Strengthening the UK Evidence Base on Management and Leadership Capability

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The Institute for Employment Studies

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Acknowledgements

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Executive Summary

Many publications have highlighted the important role that management and leadership play in determining individual business performance and UK aggregate productivity. The Treasury described enterprise and skills (which include management and leadership competences) as two key drivers of productivity. In their report, *Managers and Leaders: Raising our Game*[1], the Council for Excellence in Management and Leadership noted that 'Good management and leadership is pivotal to investment, productivity, delivery of service and quality of performance across both the public and the private sectors.'

Recent evidence[2], however, suggests that the UK under-performs in terms of management and leadership skills compared to its international competitors, implying that an improvement is this area could help to reduce the UK's productivity gap between the US, France and Germany. The lack of a measurable framework and gaps in the available evidence make it difficult to pinpoint the strengths and weaknesses in the UK's management leadership base. The Department of Trade and Industry commissioned this report to assess the evidence base on management and leadership and to make recommendations as to how it could be improved, with a view to designing and shaping policy to improve UK productivity through better management and leadership.

To achieve this we have spoken with policymakers, employer representative bodies and academics in the field, to identify the key questions on UK management and leadership skills that require answering. We have developed a model framework to identify the elements of the chain of impact from management development to organisational performance. We use this model to critique the current evidence base and clarify the gaps. We have mapped the existing data sources against this model to fully understand their current and potential contribution. Finally we have sought to

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[1] http://www.managementandleadershipcouncil.org/downloads/FinalReport.pdf

[2] Porter and Ketels (DTI, 2003); Bloom and Van Reenen (McKinsey/LSE, 2006)

consider the options for extending the evidence base in terms of adapting existing surveys and devising a new bespoke survey.

Existing sources of data on management and leadership

In analysing the contribution of existing surveys we have considered two sets of criteria:

■ each survey's coverage of our model of management and leadership outlined in Figure 1 below

■ general features of the survey, eg sample size, linkages, methodology etc.

The model outlined in Figure 1 was obtained in consultation with the management and leadership experts that were interviewed.

Figure 1: Revised model
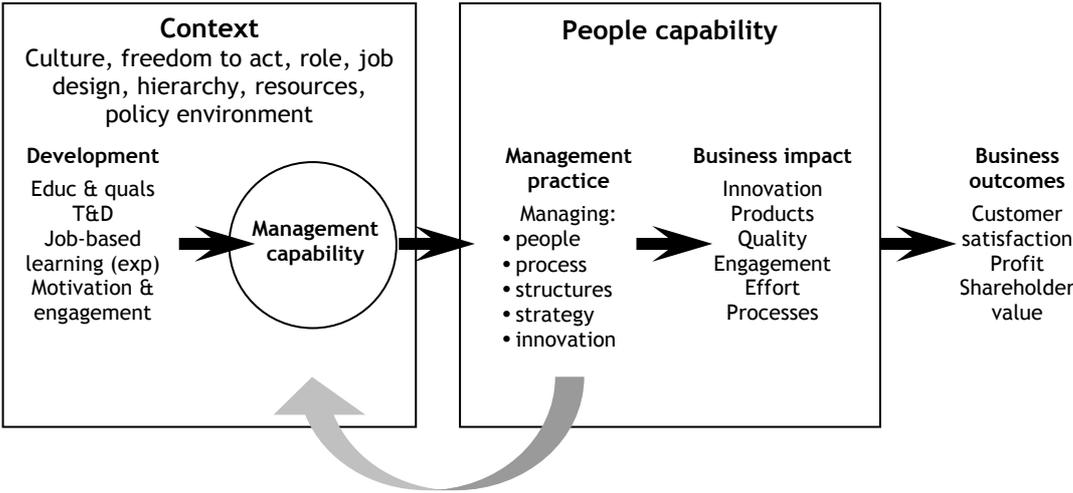
Source: IES, 2006

For each existing survey, we mapped their contribution to the various elements of the model. Table 1 summarises the coverage each individual survey can provide and the complexity of data collected on each part of the model.

