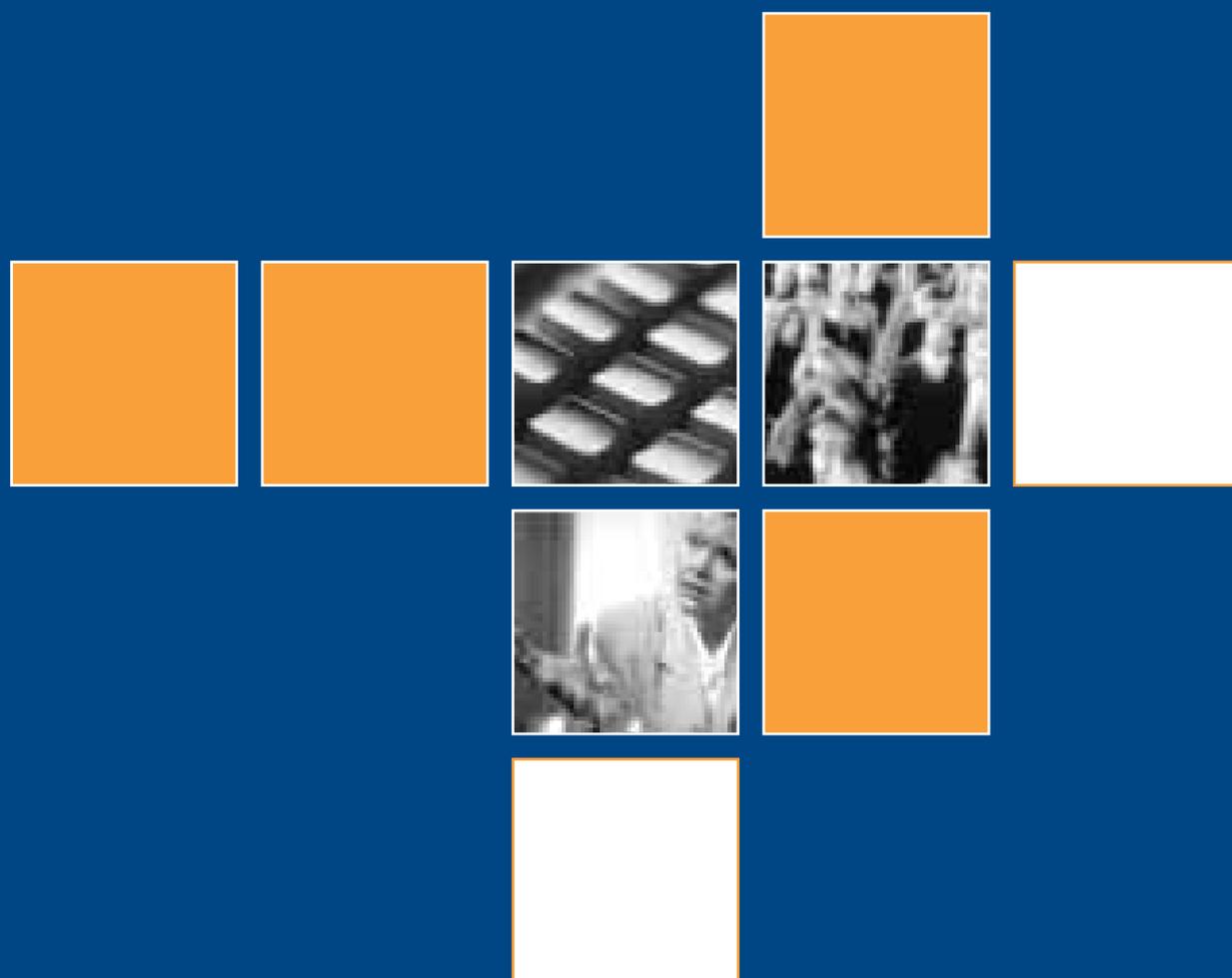


# The Contribution of the UK Business Schools to Developing Managers and Leaders:

Report of the Business Schools Advisory Group



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The council for Excellence in Management & Leadership is an initiative established by the DfEE and the DTI in April 2000 to ensure that the UK has the managers and leaders of the future to match the best in the world

# Business Schools Advisory Group

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# Summary and recommendations

The Business Schools Advisory Group of CEML was convened to examine the quality, relevance and accessibility of all forms of management and leadership education delivered by UK Business Schools, and to identify any gaps between what the Business Schools currently supply and what is needed. The Advisory Group represented both employers and Business Schools. The term ‘Business School’ covers all those institutions in higher education - over a hundred - which offer programmes in Business and Management.

## **The goal: improving performance in a changing world**

The group focused on how Business Schools can increase the management and leadership capability of the whole management population in the UK, and thereby improve individual and organisational performance and national productivity.

Business Schools already make a very large contribution to the teaching of management in the UK, and have played a major role in increasing access to higher education. The strong demand for degree programmes in Business and Management is evidence of considerable success. However, the Business Schools face important challenges. These mainly stem from changing views both about the nature of management and about how it is best learned.

The term ‘leadership’ is now often used as a shorthand for some aspects of management which are becoming far more important. These include: creating a sense of vision in a fast changing environment; motivating teams of people and leading them through change; and being innovative in products and services and ways of working. Managers and leaders at all levels require an increasing understanding of the global nature of business and of different cultures.

There have also been changes in approach to education and training. The word ‘learning’ is increasingly used to convey the many ways in which people acquire skills and knowledge. It emphasises outcomes (what has been learned) rather than inputs (what is taught). Learning is a continuous part of working life. These shifts challenge the traditional ‘chalk and talk’ approach to teaching in favour of more experiential, personal and flexible teaching methods.

These changes present major challenges for UK Business Schools: in how they engage with managers throughout their working lives; in the relevance of what they teach; in how they teach it; in the capabilities of their staff; in their research; and in their relationships with employers and with their parent universities.

The recommendations below suggest a number of areas in which the contribution of Business Schools should be significantly improved. These improvements are largely in the hands of the Business Schools themselves, but also require the active participation of employers. The role of Government and the universities is primarily to ensure that the resourcing of Business Schools is in line with what the nation needs them to deliver, and that they have enough freedom to achieve this.

## **Different institutions meeting different needs**

UK Business Schools are very diverse in terms of their history and ethos, with wide variations in their mix of teaching by level and type of qualification, and the degree to which they are active in funded research and work for corporate clients. Some Business Schools compete in the global market to supply executive development to leading international companies. Many serve more local employers as well as meeting the needs of students from home and abroad.

The Advisory Group sees this diversity as a strength in meeting the diverse needs for management and leadership development and does not recommend a ‘one size fits all’ view of what a Business School should be. Each Business School needs to identify its own appropriate strategy and position itself accordingly.

## **Key objectives and recommendations**

The Advisory Group has identified five broad objectives, with more specific recommendations under each. The Group has expressed a strong feeling of urgency with which these recommendations should be actioned. Further time taken in investigation or deliberation will further delay the development of more world-class management education in the UK.

### **Objective A: Stimulating the demand for management education and training**

Evidence of a UK management skills and learning gap indicates the need for greater access to management education and training, especially for practising managers.

**Recommendation 1: Government should pursue effective methods of giving individuals and employers financial incentives (including tax incentives) to invest in the continuing development of adults at work. Management and leadership development should be a key area for such investment. Incentives used in other countries should be considered for application in this country. (Key player: Government).**

There is increasingly strong evidence to link corporate management development with superior organisational performance. However, there is much less evidence of educational courses and qualifications in management leading to improved individual or organisational performance.

**Recommendation 2: More research is required into the performance and productivity impact of management education, and to demonstrate and communicate the business case for investment in management education. (Key players: Business Schools, ABS, Employers, ESRC, Government)**

### **Objective B: Strengthening the application of knowledge and the development of leadership skills within management education**

Management is an applied discipline. Employers seek far more emphasis in HE on knowledge application and the inter-personal skills of leadership. Work experience improves the employment prospects of first degree graduates in Management. Corporate customers are looking for tailored executive development which fully integrates the practical skills of leadership with theoretical understanding.

**Recommendation 3: First degrees in Business and Management should include the development of practical skills and work experience and this should be acknowledged in the funding of such courses (see Recommendation 12). Consideration should be given to financial support for employers who offer undergraduates work experience. Work experience could be delivered in various ways (eg part-time, through work students are already doing, in vacations *etc.*) and should be better integrated into learning throughout the course. (Key players: Government, QAA, Business Schools, Employers)**

**Recommendation 4: The Business Schools and accrediting bodies need to strengthen the application of knowledge and the development of practical leadership skills within the MBA. Companies whose employees are taking MBAs must be active partners in this endeavour. (Key players: Business Schools and their Associations, Accrediting Bodies, Employers)**

**Recommendation 5: Business Schools should move much further and faster in aligning their corporate executive development offerings with business needs than is the case in many Business Schools. This is especially so in developing leadership skills (as opposed to the knowledge based business curriculum), international outlook, and a genuinely tailored service to meet the needs of each corporate customer. A national forum for dialogue between major employers and Business School Deans should be established, perhaps as part of the new Management, Leadership and Enterprise Council. (Key players: Business Schools, Employers)**

### **Objective C: Improving access to continuous management learning for practising managers**

Over two hundred thousand students are studying in HE on courses leading to qualifications in Business and Administrative Studies. Many of these - nearly 40% - are already combining study with work, including over 80% of home MBA students. For working managers who do not want to go the first degree/MBA route, alternative qualifications already exist (eg HND, CMS, DMS) but are in danger of decline. Employer demand for the higher level (4 and 5) NVQs in management appears to be weak. There are still many practising managers who have not had access to management education, including many who start their careers in other professions.

**Recommendation 6: Stronger and clearer routes are needed through the non-degree (*ie* vocational and professional) qualifications in Business and Management in higher education. The Advisory Group recommends a strengthening of the existing CMS/DMS route for practising managers rather than the further development of NVQ Levels 4 and 5 in Management. (Key players: Government, Accrediting bodies, ABS)**

**Recommendation 7: Management and leadership development should be integrated into the initial and continuing professional development required by professional bodies. Business Schools should be major players in delivering such development. Management modules could count towards both the professional qualification and a management qualification. (Key players: Business Schools, ABS, Professional Bodies)**

Business Schools have experienced problems in trying to supply management development to small firms. Their traditional forms of teaching do not meet the needs of small firms and time and cost are on-going barriers to take up. It is likely that only a few Business Schools will gear themselves to this market, although others may seek to continue research on the management of small firms.

**Recommendation 8: If the government wishes Business Schools to support management development in small firms it must encourage the development of radically different models of delivering this (for example through coaching, mentoring, and facilitated networks) and expect to provide sustained funding. (Key player: Government)**

### **Objective D: Strengthening the knowledge base and knowledge transfer**

Business Schools should be experts in the process of management learning - their core business. Companies look to Business Schools to provide leading-edge thinking relevant to their key issues. Students have a right to expect that up-to-date research will be reflected in teaching. Practising managers should also have rapid and easy access to important management research results. It is hoped that the ESRC Management Research Initiative will make a major contribution to these objectives.

**Recommendation 9:** Improving the process of management learning should be a key subject for management research and lie at the heart of how Business Schools develop. Business Schools should work together on this issue and involve employers as partners in the development of more effective ways of teaching management and leadership. (Key players: Business Schools, ABS, ESRC, Employers, Government)

**Recommendation 10:** Management research needs redirecting towards an agenda which is more responsive to the needs of practising managers. Knowledge transfer from researchers to practitioners should be a high priority, demanded by those commissioning and evaluating research. Practising managers should be closely involved in setting the research agenda, assessing research proposals and being active partners in the research process. (Key players: Business Schools, ESRC and Management Initiative Research Forum, EPSRC, Employers, BAM)

**Recommendation 11:** Properly planned and financed mechanisms for facilitating the transfer of leading-edge research into teaching should be a part of the continuous professional development for all teachers of Business and Management. (Key players: Business Schools, BAM, ABS, Government, QAA, Accrediting Bodies)

### **Objective E: Resourcing and marketing the Business Schools**

Management needs to be taught as an applied subject, but has poor staff: student ratios, and is funded at a lower level than subjects like geography.

**Recommendation 12:** The funding levels for undergraduate Business and Management students should be increased from Band D to Band C to support its teaching as an applied subject. (Key player: Government)

There are shortages of good quality teachers of Business and Management in higher education and this problem is likely to worsen as many retire over the next few years. Academic salaries compare poorly with those in industry, especially in some business disciplines. Business Schools need new kinds of staff to meet some of their needs, for example the support of inter-personal skill development.

**Recommendation 13:** Financial support is needed for the training of entrants to Business School teaching from a variety of backgrounds. One useful model would be a new version of the previous successful ESRC Management Teaching Fellowship Scheme. (Key player: Government)

**Recommendation 14:** All universities should permit business academics to retain a specific volume of consultancy earnings each year (perhaps expressed in terms of number of days a year). This would increase both take-home pay and practical experience of working with industry. (Key players: Government recommendation to universities)

**Recommendation 15:** Universities should allow Business Schools flexibility within their staffing budgets to create new types of post and employ staff on varied contracts. This applies to both teaching and support staff. Business schools must be allowed to pay market rates for their staff. (Key players: Universities)

Business Schools have a pressing need to invest in development. Many feel they are seen by their universities as ‘cash cows’, with the creaming off of much of their income by the university restricting investment for the future.

**Recommendation 16: Universities should limit the extent to which Business Schools are expected to cross-subsidise the rest of the university. Business School Deans would welcome more serious strategic dialogue with Vice Chancellors and Principals on the positioning of Business Schools in the University sector. Consideration should be given to making some Business Schools which teach only at graduate level, such as MBS and Cranfield, fully autonomous institutions. (Key players: Business Schools, Universities, UUK. Government to intervene if not addressed adequately)**

Business Schools need to pay more attention to how their various customers can find out what they have to offer, especially where they are competing internationally for corporate business.

**Recommendation 17: There should be a one-stop shop for information on the services of the UK Business Schools, which should also facilitate collaboration between different Business Schools in meeting the needs of corporate clients. (Key players: Business Schools)**

**Recommendation 18: Business Schools should be more active in local and regional development and training forums. (Key players: Government and Business Schools)**

## Introduction

### Terms of reference

The Business Schools Advisory Group of CEML was set up in September 2001 to assist Professor Stephen Watson to develop recommendations which address:

- ‘The quality and relevance of management and leadership education delivered by Business Schools at undergraduate, postgraduate and post-experience levels.
- The availability and accessibility of management education delivered by UK Business Schools to the broad range of potential individual and corporate consumers from the public and the private sectors in all sizes of organisations.
- The perceived gap between the supply of business education by Business Schools and what individuals and organisations of all sizes need.’

The group was also asked to examine the learning pathways into and through higher education (HE) in Business and Management. The group has also examined the research function of the Business Schools in so far as it impacts on improving the quality of management and leadership in the UK.

By Business Schools we mean all those institutions in higher education offering programmes in Business and Management (of which there are well over a hundred), not just the few well known Business Schools. We have focused on the whole management population not just senior executives, and thereby on the broad impact of Business Schools on the UK economy.

### Our approach

The group focused on how Business Schools can increase the management and leadership capability of the whole management population in the UK, and thereby improve individual and organisational performance and national productivity.

In each main area of business school activity we tried to assess whether the status quo is satisfactory; whether action needs to be taken by the Business Schools themselves or their customers; or whether some type of government intervention might be required.

