

Management and leadership

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The context

UK managers are accused of being under-skilled and underperforming, paralysing organisations through their incompetence – so says a recent Hay Management Consultants Report.¹ Such views have been heard before and this study would find a comfortable home amongst previous criticisms of managers. Indeed, there has been a long-standing view of management as being deficient in the UK, originating in part from a number of studies in the late 1980s. For example, Finegold and Soskice (1988) argued that Britain was trapped in an equilibrium ‘in which the majority of enterprises staffed by poorly trained managers and workers produce low quality goods and services’. Finegold and Soskice used the term to capture the concept of a self-reinforcing system, which acts to stifle the demand for improvements in skill levels.

The concern has remained to the present day. The UK Competitiveness Indicators suggest perceptions of management quality as a whole compare poorly with many other developed countries. The Cabinet Office Performance and Innovation Unit (now the Strategy Unit) report on workforce development has identified the impact of poor management and leadership on employee contribution, and the Trade and Industry Select Committee’s Report on Manufacturing (Select Committee Third Report, July 2002) also emphasised the importance of sound management and leadership to business performance. The National Skills Task Force report (DfES, 1998) concluded that UK managers were inadequately qualified and trained compared with their international counterparts.

Researchers too have identified management concerns, for example suggesting that one reason for the UK productivity gap is that ‘UK management is not, on average, up to the quality of its main competitors’ (Nickell and Van Reenen, 2002). This is in part because they are inadequately qualified and with less effective levels of training and education (Campbell, 2002) but also perhaps because they are not trained in ‘best practice’ management techniques (Nickell and Van Reenen, 2002). Some of the most recent research has tended to offer support to this view of management practice being less well developed in the UK than elsewhere (Bloom and Van Reenan, 2006).

Certainly, there couldn’t be a worse time for sloppy management. Management and leadership in the UK are in the front line of the huge challenges facing organisations. We are all too familiar with the technical and scientific changes that have profoundly affected the way in which business is managed and conducted. The challenges of globalisation and public sector efficiency pressures mean that there is a constant need to ensure that more is done with less, and is coupled with the need to innovate products or services and the means by which they are delivered.

This is combined with managers needing to pick their way through a stream of advice from experts, which would have managers believe that the solution to such challenges is to adopt one of an array of new and rapidly obsolescent approaches. Business process re-engineering, total quality management, emotional intelligence, all have been promoted as offering unique insight and solution to management problems.

Within the UK these challenges are set against the corporate and economic framework of the UK which have been criticised for being short-term, beset by poor infrastructure, providing a low-skilled workforce,

¹ *Corporate Soufflé – Is The Middle Giving Way?* Hay Management Consultants, January, 2007

constrained access to debt capital, having low levels of R&D investment, and with limited presence of institutions for collaboration (Porter, 2003).

Finally, there is some evidence that UK managers don't get the development they need. The Hay report highlighted a management cadre that was felt to be under-trained. This lack of training is of long-standing recognition. Those 1980s studies of management capability also pointed a finger at a lack of investment. They found that a considerable proportion of UK companies (around 50 per cent) were not providing any management training, a problem more acute for smaller organisations. At that time the average manager in a large organisation took around 3.1 days of formal training per year. Studies also judged that UK managers were insufficiently educated and qualified. This work confirmed a belief that developing managers would improve the competitive advantage of UK industries.

So the story seems to be that UK managers have a tough job, they don't seem to be as agile as we might like, they don't seem to be as good as we might like in terms of the quality of what they do, the detailed processes and practices they follow. This gloomy picture is, however, most likely a gross simplification of the challenge facing managers, and the reasons for their less than sparkling performance may well lie in part with their organisation or the wider environment.

IES has explored directly what organisations think of the managers they have and whether they perceive differences by nationality. What emerges is a confusingly mixed view, with some commenting on UK managers as being risk averse, overly hierarchical and unwilling to handle difficult situations. On the other hand, others say that UK managers are entrepreneurial, egalitarian, sensitive and handle diversity well. What appears to be the important differentiating factor is the climate of the organisation in which managers work. UK managers are seen positively within organisations that are at the cutting edge of their sector: new ventures; and those in new or expanding markets.

