



**DEPARTMENT FOR BUSINESS, ENERGY &
INDUSTRIAL STRATEGY**

**BUSINESS PRODUCTIVITY REVIEW: CALL FOR
EVIDENCE**

**Written evidence submitted by the Chartered Management
Institute**

July 2018

CMI RESPONSE

BUSINESS PRODUCTIVITY REVIEW: CALL FOR EVIDENCE

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EXECUTIVE SUMMARY

Improving management and leadership is key to solving the productivity puzzle and critical to our economic success. The Bank of England, OECD and ONS all agree that the quality of management is the biggest factor determining business performance and national productivity. Yet 71% of employers do not train their managers, resulting in 2.4m “accidental” managers promoted into positions of responsibility without being equipped or fully supported.

Why does this matter? The economic prize of turning accidental managers into conscious leaders is huge: Investors in People estimates that poor management and leadership currently costs UK plc £84bn a year in lost productivity.

There is good training provision – but we clearly need to increase awareness and uptake amongst employers and accidental managers.

The key recommendations of our response are:

- we need to invest in our managers, and this would benefit from a more explicit joining up of skills and education policy with the Government’s Industrial Strategy. The Apprenticeship Levy is already driving up employer investment in management and leadership skills, and the impact on productivity needs to be fully recognised. CMI is leading a cross-industry steering group to develop this evidence-base to better demonstrate the impact that management apprenticeships are delivering, and we would welcome future representation on this from BEIS;
- Government and employers should recognise the value of Chartered status and of the Professional Standards for Management and Leadership to help benchmark performance and drive up aspiration for excellence. These Standards build on the National Occupational Standards and fully align to the new management and leadership apprenticeship standards. They provide clear statements of the knowledge, skills and behaviours needed to drive best practice in management and leadership – and should now be far more widely applied. CMI, as the Chartered professional body recognised by the Privy Council to set and drive the adoption of these professional standards, would welcome joining the BEIS Steering Group to support its work on management and leadership;
- employers are still struggling to recruit new talent with core interpersonal skills into business. We propose that all school and college-leavers and graduates

should have access to leadership and management development as a core part of their studies. As things stand, around two thirds of employers believe graduates lack the interpersonal skills to manage people and nearly three quarters want all students to have access to management, enterprise and leadership learning;

- working practice and culture has a significant impact on productivity. And diversity really matters - McKinsey have calculated that improving diversity could add £150 billion a year to the UK economy by 2025. Firms need to foster flexible working and address bias in recruitment and promotion, and Government should extend transparency on pay and progression data to more firms and beyond gender; and
- finally, the UK should harness the power of Chartered bodies. Our international competitors and their Governments understand the value of Chartered status in raising management standards, as evidenced by a recent DIT Trade Mission to Asia Pacific to promote “Chartered is Great”. We need to ensure the UK also benefits from its own world-class asset.

CMI
July 2018

1. INTRODUCTION

CMI

- 1.1 CMI is the chartered professional body for management and leadership. We are dedicated to improving managers' skills and growing the number of qualified managers across the UK.
- 1.2 With a member community of around 100,000, CMI provides individual students, managers and employers with access to the latest management thinking and with practical support to help them embrace change, build high-performing teams and improve individual and organisational performance. We are a UK awarding body for management and leadership qualifications and the only body that awards Chartered Manager, the hallmark of any professional manager.
- 1.3 Our vision is to create better led and managed organisations. As such, our response to the Government's *Business Productivity Review*¹ focuses on the role of management and leadership, and on those management practices associated with higher productivity. We set out a range of actions that individual firms, professional bodies and Government should take to encourage the adoption of best management practice. We look forward to contributing to the ongoing work of the BEIS Steering Group overseeing this work, as discussed with civil servants in June.

