create a team of senior managers whose prior experience equips them with a wide repertoire of capabilities in managing change”.

Put in place feedback mechanisms to escalate both good and bad news

When it comes to understanding the internal dynamics of an organisation, no news is bad news for leaders. Therefore, it is absolutely crucial that they understand what is happening – both the good and the bad. And

there’s no one better to ask than the employees themselves. Thomas Cook Chief Executive Harriet Green summed up the crucial role that employees play in giving feedback when she told the Commission: “People in the company can tell you what is wrong. They may not be able to fix it, but they can tell you what’s wrong.” As a result, Green prides herself on exchanging emails with people from all over the business, and commented: “I don’t consider my role at the top of anything, hierarchically. Great CEOs have to consider themselves in the centre of the vortex and they have to be able to gather quality information from all communities, both inside and outside the business.”

Alex Cheatle, Chief Executive of Ten Group, described employee surveys as very helpful. “It is not anonymous,” he explained. “I get to see who’s said what. If someone’s really unhappy, and if they’re a top performer, I’m going to do something about that. People are incredibly honest. If they say they’re not going to be with us in two years’ time, that’s often the case.”

Leaders must be willing to own up to their mistakes if they are to encourage members of their workforce to be honest about their own failings and learn from

their mistakes. Head of EMEIA and Corporate Senior Vice President of Fujitsu Duncan Tait said: “If you mess up, you should confess as quickly as you possibly can, for all the ways you possibly can in the size of the organisation, that you messed up.”

Ruth Ambrose, Director Legal at AMEC, revealed that the company does 360-degree reviews of senior personnel, anonymous “pulse” surveys and a wider annual survey.

PEOPLE



One of the most striking, consistent, and well-articulated observations from nearly all of our interviewees concerned the importance of developing leadership abilities throughout the organisation. “Recognise that anyone can be a leader in their own role, and celebrate that,” Thomas Lawson, Chief Executive of Leap Confronting Conflict told the Commission.

But management and leadership abilities in all individuals need to be encouraged and nurtured – something that is not always done adequately today. Those companies that do invest in developing their people, however, tend to outperform their peers that don’t. Addressing the Commission, Sean Taggart, Chief Executive at travel company the Albatross Group, said:

“We always believe management is our biggest differentiator, a source of competitive advantage.”

A focus on people development tends to be a particularly noticeable characteristic of family-owned businesses, which have a clear commitment to passing an enterprise on from generation to generation. Giving evidence to the Commission, Charlie Mayfield, Chairman of the John Lewis Partnership, said: “Family-owned businesses can be an excellent way of running a business: there is a big advantage, as they start from a sense of custodianship – it’s not about selling it, but making sure it can be passed on. There is a lot of research indicating that family-owned businesses tend to outperform over the long run.”

Train all staff before, or within three months of, being promoted into a management role

No one would let a doctor perform surgery without training. Yet every year British businesses let thousands of managers loose on their workforces, without equipping them with the skills that they need to be effective in their roles. The CMI’s Management 2020 Survey of over 2,000 managers working in the UK today found that less than a quarter (23%) rated their employers as being “very good” or “good” at providing leadership training to managers before or within three months of being promoted into a management role. A third (34%) rated their employer as “could be better” in this respect, while well over a third (37%) revealed that their employer was “poor” at providing training

or did not do so at all. Giving evidence to the Commission, Thomas Lawson, Chief Executive of Leap Confronting Conflict, said: “I was promoted to a manager without any management training. I managed but I struggled. But I managed because I had fantastic managers and coaches around me, who I was using very, very heavily.”

Worryingly, but not unsurprisingly, there is a strong correlation between a lack of investment in training and poor company performance, although it is not clear which factor is the cause and which is the effect. According to CMI research, those organisations described by their employees as “declining” are particularly behind on training staff in management and leadership. Almost 60% of organisations in decline do not train their staff, compared with about a quarter of growing organisations. Equally, only about 13% of managers in declining organisations say their training of staff immediately after a promotion is very good, compared with almost 30% of those in growing organisations.

The AMEC Academy is a good example of how employers can support their managers’ development. Describing it to the Commission, Ruth Ambrose, Director Legal, said: “We have the AMEC Academy, which includes management training. Amongst other things, employees of all levels have access to an online tool and can map their career path. They can work out what they have to do to achieve the next goal. If they want to be a leader, they can look at what they need to do, the experience needed, and so on, to look to the next role.”

Ultimately it is short-sighted for any organisation to under-invest in its new managers and this particularly applies to struggling organisations. As Unilever

CEO Paul Polman puts it: “The more you invest in them, the more people are going to deliver.”

Use mentoring and coaching programmes to support all newly promoted managers. Our evidence found that mentoring and coaching programmes are invaluable to supporting newly promoted managers. In written evidence, the Involvement and Participation Association noted: “At line-manager level, the development of coaching and mentoring skills can help to foster an environment in which innovation is encouraged and new ideas sought out and rewarded.”

Meanwhile, in written evidence, Christopher Bond and Megan Seneque described coaching as a “means of integrating individual, team and organisational learning and change”.

Professor Vlatka Hlupic, of the University of Westminster, argued that coaching is particularly important for highly skilled knowledge workers because they resist being ordered about in hierarchical organisations. She wrote: “Research shows that knowledge workers cannot and do not want to be led using traditional vertical leadership approaches, they tend to ignore corporate hierarchy, and they need interactions and autonomy to be more innovative and engaged.” Unfortunately, CMI’s 2020 Management Survey found that just a quarter of employers (24%) are very good at using mentoring and coaching programmes. Furthermore, those that do are likely to be large organisations.

Support off-the-job development opportunities

In written evidence, Mark Pegg observed that good leadership development “identifies potential, creates a career path

that nurtures, helps and supports aspiring leaders, provides more opportunities to learn by doing, offers projects to take on, encourages mutual support and provides access to wise role models as mentors”. He argued that: “It is a complete myth that we only learn leadership by doing it; we can develop as leaders in the classroom too and this need not cost the earth.”