Coming towards the end of the CEML programme of enquiry into management and leadership, we used the large volume of evidence already compiled in CEML reports. This was supplemented with analysis of statistical data on higher education, an extensive literature review, and in-depth interviews with each member of the advisory group and selected others. Opinions of employers were taken from previous CEML employer forums, plus a meeting set up by the Careers Research Forum to elicit views from management development managers in major employing organisations.

### Issues addressed in this report

The demand for management and leadership development is examined first and followed by sections dealing with the role of the Business Schools and specific aspects of the supply of management education in higher education. The final sections deal with institutional issues and broad conclusions.

The structure of the report is as follows:

- The demand for management learning and whether there is a management learning ‘gap’ in the UK (Chapter 2).
- The place of the Business Schools in the provision of management and leadership development (Chapter 3).
- Undergraduate teaching and the effectiveness of first degrees in Business and Management (Chapter 4).
- Postgraduate teaching and the effectiveness of the MBA (Chapter 5).
- The supply of tailored executive and management development (Chapter 6).
- Meeting the need for continuous learning for practising managers at all levels and career stages and in all types of organisation (Chapter 7).
- Teaching and learning processes in Business Schools (Chapter 8).
- Research and knowledge transfer (Chapter 9).
- The institutional health of Business Schools and whether they are appropriately resourced (Chapter 10).
- Conclusions (Chapter 11).

The recommendations of the Advisory Group are shown in the text within each chapter and also in the executive summary at the front of the report. Against each recommendation there is a suggested list of ‘key players’ for taking action.

In each chapter, references are given to short sections of literature evidence which can be found in Annex 2. Tables showing key higher education statistics are in Annex 1. Annex 3 summarises the findings of interviews and discussions conducted with employers and business school leaders.

# The demand for management learning

*(see also Annex 2.1, 2.2 and 2.3)*

This chapter addresses the changing demand for management learning and the business case for improved management development and business education.

### Management skills are in high demand

The UK has a large number of managers and this population continues to grow. CEML's best estimates to date are of about 4-4.5 million people who might be said to be managers, many of whom work in small firms (Williams, 2001). An estimated 400,000 new managers might be required each year, of which the majority enter from other occupations. So there is a continuous challenge to supply organisations with the managers they need.

What we ask of our managers has also been changing. The vast literature on management and leadership highlights major challenges for managers and leaders today. They need to ensure their organisations run efficiently, but they also need to be skilled at:

- Creating a sense of vision in a fast changing environment
- Motivating teams of people and leading them through change
- Being innovative in products and services and ways of working

These factors - especially of vision and motivation but also increasingly of innovation - are often summarised in terms of moving from a transactional management to a transformational management style (Bass, 1985). In many organisations, leadership is now a global issue. Many managers working in the UK need to understand about global business and to be able to work with people from other countries and cultures.

The term 'leadership' can cause confusion. Some assume leaders are those near the top of organisations and therefore define leadership in such terms. Others use the term 'leadership' to describe the more transformational aspects of management at any level, especially the three elements listed above. In this report we will use the terms management, management development and so on, to cover all aspects of managing others including leadership in the transformational sense.

Although many of the skills needed by managers and leaders are common to the whole management population, they still need to take different forms for managers at different levels and in different types of organisation. The manner in which the CEO of a major corporation leads change will be different from that of a departmental manager in the same organisation and different yet again for the MD of a small firm.

## **.... and not just for managers**

Management knowledge, skills and behaviour are not just needed by people who might be occupationally classified as managers. As organisations have reduced their number of reporting levels and as smaller firms come to dominate our business sectors, many other workers need a skill set we would recognise as managerial. Most working professionals in particular are expected to manage staff and resources while also exercising a technical role, especially as a team leader or project leader. Many staff at much lower skill levels in the economy now require the kind of customer and inter-personal skills and business understanding formerly the preserve of managers.

It is a feature of management that people grow into management roles, sometimes quite gradually, and tend to need progressive acquisition of management skills throughout their careers. The management development challenge for the UK is therefore about lifetime learning and continuous development, not about 'producing' a certain number of managers a year through a single spell of education or training.

## **We do have a management skill gap**

UK governments have a long history of being concerned about skill shortages as a possible inhibitor of economic performance and this debate continues today (DTI, 2001).

During the last few years a National Skills Taskforce has conducted extensive enquiries into the availability of skilled people to meet the needs of the economy. It has concluded that there is not a quantitative shortage of managers (*ie* employers can fill management positions) but that there is a qualitative concern about whether managers are skilled enough to meet their increasingly demanding roles. These findings apply to managers at all levels, not just in senior leadership roles. Other studies also point to concerns about the quality of leadership (*eg* Horne and Stedman Jones, 2001; Campbell et al., 2001).

The UK has a large number of managers with no higher level qualifications (Williams, 2001; Bosworth, 1999). We need to be careful, however about equating this with a skills gap in a country with a tradition of informal management training and increasing levels of participation in higher education.

## **..... and management development can make a difference**

There is increasingly strong evidence that training and management development form part of the 'basket' of human resource management practices associated with superior organisational performance (Caulkin, 2001; CIPD, 2001). However, this is only the case when such development is integrated with business strategy and individual skill needs.

Major employers, and many smaller ones too, appear increasingly committed to in-company management development. Surveys by Thomson *et al.* show increases in the quantity of management training, for example citing an 18% rise in formal training days for managers between 1996 and 2000 (Mabey and Thomson, 2000). They estimate a training spend of £500- £1000 per manager per year by employers: a figure broadly consistent with evidence obtained from employers by the Advisory Group.

So management training in the UK appears to be improving, but from a low base. There are still many managers, especially in smaller firms, who have no formal management education or training prior to entering work and little in the workplace (Williams, 2001). Both shortages of money and of time impede access to management training by some of those who might benefit from it.

The Advisory Group concluded that there is enough evidence of a management skills and learning gap to indicate the need for greater access to management learning. The gap is probably most significant for those who are already in management roles, including owners or managers in smaller organisations. Such learning needs to be lifelong.

The value of further increasing management learning for practising managers would be in part to individuals and their organisations, but over and above this would enhance the national supply of managers and therefore be in the national interest. While we recognise the practical difficulties of action in this area, we recommend that management learning for those in employment should attract public money, for example through tax relief for individuals and financial incentives for employers.

**Recommendation 1: Government should pursue effective methods of giving individuals and employers financial incentives (including tax incentives) to invest in the continuing development of adults at work. Management and leadership development should be a key area for such investment. Incentives used in other countries should be considered for application in this country. (Key player: Government)**

### **But what about management education and qualifications?**

Although the business case for workplace management learning is a very strong one, there is much less evidence of the link between off-the-job management education and qualifications and individual or corporate performance. There is ample evidence of the popularity of both undergraduate and postgraduate study in Business and Management (see Chapters 4 and 5) and of positive career benefits of qualifications so obtained. Even so, Burgoyne (2001b) estimates that at current rates of education, the proportion of managers with management related qualifications will not get above 20% in the long term.

Courses in Business and Management offered by Business Schools can have a range of learning outcomes affecting knowledge (*eg* of accounting procedures), specific skills (*eg* interpreting a balance sheet), general skills (*eg* working with others, critical thinking) and attitudes (*eg* interest in starting a small firm). It is critical to understanding the contribution of Business Schools to national productivity that this range of learning outcomes is considered.

As yet, there are very few studies of the impact of higher education courses in Business or Management on performance at work. Managers themselves do not tend to see academic qualifications as the most effective form of management learning (Mabey and Thomson, 2001). Employers are also ambivalent about the merits of management qualifications (Perry, 1999) although some regard the accreditation of management learning as a forward-looking dimension of their employment strategy (*eg* Lloyds TSB in Arkin, 2000).

Business School academics teach others about how to present a business case for investment. They still have very important work to do in demonstrating the business case for investment in management education of the kind offered by their institutions.

**Recommendation 2: More research is required into the performance and productivity impact of management education, and to demonstrate and communicate the business case for investment in management education. (Key players: Business Schools, ABS, Employers, ESRC, Government)**

# The place of the Business Schools in management and leadership development

(see also Annex 2.4)

Before we look at the effectiveness of particular forms of management learning supplied by Business Schools, it is helpful to provide an overview of what Business Schools actually do and in what ways they contribute to the national quality of managers and leaders.

## How do Business Schools improve the quality of management?

There are a number of ways in which Business Schools improve the quality of management and leadership:

1. Teaching on programmes which award **undergraduate or postgraduate qualifications**. The people obtaining such qualifications may be potential recruits for employers or may already be at work and gain new skills and knowledge. Some qualifications are tailored to company needs (*eg* company or consortium MBAs). The FE sector works alongside the HE sector and the boundaries between the two are increasingly complex.
2. Delivering **executive education and management development** which is purchased by employers and designed specifically for this purpose. In this activity, the Business Schools compete with providers in other countries and with the commercial training sector and in-company provision.
3. **Continuous learning for practising managers**, which they can access even if their employers do not purchase it. This can be provided by short courses and by pathways through various levels of qualifications emphasising the practical skills of management.
4. **Research and knowledge transfer** are key functions of higher education. Business Schools research into management and leadership and make the results of such research widely available to practising managers.

In addition to these direct mechanisms, Business Schools may also make a useful contribution to the promotion of an enterprise culture by giving many young people an early understanding of business.

We have to remember in examining the effectiveness of these activities that individual students are the key customers as much, if not more, than employing organisations. Management education needs to achieve broad learning goals consistent with the general intellectual and personal development required of higher education as well as skills and knowledge specific to its subjects of study.

## Business schools are mass suppliers of higher education

To many employers, the term 'Business School' conjures up an image of MBAs, corporate executive education and consultancy. The reality is that most Business Schools are teaching institutions, primarily engaged in offering first degrees, MBAs and a range of other qualifications. Several of the schools we contacted gained over 90% of their income from undergraduate and postgraduate teaching with research and in-company work as much smaller income generators.

The broad HESA subject grouping of ‘Business and Administrative Studies’ (B&A) accounted for over 227,000 students in higher education in 1999/2000 (HESA). This represents 12.2% of the total undergraduate and postgraduate student population and is the largest single subject grouping. Of these students, almost 140,000 (61%) were in the narrower subject grouping of ‘Business and Management Studies’ (B&M). Business Schools are reaching very large numbers of people with courses leading to qualifications.

The table below shows the numbers of qualifications awarded in 1999/2000 based on HESA figures plus estimates from the Open University.

	Total u/grad	First degree	Other u/grad	Total p/grad	Higher degree	Other p/grad	Total
Business & Admin Studies (wide def.)	42010	31910	10100	25726	15788	9938	67736
Business & Management (narrower def.)	25880	19100	6780	18696	11078	7618	44576

### **Business schools are very diverse in their mix of services**

A striking feature of the Business Schools is their diverse history and mix of current activities.

Scherer (2001) identified 110 Business Schools of which 47 are departments or schools in pre-92 universities, 38 in post-92 universities (the former polytechnics), 10 private institutions and 5 Business Schools set up specifically to focus on Business and Management (Ashridge, Cranfield, Henley, LBS and MBS).

The removal of the binary divide between polytechnics and universities in 1992, brought into this sector many schools with a long tradition of vocational teaching in Business and Management. Their predominant activity is now teaching at undergraduate level, increasingly on first degrees. The more traditional (pre-92) universities entered management education later, but some have established strong academic departments in this field with varied mixes of undergraduate, postgraduate and research activities. It is a curious result of the history of this sector that the largest undergraduate Business Schools are not the largest postgraduate providers.

A few Business Schools were established to focus on executive education. Some have specialised in open MBA programmes and others in tailored management development purchased directly by employers. Although these two activities often operate in parallel, some institutions focus much more on tailored provision and others on full-time MBA programmes. A handful of schools gain up to half their income from corporate tailored programmes or short open courses.

This brief summary is a gross over-simplification of the diversity within the Business Schools, but the key point is that different Business Schools fulfil different aspects of the supply of management learning and have different markets for their services. Those we spoke to felt that this diversity was a potential strength of the UK Business School sector, although employers felt they had little understanding of what most of the Business Schools could offer.

## The Key Positive Features of the UK Business Schools

Business Schools have some particular positive features as suppliers of management and leadership development.

- **Business Schools represent a very large teaching resource.** There are around 7,000 teaching faculty in Business and Management Studies in higher education institutions. This is a very large resource - for example equating to one academic for every 57 new managers we need each year! Comparisons with other sectors of supply are difficult to obtain, but the CIPD estimates that about 1,000 of their members might be self-employed management trainers. One of the biggest global consultancy companies estimated they had at most 200 consultants world-wide delivering management development programmes. So the HE sector is probably quite a large provider of management learning in the UK compared with other forms of provision.
- **They represent high quality.** Although qualifications may not be important to employers, they are a benefit to employees as evidence of the quality of their learning. In addition, UK higher education is subject to quality assurance processes not present in the commercial training sector. Employers see the best Business Schools as offering both quality and prestige to their programmes.
- **They can offer rigour and a research base.** The particular strength of universities lies in their tradition of scholarship and rigorous intellectual debate. Employers are attracted by programmes and institutions which can combine rigorous research with real knowledge of global business to present challenging ideas and models. This should lead to a breadth in the content of Business School programmes compared with the narrower skill focus of much commercial management training.
- **Wide and flexible access.** The services of Business Schools can be accessed by individuals as well as by businesses, and they skill entrants to the labour market as well as those already in it. They accommodate students of varied interests, abilities and backgrounds.
- **Geographical location.** Although the big American Schools are often held up as the model for 'world class' Business Schools, many Europeans see them as advocating mainly American models of management and leadership. UK Business Schools are better placed to look towards both Europe and the East as well as towards the US, and perhaps to be more genuinely international than their American counterparts. This potential strength needs to be actively developed.

## Tough challenges

These points highlight the tensions present in the Business School sector between the old values of scholarship and rigour and the new imperatives for wider access and immediate relevance to business. Some key challenges for Business Schools were threaded through the debates of the Advisory Group.

- Can the reputation for quality of Business and Management HE be maintained in a mass market for higher education?
- Can Business Schools accommodate the increasing need for practical leadership skills (especially in inter-personal skills) alongside their traditional turf of management teaching (strategy, finance *etc.*)?
- Can some UK Business Schools compete effectively in the global market for senior executive education and the 'prestige' MBA?
- Can the Business School sector increase its impact on the whole population of practising managers, not just those who are senior executives in global businesses?
- Can the Business Schools find the staff to do all these things, and can they do them from within universities?

As we now turn to examine the effectiveness of each of the main activities of Business Schools, we need to keep both the strengths of UK Business Schools and these challenges in mind.

# Undergraduate teaching, and the first degree

(see also Annex 2.5)

## Healthy demand for first degrees

About half of all higher education qualifications obtained in Business and Management are first degrees and this number has grown by over 20% in the last five years. This growth is now levelling off. UCAS figures show that most student demand is currently satisfied, so there is no case for further expansion at present.

90% of students obtaining first degrees in Business and Administrative Studies study full-time. Business still has a rather higher percentage of students with ‘non-traditional’ (*ie* not A level) entry qualifications than other subject areas, although the trend is for increasing numbers of A level qualified students to take business degrees. Business students are also getting better qualified (as measured by A level point scores) so it seems that Business and Management degrees are increasingly seen by students as good degrees to study. This is important because in the past business was seen as an appropriate subject of study for academically weaker students, which has left it with something of an image problem.

Alongside the growth of first degrees, there has been quite a sharp decline in the HND and HNC qualifications in higher education institutions. HNDs awarded have dropped by 37% over the last five years and HNCs by 46% (HESA figures). This is of some concern in relation to vocational learning pathways for practising managers (see Chapter 7).