Improving productivity through better people management

- 1.4 As our *Management Manifesto*² makes clear, improving management and leadership is critical to economic success. We have an estimated 2.4m accidental and unskilled managers, promoted into leadership roles because of their functional expertise but left to sink or swim when it comes to management. This is costing UK employers some £84bn³ a year and is, according to authorities like the OECD, one of the biggest factors in our competitive weakness.
- 1.5 Improving management and leadership skills, and closing the productivity gap, will be impossible unless firms invest more in management and leadership development, build trust and radically overhaul outdated business cultures. This will require professional bodies like CMI to champion and promote great management practice and accelerate work on creating confident and competent managers. It will, however, also require Government to incentivise investment in management and leadership, for example,

¹ *Business Productivity Review. Government call for evidence*, BEIS (2017)

² *Leadership for change. CMI's Management Manifesto*, CMI (2017)

³ www.investorsinpeople.com/press/uk-businesses-miss-out-%C2%A384-billion-year-due-poor-people-management

through supporting high quality apprenticeships, and continuing to drive real and lasting change in corporate culture and practice.

2. IMPROVING MANAGEMENT AND LEADERSHIP IS KEY TO CLOSING THE PRODUCTIVITY GAP.

The UK has a productivity problem...

- 2.1 The UK's productivity problem is well documented and has been identified as a major risk to UK growth in the post-Brexit world. UK productivity is 18% lower than the average for the rest of the G7, and a recent Investors in People report found that £84bn is wasted in the UK each year through poor people management and leadership⁴.

... and investing in management and leadership is a critical part of the solution.

- 2.2 There is a widespread assumption that our productivity problem can only be solved by investing in technology or infrastructure. However, the OECD has confirmed that the outstanding primary factor in addressing the productivity gap is improving management and leadership. Closer to home, the Bank of England's Andy Haldane has said that there would be "*potentially high returns to policies which improve the quality of management within companies*". It is absolutely right that the Government, in this call for evidence⁵, focus on the direct link between better management practices and higher productivity.
- 2.3 CMI research provides a wealth of evidence of this link. For example, we know that the development of line managers is a key condition for high performing organisations. Our research clearly demonstrates that investing in the development of managers and leaders helps organisations keep pace with increasing demands to boost productivity, retain talent and gain competitive advantage in a faster yet more sustainable manner⁶. High performing organisations report significantly higher levels of line manager effectiveness: 80% of managers in high performing organisations report that their line manager is effective or highly effective, compared with 39% in low performing organisations⁷. In short, investment in management and leadership is key,

⁴ www.investorsinpeople.com/press/uk-businesses-miss-out-%C2%A384-billion-year-due-poor-people-management

⁵ *Business Productivity Review. Government call for evidence*, BEIS (2017)

⁶ *The Business Benefits of Management and Leadership Development*, CMI (2012)

⁷ *The Business Benefits of Management and Leadership Development*, CMI (2012)

Case study

The Management Development Programme introduced by the Children and Family Court Advisory and Support Service (Cafcass) contributed to a 15% increase in productivity. It helped Cafcass meet the challenge of absorbing a 45% increase in care cases since 2008-09 with the same number of staff, at the same time as increasing their employee engagement levels.

Case study

The Royal Berks NHS Foundation Trust saw the Apprenticeship Levy as an opportunity to put in place an ambitious and challenging management development programme for employees. The Trust contracted with Henley Business School to provide places on its BA Chartered Managers degree and the first cohort of apprentices brought together staff from right across the organisation - from the Head of Porterage to Surgical Consultants to nursing staff.

Already, their apprenticeship scheme is being attributed as one of the key factors that has enabled the Trust to go from being rated as "Requires Improvement" in 2014 to "Outstanding" in their most recent Care Quality Commission (CQC) report. The CQC made specific reference to their new apprenticeship programme and the impact that the programme is already delivering.

The scale of the challenge is clear...