There’s an art to having difficult conversations with direct reports and it’s one that most line managers have to work hard to master. Being able to manage poor performance effectively while maintaining discipline and encouraging people in order to get the best out of their abilities are among the soft skills that good managers must develop. So ambitious companies of all sizes need to help managers at every level to develop core interpersonal and people-management skills if they want a workforce that performs at the highest level.

Alex Cheatle, Chief Executive of Ten Group, told the Commission: “For the first five to 10 years [as a manager] I found it difficult to tell people they were underperforming. I sugared the pill so much that they probably went home and thought that their boss thought that they were wonderful. You have to be more ‘Dutch’ – more direct. But not unpleasant.”

Debbie Klein, Chief Executive of communications group Engine, told the Commission that leadership is a triangle consisting of logos, pathos and ethos. Logos is about logic and developing a strategy, pathos is about bringing the best out of people, and ethos is about doing the right thing. She said: “The best leaders are those that are able to do all of those. Not everyone is brilliant at them, but, if you aren’t brilliant at all three, you should surround yourself with people who are.”

PEOPLE

Assess people on their behaviours, not just their results

Performance is inextricably linked to purpose and values so the organisations that do best are those that recruit and retain individuals who share their purpose and values and behave in a way that supports them. Our evidence shows that it is not just the results that are delivered but the way in which those results are delivered that matters.

Sir Charlie Mayfield, Chairman of the John Lewis Partnership, told the Commission: “We put much more emphasis on how, as well as what, they [managers and leaders] achieve. We bring it into appraisals, throughout the organisation.”

Focusing on managers’ behaviours, rather than the results they produce, represents a substantial volte-face for many businesses in terms of the way they appraise their employees today. According to CMI’s 2020 Management Survey, half of employers do not evaluate their people on their behaviours at all, are poor at it, or could do better.

Learn from mistakes and encourage risk-taking and innovation

By its very nature, innovation spurs plenty of ideas that do not yield revenues. But, unless companies give their managers permission to explore, make errors and learn from them, they are limiting their chances of growth and renewal. Releasing people to explore and experiment, and to be curious about the outside world, helps an organisation to innovate. The Commission heard that internet giant Google encourages its employees to spend up to 20% of their time innovating, so that it’s constantly reinventing itself and generating

new ideas. Many witnesses to the Commission expressed the view that Britain is still too “risk-averse” and argued that an honest, open culture gives people permission to “own up” to their mistakes, which then become points of learning. Entrepreneur Cary Marsh, founder of the web acceleration site Mydeo, said that the British business culture is still too frightened of failure to be genuinely entrepreneurial: “In the US, if you fail, you have got your stripes – got your failure under your belt. You’re more likely to get finance next time. Here, an entrepreneurial failure is seen as something to be feared and avoided.”

An organisation that never lets its people take risks will never achieve its full potential. So it is essential that organisations permit their managers to get things wrong sometimes. Sean Taggart, Chief Executive of the Albatross Group, said: “You have to trust people. Command and dictate won’t work. Let your people make mistakes but ultimately they will succeed.”

Professor Cary Cooper told the Commission about a young company in the US that has a “cock-up of the month” competition. “It’s really fascinating. They all laugh about it. They say who’s cocked up the most in this organisation and then they all learn about it from that and allow failure to take place.”

Alastair Lukies, founder and Chief Executive of Monitise, said: “There are those who take risks, and those who want unequivocal data before every decision. We need to be more towards the risk end of that spectrum. You, at the head of the business, have to be making decisions on a regular basis: we are averse to being successful or being

WINSER LONDON: FOCUS ON THE FUTURE

Kim Winser OBE, founder of fashion company Winser London, insists every division of her company employs a young person who has just left school or university. These individuals get to work closely – sometimes one-on-one – with her senior personnel. The experience has been beneficial for both the students and their mentors, Winser said. “The youngsters absolutely love it because they’re in a proper job and they are getting training that they’ve never had. Equally, the experienced people have absolutely loved it because it really has given them a very, very fresh look at ideas, particularly in the whole social media world.”

24%

JUST A QUARTER
OF EMPLOYERS ARE
“VERY GOOD” AT USING
COACHING PROGRAMMES

risk-takers [in the UK] – we shoot them down. In [Silicon] Valley, it's not perfect, but everyone shoots for the sun."

Champion diversity

Witnesses to the Commission argued strongly that diversity is not just about fairness; there is a strong business case for it. The workforce and the customer base within both the profit and not-for-profit sectors are diverse, so management teams themselves need to be diverse in order to relate to them effectively. Furthermore, a lack of diversity within a leadership team increases the risk of leaders thinking in the same way and failing to spot potential risks.

In an interview with the Commission, Harriet Green, Chief Executive of Thomas Cook, shared her views on the travel company's lack of diversity when she joined: "Thomas Cook had phenomenal diversity issues – everyone who worked for me was a German or British man, yet 70% of our customers and employees are female." She added: "When there isn't enough diversity at the top, you get unbelievable and totally unacceptable groupthink. We have changed this and my direct team now spans seven nationalities and is nearly 50% female."

No business can expect to outperform its competitors either within the UK or overseas unless it is effective at drawing the best out of a diverse workforce.

In its written evidence, the Centre for Enterprise at Manchester Metropolitan University School of Business and Law said that talent recognition and management "need to be inclusive to maximise the benefits from a multicultural workplace where different genders provide equal measures of significant talent and ability".

It is important that organisations realise that diversity is not just a policy, but a way of thinking, because those that don't get into the true mindset of diversity will never be able to tap into the many advantages that it has to offer. Brian David Johnson, a Futurist at Intel, said: "The thing about humans is that we are incredibly complicated. We have different beliefs, religions, political affiliations, socio-economic backgrounds; we like different things. Some people are introverts, extroverts, nerds, some people like sports... But to me that complexity is not a bad thing. So [complexity and diversity are] incredibly important, especially when doing business and putting together ecosystems. The more diversity that we have, the better."