In spite of the presence of large numbers of first degree students in Business and Management, there are people both in Business Schools and in industry who do not feel that management can be taught to 18 year olds with little or no experience of work. Others see the content of Business and Management courses as a valid subject of study and just as able as other disciplines to deliver intellectual and personal challenge (Watson, 1993). Perhaps the real point here is that we should not pretend that first degrees are producing managers, but may nonetheless make a useful contribution to the national supply of management and leadership capability through the production of business-aware graduates.

If business degrees are seen as high quality, this may also support a more positive regard for business and enterprise. In the diverse system we have described, ‘high quality’ can relate to strong intellectual reputation and/or more practical business and management skills and these different strengths may be offered by different courses or institutions. The QAA has an important role in fostering high quality in first degrees and has produced useful guidelines of what such degrees should cover (QAA, 2000). The 1994 QAA audit of higher education teaching in Business and Management in England and N. Ireland gave 19 institutions out of 105 an ‘excellent’ rating (18% of all providers) and only one was unsatisfactory (QAA, 1995). This is a positive overall assessment of the quality of business teaching in universities.

## Business graduates fare well in the labour market

There is very strong evidence that first degree graduates in Business and Management are employable. HESA first destination data (1999/2000) shows graduates in Business and Administrative Studies to have low initial unemployment rates (around 6%) compared with other subject areas. Longer term tracking studies also show business graduates doing well after a longer period in the labour market (Purcell *et al.*, 1999; Elias *et al.*, 1999).

Some very recent surveys of graduate employment (CEL, 2001a and b) show good employment outcomes for business graduates compared with most other subjects. Given the relatively low average entry qualifications of first degree students in business, their employment outcomes look even better. They are also more likely to enter private sector employment, although the best still seem to head for large organisations rather than small firms. The poorest employment outcomes in the CEL sample were of women from pre-92 universities with lower class degrees and no work experience. So it seems that employers value indicators both of academic quality and of practical experience.

Interestingly Business and Management graduates are not necessarily more likely to end up as managers than graduates from other disciplines (CEL, 2001b; Bellfield, 1996). There is a need to ensure that all students in higher education develop some of the skills they will need in the world of work, many of which overlap with skills needed in management and leadership (*eg* teamworking, communication, personal effectiveness). This was recommended by Dearing (1997), although implementation is patchy to date. There is an opportunity here for some Business Schools to offer such skills-based teaching to students in other subject areas within their universities, although others may feel they do not have the staff to deliver this or that they have other strategic priorities.

### **Business and Management students need organisational experience**

So in summary, first degrees in business present some conundrums. Employers say they do not actively seek business graduates, but will gladly recruit graduates from such courses if they are ‘good quality people’ *ie* if they meet their more generic recruitment criteria. So they do target some Schools which attract high quality students. There is no evidence of a shortage of graduates to enter general business or management careers (AGR, 2001). By contrast, students seem to see business degrees as a good choice and labour market data shows they do indeed have good employment outcomes compared with other graduates. So first degrees in Business and Management seem to be doing a useful job by helping large numbers of young people make good transitions into employment. However, they should be doing more than this. It is disappointing that employers still appear to see little or no specific added value in a Business or Management first degree.

Relevant work experience, linked back to learning on the course, seems to be the feature most likely to enhance the learning of first degree students and also to be seen as attractive by employers. It is likely to yield relevant knowledge (*eg* of how organisations actually work) and strengthen the generic skills employers are seeking (*eg* teamworking and communication). However, Business Schools find that work placements and projects are being squeezed out as student numbers rise and faculty time is stretched (see Chapter 10). Sandwich degrees only account for about a fifth of first degree students in Business and Administrative Studies (less if you take into account the greater length of these courses). Sandwich student numbers have actually fallen over the past five years in the narrower subject group of Business and Management. The length of sandwich degrees is a perceived problem now that more students are financing their own studies.

Business and Management needs to be taught, and assessed, as an applied subject at first degree level but the level of resourcing it now attracts does not reflect this.

**Recommendation 3: First degrees in Business and Management should include the development of practical skills and work experience and this should be acknowledged in the funding of such courses (see Recommendation 12). Consideration should be given to financial support for employers who offer undergraduates work experience. Work experience could be delivered in various ways (*eg* part-time, through work students are already doing, in vacations *etc.*) and should be better integrated into learning throughout the course. (Key players: Government, QAA, Business Schools, Employers)**

# Postgraduate teaching, and the MBA

(see also Annex 2.6)

Business Schools offer a wide range of postgraduate qualifications and have a high proportion of postgraduate students compared with other subjects. Fairly small proportions of postgraduate business students are taking research degrees and specialist Masters programmes for which there is a distinct but fluctuating demand from students and employers. 4660 students were registered for research degrees in Business and Administrative Studies in 1999/2000 (38% higher than five years ago) but only 360 were awarded doctorates in 1999/2000 in Business and Administrative Studies (270 in the narrower Business and Management subject grouping). There is also a large supply of postgraduate diploma courses to which we will return in Chapter 6.

## Strong student demand for MBAs

The postgraduate qualification in business with a high world-wide profile is the MBA. AMBA identify 118 institutions now offering MBAs in the UK and they estimate that nearly 10900 MBAs were obtained in 2000. This is slightly higher than the HESA figure of 9830 for all higher degrees, perhaps explained by the fact that HESA figures do not cover all HE institutions.

There are many different types of MBA programme including full-time open programmes (one or two year), part-time programmes, distance learning options (both in the UK and abroad), flexible options, and MBAs specially tailored for companies or consortia.

The MBA continues to grow in the UK. AMBA's total figures for MBAs obtained grew by 35% over the last five years and home students grew by 29%. The strong presence of overseas students is a particular feature of the full-time MBA market in the UK. Home students account for 69% of MBAs obtained but only 28% of full-time MBAs (AMBA figures, 2000). So nearly three quarters of full-time MBAs are awarded to overseas students.

The domination of the full-time MBA market by overseas students is a mixed blessing. It does bring a much needed international perspective to our Business Schools and brings UK students and faculty into contact with those from other nations and cultures. However the reliance on overseas fee income also masks an underlying fragility of Business School finances in some institutions. Some leaders of Business Schools also feel that the income obtained by their universities from overseas students in Business, causes an unwillingness to 'rock the boat' by innovating with the curriculum, teaching methods or general strategy for the Business School. Some of these institutional issues are discussed further in Chapter 10.

Meanwhile, UK managers seem to be voting to combine MBA study with work. Over 80% of UK MBAs awarded to home students are obtained by part-time or distance learning.

The key to the success of the MBA as the strongest brand in the world of business education is that it is perceived as a high quality qualification. AMBA seeks to maintain this quality in the UK through a system of accreditation which leads to some courses being AMBA accredited and others not. There are also international accrediting bodies and a host of league tables all purporting to show which MBAs are the best in the world.

There has indeed been much debate in CEML about whether UK MBAs are ‘world class.’ The ABS (2000) claim that out of the top full-time international MBA courses in the world, six UK schools feature in the top 50 and there are only five from the rest of Europe (FT league table for the full-time MBA). There is little doubt that, in the full-time MBA market, prestige does matter. But this may not equate with learning outcomes. Most of the league table criteria concern inputs not outputs, and much more attention needs to be given to the quality of the learning itself.

## **Career benefits**

As with first degrees, there is strong evidence that the MBA does confer employment benefits in terms of salary and career prospects. This is just as well as over 90% of students take MBAs to improve their career opportunities (AMBA, 1997). A more recent AMBA membership survey (2000) showed that MBAs improved their salaries by 25% on graduation, although this figure conceals much higher rises for those on the most prestigious two year full-time courses and much lower returns for those on shorter and part-time courses. Employers appear to place less value on part-time MBA study (AMBA 1997 and 2000).

The MBA puts employers in a difficult double bind with respect to retention. They are often put under pressure by ‘high potential’ employees to support MBA study, but then are likely to lose those who take an MBA anyway (AMBA’s 1997 survey found that a third of MBA graduates leave within a year of qualifying). Employers therefore have difficulty in settling on an appropriate strategy with respect to recruiting MBAs or supporting their own employees in pursuing this qualification.

## **But is the MBA good preparation for leadership?**

While the MBA works as a credential for individuals, there is much less evidence that the large MBA industry produces people who are better managers and leaders. There are numerous articles - oddly mostly written by business school professors - highlighting the lack of fit between what is taught in an MBA and what real leaders need (*eg* Livingston, 1971; Deutschman, 1971; Kretovics, 1999). The perceived gaps are normally about translating theory into practice, and the inter-personal aspects of leadership behaviour. Thomson *et al.* (1998) found that the MBA did create a continuing appetite for development although MBAs did not necessarily maintain their reading or show much interest in the development of others - an increasingly important leadership behaviour.

In summary then, the MBA has succeeded as a qualification, providing it maintains its quality brand, but providers of MBAs still need to address whether it an effective preparation for leadership. Such preparation might involve more attention to skills (*eg* leading others) but also to a better understanding of the practical application of research and theory (*eg* in the field of strategy). Some Business Schools have gone much further than others in shifting both the MBA curriculum and its learning methods towards such practical preparation for leadership, but those who have started down this path are aware there is much further to travel.

**Recommendation 4: The Business Schools and accrediting bodies need to strengthen the application of knowledge and the development of practical leadership skills within the MBA. Companies whose employees are taking MBAs must be active partners in this endeavour. (Key players: Business Schools and their Associations, Accrediting Bodies, Employers)**

# Tailored executive and management development

(see also Annex 2.3)

## Employers want Business Schools as responsive suppliers

Management development is a major challenge for employers and one of their key priorities. Approaches to management development have changed significantly in recent years, with a reduction in long off-the-job programmes and an increasing interest in learning which can be tailored to organisational and individual needs. As the behavioural aspects of leadership have come more to the fore, so skills-based rather than knowledge-based management learning has grown. Even in the field of business strategy, employers are interested in some generic capabilities (eg breadth of vision, innovation) as much as in theories of business strategy.

The majority of management development is provided inside organisations, and can be very ambitious. BP for example is just re-launching a face-to-face first line leader programme covering both leadership skills and business understanding with a target audience of 10,000 world-wide. Other organisations see the use of e-learning and corporate universities as a way of extending management development (Sloman, 2001; Burgoyne 2001a).

Many major employers, and some smaller ones too, look to Business Schools to meet some of their needs for management development through tailored programmes.

The particular ability of the Business Schools to offer teaching high in intellectual challenge means they are most often used for the development of senior and high potential managers, although we have also found good examples of junior and middle management training delivered by Business Schools. Commercial trainers also have a strong offering here, where practical skills training and high volume delivery are required.

The market for executive development, particularly at the top end, is a global and very competitive one. Major employers seek the Business Schools and individual academics they feel can meet their needs and take little account of whether they are in the UK or elsewhere. Indeed the employers we consulted tended to use US Business Schools or one of a couple of European ones. Some UK Business Schools do considerable business with overseas companies. Interestingly, the institutions with the strongest research reputations and the most prestigious MBA programmes, were often seen as disinterested in tailored development or simply too arrogant and inflexible to be suitable business partners.

Employers are very clear about what they want when purchasing executive development from a Business School:

1. High quality academics who have both a deep theoretical understanding and current practical insights into major businesses. ‘Gurus’ are sought after, but only if they can facilitate problem-solving rather than just give a good set piece ‘performance.’
2. The integration of leadership skills (especially personal effectiveness and inter-personal skills) with business knowledge: a holistic approach to learning.
3. Real customer focus in terms of tailored provision - not just re-badging of modules which have been taught before. The ability to pull together faculty from a range of Business Schools is increasingly sought after. This is time-consuming and difficult for the company to do and Business Schools should be able to do it as a service to their clients.
4. International perspective as evidenced by faculty, students and contact with international clients.
5. Some employers see these needs as being met by forming quite strong relationships with one or just a few particular Schools which are likely to embrace several of the activities described in this report.

### **The UK needs to move faster to compete internationally**

Each item on this list presents formidable challenges to UK Business Schools. Only a small number of UK Business Schools are within shooting distance of being players in this market at all. Employers see them as moving in the right direction but at too slow a pace and without enough real innovation.

**Recommendation 5: Business Schools should move much further and faster in aligning their corporate executive development offerings with business needs than is the case in many Business Schools. This is especially so in developing leadership skills (as opposed to the knowledge based business curriculum), international outlook, and a genuinely tailored service to meet the needs of each corporate customer. A national forum for dialogue between major employers and Business School Deans should be established, perhaps as part of the new Management, Leadership and Enterprise Council. (Key players: Business Schools, Employers)**

The UK Business Schools may under-estimate how fast they will have to move to stay in this market. Those which are not autonomous institutions, find their institutional links compromise their ability to respond to the commercial market. Some UK schools feel they are too small to compete effectively with the large, well endowed Business Schools especially in the US. We will return to these issues in Chapter 10.

Employers find it very difficult to purchase wisely in the global business school market. League tables don’t tell them what they want to know about tailored executive provision. Employers appear to start with a list of the places they have heard of and then explore what these might be able to deliver. Business Schools need to do much more, individually and collectively, to make their offerings clear and to clarify their particular strengths in terms of subject area and learning methods.

Employers find ‘cherry picking’ academics and setting up teams from different Business Schools necessary but time-consuming. They would much prefer Business Schools to offer a better ‘broking’ service and pull in colleagues from other institutions (in the UK and overseas) to put together the best team for the job. This marketing issue is examined in Chapter 10.

# Continuous learning for practising managers

(see also Annex 2.7)

Although there is strong demand for first and higher degree courses and a healthy competitive market for executive education, these services are unlikely to reach the majority of first line and middle managers already in the labour market. They are also unlikely to reach most managers, of any level, in small firms.

The UK needs mechanisms for delivering management education and training to practising managers throughout their careers and especially when they enter management from other occupations.

We will look at three questions in relation to supplying leadership development to the whole of the management workforce:

- Whether current qualifications based courses at Business Schools provide suitable vocational learning for existing managers.
- Whether the Business Schools can work with professional bodies to reach a wider population of current and potential managers.
- Whether there is anything Business Schools can do to meet the needs of the large numbers of managers working in small firms.

## Vocational learning pathways are confused and need strengthening

In theory, Business Schools can provide a whole range of non-qualification short courses for practising managers. In reality, the market for developing and selling such short open courses is as demanding and specialised as the corporate market for tailored executive education and a great deal less lucrative. Only very few Business Schools seem to gain a significant proportion of their income from such courses. Some which did so in the past have largely withdrawn from the short open course market.

There are however some qualifications, still taught in HE, which grew up in earlier times to meet the needs of practising managers who may or may not have a first degree. Although the HND is in decline at institutions of higher education, there are a range of other certificates and diplomas in Business and Management which provide largely part-time study of an applied management curriculum. Figures from HESA show that undergraduate diplomas and certificates in business have been declining, but that postgraduate diplomas and certificates are just about holding their own and still reach significant numbers of managers. It is still the case that nearly double the number of UK students gain such postgraduate qualifications each year than take an MBA. Although it is difficult to estimate the numbers of CMS and DMS qualifications (which fall within some wider HESA groupings of qualifications), it appears that postgraduate certificates and diplomas awarded held steady over the past 5 years (while the rest of the system was expanding) although student numbers on these programmes fell by about 4%.

Employers familiar with these qualifications see them as meeting a very particular need for applied management education for more junior managers. The Advisory Group concluded that it is important that the CMS/DMS type of qualification route should remain and be strengthened for those who do not wish to take a first degree in management or already have a degree in something else. It is also important to maintaining the academic standard of the MBA that there should be a more applied offering for practising managers.