- 2.4 The UK consistently ranks poorly in international comparisons of management practices. Research from the Centre for Economic Performance at the London School of Economics⁸ found that the quality of management practice in the UK was below that of many key competitors, with the country scoring just 3.03 out of five for management best practice, behind the US (3.31), Japan (3.23), Germany (3.21) and Canada (3.14). The economic cost of this is huge: a recent Investors in People report⁹ found that £84bn is wasted in the UK each year through poor people management and leadership - £9bn more than the Institute for Fiscal Studies' estimate of the potential cost of leaving the EU single market.
- 2.5 We estimate that there are around 2.4m accidental and unskilled managers in the UK, promoted into leadership roles because of their functional expertise

⁸ <http://cep.lse.ac.uk/>

⁹ www.investorsinpeople.com/press/uk-businesses-miss-out-%C2%A384-billion-year-due-poor-people-management

but who have received little or no management training from their employer and have no proven track record of being an effective manager. Given this, it is no surprise that nearly half of UK line managers are ineffective: based on our research, 43% of managers reported that they consider their line manager to be ineffective or highly ineffective, compared to 57% reporting their manager to be effective or highly effective¹⁰.

...but we have solid foundations on which to build

- 2.6 We know what “good” management and leadership looks like. CMI has developed Professional Standards for Management and Leadership. These clearly define the key capabilities and performance areas for professional managers at every stage of their career. The Standards build on the existing apprenticeship standards¹¹ for managers and leaders¹² and are mapped to National Occupational Standards. The Standards are due to be launched externally in 2019 and will provide the benchmark against which leaders and managers in future should be assessed.
- 2.7 We also know many of the actions that firms can take to improve their management practices. In 2012, we worked with the then Department for Business, Innovation and Skills (BIS) and a number of other professional and management bodies to identify ways in which employers could improve leadership and management capability¹³. Key was recognition that good leadership and management matters.
- 2.8 The foundations needed to drive up the quality of management and leadership are therefore already in place. Professional bodies are actively building capability and championing excellence, and new initiatives, such as new degree level apprenticeships for senior leaders, have the potential to deliver a step-change in performance. The challenge is how we accelerate this work and encourage and enable all firms – of all sizes – to embrace good practice and drive up the quality of their managers and leaders.

¹⁰ *The Business Benefits of Management and Leadership Development*, CMI (2012)

¹¹ <https://www.instituteforapprenticeships.org/apprenticeship-standards/>

¹² Standards currently exist for Team Leader (L3); Operations/Departmental Manager (L5); Chartered Manager (L6); and Senior Leader (L7)

¹³ *Leadership and management in the UK – The key to sustainable growth*, BIS (2012)

CMI works to create confident and competent managers. 40,000 learners registered for CMI-accredited courses in 2016/17, across more than 90 business schools and 400 education providers. Working in partnership, we both skill students and help to upskill those already in management roles, providing pathways to grow capacity to drive up performance and meet the future needs of business.

3. THE BEST PERFORMING ORGANISATIONS INVEST MORE IN MANAGEMENT DEVELOPMENT, SHOW GENUINE LEADERSHIP AND HARNESS THE POWER OF DIVERSITY.

High performing organisations spend over a third more in management and leadership development than low performing organisations...

- 3.1 CMI research shows that most organisations invest in management and leadership development. High performing organisations, however, spend 36% more: average spend per manager per annum by high performing organisations is £1,738, compared to £1,275 by low performing organisations¹⁴. The larger the organisation, the more likely it is to provide more development for its managers. Employees in large organisations, on average, report 6.7 different development activities over the last three years compared with 5.8 and 5.3 in medium and small sized organisations respectively¹⁵.
- 3.2 The top five reasons organisations give for investing in management and leadership development are:
- to achieve organisational objectives (62%);
 - to manage change more effectively (49%);
 - to improve managers' performance (47%);
 - to increase competitive advantage (46%); and
 - to support business growth (41%).
- 3.3 There are differences based on size and sector. The need to increase competitive advantage is, unsurprisingly, the top reason for private sector

¹⁴ *The Business Benefits of Management and Leadership Development*, CMI (2012)

¹⁵ *The Business Benefits of Management and Leadership Development*, CMI (2012)

organisations, and the need to support business growth is also important. Supporting growth is also a key reason for small organisations (see Table 1).