Table 1: Mapping existing data sources against IES model

Data source	Developing management capability	Management capability	Context	Management practice	Business impact	Business outcomes
LFS	Good coverage					
GHS	Some coverage					
BHPS	Satisfactory coverage					
SfBN				Satisfactory coverage		
NESS	Some coverage	Satisfactory coverage	Some coverage	Some coverage	Some coverage	
CMI	Satisfactory coverage		Some coverage	Satisfactory coverage	Some coverage	Satisfactory coverage
Best Companies		Satisfactory coverage	Satisfactory coverage	Satisfactory coverage		Some coverage
SkillsinBritain	Satisfactory coverage			Some coverage		
WERS	Some coverage	Good coverage	Good coverage	Good coverage	Satisfactory coverage	Satisfactory coverage

Good coverage = ▉ *Satisfactory coverage =* ▨ *Some coverage =* ░ *No coverage =* ☐

Source: IES, 2006

Coverage of the individual/household surveys (LFS, GHS, BHPS) is limited; they can only provide evidence on the development of management capability, whereas the organisational surveys tend to have a wider data spread. The survey with the most extensive coverage is WERS.

In addition to the model coverage, we also need to consider the detail of the questions, the respondents to the questionnaire, the sample size and details of sample selection. Each survey has its strengths and weaknesses in these respects which are summarised in Table 2 below:

Table 2: Advantages and disadvantages of data sources

Survey	Pros	Cons
LFS	✔ large sample ✔ in-depth data on training and qualifications	✘ no link to organisations
GHS		✘ limited applicability
BHPS	✔ panel element allows longitudinal tracking ✔ good data on learning and qualifications ✔ data on attitudes	✘ relatively small sample size ✘ management only small sub sample ✘ little organisational linkage
SfBN	✔ data on HPWPs	✘ limited or no data on other aspects of the chain
NESS	✔ large sample ✔ some organisational context	✘ limited focus on management
CMI	✔ directed specifically at management development ✔ range of unique questions on types of development, ethos and focus	✘ small sample ✘ not readily available data ✘ front of chain only
Best Companies	✔ good data on staff attitudes to management and leadership	✘ limited and self selecting sample ✘ small sample
Work skills in Britain	✔ good data on the distribution and trend of broad skill requirements ✔ rigorous methodology ✔ longitudinal – repetition of identical questions ✔ random representative sample ✔ raw data accessible	✘ limited focus ✘ management only small sample of whole ✘ 2001 management questions not replicated in earlier studies ✘ individuals
WERS	✔ good spread across the chain ✔ rigorous methodology ✔ matched employee and employer data ✔ raw data accessible	✘ relatively small sample size for sectoral breakdown ✘ limited information on development of managers ✘ only every four years

Source IES, 2006

Recommendations for improving existing data sources

Our analysis identified WERS as the existing survey which collects the most extensive data across the model but this does not necessarily mean that it provides ideal data. Firstly, WERS is relatively small in sample terms and therefore may be able to provide only limited sectoral information. Secondly, there is a gap in terms of evidence on the development of management capability and thirdly, the respondent is the person most likely to be able to answer questions on employee relations who may not be best placed to respond on management and leadership issues.

We have therefore considered possible adaptations to WERS and also to NESS to collect more comprehensive data.

In adapting WERS we have suggested:

- adding questions on the development of management capability to the employer survey in line with existing questions in WERS on employee development

- adding questions to the employer survey on talent management

- adding questions on effectiveness of development to both the employer and employee survey

- including a boost sample of managerial employees in the individual survey

- adding questions to the employee survey on leadership capability and the skills of the specific line manager

- adding questions to the employer survey on management capability

- exploring if some of the organisational approaches recently researched by Bloom and Van Reenan (2006) can be further developed and researched through items in the employer questionnaire

- expanding the questions in the employer survey on perceptions of comparative performance to include aspects not included currently eg innovation, complexity and sophistication of processes etc.

We also explore the ability of NESS to be adapted to provide greater coverage of the model. In adapting NESS we have considered:

- adding similar questions on the development of capability as suggested for WERS

- ensuring that questions on skills shortages and skill gaps with regard to managers are asked of all respondents rather than a sub sample

- adding questions on organisational climate, freedom to act, business strategy etc.

- adding questions on management practice

- adding questions on comparative perceptual performance data

- adding a managerial one-off module.

Other options are also mooted such as using WERS and NESS to recruit organisations for a specific managerial add on survey module and/or distributing an employee questionnaire via the respondent.

Considering a bespoke survey

The bespoke survey option has the advantages of a clean sheet in design terms and the ability to meet the needs of the various stakeholders. In our view this would however take considerable time and effort to design, pilot and run the survey and this needs to be balanced against the existing survey option. In considering a bespoke survey we have suggested:

- an establishment level survey with a matched sample of managers who complete an individual survey. If funds were sufficient the individual survey would include non-managerial employees.

- a sample size similar to WERS.

- a sample distribution based broadly on the distribution of the population of managers by firm size.

- collecting the organisational data through face to face or telephone surveys (depending on cost considerations) and the managerial/employee survey through email or postal surveys.