Foundation degrees are at too early a stage for us to know whether they will add real value to the system or merely re-label the remaining HNDs. There are already many students entering first degrees in business with vocational qualifications and this part of the pathway does not seem to be a problem. In general employers and Business Schools find the proliferation of vocational qualifications in business unhelpful (Thomson, Mabey *et al.*, 2001). The employers consulted by the Group saw little value in the higher level NVQs in management given the existence of the CMS/DMS pathway as a clear alternative to the degree route, and expressed concern that a proliferation of different types of management qualification may act as a barrier to take up. The Group concluded that Business and Management is a subject in which existing vocational pathways need to be clarified and strengthened rather than new pathways created.

**Recommendation 6: Stronger and clearer routes are needed through the non-degree (*ie* vocational and professional) qualifications in Business and Management in higher education. The Advisory Group recommends a strengthening of the existing CMS/DMS route for practising managers rather than the further development of NVQ Levels 4 and 5 in Management. (Key players: Government, Accrediting bodies, ABS)**

## **Business Schools as partners in professional development**

Professional occupations are expanding as a proportion of employment, and many professionals take on management roles as their careers progress. The time seems right to consider how business and management learning can be delivered alongside professional training both at entry to professions and as part of continuing professional development (CPD).

A CEML working group has considered the professions, and found that the professional bodies see management as increasingly important, but most have not yet included management or leadership skills in their membership entry qualifications (Perren, 2000). That group came to the view that more management and leadership development should be initiated by professional bodies.

The Business Schools Advisory Group endorses this view and suggests that Business Schools should be major players in forming partnerships with professional bodies to deliver management and leadership development to professionals at all career stages.

**Recommendation 7: Management and leadership development should be integrated into the initial and continuing professional development required by professional bodies. Business Schools should be major players in delivering such development. Management modules could count towards both the professional qualification and a management qualification. (Key players: Business Schools, ABS, Professional Bodies)**

## **Small firms don't want courses and won't pay**

Small firms remain a problem area for management development. Storey (1994) found that management development was a factor in the growth of small firms but it is also clear that management learning in small firms is primarily informal (Perren, 2000; Perren and Grant, 2001). Bosworth (1994) suggested that owner-managers in SMEs need 'bite sized' and flexible training.

It is clear that more managers in small firms may possibly benefit from support for their learning, but that this will need to be delivered in radically different form to the 'course' format traditional in higher education. Facilitated learning sets or coaching might come nearer the mark, but are labour-intensive to operate. It also seems clear that small firms are unlikely to purchase such support at market rates.

**Recommendation 8: If the government wishes Business Schools to support management development in small firms it must encourage the development of radically different models of delivering this (for example through coaching, mentoring, and facilitated networks) and expect to provide sustained funding. (Key player: Government)**

Flexible, part-time qualifications-based courses in universities (CMS, DMS or MBA) will, however, be attractive to some individuals in small firms who wish to invest in their own development. This may be a more effective way for Business Schools to contribute to the development of leadership in the small firms sector than through attempting to run targeted training for small firms to purchase. Some Business Schools also have a sustained research interest in the small firms sector.

# The teaching and learning process

(see also Annex 2.3 and 2.8)

## Changing approaches to teaching management

The 1990s saw big changes in thinking about how management learning should be conducted. The very use of the word ‘learning’, now so prevalent, underlines a shift away from ‘teaching’ in the traditional classroom sense. Action learning (through projects and learning sets) and facilitative support to individuals or groups (through mentoring, coaching *etc.*) have become the aspirational models for management development. These more tailored and experiential approaches are felt by managers themselves to be the most effective forms of leadership development (Horne and Stedman, 2001) .

More recently, e-learning has been a strong focus of interest and seems likely to take its place as part of a set of ‘blended methods’ to be used in effective management learning. In particular, much of the knowledge-based part of the management curriculum (finance, strategy *etc.*) could be read by individual learners in their offices, homes or libraries, reserving labour intensive face-to-face contact for challenge, debate and the development of critical leadership skills (*eg* dealing with others and self).

## Are Business Schools responding fast enough?

Some Business Schools have already incorporated these new forms of delivery, especially in their tailored executive development and in their part-time and distance MBAs. The Open University is a major player in business education and has a long track record of innovation in the learning process. As a whole, however, companies have embraced new forms of learning more quickly than universities. They no longer see Business Schools as moving fast enough or leading innovation, especially in the teaching of practical leadership skills.

Several factors seem to impede progress towards more effective learning strategies in the majority of Business Schools:

- Universities seem to resist shifts in teaching method (Winterton, Parker *et al.*, 2000) and even young Business School faculty are adopting conventional approaches to teaching (Burgoyne, 2001b).
- The types of teaching required to develop leadership skills, such as coaching and mentoring, are more labour intensive and therefore expensive than classroom methods. This restricts the types of programmes in which they are used.
- The skills of most Business School faculty are in content rather than the learning process. The majority are not skilled facilitators or coaches (see Chapter 10).
- The development of effective new forms of delivery, especially good e-learning materials, is very time-consuming and requires specialist expertise which few Business Schools have.
- The prevalent emphasis on research ratings, especially through the RAE exercises, devalues teaching and therefore attention to teaching methods.
- Our current ability to evaluate management learning is fairly primitive. Both employers and Business Schools need to develop better approaches to this problem.

The Advisory Group suggests that Business Schools need to recognise that management learning is their core process and they need real expertise in this field. The barriers above need to be energetically tackled not just in the corporate activities of Business Schools but in all their teaching and learning.

**Recommendation 9: Improving the process of management learning should be a key subject for management research and lie at the heart of how Business Schools develop. Business Schools should work together on this issue and involve employers as partners in the development of more effective ways of teaching management and leadership. (Key players: Business Schools, ABS, ESRC, Employers, Government)**

## Research and knowledge transfer

(see also Annex 2.9)

The Business Schools see research as an important part of their mission as higher education institutions, and we have already seen that the notion of teaching grounded in research and theory is part of their specific attraction to employers. But all is far from well in the world of business and management research.

Employers, while liking the idea of management research, are strongly critical of the current situation. Their perceptions of Business School research are that most of it is of little or no relevance to practice; it is published in academic journals in inaccessible language; researchers come into companies to collect data but do not give back enough benefit to the company; too much research reports past changes and too little creates new ideas. Even MBAs who have studied management research do not continue to read much research after they complete their courses (Thomson, Storey *et al.*, 1998). Employers want the rigour in teaching which should come from a research base, but they want more attention to be paid to how research and theory might be applied.

Business School faculty feel no better about research. Management academics get relatively little public research money and only a few institutions get serious company research support. Williams (2001) points to the low proportion of Research Assessment Exercise (RAE) active staff in management compared with other subjects. In 1999/2000 psychologists and economists were three times as likely as management researchers to have ESRC applications approved (Pickard, 2001). Such subjects have 10 times the number of publicly funded research projects per RAE active member of faculty. Even when large publicly funded programmes of management research have been conducted they seem to deliver very little to practitioners or this delivery takes a very long time (*eg* recent ESRC programme on 'Innovation').

The RAE process is seen to have had a number of negative effects: faculty put under pressure to publish (even in institutions without a strong history of research); more emphasis on quantity than quality of research; publishing in journals which are not read; employment decisions focusing on research competence at the expense of teaching skills.

An earlier CEML debate on research (CEML, 2001b) discussed these issues and proposed more engagement of users and colleagues from other social science disciplines, and a shift of 'priorities, methods of operation, culture and style' in management research.

Two key changes seem required:

- Firstly a frank acceptance of the need for a higher proportion of public research money to go on work which is more responsive to the needs of practitioners. Such research should involve companies as real learning partners rather than 'subjects' or 'cases.'
- Secondly, all research relevant to practice should be communicated in ordinary language through accessible channels to strengthen the process of knowledge transfer from academics to practising managers.

The ESRC has recently announced a Management Research Initiative (ESRC, 2001) and appointed its Director. Some elements of this initiative are most welcome, for example the Management Research Forum for dialogue between researchers and users, and fellowships for researchers. It remains to be seen whether the initiative will bring about a significant shift in the relevance of management research to users, and the more effective transfer of resulting knowledge to practising managers. Although easy to advocate, these shifts require quite deep seated changes of mindset and behaviour among management academics themselves. Companies also have to be willing to put in some time and effort to influence and support better research on management and leadership.

**Recommendation 10: Management research needs redirecting towards an agenda which is more responsive to the needs of practising managers. Knowledge transfer from researchers to practitioners should be a high priority, demanded by those commissioning and evaluating research. Practising managers should be closely involved in setting the research agenda, assessing research proposals and being active partners in the research process. (Key players: Business Schools, ESRC and Management Initiative Research Forum, EPSRC, Employers, BAM)**

In addition to serious issues about management research, there are also other opportunities for improving knowledge transfer within the Business School sector and between academics and practising managers. There are several types of intermediaries who can move knowledge from Business Schools to industry. Consultancy companies often recruit people who have taken Business School degrees and also use Business Schools for some of their internal staff development. Such links are to be encouraged. Journalists, publishers and other parts of the media are also important and there are a number of prominent Business School professors who have used popular communication as a mechanism for raising public awareness of management issues.

There is a wide gap in access to new knowledge between those working with leading companies in the top Business Schools and those teaching undergraduates in the vast majority of departments. If we want the majority of Business School teaching to be built on the best possible knowledge base, we need to encourage the rapid flow of research findings to all teachers of management in both higher and further education.

**Recommendation 11: Properly planned and financed mechanisms for facilitating the transfer of leading-edge research into teaching should be a part of the continuous professional development for all teachers of Business and Management. (Key players: Business Schools, BAM, ABS, Government, QAA, Accrediting Bodies)**

## The institutional health of Business Schools

*(see also Annex 2.10)*

Many of the issues discussed in the preceding sections can be addressed by Business Schools themselves and market forces will encourage them to do so. However, they can only respond if they are healthy institutions with enough freedom to adapt quickly to the shifting demands for their services. Given the diversity of the sector, it should not surprise us that different institutions face different institutional challenges.

### **Business Schools have low staff: student ratios**

The core business of most of the sector is teaching on first degree programmes. Compared with other subjects, Business and Management has a low staff: student ratio and has a low proportion of professors (Williams, 2000). This poor staffing is a barrier to developing the teaching approaches which the subject requires - especially project work and work experience (as recommended in Chapter 4). Part of the reason for poor staffing levels is that Business and Management is funded at a low level per student (Band D). As already suggested in Chapter 4, Business and Management should be funded as other applied subjects are. Work experience in management is as important as field trips in geography or laboratory work in chemistry. Management also requires considerable use of computer technology. Moving first degree funding in Business and Management from Band D to Band C funding would increase the Funding Council grant per student by about a third. Putting public investment into the system in this way is likely to add very significantly to the perceived value of a degree in business as the funding could be tied to the delivery of the work experience already proposed in Chapter 4.

**Recommendation 12: The funding levels for undergraduate Business and Management students should be increased from Band D to Band C to support its teaching as an applied subject. (Key player: Government)**

### **..... and we need to grow a new generation of management teachers**

Business Schools report considerable difficulty in filling faculty posts (Williams, 2000). There are too few applicants, often not of good quality, with particular shortages in finance and strategy. Less prestigious and poorer paying institutions find it difficult to retain good staff. The population of management teachers is also ageing and the flow through of doctoral students is low compared with the current population of faculty. A range of solutions is required to the problem of faculty supply aiming at improving earnings, and investment in training the next generation of management teachers.

The Advisory Group suggests that a number of different approaches be used in combination to increase the supply of Business School teachers.

The academic training for potential faculty via a PhD (or in some institutions a DBA) needs to be boosted. The ESRC supported a Management Teaching Fellowship Scheme over the period 1989-1997 which was evaluated by the Centre for the Study of Education and Training at Lancaster (1998). The scheme was successful at speeding entry to academic posts and also helped the development of research skills and orientation. Some programme of this kind would play a useful part in developing management teachers to replace the large numbers retiring over the next few years. If it is not part of the ESRC mission, it should be funded from another part of government.

It is also important to encourage successful managers from industry to come into Business School teaching whether on a part-time, temporary or permanent basis. Companies with strong links to Business Schools already provide some funding for posts and some teaching inputs from their own managers. Such corporate support should be more actively sought.

**Recommendation 13: Financial support is needed for the training of entrants to Business School teaching from a variety of backgrounds. One useful model would be a new version of the previous successful ESRC Management Teaching Fellowship Scheme. (Key player: Government)**

## **Business Schools need flexible employment practices**

University salary structures are not competitive with what some business faculty can earn in the private sector. University salaries cannot easily be brought up to these levels. Williams (2000) found that some Business Schools encourage staff to supplement their earnings from consultancy while others still expect all earnings to be paid to the university. Such personal consultancy earnings can help to attract and retain staff. Encouraging consultancy activity would also benefit research and staff development.

**Recommendation 14: All universities should permit business academics to retain a specific volume of consultancy earnings each year (perhaps expressed in terms of number of days a year). This would increase both take-home pay and practical experience of working with industry. (Key players: Government recommendation to universities)**

Business Schools also need to be able to spend their salary bill in more creative ways. High quality administrators could take more of the burden of organising projects and marketing activities from the shoulders of key teaching staff. Practical leadership skills may be better taught by associates or the staff of small commercial training or coaching organisations rather than by tenured faculty. Although such posts are common in the fully autonomous Business Schools, those more firmly rooted in university grading and pay structures report opposition to creating the posts and flexible contracts they really need.

**Recommendation 15: Universities should allow Business Schools flexibility within their staffing budgets to create new types of post and employ staff on varied contracts. This applies to both teaching and support staff. Business schools must be allowed to pay market rates for their staff. (Key players: Universities)**

## **Danger of milking the cash cows dry**

It is tempting, but ultimately destructive, for universities to treat their Business Schools as cash cows, cross-subsiding other subjects. The larger Business Schools involved in the Advisory Group estimated figures of several million pounds per annum for the excess charges by their universities *ie* the surplus of income taken by the university in excess of the services it provided. Draining off money on this scale is a powerful disincentive to meet the needs of the market, holds staff: student ratios and salaries down, and inhibits the investment in both teaching and research which previous chapters of this report have recommended. The ability of Business Schools to generate revenue for their universities may cause Vice Chancellors and Principals to pay too much attention to their financial future and too little to their intellectual future and strategic direction. The recommendation to cap charges made by universities on Business Schools is a high priority for those leading these institutions.

A few Business Schools which are focused mainly on postgraduate and executive education may be able to service these markets more effectively by becoming completely independent from their universities. The majority of Business Schools are not operating at a scale which would make this viable and also wish to retain strong academic links with other subject areas. So autonomy may be a good way forward in selected cases.

**Recommendation 16: Universities should limit the extent to which Business Schools are expected to cross-subsidise the rest of the university. Business School Deans would welcome more serious strategic dialogue with Vice Chancellors and Principals on the positioning of Business Schools in the University sector. Consideration should be given to making some Business Schools which teach only at graduate level, such as MBS and Cranfield, fully autonomous institutions. (Key players: Business Schools, Universities, UUK. Government to intervene if not addressed adequately)**

## **Business Schools need strong relationships with industry**

The issue of the role of industry in an effective Business School sector has come up throughout our discussions and this report. Both Business Schools and their client organisations stand to gain from stronger relationships with each other but this requires a willingness to spend time maintaining real understanding and working on joint development projects. DTI (2000) give some good examples of close partnerships between industry and Business Schools. Some companies have decided the best way to achieve this is through forging strong and multi-dimensional links with just a very few Business Schools. For Business Schools which are players in the global market for executive education, key links are likely to be with such global employers and also with leading Business Schools in other countries. Although major employers invest heavily in higher education (White and Horton, 1991), most of their spend is closely related to manufacturing, and it is not easy to attract major development money into management or leadership studies.