Not-for-profit (n=248)	Public (n=438)	Private (n=1187)
<ul style="list-style-type: none"> • Achieve organisational objectives (75%) • Help managers to manage change more effectively (58%) • Improve managers' performance (52%) 	<ul style="list-style-type: none"> • Achieve organisational objectives (75%) • Help managers to manage change more effectively (66%) • Improve managers' performance (56%) 	<ul style="list-style-type: none"> • Increase competitive advantage (60%) • Achieve organisational objectives (56%) • Support business growth (51%)
Small (n=545)	Medium (n=246)	Large (n=760)
<ul style="list-style-type: none"> • Achieve organisational objectives (57%) • Increase competitive advantage (55%) • Support business growth (51%) 	<ul style="list-style-type: none"> • Achieve organisational objectives (68%) • Improve managers' performance (56%) • Help managers to manage change more effectively (55%) 	<ul style="list-style-type: none"> • Achieve organisational objectives (68%) • Help managers to manage change more effectively (59%) • Improve managers' performance (50%)

Table 1: Top 3 reasons for investing in MLD based on sector and size¹⁶

3.4 Change management is another reason why many firms invest in management development and reflects the fact that managing change in all firms is now the norm. Our research shows that 97% of managers reported that their organisation went through some form of change in the last 12 months. However, change is still managed poorly: only 27% of managers say productivity has increased as a result of change, just 20% report that decision-making has become faster and only 36% say that financial results have improved¹⁷.

...and qualifications are rated as a particularly effective form of development.

3.5 Organisations use a range of different approaches to develop management and leadership abilities. It is, however, significant that the types of development being offered by organisations are not necessarily those activities that managers rate as most effective. There appears to be a mismatch between the provision of development and its perceived effectiveness (see Figure 1).

¹⁶ *The Business Benefits of Management and Leadership Development*, CMI (2012)

¹⁷ *The Quality of Working Life. Exploring managers' wellbeing, motivation and productivity*, CMI (2016)