Since the most successful organisations plan to be around for the long term – not just for the next quarter’s results – they also plan for the long-term development of business leaders. Duncan Tait, Head of EMEA and Corporate Senior Vice President of Fujitsu, said that his company is committed to developing managers and leaders at every level in the organisation and preparing them for the future.

Offer opportunities for young people to gain practical skills and experience

Offer an opportunity to a young person and it’s amazing what will happen when they take it. Just take the example of Shivam Kagadada, a young fashion designer and owner of Original Karma. He related a positive experience from his work at an educational institute: “I was working for a company as an admin assistant, and I noticed the lack of marketing. I told the CEO: ‘How would you expect students to know about your company, and see results? If you allow me two months to redesign the website and PR, I can help.’ He gave me the opportunity to be in charge of marketing for eight months.”

Kim Winser, founder of Winser London, said that businesses themselves can develop by drawing on the talent of young people. But she was clear that it is important from an ethical perspective to reward interns. “I strongly believe that we have a duty to develop and reward interns,” she said. “The intern/employee relationship should be reciprocal.”

Report on how the organisation is working with schools, colleges and higher education

British businesses are extremely fortunate in that they have a wealth of educational expertise on their doorsteps – yet they fail to take advantage of it. In his written evidence, Mark Pegg wrote that the UK has some of the world’s best universities and business schools for teaching and research into management and leadership, and some of the best virtual training providers. Too few British managers realise the rest of the world comes to the UK to learn about managing and leading.

But, he noted: “We have the leadership thinkers; we have the schools. What we lack is the commitment and support

for them. The answer is to grasp the opportunity on our own doorstep, to invest in them and make them a bigger part of our plans, to build thinking and learning about leadership into everything we do.”

Other witnesses agreed that UK businesses are not taking full advantage of our excellent educational system. Tom Bromley, a student and entrepreneur at the University of the West of England, told the Commission: “There should be more focus on presentations [at school], and team-based activities. You have to learn to work with people. What prepared me most for management was a young entrepreneurs’ [club] at school.”

In written evidence, John Board said: “More partnerships between businesses and business schools need to be developed.” This latter finding is also supported by CMI’s *21st Century Leaders* report, which was published in June 2014.

Set targets to focus recruitment on school leavers and young people

Around 13% of people in the UK aged between 16 and 24 are unemployed.⁶⁵

That is a large potential pool of technologically savvy so-called “digital natives” that British businesses could draw on to give them a competitive advantage. But it seems that they are ignoring them instead. CMI’s Management 2020 Survey found that more than half of organisations (57%) are poor or could do better at offering young people the chance to gain practical skills and experience within the workplace.

UWE student Tom Bromley emphasised the value of practical work experience to the Commission: He said: “There’s only so much you can learn from the books and lectures. Actually doing it yourself is the only true way to do it.”

Support others in the supply chain and local community

Since no organisation can survive in isolation, they need to be able to see the bigger picture and where they can provide support and guidance to other organisations, particularly those that are struggling. In written evidence, Manchester Metropolitan University suggested that more established businesses could help startups to survive in the long term by offering them management support.

21%

HAVE A “VERY GOOD” OR “GOOD” PROGRAMME TO ENCOURAGE PARENTS AND CARERS TO RETURN TO WORK AFTER CAREER BREAKS

Some leading companies already play an active role in supporting the wider community. In an interview with the Commission, Mike Wright, Executive Director of Jaguar Land Rover, said: “[Tata – Land Rover’s owner] are great believers that one of the roles of business is about giving back to the community, and sustaining communities, in the broadest sense of the word. We don’t see that as a burden. Actually it’s quite liberating, but it’s something that is maybe slightly different as an element of our leadership model, compared with, say, other manufacturers in the UK.”

Run programmes that actively encourage parents, carers and others to return to work after career breaks

The UK has generous maternity laws to help women return to the workplace. Nevertheless, women still routinely suffer discrimination in the workplace after having children and often drop off the career ladder as a result. This is a significant loss for their employers. Sean Taggart, Chief Executive of the Albatross Group, told the Commission: “One of our board members went on maternity leave; we noticed the board had lost something when it was all blokes. We do value that... developing female leaders; more women do take time off, but often come back richer people.”

Professor Cary Cooper, a member of the Commission, reported that the number of women applying for flexible working is currently three times the number of men. He also explained that, when men apply for flexible working, they are three times more likely to be rejected. But, with Generation Y entering the workforce in large numbers, employers will have to reconsider their approach to flexible working. Neither the women nor the men of this generation are prepared to sacrifice their work-life balance for their employers. And it seems that employers have some way to go, since, according to CMI’s

Management 2020 Survey, just 21% have a “very good” or “good” programme to encourage parents and carers to return to work after career breaks.

Collaborate with different sectors and other organisations to exchange ideas and people

“Collaboration” may be the buzzword of the future, but it seems that UK organisations have yet to get the hang of it. According to CMI’s Management 2020 Survey, less than a third (28%) of organisations collaborate with different sectors and other organisations to exchange ideas and people. By neglecting to do so, they are missing out on opportunities to learn from each other, to innovate and to grow.

Kevin Murray, Chairman of the Good Relations Group, told the Commission: “There is a kind of symbiotic relationship between big companies and SMEs, because they work together a huge amount, and the one wouldn’t survive without the other. This isn’t ‘either/or’; it’s ‘together’. There’s a lot of thinking that we need to do around how we encourage more of that collaborative working across the big companies and the middle companies to get them to think about how it’s in everybody’s interest to try and improve quality of leadership.”

⁶⁵ www.telegraph.co.uk/finance/jobs/10679801/Is-youth-unemployment-as-bad-as-the-figures-suggest.html

6. BRIDGING THE GAP – CURRENT UK PERFORMANCE ON PURPOSE, PEOPLE AND POTENTIAL

Having identified **purpose, people and potential** as key best practice areas from the evidence we heard, we wanted to better understand precisely where UK organisations currently stand against these measures.