The same need for strong client relationships also applies at local level for Business Schools operating primarily in the market for first degree and vocational qualifications. Their key links will be with local employers but just as crucially with regional or local forums for education and economic development, including colleges of further education.

Marketing the Business Schools is a challenge in itself, given their varied clients and services. With staff resources stretched, it is difficult for each Business School to do this separately. Much more could be done collectively to market the whole UK business school sector and communicate the specialised offerings of different institutions.

**Recommendation 17: There should be a one-stop shop for information on the services of the UK Business Schools, which should also facilitate collaboration between different Business Schools in meeting the needs of corporate clients. (Key players: Business Schools)**

**Recommendation 18: Business Schools should be more active in local and regional development and training forums. (Key players: Government and Business Schools)**

### **The issue of size: Money, mergers and collaboration**

The UK Schools competing in global markets, feel small and poorly endowed compared with their American cousins. The ‘Harvard’ issue as one might call it has been a recurring theme for CEML. Questions include: Why doesn’t the UK have a single school as prestigious/big as Harvard? Where do our schools stand in the international pecking order? Why do UK companies feel they have to go to the US to find real gurus?

Various CEML projects have examined the issue of excellence/ size of UK Business Schools. Scherer and Perren (2001) list the efficiency benefits of the large US schools. Scherer (2001) found efficiency differences between the various kinds of UK schools, when examining resources against full-time student numbers. However, it is fair to add that the Schools most admired by the companies consulted were not always the biggest or the most famous.

If we could put back the clock we might choose to have a smaller number of much larger Business Schools. Given where we really are there are three broad options:

1. Throw a large amount of money at one or two selected schools, hoping they can then use it to find some more staff and a bigger/different market.
2. Force a programme of mergers and/or closures to rationalise the system and concentrate more resources in fewer, bigger, schools.
3. Rely on market forces to induce the existing schools to collaborate with each other, with other deliverers of management learning and with Business Schools overseas so that they increase their effective market clout.

Of these three, the third seems the most viable option given the weak business case for overall expansion of the Business School sector (see Chapter 2) and the inevitable wrangles between universities over any proposed mergers. Market forces will drive the Business Schools to collaborate and to innovate, but there is a considerable risk that they will move too slowly to keep pace with developments elsewhere in the world. Some of the earlier recommendations in this chapter will ease some of the barriers which slow down such development.

## Conclusions and recommendations

Business Schools are major players in the development of managers and leaders in the UK, and many of them are very successful institutions as measured by the on-going demand for their services. This is not a failing sector, but it is a sector which could make a much greater contribution to the quality of management and leadership in the UK.

The majority of the Business Schools are primarily engaged in the core business of higher education: teaching on programmes leading to educational qualifications. A small minority of Business Schools are significantly engaged in the supply of tailored executive education to the corporate market.

We see the diversity of the UK Business School sector as a strength rather than a weakness. It is crucial that the national structures which fund and regulate Business Schools do not drive them all towards a single model of 'success.' The structures and faculty to meet different parts of the market are evidently very different and each institution should have a clear view about what it can do best and how to focus its energy.

The key strengths of Business Schools lie in their position at the boundary between academia and business, but this is not an easy place to sit. They need to be both rigorous and practical; to teach skills as well as theory; to bat to their historical strengths but also to meet the needs of their future customers. This requires culture, structures and processes different from those in many other academic subjects, and leads to inevitable tensions with their colleagues in the universities. A few of the larger graduate Business Schools might do better if allowed to separate from their parent universities, but this is not a viable or desirable option for the majority.

Business Schools need to strengthen several aspects of their performance. They must be seen by others as experts in their core business: the process of management learning. They need to delight their customers. They need to continuously monitor and evaluate the learning they offer and make a stronger business case for investment in management education. They need to attract, motivate and develop their own staff. They need to think globally and to be prepared to forge new and varied alliances to compete in their markets. They need to be pro-active in persuading their owners - the universities and the government - to adjust institutional structures where these form barriers to achieving these goals.

In other words, to succeed in future, the UK Business Schools need to practice all the things they preach about leadership. They need to show that those who teach leadership can also do it.

The Advisory Group feels that implementing the recommendations made in this report is a matter of urgency. Further time taken in investigation or deliberation will further delay the development of more world-class management education in the UK.

# Overview of action areas

The recommendations made in this report are listed in full in the summary at the front of the report as well as in the text. Here is an overview of those action areas under the five broad objectives they seek to achieve:

## **Objective A: Stimulating the demand for management education and training**

1. Financial incentives to invest in the continuing development of adults at work.
2. Demonstrating and communicating the business case for management education.

## **Objective B: Strengthening the application of knowledge and the development of leadership skills within management education**

3. Work experience and practical skills in first degrees.
4. Development of practical leadership skills within the MBA.
5. Aligning corporate executive development offerings with business needs.

## **Objective C: Improving access to continuous management learning for practising managers**

6. Stronger and clearer routes through the non-degree (*ie* vocational and professional) management qualifications.
7. Integration of management and leadership development into the initial and continuing professional development required by professional bodies.
8. Sustained funding for innovative management development in small firms.

## **Objective D: Strengthening the knowledge base and knowledge transfer**

9. Research and development into effective ways of teaching management and leadership.
10. Management research which is more useful to practitioners.
11. Transfer of leading-edge research into teaching via continuous professional development.

## **Objective E: Resourcing and marketing the Business Schools**

12. Funding for undergraduate Business and Management students at Band C.
13. Financial support for the training of entrants to Business School teaching .
14. Business academics to retain a specific volume of consultancy earnings.
15. Flexibility for Business Schools in staff grading and contracts.
16. Limit to cross-subsidy from Business Schools to Universities, and autonomy for selected schools.
17. One-stop shop for information on the services of the UK Business Schools.
18. Stronger presence in local and regional development and training forums.

# Annex 1

## Statistics on business and management in HE

### Notes:

Unless otherwise stated the data given here comes directly from HESA published statistics and occasionally from direct enquiries to HESA.

Open University courses are mostly excluded from the subject related figures because they are not classified under the HESA subject codes, being put under 'combined' subjects.

Two of the HESA subjects of study are used here. The term Business and Management (B&M) is a fairly 'narrow' category, excluding some courses we might expect to find in business schools. The 'wide' grouping Business and administrative studies (B&A) goes wider than business schools including business and management but also operational research, financial management, accountancy, marketing and market research, industrial relations, catering and institutional management, land and property management, transport and combinations of the above. Numbers in Business Schools should lie between these two definitions.

### A1.1 Qualifications awarded in business subjects in HE in 1999/2000

	First degree	Higher degree	Other p/g	Other u/g	Doctorate	Total u/g	Total p/g	Total
B&A (wide)	31910	14540	7250	10100	360	42010	21790	63800
B&A inc OU	31910	15788	9938	1-100	360	421010	25726	67736
B&M (narrow)	19100	9830	4930	6780	270	25880	18696	44576
B&M inc OU	19100	11078	7618	6780	270	25880	18696	44576
OU only		1248	2688				3936	3936

*Source:* HESA. Open University figures not included in HESA subject breakdown and so obtained direct from the OU. *Note:* doctorates shown separately but also included in higher degrees

47% of B&A qualifications are first degrees, 23% higher degrees, and 29% other qualifications. For the narrower category of B&M, 43% are first degrees, 25% higher degrees and 32% other qualifications.

## A1.2 Changes in qualifications awarded 1994/5 compared with 1999/2000

	First degree	Higher degree	Other p/g	Other u/g	Doctorate	Total u/g	Total p/g	Total
<b>B&amp;A (wide)</b>								
1994/5	25916	9279	7527	13602	215	39518	16806	56324
1999/2000	31910	14540	7250	10100	360	42010	21790	63800
% change	23.1%	56.7%	-3.7%	-25.7%	67.4%	6.3%	29.7%	13.3%
<b>B&amp;M (narrow)</b>								
1994/5	15497	7271	5199	9772	150	25269	12470	37739
1999/2000	19100	9830	4930	6780	270	25880	14760	40640
% change	23.2%	35.2%	-5.2%	-30.6%	80.0%	2.4%	18.4%	7.7%

Source: HESA

## A1.3 Changes in student numbers 1994/5 compared with 1999/2000

Subject area: Business and Administration (wide)

	First degree	Other u/g	Higher degree research	Higher degree taught	other p/g	Total
<b>Full-time</b>						
1994/5	89826	22679	1405	8484	2034	124428
1999/2000	105760	16230	1760	15470	1460	140680
% change	17.7%	-28.4%	25.3%	82.3%	-28.2%	13.1%
<b>Part-time</b>						
1994/5	10571	31505	2387	25732	18736	88931
1999/2000	11660	23730	2900	29550	18670	86510
% change	10.3%	-24.7%	21.5%	14.8%	-0.4%	-2.7%
<b>Total students</b>						
1994/5	100397	54184	3792	34216	20770	213359
1999/2000	117420	39960	4660	45020	20130	227190
% change	17.0%	-26.3%	22.9%	31.6%	-3.1%	6.5%
% f/t 1994/5	89.5%	41.9%	37.1%	24.8%	9.8%	58.3%
%f/t 1999/00	90.1%	40.6%	37.8%	34.4%	7.3%	61.9%

Source: HESA students in HE institutions 1994/5 and 1999/2000

## A1.4 Student numbers breakdown by type of study, 1999/2000

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		B&M	B&A
F/t undergrad	Total	69770	122000
	First degree	59370	105760
	Other undergrad	10400	16230
P/t undergrad	Total	19960	35390
	First degree	9520	11660
	Other undergrad	10140	16230
F/t postgrad	Total	11340	18690
	Research degree	1270	1760
	Taught higher deg	9310	760
P/t postgrad	Total	37710	51120
	Research degree	2300	2900
	Taught higher deg	9310	15470
	Other postgrad	1460	760
P/t postgrad	Total	37710	51120
	Research degree	2300	2900
	Taught higher deg	22290	29550
	Other postgrad	13120	18670

Source: HESA students in HE institutions 1994/5 and 1999/2000

## A1.5 Sandwich course students

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	First	Other u/g
<b>B&amp;A (wide)</b>		
1994/5	35303	3090
1999/2000	36520	1560
<b>B&amp;M (narrow)</b>		
1994/5	23472	710
1999/2000	23320	230

Source: HESA students in HE institutions 1994/5 and 1999/2000

## A1.6 Time series of MBA qualifications awarded

	No. of schools Teaching MBA	Total F/T	Home F/T	% of FT who are home	Home P/T	UK Distance	All Students	All British Students	Home as % of total
1975							776		
1980							1100		
1985	26						2260		
1990	76	2100	1660	79.0%	1760	220	4080	3640	89.2%
1991	81	2443	2020	82.7%	1950	450	4843	4420	91.3%
1992	91	2808	1393	49.6%	2233	936	5977	4562	76.3%
1993	92	3087	1358	44.0%	2545	1412	7044	5315	75.5%
1994	98	2905	1358	46.7%	2579	1230	6714	5167	77.0%
1995	103	3441	1181	34.3%	2743	1869	8053	5793	71.9%
1996	110	3842	1229	32.0%	2875	1383	8100	5487	67.7%
1997	112	4101	1079	26.3%	3181	1656	9117	6095	66.9%
1998	116	4139	1115	26.9%	3569	1489	9197	6173	67.1%
1999	116	4324	1245	28.8%	3974	1907	10205	7126	69.8%
2000	118	4724	1317	27.9%	3656	2509	10889	7482	68.7%

*Source:* Figs up to and including 1997 from DfEE Skills Task Force paper 18. Figs for 1998-2000 direct from AMBA. NB There are slight differences in the task force and AMBA data for 1997. The total AMBA figure for 1997 is 9291.

Total MBAs awarded increased by 35% over the past 5 years. UK MBAs awarded have increased by 29% over the same period.

## A1.7 Breakdown of non-degree qualifications obtained in Business and Management

	HESA code	1994/5	1999/2000	% change 1994/5 to 1999/2000
Diploma of HE	29	150	340	126.7%
Cert of HE	30	180	320	77.8%
Other u/g dips and certs	32	1360	810	-40.4%
HND	41	5170	3280	-36.6%
HNC	42	2440	1320	-45.9%
All 'other u/g'		9770	6780	-30.6%
P/g dip or cert	08	4600	4600	0.0%
All 'other p/g'		5200	4930	-5.2%

Source: HESA enquiry, November 2001

## A1.8 Breakdown of non-degree course student numbers in Business and Management

	HESA code	1994/5	1999/2000	% change 1994/5 to 1999/2000
Diploma of HE	29	440	320	-27.3%
Cert of HE	30	290	780	169.0%
Other u/g dips and certs	32	4280	2260	-47.2%
HND	41	13490	9490	-29.7%
HNC	42	6370	3370	-47.1%
All 'other u/g'		28780	20540	-28.6%
P/g dip or cert	08	12720	12210	-4.0%
All 'other p/g'		14600	13880	-4.9%

Source: HESA enquiry, November 2001

## A1.9 Application rates to first degree courses in HE

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	1998			1999		
	Applications	Acceptances	Ratio (1)	Applications	Acceptances	Ratio (1)
All subjects	389588	298220	1.3	388691	3030	1.3
Medicine/Dentistry	11014	5456	2.0	10075	5676	1.8
Engineering & technology	17477	18301	1.0	17160	17750	1.0
Social studies	40298	34754	1.2	40198	35377	1.1
Business & administrative studies	46619	36909	1.3	45269	36642	1.2

*Source:* Universities and Colleges Admissions Service

(1) Ratio of the number of applicants to the number of acceptances.

## A1.10 Student: staff ratios 1998/99 for example subject areas

	Total staff Nos	Prof as % of all staff	Prof+SL+Lecturer as % of all staff	Prof+SL+Lecturer Nos	FTE student nos	FTE Students: Prof+SL+L	FTE Students: total staff
(01) Clinical Medicine	16198	8.7%	47%	7600	28787	3.8	1.8
(05) Nursing and Paramedical Studies	7180	2%	75%	5378	103126	19.2	14.4
(07) Psychology and Behavioural Sci	3157	8.6%	62%	1969	39236	19.9	12.4
(11) Chemistry	3873	9.8%	44%	1697	22798	13.4	5.9
(14) Earth, Marine and Env Sci	2928	8.5%	54%	1590	25245	15.9	8.6
(17) Chemical Engineering	764	10.6%	46%	350	4674	13.4	6.1
(20) Electrical, Electronic and Computer Engineering	3834	8.5%	53%	2046	35536	17.4	9.3
(25) Information Technology and Systems Sciences	2295	5.2%	71%	1630	39543	24.3	17.2
(26) Catering and Hospitality Management	639	3.9%	85%	540	12909	23.9	20.2
(27) Business and Management Studies	8844	7.9%	76%	6718	173355	25.8	19.6
(28) Geography	1828	11.7%	67%	1227	20963	17.1	11.5
(29) Social Studies	10066	13.8%	77%	7796	155494	19.9	15.4
(30) Librarianship, Communication and Media Studies	1098	4.3%	78%	857	24396	28.5	22.2
(32) Humanities	5156	12.5%	81%	4180	87434	20.9	17.0
(35) French, Spanish & German Modern Languages	1721	9%	77%	1327	23591	17.8	13.7
Total all subjects	131136	8.24%	63%	82437	1427830	17.3	10.9

Source: HESA Staff Individualised Record 1998/99 and Williams (2000).