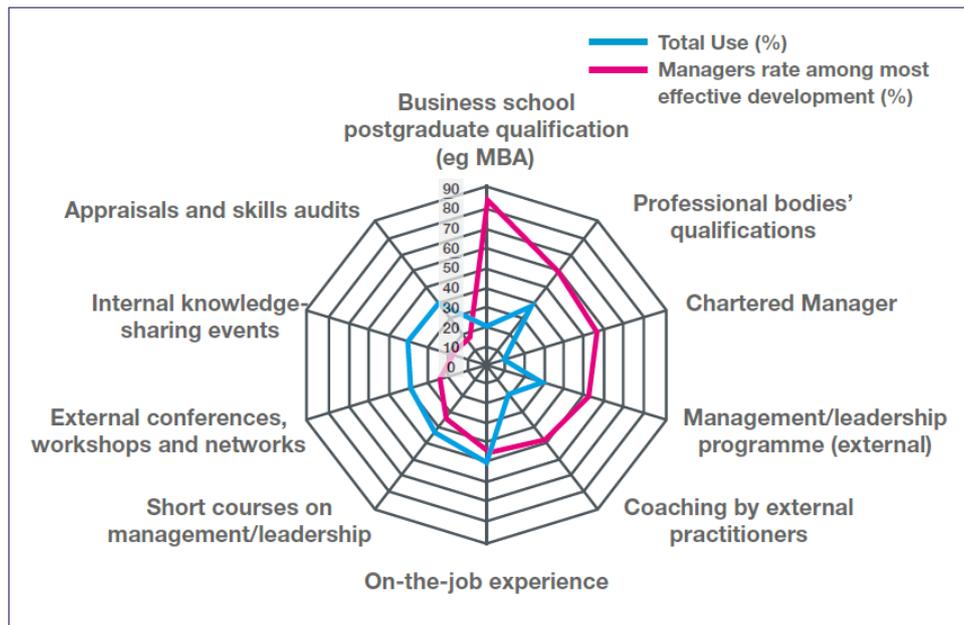


Figure 1: Provision of development and its effectiveness¹⁸

- 3.6 There is no “one size fits all” approach to management development, as what is most appropriate will depend on management level and experience. Different activities can also develop different competencies. For example, management and leadership development programmes delivered by external providers are strongest for developing teams, whilst a business school qualification such as the MBA is particularly strong for developing strategic awareness. However, organisations with a more qualified management workforce and with a more structured approach to management development appear to perform better¹⁹.
- 3.7 Notwithstanding the above, **managers rate business school qualifications, professional bodies’ qualifications and Chartered Manager as the top three most effective ways of developing their abilities.** Thousands of UK managers at all levels and across all sectors now hold Chartered Manager and highly value it – as shown by the high net promoter score of +67 and satisfaction and retention rates of 93%²⁰. They tell us that becoming Chartered has made them significantly better and more confident managers. They also say that it’s made a big impact on the results they deliver. On average, Chartered Managers add £391,000 of value to the organisations they serve²¹. This value comes from contributions such as improving operations, developing new products and becoming better at getting the most out of the teams they lead.

¹⁸ *The Business Benefits of Management and Leadership Development*, CMI (2012)

¹⁹ *Leadership and management in the UK – The key to sustainable growth*, BIS (2012)

²⁰ *Mapping Management Excellence. Evaluation the impact of Chartered Manager*, CMI (2015)

²¹ *Mapping Management Excellence. Evaluation the impact of Chartered Manager*, CMI (2015)

Case studies

Hear from senior managers and leaders on the benefits of professional qualifications:

www.managers.org.uk/individuals/become-a-member/get-chartered/case-studies/

However, management training and development is only part of the solution. High performing organisations also display senior-level commitment to creating better led and more trusted organisations...

- 3.8 Research shows that it is not simply a case of investing in training and development that leads to business benefits. A range of other factors, such as business culture and business practices that reinforce the importance of good management and leadership, are also clearly associated with high performing organisations²²²³.
- 3.9 Real and genuine senior level commitment is key. The commitment of senior leaders to creating better led and managed organisations – demonstrated through their actions and behaviours – is associated with a 21% difference in “people performance²⁴”. Managers report being twice as productive where the best management styles prevail. For example, where managers are innovative, 43% of managers rate their personal productivity at 90% or better. Where managers are secretive or suspicious, only 20% score highly for personal productivity²⁵.
- 3.10 Building trust is part of creating a better managed organisation: 85% of middle managers and 88% of senior leaders believe trust to be critical to organisational performance²⁶. However, building and retaining a culture of trust remains a significant challenge with only half of middle managers saying they trust what their organisation tells them and only a third saying they trust their business leader to a great extent²⁷.

²² *The Business Benefits of Management and Leadership Development*, CMI (2012)

²³ *Leadership and management in the UK – The key to sustainable growth*, BIS (2012)

²⁴ *The Business Benefits of Management and Leadership Development*, CMI (2012)

²⁵ *The Quality of Working Life. Exploring managers' wellbeing, motivation and productivity*, CMI (2016)

²⁶ *The Middle Manager Lifeline. Trust and communication in the heart of your organisation*, CMI (2016)

²⁷ *The Middle Manager Lifeline. Trust and communication in the heart of your organisation*, CMI (2016)

...and show a genuine commitment to increasing diversity in their workforces.

- 3.11 The evidence is clear: diversity delivers results. Gender diverse leadership teams measured by Credit Suisse delivered an 18% return on equity premium, and McKinsey have calculated that improving diversity could add £150 billion a year to the UK economy by 2025²⁸. Companies in the top quartile for gender diversity on their executive teams were 21% more likely to experience above-average profitability than companies in the fourth quartile. For ethnic and cultural diversity, this was 33%²⁹.
- 3.12 Whilst the best performing firms recognise this, there remains a glaring lack of diversity in too many organisations. Women make up 73% of junior managers but only 32% make it to director level, and male managers are 40% more likely to be promoted than female managers³⁰. There is also under-representation of ethnic minorities in management roles although most businesses have less well-developed approaches to increasing race and ethnic diversity than for gender. To address these challenges companies need to identify and make visible diverse leaders to encourage aspiration from under-represented groups and demonstrate openness to change. Employers also need to address bias in recruitment and promotion and encourage diversity in both in short-listed candidates and in assessment panels.