We surveyed a total of 2,113 managers and leaders via a third-party research house, with a near-even split between CMI members and non-members. They were asked to score their organisation out of 10 on each of 18 indicators, where 1 meant “our organisation doesn’t do this” and 10 meant “our organisation does this really well”. A “not applicable” option was also offered for each question.

Overall, UK organisations were rated by managers and leaders at an average of 5.9 out of 10 across the Management 2020 Framework – the equivalent of “could do better”. This shows significant potential for making management better.

6.1 PURPOSE

With an average score of 6.8 out of 10, **purpose** was the strongest of the three sections, with 46% of responses across the category falling into the “good or very good” category. The two highest scores on the whole tool – indeed, the only ones where over half of respondents scored their organisations as “good or very good” – are in this section. They were asked whether progress is tracked annually (a fundamental of management, where we might expect good scores) and whether senior leaders champion the organisation’s values – an encouraging result.

Other scores are notably lower and help highlight priority areas for action. More organisations need feedback mechanisms to escalate bad news and keep senior leaders informed, as 51% were scored as “not at all/poor” or “could be better” on this question. Across the different sectors, the public sector scored worst: 25% said such feedback mechanisms are poor or

PURPOSE: CURRENT PRACTICE

	Average score out of 10	N/A	Not at all/poor	Could do better	Good/very good
Q1. We define and publish the long-term purpose of our organisation, ensuring it covers measurable commitments to all stakeholders.	6.5	10%	21%	27%	42%
Q2. We track the annual progress towards our overall stated purpose at our AGM/annual review and discuss during at least one board meeting.	7.5	10%	12%	22%	58%
Q3. Our CEO/top team is rewarded on the basis of delivering value to all stakeholders and not just on meeting financial targets.	6.2	17%	21%	25%	37%
Q4. Our senior leaders champion the organisation’s values and act as role models.	7.0	4%	16%	30%	51%
Q5. Senior leaders are recruited for their values and track record of delivering long-term performance.	6.7	9%	17%	31%	44%
Q6. Feedback mechanisms exist to escalate both good and bad news, and ensure the senior management team hears directly from employees at all levels.	6.7	5%	19%	32%	44%

non-existent, compared to 18% in the private and 16% in the charity sectors.

There is also a need to recruit leaders more for their values and track record of long-term success, as opposed to successful short-term turnarounds, and organisations also need to do far more to define and publish their long-term purpose, with measurable commitments for a range of stakeholders.

Looking at the detail, it appears that the bigger the organisation, the better it is at reporting on its commitments to stakeholders. For example, respondents indicated that only 36% of small organisations (one to 50 employees) define and publish their commitments to their employees, compared to 58% of large organisations (over 1,000 employees). Larger organisations also scored higher on indicators like tracking annual progress, rewarding the top team on the basis of delivering value and not just on meeting financial targets, evaluating people on their behaviours and not just their results, and encouraging people to return to work after career breaks.

Organisations that operate internationally score higher on most reporting measures than those that only operate at a local or

national level. This included measures like reporting to investors, where 50% of large organisations (more than 1,000 employees) were rated as “good” or “very good”, compared to only 18% of small ones (one to 50 employees).

However, international organisations risk falling down in how they work with local communities. Those operating only in a local area are better at defining and publishing commitments to the local community and society than international firms (46% compared to 33% indicated that their organisations are “good” or “very good” at it).

There are substantial differences between the private, public and civil society sectors. Perhaps not surprisingly, the charity and public sectors are considerably better at defining and publishing the purpose of the organisation with commitments to the local community and society: 54% of the charity and 50% of the public sector scored “good/very good” on this measure, compared to only 28% of the private sector.

The public sector is ahead of the other two when it comes to the environment: 43% scored “good/very good”, compared to 34% in the charity and 32% in the private sector. The private sector is the worst

offender for not having any reporting mechanisms in place when it comes to the environment (30%, compared to 28% in charities and 20% in the public sector). Private-sector organisations emerge as considerably better at rewarding top teams on the basis of delivering value to all stakeholders, not just on meeting financial targets: 42% were said to be “good” or “very good”, compared to 29% in the charity sector and only 26% in the public sector.

Organisations in the charity sector scored higher on tracking and discussing annual progress towards their stated purpose: 69% scoring as “good/very good”, compared to 58% of the public sector and 55% of the private sector. They also scored highest in terms of their senior leaders championing the organisation’s values and acting as role models, which is to be expected, given the values-driven nature of the sector. Sixty-one per cent of the charity sector respondents scored their organisation as “good” or “very good”, compared to 52% of the private sector and only 45% of the public sector. The same picture applies when it comes to recruiting leaders for their values.

PURPOSE: DETAILED BREAKDOWN OF FIVE KEY STAKEHOLDER STATEMENTS

We define and publish the long-term purpose of our organisation, ensuring it covers measurable commitments to the following:



BRIDGING THE GAP

60%

OF ORGANISATIONS IN DECLINE REPORT THAT THEY DO NOT TRAIN THEIR STAFF OR DO SO POORLY, COMPARED TO ONLY AROUND A QUARTER OF GROWING ORGANISATIONS

6.2 PEOPLE

The best score in this section was on the extent to which people are assessed for their behaviours, not just their results – something that was identified as important by several witnesses interviewed by the Commission. Nonetheless, fewer than half scored “good” or “very good”.

The average score was a whole point lower than for **purpose**, at 5.8. Scores for certain indicators were much lower. Echoing the submissions made to the Commission, it appears management training is usually too little, too late: only 23% of organisations rank as “good” or “very good” in training staff in management and leadership before, or within three months of them, taking on a management role for the first time, with 37% saying their organisation doesn’t do this or does it poorly.