# Annex 2

## Evidence from literature

### A2.1 The changing demands on managers and leaders

Much of the literature on leadership has focused on what we mean by leadership and the required attributes and skills of leaders. In this sense the term ‘leader’ usually refers to someone quite near the top of the organisation. Bass (1985) talks of transformational leadership, as characterised by vision, optimism, integrity, intellectual challenge and consideration for individuals. Kets de Vries (1996) writes of the charismatic versus the architectural leader, and Shamir (1995) of the differences between the ‘nearby’ and the ‘distant’ leader. Hiltrop (1998) points to the self reliance and resilience needed by leaders, linked with the recently fashionable idea of ‘emotional intelligence’ (Goleman, 1996). ‘Learning to learn’ is an increasingly important meta-skill for managers (Winterton, Parker *et al.*, 2000).

Argyris has examined the notion of empowerment in relation to leadership (1998) and the tension between extracting compliance from the workforce as opposed to raising their internal commitment, especially during change. Strebel (1999) has also highlighted the link between leadership and change and the delicate balance to be struck between top-down and bottom-up approaches to achieving change.

Many other studies have looked at specific skills needed by senior managers. They include the ability to see the ‘big picture’ and deal with relationships (Clutterbuck and Megginson, 1999), and the ability to work across boundaries (Colvin, 1998). The more complex the situation, for example in mergers or business alliances (Carrow *et al.*, 2000), the more a capacity to deal with personal relationships is necessary to enable progress towards achieving the strategic business vision. Mabey and Thomson (2000) highlight some management skills in high demand: managing people, leadership, team working and customer focus. Within leadership they pick out motivation and teamwork followed by strategic vision and delivering results. Mabey and Thomson (2001) find that managers see future organisational success resting on customer relations, technology, creative thinking and knowledge management. Interestingly their sample of managers did not put sensitivity to others a priority compared with other skill needs.

A recent telephone survey of Business Schools conducted by the Institute for Employment Studies (IES) asked about the people management and leadership skills which individual managers attending Business Schools were highlighting as their own learning needs. The list included: giving negative feedback; dealing with the tension between ‘hard’ and ‘soft’ management styles, delegating well when under pressure; and dealing with conflict and politics.

### A2.2 The business case for management education

#### Management skills shortage

There is persistent concern that levels of productivity are low in the UK, but the link between the supply of managers and this economic under-performance is far from clear (DTI, 2001).

UK organisations do not have significant trouble filling management jobs compared with jobs demanding specific technical skills (*eg* in engineering and ICT). Although the reports of the National Skills Taskforce often mention managers, management skills are not included in the six main areas of skill deficiency (basic skills, generic skills, maths, intermediate level skills, ICT, adults with no qualifications) (DfEE, 2000).

Campbell *et al.* (2001) in the 'Skills in England' report reinforce the view that skill shortages are predominantly in technical skills but they do mention management skills as an employment 'hotspot' along with intermediate level skills, ICT, generic/ transferable skills and numeracy. The report highlights the high rates of participation in HE in England, and high participation in job related education and training - 56% of employed adults compared with 34% in OECD. There are high rates of return for higher level and professional qualifications. While identifying some action areas the report concludes: 'England has made significant progress over recent years in terms of enhancing its skills base.'

More detailed evidence from other studies reinforces the view that there are qualitative shortfalls in management skills. Sectoral Task Force reports often highlight the people management skills as being weak. This is a key issue in the public sector as well as the private sector (Tamkin, Hirsh and Hillage, 2000). Horne and Stedman Jones (2001) in a large survey of managers found that over a third of managers and almost half junior managers rate the quality of leadership in their organisations as poor. Bosworth (1999) sees UK managers as poorly qualified and less skilled than those in other countries.

## Management development and performance

There is a steadily growing body of evidence that superior organisational performance is linked to a 'basket' of good HR practices which include employee development (Caulkin, 2001). A useful paper summarising the studies showing a link between good HR practice and organisational performance has been produced by CIPD (2001).

There is also some evidence that management development makes a specific contribution to business performance, but only if it is integrated with business strategy and linked to the job and career plans of individual employees (Mabey and Martin, 2000). Horn and Stedman Jones (2001) show that firms investing in management development which fits the principles of corporate leadership development identified in James and Burgoyne (2001) feel that they are well led and observe their firms growing in performance terms.

The part played by education, as opposed to in-company development, in improving management performance is more difficult to establish. It has certainly been true in the past that managers in the UK have not been well educated compared with their counterparts in other countries (Handy *at al.*, 1987). The rapid rise in participation in higher education in the UK is closing that gap, and should lead to some improvement in the quality of managers (Wood, 1992).

Johnson and Winterton (1999) report 18% of managers qualified to degree level. Burgoyne (2001b) estimates that at current rates of education, the proportion of managers with management related qualifications could not get above 20% in the long term.

There is no real evidence that education leading specifically to qualifications in business and management has a causal link with superior performance of the individual or the organisation. Indeed there is a great deal of literature critical of the relationship between what is taught in business qualifications and the real needs of practising managers (*see Annex 2.6*). Qualifications in management seem to improve the employment prospects of individuals (*see Annex 2.5 and 2.6*) but that is not necessarily the same as improving their performance at work.

Perry (1999) found that major employers were generally unenthusiastic about qualifications as an option in employee development. Employers saw little relationship between qualifications and subsequent career progress. Employees in this study were more positive about qualifications supporting their career progress.

Mabey and Thomson (2001) found managers put academic qualifications about half way down a list of development methods. Their sample of managers did not agree with the statement that Business Schools 'have had their day', but did feel that academic institutions needed to become more responsive to the needs of organisations.

Quelch (2001) highlights the need for more research into the learning outcomes achieved in Business Schools.

Some organisations do adopt accreditation of management learning as part of their HR strategy, often linked to a strong development offer within the overall employment proposition. For example, Arkin (2000) quotes Lloyds TSB as seeking to accredit the majority of the programmes offered through its corporate university.

Small firms show little interest in qualifications (Johnson and Winterton, 1999) and owner-managers make very little use of educational institutions.

Qualifications are of stronger interest to individuals than to employers. Managers surveyed by Thomson and Mabey (2001) felt that external formal qualifications had a high impact. 29% of their sample wanted to do more business school education but 50% wanted courses from professional institutes.

The attempts to 'professionalise' management have not had a great impact. Williams (2000) shows that no more than 7% of the management population belong to relevant management associations: the IM, CIPD, Marketing bodies and IoD. This may well be because the majority of managers spend their early careers in a specific field of activity and move into management later.

## **A2.3 Trends in management development**

### **Companies are investing more in management development**

Major employers link management development with expectation of increased performance but also with attraction, motivation and retention. Winter and Jackson (1999) point to the importance of development in attracting and retaining the best graduates.

Thomson *et al.* (1997) found that managers were receiving 5.5 days formal training per annum in larger firms and 4.6 in smaller firms - a significant increase on the position ten years earlier. Looking to the future this study suggested something of a return to formal training, often provided externally. Thompson found a considerable emphasis on junior management training within companies.

Mabey and Thomson (2000) found that over the period 1996-2000, there had been an 18% rise in formal training days for managers, 25% for those in smaller organisations. This study estimated 8 days of informal training in addition to over 6 days of formal training per manager, and a training spend of £1000 per manager by organisations able to give figures.

Stiles *et al.* (1997) found that lack of time inhibited managers from participating in training and also made it difficult to transfer their learning into their work.

## Changes in the approach to management development

An IDS review of management development (1989) pointed to many of the trends we still see today. There was a strong desire to tailor training and make it useful and this led to arguments for and against on-the-job training as opposed to off-the-job courses. Some companies felt they did best through tailored in-house provision and others joined consortia. MBAs were supported by some companies, with some developing company or consortia MBAs. Secondment was on the agenda in the late 1980s, but mentoring and coaching were not mentioned in this review.

Thomson *et al.* (1997) carried out a large scale survey of management development practice in the UK. Companies reported a move away from ‘sheep dip’ training and also spread their training input across all levels of management. Although they wished to see management development as a longer-term activity, it was still tactical and short-term in implementation, largely focused on current job requirements. However, over half the organisations supported managers taking further qualifications. The trend to more context specific training such as coaching, mentoring and project working has been widely discussed (Thomson, 1997; Horn and Stedman Jones, 2001).

360 degree feedback has proved to be a powerful lever for engaging managers with their own need for skill development (Kettley, 1997) and at its most useful when integrated into a development programme.

Margerison (1990) argues that one way to encourage managers to manage change is through action learning. Action learning builds on the experience and needs of the managers by helping them to learn from their actions.

Woodhall’s study (1998) on ‘work based management development’ in 31 organisations concluded there was a gap between all the talk of tailored individual learning in the workplace and its implementation. ‘Coaching and, increasingly, special projects are the interventions most likely to be consciously promoted, but explicit guidance on using these learning interventions is rare.’

A good deal of development activity in the 1990s was directed at the issue of managing or leading change. Doyle (1995) found that the impact of formalised management training activity during change was often resisted due to the residual culture and style of the managers. In seeing management development as part of culture change, Holbeche (1999) discusses the problem of senior management training as appearing remedial. She argues that feedback can help managers to see the need for change, but their willingness may still be lacking.

More recently Mabey and Thomson (2000) indicate some shift back to formal methods of training since 1996 - 33% of large organisations use more informal than formal management learning, 24% both equally, and 42% more formal than informal.

There is considerable interest in the use of e-learning, sometimes presented as programmes or modules within a ‘corporate university’ (Sloman, 2001; DTI, 2000; Burgoyne 2001a). Burgoyne found that companies were seeking to use e-learning alongside face-to-face leadership skill development rather than intending to replace personal contact in management development.

We also need to be mindful that not all managers are accomplished and enthusiastic learners. Tamkin and Barber (1998) explore the nature of managerial learning. They find that managers are not often conscious learners and so need modes of learning which will cause them to become more aware of their learning.

## Development for senior management and business executives

Marx and Demby (1998) found that that standard development programmes still prevail in most companies, with senior managers rewarded to a certain extent by attendance at prestigious Business Schools. However, more individually tailored development such as executive coaching is likely to be more effective. They found a growth of consortia programmes designed to broaden the thinking of senior managers by bringing them into contact with people from other organisations.

Kettley and Strebler (1997) echo this in their study of the changing role of senior managers. They note that ‘formal business education and training for senior managers is increasingly context specific, delivered in partnership with external experts and focused on new business concepts and strategic learning. Many are experimenting with more individually focused approaches to learning including coaching, counselling and personal feedback.’

Many companies have defined generic and/or senior management competencies, although they vary in the extent to which these really underpin management development. Holbeche (1998) identifies many companies using competency approaches, 360 degree feedback, personal development plans and assessment centres to help link their succession planning processes with corporate and management development strategies. Many companies have also determined a set of generic leadership competencies (eg BP, Texaco, Smithkline Beecham), but Holbeche warns against ‘the limited shelf life of success profiles when business requirements change’.

Alimo-Metcalf (2000) points to some of the same trends in leadership development: emphasis on feedback (including 360 degree feedback), action learning, cross-functional teamwork and the involvement in senior people of delivering development themselves (eg as coaches or mentors). Mentoring and coaching have received increased attention in recent years, especially for more senior people at one extreme and new joiners at the other. Ford (1991) argues that executive coaching can transform performance by allowing executives to establish their own criteria for improvement.

Some organisations have used formal mentoring ‘schemes’ mainly for either graduate entrants or senior managers. Clutterbuck and Megginson (1999) identify mentoring as covering a wide range of different support to individuals. Three common roles are defined as executive coach (a short-term help with specific skills), elder statesperson (sounding board and role model), and reflective mentor (increasing self-awareness through constructive challenge).

Pemberton and Herriot (1995) found that Boards did not adequately attend to their own induction and development needs. Internal appointees were likely to get less induction to their new role on the Board than external appointments and whole Board development activities were potentially useful.

Buley (1996) in an exploration of management development specifically for the top jobs and taking an international view, highlighted the need for the organisation to work closely with the senior and younger high potential individuals on their own development. He links the need for more imaginative management development with the notion of ‘double loop learning’: a process in which the individual’s learning challenges their assumptions as well as increasing their skills or knowledge.

## A2.4 The place of Business Schools

Scherer (2001) identifies 47 pre-92 university Business Schools, 38 in post-92 universities, 10 in colleges of HE, 10 private institutions and 5 'special' schools (Ashridge, Cranfield, Henley, LBS and Manchester Business School).

Thomson and Mabey (2001) chart the increasing importance of study for management qualifications in the overall picture of management training.

Osbaldeston (1987) estimated 68,500 participant weeks for general management and 62,500 for specialised courses in open programmes. IM (1994) gave a higher estimate of 290,000 weeks. Private providers supply 30% of externally purchased training days - not just management but all training (Iff, 1996).

## A2.5 First degrees and the graduate labour market

### Trends in undergraduate HE in business and management

The graduation rate (*ie* proportion of age cohort graduating from HE) in the UK is now one of the highest in the world (about 33%). The UK HE sector virtually doubled in size in the period 1985-95 and about 35% of young people are now participating in HE. The growth of HE has levelled off in the late 1990s,

Applications: entry 1.3 in 1998 and 1999 in business and management (B&M) and similar in the wider subject grouping of business and administrative studies (B&A). The highest demand relative to places is in medicine, dentistry and the creative arts (1.5). Applications to business courses starting in 2000 dropped slightly (UCAS). A slight rise in applicants to first degrees was outweighed by a sharp fall of accepted applications for HNDs.

UCAS data shows applicants for undergraduate level courses in business and administrative studies were less likely to have 2 or more A levels (49% for business compared with 55% overall) and also had lower A level point scores. Business entrants to undergraduate courses were more likely to have vocational qualifications (*eg* GNVQs) and come from access courses.

An interesting trend is that while in most subjects there is an increase in entrants with non-A level qualifications, the reverse is happening in business. The proportion of undergraduate entrants in business and administration with 2 or more A levels has increased from 43% to 49% between 1996 and 2000 and point scores have also risen. This trend to better qualified entrants to undergraduate programmes in business is only partly explained by the shift from HND to degree study.

18% of students in business and administrative subjects (and also B&M) are from overseas compared with 12% overall.

In 1999/2000 over 227,000 students were studying business and administrative (B&A) subjects - about 140,000 (61% of these) were in the narrower subject category of business and management (B&M). In addition, 55,000 were enrolled on non credit bearing courses at HE level in business. The number of students in B&A is still growing slightly, but at a slower rate than student numbers overall (2.3% growth between 1996/7 and 1999/00 compared with 5.6% for all students). Part-time undergraduate numbers have fallen significantly - more so in B&A than in other subjects.

B&A graduates were less likely to gain a first or upper second degree (44% in B&A, 45% in B&M) than for students overall (51%).

## Outcomes of study and graduate employment

Purcell and Pitcher (1996) found that graduates in business were more likely than those in other subjects to feel that they had developed 'enterprise' skills and interpersonal skills (teamworking *etc.*). However their development of academic skills (critical analysis *etc.*) and personal development (*eg* self-reliance) was similar to the population overall.

A study of students three years after their application in 1998 (Connor *et al.* 1999) showed that business students were nearly as satisfied with their choice of course and institution (70% satisfied) compared with the sample overall (73% satisfied).

First degree graduates in business in 1999/2000 had good employment outcomes: 79% entered paid employment, they were more likely to enter full-time employment than other graduates and their unemployment rate (6%) was among the lowest for all subject areas.

Two thirds of business first degree graduates entering employment entered 4 sectors: property development, financial activities, manufacturing and wholesale/ retail. Over a third enter management level occupations (37% B&A, 39% B&M).