Case study

As part of its strategy to achieve a 50/50 balance in their senior leadership team, Sky committed to 50/50 shortlists for all senior roles. This was supported by efforts to attract talented women through targeted marketing, along with a dedicated Women in Leadership Development programme.

4. GOVERNMENT HAS A CRUCIAL ROLE TO PLAY IN PROMOTING AND ENABLING MANAGEMENT AND LEADERSHIP SKILLS FOR ALL PEOPLE, AT ALL LEVELS AND FROM ALL BACKGROUNDS.

Young people should have earlier access to management and leadership opportunities at school and college...

- 4.1 The UK will need 1.9m new managers by 2024³¹. To meet this challenge, and ensure the next generation of managers are better prepared and better skilled, young people need to start developing management and leadership

²⁸ *The power of parity: advancing women's equality in the UK*, McKinsey & Company (2016)

²⁹ *Delivering through diversity*, McKinsey & Company (2018)

³⁰ *Gender salary survey*, CMI (2016)

³¹ *Working Futures 2014-2024*, UKCES (2016)

skills in school, college and university. This will better prepare young people for the world of work and equip employers with a far more productive workforce. As things stand, around two thirds of employers believe that graduates lack the interpersonal skills necessary to manage people and nearly three quarters want all students to have access to management, enterprise and leadership modules to improve employability³².

CMI works with over 90 university partners to improve employability outcomes, develop practical management and leadership skills, and support student entrepreneurship, by accrediting degrees and providing employability modules. We have developed measures to track the impact on employability and will publish data as soon as it becomes available.

- 4.2 Leadership and management skills should be embedded in the curriculum, for example, through new T-level qualifications. There should also be a much sharper focus on employability in higher education, a shift which the Teaching Excellence Framework (TEF) is already starting to bring about. All students, not just those on business or management programmes, should have the opportunity to acquire practical management and leadership skills and gain valuable work experience.

Case study

Lancaster University Management School has devised a Future Global Leaders module with themes of leadership, enterprise, ethics and analytics that will roll out across undergraduate degrees from this year. The initiative, which says that managers should be able to make rational decisions, spot opportunities and form a professional identity, is a direct response to the evolving requirements of employers.

Case study

At Coventry University, postgraduate students have the opportunity to study a Global Professional Development module. This currently applies to 50% of postgraduate courses and will apply to almost 100% from October 2018. The University firmly believes that a professional management qualification will ensure students have the edge in a competitive employment market.

...whilst higher and degree-level management apprenticeships should be used to skill employees of all ages.

³² 21st Century Leaders. Building employability through higher education, CMI (2018)

- 4.3 Apprenticeships provide a real opportunity to transform the skills landscape and address the UK's long-standing productivity crisis. They are no longer restricted to introductory or low level programme for new starters, but can and should be used to upskill employees of all ages. The Government's own analysis shows the productivity benefits of apprenticeships: research in 2016 suggests that the average apprentice increases productivity by £214 per week. A poll of CEOs at the recent Times CEO Summit shows that almost half believe investing in skills, education and apprenticeships would deliver the single biggest boost to UK productivity³³.
- 4.4 High quality management apprenticeships are already being used to develop current and future leaders, and are proving increasingly popular with both apprentices and employers. Research from Universities UK shows that the Chartered Manager Degree Apprenticeship (CMDA) is already the most popular degree apprenticeship, just ahead of engineering, accountancy and digital. By April 2018, there were over 1,500 apprentices on the CMDA.
- 4.5 According to a breakdown as at 6 April 2018 for the CMDA, the target to reach target audiences to drive social mobility outcomes has been significant:
- 47% of from the most socio-economically deprived regions;
 - 47% are aged 30 or under; and
 - 54% are women.