The use of mentoring and coaching to support new managers also seems limited. This was rated as “good” or “very good”

by only 24%, despite persuasive testimony about its effectiveness in helping improve practical skills and encouraging innovation. Thirty-five per cent of all organisations were rated as “good” or “very good” when it comes to learning from mistakes, with smaller organisations (one to 50 employees) taking the lead: 43% rated themselves highly, compared to only 29% of large organisations (more than 1,000 employees). Looking at the three sectors, the public sector is lagging behind when it comes to learning from its mistakes: only 22% of organisations scored “good” or “very good”, compared with 38% in the charity and 39% in the private sector.

PEOPLE: CURRENT PRACTICE

	Average score out of 10	N/A	Not at all/poor	Could do better	Good/very good
Q7. All staff are trained in management and leadership before, or within three months of, being promoted into a management role.	5.2	7%	37%	34%	23%
Q8. Our organisation uses mentoring and coaching programmes to support all newly promoted managers.	5.3	7%	36%	33%	24%
Q9. We use performance assessment and appraisal tools that evaluate people on their behaviours and not just their results.	6.6	6%	20%	30%	43%
Q10. “Off-the-job” development opportunities focusing on core interpersonal and people-management skills are offered to managers and leaders at all levels.	5.7	7%	31%	34%	29%
Q11. We learn from our mistakes and encourage risk-taking and innovation.	6.2	3%	24%	38%	35%
Q12. We champion the diversity of our talent pipeline at all levels and set targets to benchmark our achievements in terms of equal pay and promotion.	5.9	7%	28%	34%	32%

POTENTIAL: CURRENT PRACTICE

	Average score out of 10	N/A	Not at all/poor	Could do better	Good/very good
Q13. We offer opportunities for young people to gain practical experience and skills within our work environment.	6.3	7%	22%	35%	38%
Q14. We report on how our organisation is working with schools, colleges and universities.	5.0	14%	38%	26%	23%
Q15. Our organisation sets targets to focus recruitment on school leavers and young people.	4.4	14%	45%	24%	17%
Q16. Our organisation supports others in our supply chain or local community with development opportunities and mentoring.	4.9	11%	39%	31%	19%
Q17. We have a programme that actively encourages parents, carers or others to return to work after career breaks.	4.9	13%	39%	29%	21%
Q18. We collaborate with different sectors and other organisations to exchange ideas and people.	5.6	8%	32%	32%	28%

6.3 POTENTIAL

The third area of the framework, **potential**, is the area where employers are currently weakest, scoring just 5.2 on average overall.

Fewer people rated their organisation as “good” or “very good” in this area – and more rated them as “poor”. There were low scores on the recruitment of school leavers and young people, and for employers reporting on how they work with educational institutions, with only 24% saying they are good at reporting on their cooperation with schools. The private sector is lagging behind when it comes to reporting on how organisations are working with schools, colleges and universities: 41% of organisations were rated as bad at doing this, or weren’t doing it at all, compared to 35% in the public sector and 21% in the charity sector. The use of measures to encourage people back to work after career breaks, which could include parental leave, also appears weak.

Not only is this the weakest area of current practice among employers, but it’s also the area where Government action may be most effective – for example, through education and skills policy. This is reflected in our recommendations.

6.4 LINKS TO PERFORMANCE

In order to compare organisations that are performing well and those that aren’t, we asked managers whether their organisation is growing or declining. Overall, 49% of organisations are growing or rapidly growing; 14% are declining or rapidly declining; and 32% are stable.

The results were arresting. Across all 18 measures in the framework, those organisations that are growing or growing rapidly scored higher than declining ones.

There were especially strong links between the **people** scores and organisational growth. For example, almost 60% of

organisations in decline were reported as not training their staff or doing so poorly – compared to only around a quarter of growing organisations. Similarly, only about 13% of respondents in declining organisations said that their training of staff new to management roles is “good” or “very good”, compared to almost 30% of growing organisations. Organisations that are struggling also use mentoring and coaching programmes far less.

While the results cannot prove a cause and effect relationship, it is nevertheless striking that those firms that are performing strongly are also doing better against our measures for **purpose, people and potential**.

FULL RECOMMENDATIONS



FOR EMPLOYERS

To ensure successful long-term leadership, we recommend that organisations should review and focus on three critical areas: how they define their **purpose**, how they lead and develop their **people**, and how they invest in their **potential**.

PURPOSE

Define and publish the social purpose of your company, ensuring it covers more than just shareholder return. We recommend using the principles within the Blueprint for Better Business.

Look at contributions to employees, customers, communities and the environment, as well as just the financials. Make sure that metrics are attached to all these areas, and that they are measured and published each year. Track annual progress towards your overall stated purpose.

Recruit chief executives who are willing to focus on long-term sustainable growth, not just short-term metrics, and have a track record of doing so.

Support executives and chief executives in championing the corporate values, code of conduct and being role models. Look for a willingness to de-layer and

devolve responsibility, and to create channels for challenge at all levels.

Reward chief executives for their ability to deliver value to all stakeholders – not just shareholders. For example, link bonuses to revenue growth, job creation, employee engagement scores, diversity and the percentage of young people hired each year, and not just financial results and total shareholder return, which can be achieved through cost-cutting and asset-stripping.

Insist on transparency and ensure that these metrics are published in annual reports. Encourage companies to adopt the Valuing Your Talent reporting framework. Have a mechanism for measuring and potentially limiting chief executive pay, and give shareholders veto rights.

PEOPLE

Recruit people on the basis of their personal attitudes and capabilities, and not just their technical competencies (see page 30 for the key characteristics of successful leaders).

Prepare all new managers for first line-management roles, with a focus on core interpersonal and people-management skills, such as how to have a difficult conversation.

Employees in their first line-management role should receive training within 12 months of promotion through a national management and leadership qualification.

Establish mentoring programmes within your company or through national organisations, such as CMI or Chambers of Commerce, and ensure that all newly promoted managers and new employees have a mentor.

Use performance assessment and appraisal tools that evaluate people on their behaviours and not just their results.