AGR surveys of employers (2000 and 2001) show shortages of graduates in IT, science and engineering but not in HR, business consultancy and entrants to general management training schemes. The problems of graduate recruitment focus more on quality than quantity and concern especially graduates' lack of good personal attributes (*eg* business awareness, commercial skills, project management, team working, communication) (Pearson *et al.*, 2000).

Mature graduates in general find it hard to gain employment after their degrees, although the public sector welcomes them more than the private sector (Purcell, Hogarth *et al.*, 1999).

Open University Centre for Higher Education Research and Information (2001) shows that the earnings benefit of a degree has been sustained as HE has expanded. The report questions whether universities can teach social skills or whether these are socialised earlier.

Turning to longer term employment outcomes, Purcell *et al.* (1999) found that business graduates from 1996 18 months after graduating were more likely to be in full-time career related employment (73% compared to under 60% overall). 7% of business graduates were in postgraduate study (18% overall). Under 3% were unemployed, similar to the overall sample.

Elias *et al.* (1999) showed business graduates faring well in the labour market, earning 12% more than average after 3 years and less likely to have been unemployed over this period.

Bellfield (1996) looked at 1985 graduates six years on and found that 80% of business graduates were in managerial or professional jobs 6 years on - similar to the cohort overall. They were more likely to be in commerce/manufacturing than other graduates.

CEL have conducted two surveys of graduates in a number of subjects, including a special sample of business graduates. These surveys have examined a number of outcomes of gaining a first degree including employment, salary and satisfaction with career.

Their first survey (CEL, 2001a) examined students graduating with first degrees in 2000. It showed that business and management graduates do marginally better than graduates in other disciplines in terms of employment and salary, but less well than engineers. B&M graduates were less well qualified on entry to their degrees, so their employment outcomes are relatively good. Graduates in B&M are, however, no more likely to enter management after three years than graduates in other subjects. Class of degree and work experience affect employment outcomes. Management graduates from post-'92 universities and with vocational entry qualifications were less likely to enter company management training schemes. Perhaps surprisingly, those from post '92 universities more likely to join a large organisation. Management graduates were more likely to enter the private sector than students in all subjects combined. Those with the poorest employment outcomes were women from conventional universities with lower class degrees and no work experience.

The second CEL survey (CEL 2001b) tracked graduates three years after graduating in 1998. Looking at those graduates in 2001, they found that the positive employment outcomes for business graduates were sustained. Their earnings were the same as in other subjects (median £20,000) and they were as satisfied with career. Earnings were still related to age on graduation (mature graduates do worse), entry qualifications, and class of degree. Business graduates were more likely (75%) to feel that work experience at university helped them (the same as in engineering but higher than for overall sample - 61%). There was no significant link between studying management and gaining supervisory responsibility within 3 years of graduation. Engineers were more likely than business graduates to be managing others. Business graduates were more likely to be in the private sector than the sample as a whole but less likely than other graduates to be in a small firm. 68% of business graduates were in large firms and 26% in consultancy (17% for the whole sample).

## Quality and skills at first degree level

The QAA (2000) has set out a description of what first degrees in 'general and business management' might be expected to cover. These standards cover general business and management honours degrees, not functional or sectoral degrees, and cover about 50% of graduates on business and management programmes.

The standards identify a threefold purpose for first degrees in business and management (1) The study of organisations, their management and the changing external environment in which they operate (2) Preparation for and development of a career in business and management and (3) Enhancement of lifelong learning skills and personal development to contribute to society at large.

Knowledge areas centre on: organisations, the external environment and management. The include: markets, customers, operations, people, information systems, communication and information technology, business policy and strategy, contemporary issues (innovation, knowledge management, business ethics etc.).

Skills include *'the improved self-awareness and personal development appropriate to graduate careers in business with the potential for management positions. This includes the encouragement of positive and critical attitudes towards change and enterprise, so as to reflect the dynamism and vibrancy of the business environment.'*

Watson (1993) argues that quality business education can be achieved at undergraduate level and that maturity or experience are not required to look at organisations and the nature of management.

Tackey and Perryman (1999) found that graduates entering self-employment lacked some practical skills they needed in business.

Sturges and Guest (1999) emphasise self-development skills as being important for graduates especially those who come off the end of a formal graduate training programme.

The QAA process is an audit of the quality of teaching in higher education. The 1995 QAA report summarises the results of the assessment of 105 higher education providers in business and management studies in England and N. Ireland. The results are based on self-assessment reports and selective visits to 47 institutions conducted in 1994. 58 institutions claimed a 'satisfactory' rating and were not visited. Of the 47 visited, 19 were deemed 'excellent' (18% of all providers), only one 'unsatisfactory' and the remainder 'satisfactory.' This overall assessment is well in line with that for other academic subjects. In terms of areas to improve, the report does highlight the need to disseminate excellent teaching and learning practices more widely.

## **A2.6 Postgraduate courses**

### **Trends**

Postgraduate study represents almost a third of the total number of business and administrative (B&A) students on accredited courses in HE, numbering around 70,000. This is a higher proportion of postgraduate students than for HE overall (22 per cent). The postgraduate ratio is even higher on business and management (B&M) courses, 35 per cent.

Overall, only slightly more B&A students study part-time (38 per cent) compared to the average for other subjects (37 per cent) but part-time study is more common on B&M courses (41 per cent of the total). The proportion studying part-time in B&A at postgraduate level (23 per cent are part-time), and especially B&M (27 per cent part-time) is much higher than in other subjects (14 per cent part-time for all subjects combined).

It is also more likely that postgraduates in business will be on taught courses rather than research study, especially if studying full-time. The vast majority of postgraduates studying B&A in HE are on taught courses, 82 per cent, compared to 43 per cent for all subjects.

67% of full-time postgraduate students in B&A are from overseas compared with 39% of all full-time postgraduates. 87% of B&A postgraduates enter employment (88% in B&M).

### **The MBA**

The Association of Business Schools (ABS) have produced guidelines for the MBA emphasising involvement in research and consultancy, quality of entrant, a broad curriculum, and adequate amounts of teaching on full-time courses (ABS, 2000).

AMBA accredits MBA programmes through an explicit assessment process. The criteria include resources, faculty (minimum 75% of teaching staff with relevant postgraduate degree), quality and work experience of students. About 35 Business Schools are accredited in this way and these schools cover about 60% of MBA students.

AMBA has conducted several surveys of its members to assess the impact of the MBA on their careers and their satisfaction with their studies.

The 1997 AMBA salary survey (based on a 26% response rate from AMBA members) showed the positive salary and career benefits of taking an MBA. It also highlighted the extent to which the mean salary figure is skewed by the small numbers of very high earning MBAs. The salary gains are highest for those taking a full-time two year MBA and lower for those studying part-time or by distance learning. Distance learners are more disappointed with job opportunities but just as satisfied with obtaining a qualification and the intellectual stimulation of their studies.

91% of MBAs take the MBA to improve their job opportunities. Almost a third of MBA graduates moved to a new organisation within a year of qualifying. A further third of those who stay for a year leave later. This is taken to be indicative of 'employers' failure to use and reward their new expertise.' Those who studied part-time were more likely to stay with their employer but also more likely to feel their skills were not used.

A more recent AMBA survey (2000) showed that of those who were working while they studied, 80% received some financial support from their employer and 58% also financed themselves. Nearly all MBAs believed their qualification to be of relevance to their work environment. As in the previous survey, the highest salaries went to graduates who had taken 2 year full-time courses. For all MBAs in this survey, adjusting for inflation, the salary rise was 25% on graduation. Over half the sample (both full and part-timers) moved employers within a year of getting their MBA. Looking only at those already employed while studying, 21% changed employer within 6 months and 5% became self-employed. 65% of those who were employed while studying were still with the same employer after a year - *ie* a third changed employer within a year. Over 20% were working in consulting

Thomson, Storey *et al.* (1998) obtained information from nearly 1400 members of AMBA. This study showed a strong appetite for further development among MBA graduates but low satisfaction with management development in their organisations. They received on average 5.2 formal management development days supplied by their organisations: higher for junior/ middle managers than for senior managers/ directors. In terms of development outside their own organisation, over a third had used Business Schools, similar to the use of professional bodies. Only a fifth of the sample saw their role in developing others as very important. Once qualified, MBAs read a limited range of journals. Management Today and the Economist were read by over 10%, Harvard Business Review by 8%.

## **The MBA as preparation for leadership**

There is a significant literature - mostly from US Business Schools - detailing the lack of fit between what is learned on an MBA and what is needed for general management and leadership positions in major organisations.

A vivid, early example of this argument from Livingston (1971) found that few Harvard MBAs really made it to the top of corporations. A number of features of the MBA at this time were felt to be inappropriate: an over-development of decision-making and analysis and an under-development of the ability to take action; a tendency to become too detached resulting in the avoidance of real leadership positions or the development of 'artificial management styles.'

The same arguments were still present in the early 1990s (*eg* Deutschman, 1991) - a lack by MBAs of creativity, and interpersonal, teamworking and communication skills, although some Business Schools were seeking to address these skills through their curriculum and assessment methods.

More recent work by Kretovics (1999) compares the skill acquisition by MBA students at Colorado with a control group of graduates who did not take an MBA. This study found that while a number of skill areas improved during the MBA, those that were higher than for the control group were still in the predominantly analytical areas (action, goal setting, information analysis, information gathering, quantitative, technology, theory) and not in the interpersonal and practical areas (help, initiative, leadership, relationship, sense making). This was in an MBA which had already sought to address interpersonal skills and experiential learning.

Simpson (2000) points to some differences between men and women in terms of what they seek from an MBA and what they gain from this form of study. Women appear to obtain more intrinsic benefit in terms of increased confidence and self-worth, and men more extrinsic benefit from enhanced pay and promotion.

## **A2.7 Access for all managers to management learning**

A study of 118 junior and middle managers (Hirsh, 2000) found that they were strongly interested in their development but partly supported in this by their employers. Finding time for their own development was a particular problem. They saw getting qualifications generally as part of development but varied as to whether this was in line with the way they saw their own careers. The key factor was whether a qualification would improve their marketability, especially externally. Professional/ functional qualifications were seen as most likely to meet this requirement. 34% of the sample were members of a professional body. 16% considered themselves to be mainly specialists, 53% mainly managers and 32% both equally.

## **Vocational qualifications and pathways**

The HND has been declining generally and in business and administrative subjects has seen a reduction of 18% in the 2 years to 2000. Despite this, 31% of all HND accepted applicants to HE in 2000 were in business (UCAS). Only 19% of HND applicants in business were 21 or older in 2000, compared with 27% in all subjects.

Brown (1999) points to the relative failure of the NVQ structure to impact on management training in the UK. He points to doubts about standards and the cost/ unreliability of assessment. Thomson, Mabey *et al.* (2001) also point to the 'confused and overlapping qualifications' in management.

## **Management training and the professions**

Bosworth (1999) suggested that business courses be included in professional training eg in engineering.

CEML has undertaken studies of the role of professional bodies in management learning. Perren (2000) in survey of 149 professional bodies found that these bodies did see management and leadership as important but that such skills are not often included in membership entry or CPD. The timing and nature of need for management training vary by occupation. Professional bodies in the fields of policy, administration and business support (*eg* local government, information, personnel, purchasing and supply) placed higher value on management and leadership than bodies representing other fields of work.

Associations were asked where 'members normally acquire continuing (post-qualification) management and leadership development'. Highest were experience at work (78%), in-house training (70%), part-time study (61%) and distance learning (45%). Full-time study came much lower (28%) and Business Schools (25%).

Fox *et al.* (2001) sought the views of a small sample of professionals as well as some professional associations and some development specialists. The terms ‘management’ and ‘leadership’ were used interchangeably. The professionals themselves felt that the most important aspects of management/leadership were interpersonal/relationship skills and communication skills. The professional bodies and trainers agreed less on what was important. The associations tended to focus more on Strategy than the professionals themselves. The trainers used mainly conventional learning methods (classroom, courses) but also learning sets or action learning and e-learning. Coaching was also fairly prevalent. Practitioners favoured informal means of development and selected formal learning on an *ad hoc* basis.

Most of the associations had some links with suppliers of management and leadership training. Some accredited university courses in management as part of their CPD offering to members.

The report recommends a one-stop shop in the UK for professional bodies, their officials and members to consult on management and leadership development opportunities, to bring a wider range of resources to their attention and to facilitate sharing of best practice.

## **Developing managers and leaders in small firms**

Small firms are a crucial component of the national economy. Perren and Grant (2000) estimate SMEs as employing over 56% of the UK workforce, including over 1.75 million managers.

Management development does appear to be important to small firms. Storey (1994) showed positive approach to management development important in crossing growth barrier of employing more than 20 people. Companies which were growing had more management development days (7.3) than small businesses overall (4.6). McLarty (2000) also found that small firms taking on graduate staff found them useful, but more in primary management functions (operations, marketing) rather than in support activities such as HR and procurement.

The Skills Task Force report on small firms (DfEE, 1999) does not claim a major skills gap in small firms, but does highlight the importance of the attitudes of managers in small firms to training and development, and the constraints on training stemming from cost and limited ability to identify training needs. It concluded that “training needs to have a direct, visible benefit to the firm if more owner-managers are to be persuaded that they should give more effort to employee training”.

There is considerable evidence, that training in small firms does take place but is largely informal. Sargent (1996) found that SMEs were less likely to provide formal training opportunities than large firms and often perceive academic development as irrelevant. Bosworth (1999) recognised the need for ‘bite sized pieces of training’ for owner-managers of SMEs which they could ‘mix and match’ to meet their training needs.

CEML has commissioned work on the small firms sector. Perren and Grant (2000) found that entrepreneurs and managers in small firms learned mostly from mentoring, observing other managers, and some formal education (MBAs). Where they had been on formal courses, they had found them useful. Skill needs focussed on building relationships and communications, and strategic/analytical thinking. The SME managers in this study suggested the need for more informal forums for sharing experiences and more mentoring. The managers (but less so the entrepreneurs) also sought more short courses on practical issues such as selling, accounting and technical knowledge. Both groups wanted more ‘flexible management and leadership development opportunities that fit with the pressures of SMEs’.

A second CEML study, (Perren *et al.*, 2001) looked at national level providers of SME management training. They found 85 organisations who had a role in provision most of which are public funded. The number of types of initiatives was also very high. No single organisation provides a link between the parties although the Small Business Service was set up to do this. This report argues for facilitated co-operation between all the bodies involved with small firm training.

## A2.8 The teaching and learning process

There is a tension between focussing university courses on traditional academic knowledge, and placing more emphasis on the development of skills (especially people skills) which employers seek in graduate recruits. This tension is particularly strong in business education.

Business Schools have been criticised for placing too little emphasis on practical skills. Nevins and Stumpf (1999) argue that traditional Business Schools don't link the knowledge, skills and concepts of leadership in a practical sense. They need to: be more people and time sensitive; include more skill development and simulations; have some expert skill trainers on their staff; use mentoring on post experience courses. Monks and Walsh (2001) comment that most management education focuses on providing knowledge and there are few attempts to provide managers with organisational skills. They describe two masters programmes in Ireland which attempt to do this. Universities have been seen as resisting a necessary move to more skills based approaches to management learning (Winterton, Parker *et al.*). Case study approaches to learning are seen as often dated and experiential learning should be increased.

At first degree level, there is a real issue about how far business degrees can go in skilling graduates to become practising managers. Business degrees also need to meet the more general expectations of developing general intellectual skills. Watson (1993) argues that business degrees can furnish both knowledge and intellectual development, but that universities have not traditionally been strong on practical skill development.