- focusing on the three distinct populations where possible: managers in general; line managers; and leaders.

- repeating the survey approximately every three to four years (trade off or better data less often).

- including questions which cover the full range of the model.

Conclusions

The most cost effective option to improve the evidence base of management leadership is to invest in expanding WERS to cover those areas where it is currently less comprehensive. However we are sensitive to the difficulties of negotiating change to existing established surveys and therefore have explored the option of a new survey which retains many of the advantages of WERS whilst avoiding these problems. In making these suggestions there are no easy answers and much debate to be had before a solution can be arrived at. Cost considerations will be important and

this will influence sample size, sample coverage, single or multiple respondents, survey design and frequency of survey.

It is clear to us that there is as yet, no comprehensive data source on management and leadership which enables linkage of data across the model, and it is this linkage which is vital to fully understanding contribution and impact. We believe that this understanding can help move from observing the link with organisational performance to understanding how managers exert it. A single comprehensive data source which picks up data across the model is the only way to explore the relationship between the various elements of the chain of impact. This opens the debate on the factors which make the difference and the way in which they do so. In short, much as WERS has resulted in a plethora of research to understand the factors which influence employee relations so greater management information would be expected to fuel a similar growth in understanding.

Part 1: Developing a Framework of Management and Introducing Existing Data Sources

1 Background and Introduction

1.1 Background

Approximately a year ago, IES undertook a review of the status of management and leadership research in the UK (Tamkin, 2004)[1]. There has been a longstanding belief that the quality of management and leadership is pivotal to organisational and national performance and this is aligned with a view that the UK, has historically, a poor record in this regard. Improving the stock of management capability is seen as one potential contributor to closing the productivity gap between the UK and our economic competitor nations. Concerns have been intensified by appreciation of the changing context within which managers and leaders operate, characterised by technological revolution, globalisation and fragmentation of product markets, market liberalisation and organisational restructuring.

The IES report drew on a substantial literature review[2] which was published separately. It also drew on a data review of evidence of management skills by sector (Sectoral Management Priorities[3], Vol. 1 and 3, IER, Bosworth D, Wilson R, 2004, report for SSDA), discussions with a number of UK researchers or research institutions, discussions with other agencies and interested parties, eg IiP, CMI, DfES, DTI, SSDA. The objective of the report was to assess the evidence base and to make recommendations as to how this it could be expanded to provide robust evidence on the standing of management capability within the UK.

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[1] Tamkin P (2004), *Management Capability – Developing a Research Strategy*, DfES

[2] Burgoyne J, Hirsh W, Williams S, *The Development of Management and Leadership Capability and its Contribution to Performance*: A review of the evidence based literature and research for DfES and the Department for Trade and Industry (DTI)

[3] Bosworth D, Wilson R (2004), *Sectoral Management Priorities*, Vol. 1 and 3, IER, report for SSDA, SSDA, Wath on Dearne

1.2   Aims

The DTI commissioned IES to take forward this previous work on management and leadership skills through this current study. The overall aim of this project is to determine the most appropriate way to broaden and deepen the evidence base on management and leadership skills in the UK, specifically to help design and shape policy to improve productivity through better management and leadership.

There are a number of more specific objectives to help achieve this:

■ to agree with policymakers the key questions on UK management and leadership skills that require answering

■ to present an acceptable framework for defining and measuring management and leadership skills for the purposes of this project

■ using the framework, to analyse how best to improve the evidence base of the state of management and leadership, at all levels, in the UK including assessing what can be done with existing surveys and what could be achieved by a new bespoke survey

■ to work out the main details of the proposed solution, eg useful secondary analysis or an outline methodology for a new survey

■ to estimate costs and difficulties of each potential solution.

1.3 Method

The study involved three separate elements or phases:

1.3.1 Initial scoping phase

The first phase was to agree with relevant policymakers, business interests and academics the key questions that they would like answered on UK management and leadership and the evidence they require to address these questions. This phase tested the findings from CEML and the IES work but also allowed other thoughts and concerns to be discussed. We also conducted a brief overview of the literature building on that conducted for CEML and previous work by IES especially that undertaken for the DfES (Burgoyne et al., 2003).

We conducted a range of interviews with policy makers from central government, local government and various public agencies. In addition, discussions were held with a number of key academics in the management and leadership field, with professional institutes and with employee and employer representative bodies. Interviews followed a structured discussion guide (see Appendix 1). Participants were asked to comment on a basic model of management leadership (introduced in the next chapter) and the extent to which they were interested in the key areas defined by the model.