Learn from mistakes and encourage risk-taking and innovation. Reward employees for sharing bad news. Establish schemes

for failure/learning of the month, as well as for success/new ideas of the month.

Champion the diversity of your talent pipeline at all levels and set targets to benchmark your achievements in terms of equal pay and promotion.

POTENTIAL

Offer opportunities for young people to gain practical experience and skills within a work environment.

Supply-chain support: consider how you could support SMEs in your supply chain or the local community with management development opportunities or mentoring.

Report on how your organisation is working with schools, colleges and higher education.

Actively encourage parents, carers and others to return to work after career breaks.

Collaborate with different sectors and other organisations to exchange ideas and people.

BENCHMARK YOUR ORGANISATION: MANAGEMENT 2020 BENCHMARKING TOOL

We have developed the Management 2020 Benchmarking Tool, which is freely available, for managers at any level to undertake a self-assessment of their organisation against the best practice in the areas listed above, which we distilled from all the evidence to this inquiry.

The overall result from our Management 2020 Survey, with organisations being rated at only 5.9 on a 10 point scale, highlights huge scope for a better managed Britain.

To start that journey, we encourage boards, business leaders, entrepreneurs and anyone responsible for leading an organisation, to sign up to our new Management 2020 Benchmarking Tool. This diagnostic tool will give you a benchmarked result to reflect on key areas for self-improvement.

One year on, participants will automatically be invited to review and track their progress.

MANAGEMENT 2020 BENCHMARKING TOOL

Looking at your own organisation, to what extent (on a scale of 1-10) do you agree that you meet the following statements?
(1 = do not agree at all; 5 = meet some aspects of the statement; 10 = agree completely)

PURPOSE	PEOPLE	POTENTIAL
<ol style="list-style-type: none"> We define and publish the long-term purpose of our organisation, ensuring it covers measurable commitments to the following: <ol style="list-style-type: none"> Customers and suppliers Employees Local community/society Environment Investors (See five principles of a Blueprint for Better Business) We track the annual progress towards our overall stated purpose at our AGM and review during at least one board meeting. Our CEO/top team is rewarded on the basis of delivering value to all stakeholders (for example, revenue growth, job creation, employee engagement scores, diversity and the percentage of young people hired each year) and not just on meeting financial targets. Our senior leaders champion the organisation's values and act as role models. Senior leaders are recruited for their values and track record of delivering long-term performance. Feedback mechanisms exist to escalate both good and bad news, and ensure the senior management team hears directly from employees at all levels. 	<ol style="list-style-type: none"> All staff are trained before, or within three months of, being promoted into a management role. Our organisation uses mentoring and coaching programmes to support all newly promoted managers. We use performance assessment and appraisal tools that evaluate people on their behaviours and not just their results. "Off-the-job" development opportunities focusing on core interpersonal and people-management skills (such as how to have a difficult conversation) are offered to managers and leaders at all levels. We learn from our mistakes, and encourage risk-taking and innovation. We champion the diversity of our talent pipeline at all levels and set targets to benchmark our achievements in terms of equal pay and promotion. 	<ol style="list-style-type: none"> We offer opportunities for young people to gain practical experience and skills within our work environment. We report on how our organisation is working with schools, colleges and higher education. Our organisation sets targets to focus recruitment on school leavers and young people. Our organisation supports others in our supply chain or local community with development opportunities or mentoring. We have a programme that actively encourages parents, carers or others to return to work after career breaks. We collaborate with different sectors and other organisations to exchange ideas and people.

FULL RECOMMENDATIONS

FOR GOVERNMENT

Build employability into education

Measure schools on employability outcomes. Employability measures for higher education are helping to refocus curriculum development, and employability outcomes need to be a priority much earlier in the education system.

The new trailblazer programme is being extended in September to include management. It will be important to ensure that new management and leadership apprenticeships are fully supported by employers and lead through to higher-level qualifications and professional recognition such as Chartered status.

Encourage schools at primary and secondary level to provide practical team-leading opportunities and experience of enterprise programmes, such as Young Enterprise. We strongly support the Enterprise Advisers scheme recommended by Lord Young.

Allocate time in teachers' and pupils' schedules and find ways of aligning enterprise and business education to the national curriculum, rather than putting it in competition with those subjects that feature in performance tables. The standing of business studies courses should be reviewed to ensure they are relevant, attractive to young people and respected by employers and high education.

Promote the inclusion of MEL (management, entrepreneurship and leadership) modules in all degree subjects. These should include intercultural awareness, ethics, diversity, people-management and coaching skills.

Encourage business schools to include a significant period of experience within the workplace in the curriculum, and encourage the use of SME placements to better reflect the employment landscape. Ensure that interpersonal skills, such as communication, having a difficult conversation and coaching, are taught and practised during these placements.

Exchanges – new national networks

Work with partners to develop a national exchange network to promote secondments and much greater exchanges of ideas and people between:

- business and education;
- civil service and business; and
- SMEs and multinationals.

Encourage reporting and promote excellence

Encourage employers to expand annual reports to include both social purpose and broader people metrics, covering employee engagement, diversity measures at all levels, job creation, and educational activities. The Blueprint for Better Business and the Integrated Reporting Framework are good starting points for many organisations.

The Think, Act, Report initiative that tackles gender diversity is an excellent example of how Government has encouraged organisations to measure and report on diversity and inclusion. Employers could similarly be encouraged to report on a voluntary basis on how they are engaging with education, providing work experience and placements, and the targets they are setting for recruiting young people and those returning from career breaks.

The Valuing your Talent framework, which will be published by the CIPD, CIMA, CMI, RSA and the UKCES in July 2014, provides new insights into how organisations can better report on the value of their workforce.

Publish league tables or introduce a national awards scheme, potentially in partnership with CMI, for organisations that score highly on purpose, people and potential, and hold them up as examples.

FOR INDIVIDUALS

Coach and champion your team: as a manager, be a role model, be authentic and start mentoring others. Support new managers and review and reward behaviours, not just performance.