CMI has supported an employer-led trailblazer group of over 50 businesses, organisations and HE institutions to develop four management and leadership apprenticeships: a Senior Leaders Master's Degree Apprenticeship, a Chartered Manager Degree Apprenticeship, an Operations/Departmental Manager Apprenticeship and a Team Leader Apprenticeship.

- 4.6 In order to grow, however, Government needs to back the expansion of high quality apprenticeships. This means engaging people who typically have not accessed apprenticeships including existing employees and groups such as returning parents and older workers. There is also still significant work to do to raise the profile and currency of apprenticeships with parents, teachers and students.

³³ <https://twitter.com/thetimes/status/1011548799888740352>

- 4.7 Ministers also need to commit to the maintenance of the apprenticeship levy. We recognise that the levy needs reform – and together with the British Chambers of Commerce (BCC), have set out a 10 point plan for this (see summary below) – but Government needs to reaffirm its commitment to an apprenticeship levy to create certainty and confidence in the system for employers, providers and apprentices.

CMI/BCC10 point plan to improve the apprenticeship levy³⁴

5 ASKS OF GOVERNMENT

1. Transform the skills landscape

The Government must ensure that everyone benefits from the Apprenticeship reforms... Re-skilling and up-skilling existing employees must be a key part of the solution.

2. Listen to business – transform the levy

The complex and restrictive Apprenticeship Levy rules... should be relaxed. For access to quality training, funding bands must reflect the true cost of provision. For many employers, the Levy has displaced budgets for other essential forms of skills development, risking future growth and productivity, so other accredited quality training should be included in the scope of the funds.

3. Provide efficient, single point accountability

The system should be made simple and transparent, with a single accountable agency. The Institute for Apprenticeships should be resourced to bring forward apprenticeship standards more quickly and take on end-to-end responsibility for the successful funding, execution and monitoring of apprenticeships policy. Employers –not civil servants – should set and approve standards. There should be a single body responsible for external quality assurance...

4. Measure the impact, not the target

...the Government should support the drive for quality over an arbitrary numerical target – this is the way to improve social mobility and productivity and close the skills gap that threatens the UK economy.

5. Keep the process joined up, stable and consistent

The Government should work with employers to get the apprenticeship reforms fit for purpose, and then keep the system stable, consistent and joined-up across the Industrial Strategy. To boost competitiveness and

³⁴ The full plan can be viewed here: <https://www.managers.org.uk/insights/news/2018/june/the-cmi-and-bcc-ten-urgent-reforms-needed-to-transform-the-apprenticeship-landscape>

productivity, business needs apprenticeships and other quality forms of in-work training at all levels in the workforce. Higher-level degree apprenticeships should be encouraged to improve participation, social mobility and narrow the gender pay gap.

5 ASKS OF EMPLOYERS

1. Get involved and informed and tackle your skills needs

...Employers should find out about the new apprenticeship standards for their sector, how to recruit apprentices and how to access funding and high-quality training for their teams.

2. Find flexible ways to manage training

...Employers should work with their training provider to identify sensible, flexible and creative training opportunities – including online workplace training, work-based assessments and other time that you invest in developing an apprentice.

3. Commit to long-term investment in skills

...All businesses can play a part in fixing the skills crisis. Employers should ensure they have access to the skills needed now and in the future by investing long-term in the training and development of the workforce...

4. Embrace wider workforce planning

Apprenticeships are open to everyone in the workforce... Management and leadership, digital and data, and a broad range of technical standards are being developed for firms of all sizes and sectors. Employers have a choice to work with private providers, universities or FE colleges – there's more than one route to success.

5. Measure the benefits

...Employers must ensure they get the maximum gain from your investment in skills by working with Government, training providers, and professional bodies like CMI and Chambers of Commerce.

Government should encourage modern working practices and good corporate governance, and continue to promote inclusive leadership through increased transparency and reporting.

- 4.8 Working practices and culture have a significant impact on productivity. For example, productivity is compromised by a poor quality of working life and low levels of wellbeing. Poor management can damage mental and physical health and working age ill health is estimated to cost the economy £100bn

annually. Put simply, more engaged and healthier employees are more productive.