■ Participants were then questioned on their use of research and data, to establish the nature and extent of the demand for information on management leadership. The sampling method was approximately equal mix of face-to-face and telephone interviews. In a small minority of cases a postal questionnaire was used.

1.3.2 Development of core framework

In the course of the interviews we discussed the model originally developed by IES in its work for CEML and then subsequently for the DTI. This model creates a core framework which both defines the key elements of management and leadership skill and provides a matrix against which data can be collected. The focus of the discussions was on the fitness for purpose of this model and any major omissions.

1.3.3 Analysis

Our final phase was to take the findings and in effect conduct a gap analysis. We have looked at what has emerged in terms of understanding of management capability and the desire for additional information; the data that exists; an analysis of the gap between data needs and existing data; the opportunities presented by current surveys; and the possibilities of a new survey.

1.4 The report

In presenting the results of this study, we have organised this report into three main sections.

Part1: Developing a framework for management and leadership and introducing existing data sources

As we have seen, in part one we introduce the aims and objectives of the study, the methods used and also detail our model of management leadership against which we will later evaluate the suitability of existing data.

■ Chapter 2 introduces our model of management leadership, present and discuss the experts' view of the model, and, in light of experts' comments, present an amended model.

■ Chapter 3 introduces the various data sources relevant to the amended model.

Part 2: Evaluating existing evidence against the framework

Chapters 4 to 7 analyse the existing surveys and literature relevant to management leadership to identify major gaps in the evidence base. We do this systematically by applying a consistent format to each of the major parts of our amended model. For each part of the model we consider:

- what our experts perceived as the key gaps in knowledge

- what they wanted in the way of additional data

- what they believed the priorities were

- what the literature tells us

- what the existing survey contribution is

- a gap analysis.

Part 3: Conclusions and Recommendations

Chapter 8 summarises our analysis across all the parts of the model and concludes which existing data sources are best for information on management and leadership. Chapter 9 sets out options for improving existing data on management and leadership and Chapter 10 discusses the option of a new bespoke survey to address gaps in existing surveys.

2 The Model

A model capturing the essential elements of managerial capability and illustrating the flow from development of capability to impact on performance underpinned and informed our study throughout. Figure 2.1 shows this model which we used for testing with policy makers and other experts during this research. This model emerged from the work IES did initially for CEML and then on behalf of the DfES which was charged with taking forward the CEML work. The model was designed to enable the measurement of the impact of leadership and management development and capability. It embraces the following hypotheses which can be tested against current evidence or further researched.

If good management is an influence on organisational performance we would expect:

■ better skilled managers to be associated with greater productivity, greater innovation, higher levels of business survival, business growth

and as the link is not direct:

■ better skilled managers to implement better management practice, ie good people management, quality processes and R&D activity

■ better management practice should be associated with better performance

■ we would also expect that labour markets would recognise higher levels of skill in that better managers would receive higher salaries, would be promoted more, and be less likely to experience unemployment.

It is also important to think about how management capability is developed and to seek evidence that development is taking place and of the impact of such development.

We might also expect, therefore, to see evidence that the development of managers is associated with higher levels of practice and performance, and more compellingly:

■ investment in training and development should improve organisational performance

■ recruiting more qualified and better educated managers should also improve performance.

At the centre of the model is management capability, measured by the skill levels of managers. On the left are the factors that might be expected to contribute to the development of capability, eg 'inputs' in terms of the experience of education and workplace training and development activity, the investment that organisations put into the training and development of their managers, and the environment within which managers operate. On the right are the outcomes of capability, ie the 'benefits' for the individual (eg as measured by salary and job satisfaction) and their organisations (eg as measured by the prevalence of effective management practices), leading to improvements in corporate activity and performance (eg productivity).

However, this chain of impact does not operate in a vacuum and there will be a range of other factors which exert influence on both sides of the model. These include:

■ the economic, social, legislative and regulatory context within which managers work

■ the dynamics inherent in the model

■ mediating factors that influence the relationship between the elements

■ feedback loops between parts of the model.

Respondents were asked to comment on the degree to which the model made sense and captured all the relevant issues. As this forms a fundamental part of our analysis and we begin this report with the original model and the comments made about it, and then move on to use the revised model as a framework for the remainder of the report.