The QAA (2000) benchmarks for business and management define relevant knowledge areas but also emphasise both cognitive and personal skills including: critical thinking, analysis and synthesis; problem solving; communication; numeracy; CIT; self-management (time, motivation, enterprise); learning; self awareness; effective performance within a team environment (listening, negotiating, persuasion, presentation); research skills.

AACSB (1999) comment on trends towards increased emphasis on skill development (leadership, communication, teamwork, managing diversity); the use of assessment tools to give students a snapshot of their strengths and weaknesses; a more integrated curriculum (e.g. international study tours, case studies, team building assignments) and more high-tech models of distance delivery.

In the corporate market for executive education, the shift in demand towards skill-based approaches is most pronounced. A recent telephone survey of Business Schools (IES, 2001) found they experienced growing demand for more individualised learning methods (experiential learning, mentoring, coaching). Formal training needs to be delivered through short, focussed modules rather than long residential programmes. E-learning will be used increasingly for diagnostics, reading information and distance support. This should help face-to-face time at Business Schools focus on critical debate and practical skills rather than 'chalk and talk'.

All this changes the kinds of teachers Business Schools will need in future. Pitfield (1998) suggests that the next stage in Business Schools evolution will be a conversion of the lecturer's traditional role into that of a personal executive coach – better at listening than presenting and drawing out conclusions rather than delivering the latest word.

However, even younger Business School teachers seem to have quite a conventional model of the learning process. Burgoyne (2001b) surveyed an international group of 22 business school teachers. They were interested in both teaching and research and were looking for teaching outcomes that impacted both knowledge and skills. However they still taught mainly within one 'traditional' subject area: mostly marketing, strategy or finance/accounting. Only one taught leadership. Managing and leading people came low on the list of learning outcomes they aimed to achieve. Lectures, case studies, exercises and projects were common teaching methods. Coaching and action learning came quite low on the list of teaching methods used. Only small numbers claimed to find theories of learning useful in their own teaching.

## A2.9 Research and knowledge transfer

Management researchers are less successful at getting ESRC funding for research than their colleagues in other social sciences (Pickard, 2001). In the year ended March 2000 only 7 out of 80 management research applications were approved and given awards by the Economic and Social Research Council (ESRC) compared with 42 out of 144 for psychology and 23 out of 80 for economics. Some also argue that management research inevitably lags behind innovative practice rather than leading it (Ward and Chandler, 1999).

Business has less involvement in academic research than other subjects. Williams (2000) points to the relatively low levels of RAE active staff in business. Business and management had 24% RAE active staff in 1998 (HESA data) compared with 45% in social studies and 32% for all subjects. The 2001 RAE for Business and Management Studies asks for account to be taken of all forms of research output.

Baden-Fuller *et al.* (2000) examine the research rankings of Business Schools, and argue for the encouragement of more research in UK Business Schools.

Other applied subjects have some the same tensions around academic research. For example engineering also needs applied research and links with companies (EPSRC, 1999). The RAE (2000) have suggested that applied engineering research be recognised and the impact of research on its user communities.

Starkey and Madan (2000) examined some of the key issues in management research including: the role of the consultancies in dissemination management knowledge; the need for stronger industry-academic links. This report suggests there is a need to update course content in partnership with industry; increase cross-disciplinary research and journals; have a knowledge broking role inside Business Schools; and set up an independent management research forum.

CEML conducted a seminar on the subject of management research (CEML 2001b). Key factors included: the nature of management research and its methods; the purpose of management research and its links to practice; whether there should be national research goals and the operation of existing funding mechanisms. Existing funding mechanisms were seen as not funding enough management research and many research applications are of poor quality. The meeting proposed more engagement of users, recognising the importance of multi-disciplinary collaboration. This would require changes to 'priorities, methods of operation, culture and style,' although a separate research council for management was not the answer.

The ESRC has recently announced a Management Research Initiative (2001) suggesting some topics which might link management with national productivity. These include: employee commitment, creativity and capability, and e-business and the use of ICT. Research will have its focus on the private sector and be international and multi-disciplinary in emphasis. The Initiative will have a Director (now appointed) based in a university. The elements of the programme will include an international visiting fellows scheme, fellowships for high quality researchers in the UK at varied career stages, a Management Research Forum involving companies and development funds for new researchers. The Business Schools welcome this initiative, but it is clearly not aimed at improving the supply of business teachers. Also it is not clear at this early stage whether the initiative will necessarily lead to a significant shift in the research agenda or to a strong enough emphasis on knowledge transfer into teaching and direct to practitioners.

## **A2.10 Institutional factors**

### **Staffing business schools**

Williams (2000) produced a comprehensive review for CEML on the supply of business and management teachers in HE. Based on 1998 data, the report gives staff-students ratio in business and management as 1:20 compared to 1:15 in social studies and 1:11 overall. 1.7% of students in business are research students compared to 4.7% overall. Williams also draws attention to the ageing profile of business teachers and their low research activity. The report recommends more full-time PhD studentships at higher stipends; and fellowships for bringing in new staff from varied backgrounds.

Williams (2000) also found significant anxiety about recruitment, especially in Marketing, Finance, ICT/IS, Strategy and Accountancy. It is difficult to retain good young staff in the HE sector and also staff developed by the low-paying or low-prestige institutions who tend to move on within the sector. Where staff are encouraged to consult and keep some of these earnings, retention is better.

The Advisory Group was interested in the possibility of a scheme designed to support the development of new faculty in business. Such a scheme was run by the ESRC about ten years ago (with cohorts entering between 1989 and 1994) and called the Management Teaching Fellowship Scheme. This scheme had been evaluated by the Centre for the Study of Education and Training at Lancaster (1998). 186 fellows went through the scheme and the evaluation obtained the views of 73 people spread across the 6 entry cohorts. The evaluation showed that the scheme had been very effective at getting people rapidly into academic posts (72% were employed as lecturers), and that they had stayed within HE. Most of the participants were already within HE when they joined the scheme, although some in other subject areas. One third had remained at the institution where they had enrolled on the scheme. The majority of participants had started in pre-92 universities but some moved on to post-92 institutions. Many took a PhD during the scheme. The participants valued the way the scheme had facilitated their entry to academic employment and the acquisition of teaching experience and skills. There were issues about their institutions giving them time to attend events and clarifying their employment prospects. Some further information from Easterby-Smith at Lancaster quotes the total cost of the scheme at £6.6 million over the period 1989-97 (*ie* £35,000 per head). ESRC paid half the salary of the fellows. The cost was 'not significantly more expensive' than ordinary PhD studentships. The ESRC scheme seemed to accelerate entry to academic teaching, enrich skills, and may have increased longer-term research activity (70% of ex fellows were RAE active).

## Relationships with industry

There is a great deal of literature emphasising the need for Business Schools to have a genuine focus on corporate customers, who are becoming increasingly sophisticated purchasers (Prince 1999; Prince and Stewart, 2000).

White and Horton (1991) looked at the general involvement of industry with HE. The Top 200 companies provided at least £140 million to HE, between 50-60% of all business support for HE, excluding staff time and consultancy spend (except on R&D). Types of support included: students (sponsorship, scholarships, sandwich placements, work experience, work shadowing); R&D (schemes, contract R&D, research sponsorship); teachers or teaching (chairs, fellowships, joint professorships, visiting professorships, topping up academic salaries); continuing education and training (long or accredited courses for employees). The two largest areas were R&D and support for students, with R&D concentrated in manufacturing. Although engineering was the area most often attracting support for students, business studies students were also supported along with those in economics and IT. The companies helped by sending their staff to teach on accredited programmes and Business Schools got 46% of such expenditure spent in this way. An increase in the relevance of HE to business was seen as an important condition for future increase in support.

The DTI in their study of Corporate Learning (2000) suggest that universities can capitalise on needs of business if they can develop customer-focused approaches to education, increase their use of virtual delivery, respond more rapidly to business needs and include company certification. The report contains examples of companies working with universities (*eg* Anglian Water with the University of Buckingham to develop an MSc in Transformation management; BAe with Lancaster University and the OU; BT setting up a corporate university with Lloyds TSB and Warwick University).

Clutterbuck (2000) argues that more companies want to work in close partnership with Business Schools. He charts the experience of Laporte in selecting a business school partner. They found that some of the top schools refused to be assessed; some were too heavily biased towards the strategic and financial at the expense of the interpersonal and behavioural aspects; some schools did not bother to respond at all and most were too bureaucratic to produce a rapid response. Interestingly they chose a US school.

## Size of Business Schools

Scherer and Perren (2001) reviewed the available literature on 'world class Business Schools' and concluded that UK schools were smaller than their US competitors and the large schools do have benefits: more alumni support services and donations, greater opportunity for networking, lower unit costs, and more referrals.

Scherer (2001) compared UK Business Schools on a number of dimensions. Pre-'92 schools and AMBA schools generate more income and have greater economies of scale than those within other institutions. This analysis included only full-time students and so may under-estimate productivity in schools with many part-time students.

# Annex 3

## Evidence from interviews and consultation

### A3.1 Interviews

The members of the Advisory Group and selected others (13 people in total) were interviewed in depth against a semi-structured questionnaire to obtain their views on a range of relevant topics. The key points are summarised here, split between those made by representatives of Business Schools and those representing employers.

#### Summary of Employer interviews

- Views on the quality of executive education from Business Schools were mixed. While the academic base was thought to be of value, Business School teaching was often viewed as too theoretical and not sufficiently tailored to commercial needs.
- Employers showed a strong demand for customisation of programmes; internationalisation and stronger relationships with Business Schools to ensure the appropriate application of knowledge was taking place.
- The MBA is viewed largely as a way of recruiting high potential employees, rather than being valued especially for the relevance of its content.
- Funding of employees on an MBA often takes place to aid retention, although paradoxically employers also spoke of retention issues once employees had completed the programme.
- There was a tendency for employers to work with only one or two Business Schools with which they formed close partnerships. This helped them to achieve greater customisation of programmes. The post-'92 universities were perceived less favourably by some employers.
- For executive education, employers are looking for Business School staff to have the ability to challenge and respond to people in the organisation, not to just bring academic knowledge.
- The strength of Business Schools was seen as their research base and strategic outlook. However some of the research taking place was viewed as irrelevant to business needs.
- Employers saw opportunities for Business Schools to act as brokers for other suppliers (such as skills trainers and consultancies); to help with the education of junior and middle managers with potential (a less intense MBA); and to get more involved in top management strategy.

## Summary of Business School interviews

- The interviews with leaders of Business Schools highlighted an increase in the amount of postgraduate business education taking place; an increase in distance learning and DBAs; and greater emphasis on overseas students.
- The Business Schools saw their own strength as their ability to produce high volumes of well qualified people.
- Their weaknesses often stemmed from a lack of strong links with business and emphasis on producing volumes of knowledgeable graduates rather than a real desire to increase management capability.
- Opportunities for Business Schools were highlighted in strengthened partnerships with industry and with consulting groups.
- Research was prominent in the minds of all of the Business Schools, but was not thought to be working effectively at present. The disadvantages are that academics focus on areas which are less relevant to organisations; employers are unwilling to get involved in management research; the focus on research for RAE purposes diverts the attention of staff away from teaching.
- Each Business school interviewed clearly had a different mission and niche market – e.g. local undergraduate education; distance learning overseas; tailored executive education etc. This diversity was made particularly explicit in terms of marketing to employers. Some Business Schools have an important contribution to make in quite local or regional markets.
- There is a growing dependency in many schools on overseas students, particularly for the MBA. Many UK Schools were increasing their links with overseas providers and some were setting up satellite universities.
- Difficulties recruiting Finance faculty were reported by several Business Schools, although staffing issues were largely related to quality rather than availability. Many would like to recruit academics with more practical experience, but the salaries in industry deter this.
- Business Schools closely linked into their universities had problems in getting approval for some of the posts they required (eg in senior administration) as they did not fit standard university job descriptions and grading.
- Some of the largest Business Schools pay very substantial profits into their universities - several million pounds each year in some cases.
- SME provision where it takes place, does so with Government/European funding of initiatives. SME programmes have not been able to survive without public funding.
- At undergraduate level the industrial placement is seen as adding considerable value to the quality of the output.

### A3.2 Employer consultation with members of the Careers Research Forum

The Careers Research Forum, a consortium of employers with a focus on management development, ran a half-day consultation for their members with the CEML Business Schools Advisory Group. Five major employers contributed to this debate. The key points raised were as follows:

- Employers really want Business Schools to customise their executive education when supplying direct to an employer. Experience stills falls well short of what is needed here. Some Schools appear not to be interested in customising, others just re-label what they already have to sell. Some of the best known schools are the least customer focused when it comes to tailoring their products.

- Both Business Schools and companies operating in the UK are now in a very global context. Global companies are looking for global Schools, or a global consortium. They need to be able to send people from all over the world on a programme and know that those people will feel at home and that the learning is relevant to them.
- Successful examples of programmes included a bespoke leadership programme; a company investing in evaluation work as well as training; and a tailored junior management programme run with several UK Business Schools and also accredited. There was also an example of a company that took the lead in putting Business Schools and commercial providers together for one programme.
- Putting together tailored programmes is quite hard work for the company especially if they are working with several Schools. Getting accreditation for a tailored programme can also be time-consuming for the employer, even though it does give added value to the employees.
- In one less successful example a programme had been run (in the US) for middle managers. It had been a good programme but the Business School had not adjusted it as time went by and things were changing in the organisation. The dialogue between Business School and corporate customer had not been close or dynamic enough.
- The employers had major issues about how to purchase effectively in the global Business School market for executive education. There are issues both with identifying a suitable short list to approach (big names tend to dominate here both of institutions and of ‘gurus’ - The ‘Pavarotti’ effect) and with the tender process itself. Some companies had moved away from a formal tendering process towards a much more open dialogue and a search for a longer term relationship. Some employers would like an intermediary to help them choose wisely and put together the programme they want. Employers need much better information about how to buy from Business Schools and put them together with each other and with other types of supplier.
- Business Schools seeking such close relationships with companies have to be prepared to put in some time to understand the client. Employers are willing to fund time spent by the Business School on researching their needs, but not if this is charged at excessively high day rates whenever senior faculty visit them.
- The Business Schools are seen a strong on content in teaching (through cases, lectures, models). Companies expect such content to be up-to-date and research based. Skills-based training (and coaching/ mentoring) programmes are found more often outside Business Schools. There are also benefits of mixing with people from other organisations on Business School open or consortia programmes.
- Employers are much more interested in bespoke executive education than in the output of first or higher degrees. They choose graduates for their potential and do not prefer business studies students above others.
- Employers are not at all sure that the MBA helps people become better managers. There are still issues with the unrealistic expectations of MBA graduates which the employer then needs to manage.
- The group looked at different models of delivery *eg* an ‘outreach’ model of business faculty offering a more flexible advisory service to managers, somewhat like GP’s in health.
- The research function of Business Schools is part of the ‘brand’ which sells Business School programmes within a company. Companies expect research to show up in teaching content. They need people who can disseminate research in user-friendly formats (*eg* Corporate Leadership Council). Companies would like Business School research to feed into wider knowledge management processes.

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The Council for Excellence in Management and Leadership, chaired by Sir Anthony Cleaver, was established in April 2000 by the Secretaries of State for Education and Employment and for Trade and Industry. Its aim is to develop a strategy which will ensure that the UK has the managers and leaders of the future to match the best in the world.

The Business Schools Advisory Group was formed in the summer of 2001 to develop proposals relating to management and leadership provision at HE level. This report was produced by the Advisory Group following a series of meetings and research conducted on their behalf.