- 4.9 The introduction of more flexible working practices can support wellbeing and transform productivity. Government should therefore continue to encourage employers to adopt and extend flexible working. The Flexible Working Task Force, of which the CMI is a member, is already examining ways in which to encourage employers to offer more flexible working.
- 4.10 Flexible working is rated as one of the top five ways to help women progress and to create a diverse, more productive organisation³⁵. Increasing flexible working alone, however, will not deliver diversity. For example, of the 1.9m new managers needed by 2024, 1.5m would have to be women to achieve gender balance in management roles³⁶. It is clear that the talent pipeline is broken.
- 4.11 The Government needs to work with employers to increase the diversity of their workforces and reduce the under-representation in management roles of groups including women and ethnic minorities. Recent research from Deloitte³⁷ suggests that transparency of data is one crucial step towards identifying the barriers for progression for women in any given firm. Extending reporting on diversity through pay and progression data would improve diversity at firm level and help to drive up productivity.

Case study

To address its gender pay gap, Virgin Money analysed the data and discovered it had far fewer men (27%) working in customer service or lower paid roles and a disproportionately high level of men (67%) in the best paid roles. The company took steps to both improve the attractiveness of its employment offer to men at entry levels while bolstering its efforts to retain women in the business through programmes such as maternity mentoring. It has also made a commitment, when hiring externally, to match any flexible working arrangements in place with the previous employer, as a minimum offer.

- 4.12 The recently announced Business Basics Fund³⁸ is a welcome initiative and should help further develop the evidence base around best management practice. It will be important, however, that the Fund supports a wide range of

³⁵ *A Blueprint for Balance*, CMI (2018)

³⁶ CMI analysis of UK Commission for Employment and Skills data, from *Working Futures 2014-2024*, UKCES (2016)

³⁷ *Women in the boardroom. A global perspective*, Deloitte (2017).

³⁸ <https://www.gov.uk/government/news/government-launches-new-fund-to-support-small-business-growth>

projects aimed at improving management and leadership capability and that funding is not simply made available for projects which focussing on the adoption of technology.

5. **CONCLUSION**

- 5.1 As our response sets out, improving management and leadership across the UK and closing the productivity gap is critical to future economic success. Investing in management training and apprenticeships is certainly a large part of the solution, but we also need to fix the lack of diversity in so much of UK management, transform outdated business cultures, build trust and better prepare young people with practical management and leadership skills before they enter the workforce.
- 5.2 We have referenced and signposted our research throughout our response to support the Government's call for evidence. We have also set out a range of actions for individual firms, professional bodies and Government to encourage the adoption of best management practice and improve productivity. A summary of these is set out below.
- 5.3 We look forward to discussing our response with Government in due course.

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July 2018

SUMMARY OF RECOMMENDATIONS

At firm level:

- show genuine recognition at senior levels that good leadership and management matters;
- invest in management and leadership training, including management apprenticeships for new and existing managers;
- adopt best management practices;
- support employee wellbeing;
- extend flexible working; and
- champion diversity and address bias in recruitment and promotion.

At professional body level:

- create confident and competent managers, through accredited learning;
- share and promote best management practice;
- working with employers and providers, develop and promote high quality management apprenticeships;
- support the development of a T-level in management and team leadership for 16-18 years-olds;
- work with universities to embed management and leadership skills into degree programmes; and
- champion trust, diversity and gender balance in business.

At Government level:

- encourage and enable firm-level investment in management and leadership. Leverage the power and authority of Chartered bodies;
- back the expansion of high quality apprenticeships;
- reform the Apprenticeship levy, and join skills policy more explicitly with the Industrial Strategy;
- encourage the development of employability skills in schools, including management and team leadership skills.
- improve awareness of apprenticeships, including through improved careers advice in schools and colleges;
- encourage universities to offer management and leadership skills to all students;
- increase transparency on pay and progression data; and
- continue to work with organisations to achieve voluntary change in business culture and practice, for example on setting targets to increase the number of women on boards and on promoting more flexible working.