A confusing picture indeed. Our own survey data suggests that despite these individual suggestions of potential success, across the piece UK-owned multinational companies show three areas of relative weakness, which critically were in three factors that were significant predictors of performance: HR Strategy, Management Development Ethos and, from line managers, perceived importance of Management Development. The telling result from this exploration is that UK companies are less advanced in linking HR and business strategies, less advanced at creating a

progressive ethos for management development, and less advanced in convincing line managers that MD is taken seriously. Where the UK does better is in the development of MD systems and the amount of development undertaken – unfortunately two areas that did not correlate with performance. Our case studies would support this overall view, that UK companies do not always link MD strategically or have the confidence of managers that they do so.

Perhaps part of the problem is the way organisations treat their managers or encourage their development.

What are managers for?

It might be helpful to step back from discussions of capability or development and consider for a moment what managers are there to do. There are competing philosophies on the manager's role. An economic theory, for example, casts the manager as the agent of the shareholders or the board. When organisations employ someone, they employ a problem. The organisation's purpose might be seen as seeking to maximise profit, but this is unlikely to match the employee's purpose, which is likely to be to maximise personal returns whilst minimising effort. The manager's job is to align employee's goals with those of the organisation through inducements or performance management.

However, not all subscribe to this philosophy of rampant self-interest. A current day take on management might be to see managers as maximising employee engagement. Here, when an organisation employs someone, they employ an opportunity. If managers can create an environment where employees form an attachment to their organisation, then they will give of their best without the stick and carrot approach. A particularly difficult role, as organisation inevitably disappoint some of those they employ. Managers are expected to be magicians, to take the hurly burly of the organisation and turn it into something positive for everyone, to make sense of what the organisation does, to represent people and leaders.

Affiliated to this psychological approach we can conceive of managers as having a particularly social role to play where they act as the social glue, the organisational 'pritt-stick'. Managers therefore are primarily there to promote meaning at work and to ensure that the social networks operate well. By creating environments where employees can find meaning, they improve retention, reduce cynicism, improve responsiveness to change, and encourage high performance. There is concern that people struggle with meaning at work because much of modern corporate life has acted to diminish meaning – higher turnover and a shift to a more selfish perspective,

cynicism over ethical policies, concerns over financial scandals and high levels of senior management remuneration, and diminishing levels of trust for those in positions of authority. What people look for in their leaders is honesty and openness and to work well as a team. What they look for in their managers is to be treated as an adult, to be communicated with, for managers to be open and honest, to walk the talk and be seen to embody diversity policies, to act to reduce political behaviour, to be consultative and willing to take risks.

A new paradigms of management

In each of these different conceptions we tend to hold an individualistic notion of the manager: the self-serving agent, the engagement magician, the constructor of social systems. And perhaps it is our insistence at seeing the manager as the lone individual, failing or succeeding at their task and often being found wanting, that is at fault here. Rather, we should construe the manager as part of a social system embedded within the culture, practices and policies of the organisation and influenced by their leaders, their peers and their subordinates. A social-systemic view of managers will see them as motivated as much by meaning as those around them.

This would suggest that managers are much more likely to be successful where the organisation has a purpose with which its employees can identify, that it will be easier where employees can find meaning in their jobs, and that it will be easier where managers have the skills and tools to communicate, to inform.

What this broader conception of management also means, is that managers and their capability must be seen within a system. Management capability is therefore embedded partly in the skills and competency of the manager, and this can be enhanced by education and training. It is also

partly embedded within the systems of the organisation, and can be enhanced by processes that help managers do their job properly: eg decent appraisal systems, etc. It is also embedded within the culture of the organisation, the permissions it gives managers to act, the empowerment it offers, the amount of risk that is tolerated (or indeed, encouraged), and the degree to which the organisation provides the opportunity and encouragement for managers to act and to make change happen.

Managers will be influenced by those around them, the example set by the leaders, the behaviour of those they manage – their willingness to be led, their expectations of the organisation, and their affiliation to their organisation or their profession. And they will be influenced too by their management peers, by the way they act in the organisation.

This is a much more complex conceptualisation of management and one that is far harder to change and influence. Those of us that would wish to improve management capability need to look widely and think not of acting on a population of individuals but on a system with many linkages, networks and where action needs to be concerted and systemic. The evidence would suggest that this is indeed the case. IES research has shown that UK managers have been well thought of where their environment supports them, where they are embedded in a clear philosophy of management, where they are developed for the long term, and where there is a positive link between what the organisation says it does and what it actually does.

If there is a problem with managers, it might be sensible for organisations to look long and hard at themselves first. To paraphrase John F Kennedy, it really is about time we stopped asking what managers can do for their organisations and ask instead what their organisations can do for them.

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