Embrace change: challenge the status quo – embrace and lead change.

Collaborate and connect: keep learning, extend your networks across generations, different sectors and cultures, and stay connected.

CONCLUSION



“By using our Management 2020 Benchmarking Tool and focusing specifically on the areas of purpose, people and potential, UK organisations can help their managers become outstanding leaders of the future”

The economic climate has changed significantly since the Commission first embarked on this research in October 2013. At that point, what appeared to be a fledgling recovery finally seemed under way after five difficult years. Now, the UK economy is positively booming by recent standards and the country's domestic product will rise by over 3% in 2014, according to the Centre for Economics and Business Research.⁶⁶

Nevertheless, the recovery is fragile and concerns remain over asset bubbles, soaring energy prices, the rising cost of living, the heavy indebtedness of many governments and heightened political tensions in volatile parts of the world. In this era of opportunity and uncertainty, organisations need their managers more than ever. They need them to drive growth in a technological age and to draw out the diverse talents of the UK workforce so that

they can survive and thrive in what may still be difficult times ahead.

To get the most from their managers, however, organisations need to realise their people are the most valuable capital they have. They need to develop, invest in, learn from, share with and trust them. They also need to consider whether their purpose and values live up to their employees' expectations of them and, if not, do something about it.

By using our Management 2020 Benchmarking Tool and focusing specifically on the areas of **purpose**, **people** and **potential**, UK organisations can help their managers become outstanding leaders of the future.

⁶⁶ www.cebr.com/reports/uk-gdp-to-grow-by-over-3-in-2014

APPENDICES

“The Commission wanted to show how management could be rebooted to create jobs, growth and individual and collective well-being in a sustainable way, while still driving growth in profits”

APPENDIX A:

About the Commission

The All-Party Parliamentary Group on Management's (APPGM's) Commission on the Future of Management and Leadership was launched in October 2013 to examine how UK management could better support economic growth.

The Commission is a joint Parliamentary and business initiative led by Barry Sheerman MP (Chair of the APPGM) and Peter Ayliffe (President of CMI).

Its goal was to demonstrate that modern management can (and often does) provide the leadership needed to address issues such as underinvestment in innovation and major ethical failings. It wanted to show how management could be rebooted to create jobs, growth and individual and collective well-being in a sustainable way, while still driving the growth in profits that is required to ensure the long-term success and sustainability of the business.

In particular, the research focused on the following key areas:

Understanding the current situation

How good are management and leadership in the UK (including international comparative data)?

Future skills needs

Understanding the potential impact of global markets, technology, workplace and societal trends on management and leadership skills and behaviours.

Pathways to progress

The key enablers that can raise the game of aspiring managers and leaders to help them achieve success in this future context.

Over a period of nine months, the Commission heard from esteemed academics, vibrant entrepreneurs, up-and-coming young managers and world-renowned business leaders. Following hours of interviews and discussion, we have developed a series of recommendations aimed at improving the quality of management and leadership in the UK.

Witnesses offered their views at five oral evidence sessions that took place between January and April 2014 and by participating in individual interviews carried out with members of the Commission.

The witnesses interviewed by the Commission are listed on page 13.

Written evidence from the following business schools, professional bodies, employers and other interested parties was submitted by 31 March:

Agileering; Assentire Ltd; Association of Business Schools (ABS); British Academy of Management; British Psychological Society; Cass Business School, City University London; Chartered Quality Institute; Durham University Business School; Eastern Facilities Management

Solutions (Suffolk County Council); Essex University; Forum of Private Business; Henley Business School; Institute for Systemic Leadership; Institute of Leadership and Management; Involvement and Participation Association; JC Partners; Lancaster University; Leadership Foundation for Higher Education; London School of Business and Finance; Manchester Metropolitan University School of Business and Law – Centre for Enterprise; Myline Ltd; Osca; Partners in Management Ltd; PCM Consulting; Process Management International Ltd; Roehampton University Business School; SDA; Specifar Pharmaceuticals; University of Bradford; University of Greenwich Business School; University of Westminster Business School; University of Wolverhampton Business School; John W Stephens; Colin R Tuckwell; Dave Mettam; Vin Mole; and Chris Rodgers.

As part of the Commission's evidence-gathering process, CMI ran an essay competition to engage students and young people in the workplace. We asked them to submit essays responding to the question: "How will managers and leaders need to adapt to thrive in 2020?" The winning essay was written by James Pickering.

To complement the qualitative findings of the Commission, the CMI also undertook a quantitative survey of CMI members and external managers in May and June 2014. A total of 2,113 managers responded.

APPENDIX B:

The Student View – Essays on the Future of Management

As part of the Commission's evidence-gathering process, CMI ran an essay competition to engage students and young people in the workplace. We asked them to submit essays responding to the question: "How will managers and leaders need to adapt to thrive in 2020?"

Review process

In total, 29 young people, ranging in age from 19 to 29 years old, submitted essays to the competition. One CMI staff member and one CMI subject matter expert reviewed each essay and rated them according to the following criteria:

- essay is thought-provoking and offers an original perspective;
- essay provides realistic and credible responses to the question: how will managers and leaders need to adapt to thrive in 2020?;
- essay has a clear argument, supported by relevant facts and figures; and
- essay is well written, the layout and structure are clear, and references are used appropriately.

The three best essays were selected based on the combination of points each essay received, as well as the rankings of the reviewers. Twenty-five-year-old James Pickering won the competition with his

essay "What does the fox say?". The two runners up were Luke Hamilton, 20, and Robert Mateer, 22. Edited extracts from the three top essays are featured below.

Winning essay: What does the fox say?

In a 2010 research paper written in conjunction with the BBC, Professor David Nicholas posited that prior generations are "hedgehogs" – linear thinkers who depend on their own specialist, in-depth knowledge to achieve their goals and rarely rely on wider social networks or connected sources. In contrast, the digital generation are "foxes" – associative thinkers who multitask and use social networks to find information quickly, rather than relying on their own specialist knowledge.⁶⁷ Why is this important for the managers of 2020?

Well, by 2020, this generation of foxes will begin to outnumber the hedgehogs, and start to comprise the majority of the workforce.

Up until recently, organisational resource management has worked on the basis that individual employees are hedgehogs – specialists with experience and expertise to achieve specific objectives. Managers therefore had to manage the allocation of skills within their resource pool, hiring those with the right skills for the job,



29 YOUNG PEOPLE, RANGING IN AGE FROM 19 TO 29, SUBMITTED ESSAYS TO THE COMPETITION

⁶⁷ Concepts of "foxes" and "hedgehogs" from David Nicholas, Ian Rowlands, David Clark and Peter Williams, "Google Generation II: web behaviour experiments with the BBC", in *Aslib Proceedings: New Information Perspectives*, Vol 63, No 1, 2011-2014

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then putting in place enough incentives and support to make sure that they stay loyal and that their skills are used as productively as possible.

The new, digital generation is different, however. They are not specialists. They rely on their social networks and rich availability of ready-indexed knowledge to allow them to constantly learn new skills. Though they are not “experts” in the hedgehog sense, these foxes are highly adaptable, and will probably stay that way well into their middle and later careers. This makes them highly demanding but also highly resourceful. They are ready to adapt at any stage in their career to learn new skills and to enhance their performance.

Managers and their organisations need to adapt in order to strike a balance between hedgehogs and foxes, between specialists and generalists. The digital generation will undoubtedly be the driving force behind the organisations of tomorrow, but they need to learn to become experts, just as much as the current generation of managers needs to learn to support the digital generation’s individuality. From 2020, managers won’t be seeking out people who are foxes or hedgehogs; managers will need people who are both.

Author: James Pickering

**Runner-up essay:
Thrive, don’t just survive**

Gone are the days when managers could

sit in their offices and rely on data to identify issues and low-level managers to be their eyes and ears among the workforce. Now, these managers need to have first-hand involvement within their organisations.

An issue that managers will need to regard with increasing importance is corporate social responsibility (CSR) and the wider term “ethics”. Managers will need to move on from the more traditional Friedman attitude on ethics, whereby a “business as a whole cannot be said to have responsibilities” (Friedman, 1970), and take up the Aristotelian approach to ethics, whereby “it has now become almost compulsory, at least for larger corporations” (Roberts, 2005).

Business and globalisation have become increasingly intertwined over recent decades. Managerial success will be dependent on this, so not only will managers need to adapt their business strategies, they will also need to possess additional skills, such as being multilingual, if they are to manage and communicate around the globe.

Some managers have a tendency to panic during tough times. They focus their resources and money on keeping going and make the least number of changes possible. This is not good business acumen. Managers need to aspire to be thriving in 2020 and to do this they must embrace change, promote growth, invest in innovation to gain unique selling points and create an environment where their

“Managers and their organisations need to adapt in order to strike a balance between hedgehogs and foxes, between specialists and generalists”

employees not only feel secure but also want to play a vital part in an organisation that is thriving.

Author: Luke Hamilton

Runner-up essay: The end of management

Twenty-first century management and leadership face various challenges. Presently, the key drivers of change affecting organisations are technology, innovation and people.

Overall, technology helps management by lowering operating costs, increasing productivity, improving customer relations, and helping to attract new clients by creating better products and services at lower prices (McCormick, 2013; Morris, 2013). Technology also brings surprises that can “shake up” entire industries very quickly, (Schacter, 1999). It is essential that managers can act fast and make decisions quickly because the future promises to consume organisations that fall behind technologically. Leaders in 2020 will be expected to fulfil the roles of visionaries, collaborators, salespeople and negotiators. Innovation has become a priority for organisations and more emphasis is placed upon creating an environment that encourages it. A culture of collaboration and co-operation will be fundamental for the leaders of 2020 because organisations will progress as a team. Employees will work in groups, demanding feedback from their leader. The culture must challenge employees to break the norm and collaborate in order

to innovate and the leader must accept productive failure in order to encourage new ideas that can give the organisation a competitive advantage.

The workplace will be an entirely different place by 2020. Management is the least efficient activity in an organisation. As our workforce improves their overall skills by 2020, we will probably see self-managed employees who only require leaders to provide direction (Hamal, 2011; Pitt, 2012). In addition, we will begin to see a trend in outsourcing and independent workers, which further ratifies the belief that management will become an unnecessary business function (Kim, 2011).

To conclude, 2020 will see the end of management. The role of leaders will be essential to set overall strategy, motivate, encourage creativity and lead the organisation to success, however.

Author: Robert Mateer

ACKNOWLEDGEMENTS

The Commission would like to thank everyone who submitted evidence, who shared their expertise through the witness evidence sessions and interviews, the students who entered the essay competition and all the managers who completed the Management 2020 Survey. We are grateful to everyone for their time, their ideas and their passion for improving management and leadership.

The work of the CMI team in supporting the Commission in all its work, from the call to evidence to the witness sessions to the survey and the final report production, is also gratefully acknowledged.

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Evidence papers, transcripts from the witness sessions, videos and the Management 2020 Benchmarking Tool can be found at www.managers.org.uk/management2020

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The Commission on the Future of Management and Leadership

The Commission on the Future of Management and Leadership was created in 2013 to investigate how management and leadership in the UK will need to change by 2020 to deliver sustainable economic growth.

Established by the All-Party Parliamentary Group on Management and the Chartered Management Institute (CMI), the Commission brings together members of both Houses of Parliament from across the main parties, with leaders from a wide range of sectors.

Evidence papers, transcripts from the witness sessions, videos and the Management 2020 Benchmarking Tool can be found at www.managers.org.uk/management2020

About the All-Party Parliamentary Group on Management (APPGM)

The APPGM exists to promote debate and foster a closer understanding between parliamentarians and UK managers from across all sectors. It has been running for over 30 years and currently has 100 members.

About CMI

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