Figure 2.1: Framework for the impact of management capability
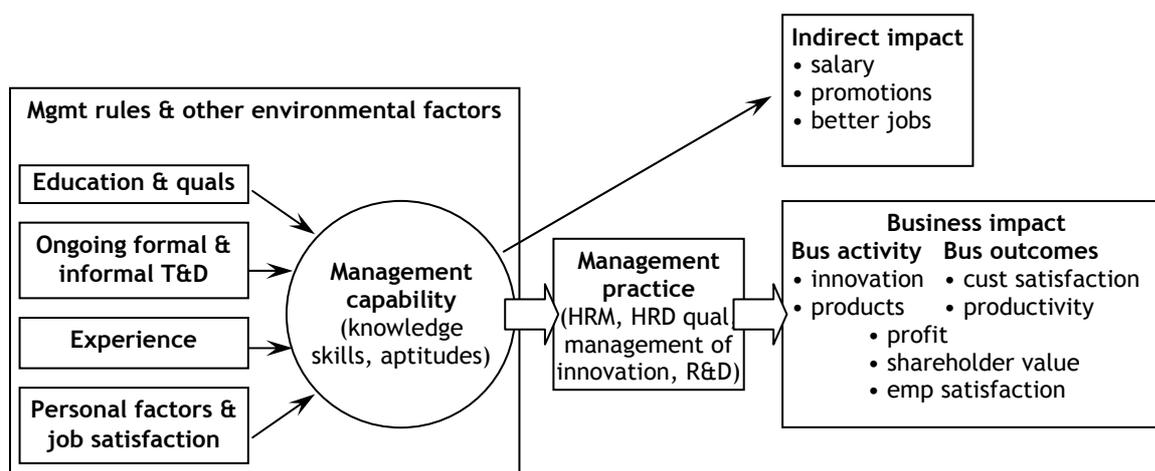
Source: IES: 2002

2.1 Views on the Model

Value

Without exception, the framework was felt by the experts surveyed to be a good tool for guiding the definition and measurement of management and leadership skills. Only two participants stated that although good it was not entirely relevant being too private-sector oriented and abstract (*'as good as any other, there are hundreds like this, but [it's] for academics rather than practising managers'*).

Suggestions for expanding, clarifying, amending framework

We asked respondents if they felt the framework missed anything of significance or if they felt it should be changed in some way. We have summarised the themes resulting from the interviews under each sub-heading.

Gaps

In discussions of gaps in the model, it was clear that many of the comments made were focused on the simplicity of the model and an acceptance that inevitably it ignores or downplays intervening factors that some interviewees felt were important. There was a general consensus that the model effectively captured the development of capability and that capability itself.

Comments tended to cluster into two key gap areas: omission of issues such as engagement and the skills of others in considering the flow from capability to practice; and secondly concerns about the under-elaboration of outcomes:

Turning capability into effective practice

Several experts expressed the view that it is only in the expression of capability that we can fully capture it. Accordingly, they pointed to the importance of considering more fully issues such as employee engagement, alignment with company values and culture and the overall quality of working life in the organisation. The importance of not assessing management capability in isolation was also emphasised: '*management practice is related to organisational practices and should include things like employees and their skills as management cannot have an impact without this'*.

A further related theme was that of recognising the constraints upon, or facilitators of, management practice: '*between capability and practice we need a lot more work, eg include opportunity, ability/motivation (as a personal attribute), freedom, resources (time, info., finance etc.)'*.

Outcomes

A notable gap in the model referred to across all groups was the lack of a strategic dimension: *'we can have capability and the right processes and practices without having the right business strategy, or the alignment to strategy might not be right'*. There were frequent references to the '*things [that] condition capability on the ground'* such as the type of organisation, internal alliances and governance structures, external environmental or regulatory environments.

A final important consideration is the nature of the outcomes desired: '*business outcomes for local government do not involve shareholder satisfaction or profit-seeking. Instead democratic engagement and citizen perception need to be added'*. Not all of the experts surveyed felt that the outcomes chosen in the model were of relevance to them.

Additions

Other comments were less focused on gaps in the model but on aspects where more needed to be made explicit. These comments clustered around the regulatory environment, thoughts regarding feedback loops, differentiating factors and areas of uncertainty.

Regulatory environment

Those who gave detailed consideration to all aspects of the model – notably academic commentators – referred to the importance of adding references to the external environment in which management capability is demonstrated. As one suggested: '*it's not all about management capability … what about the external competitive and regulatory environment and the impact which this has on management practice?'* It was generally felt that the context of management (competition, markets, etc.) needed to be made more complex and the flexibility/adaptability of that context included.

Feedback loops

Several experts felt that a feedback loop needed to be included in the model. They noted that the direction of effect was too linear and that the model ignored the important relationships between variables as a result of this. For example, one academic said that '*top organisations attract top people who get better experience'* and noted that this then sets up a different dynamic of capability throughout the model. Others felt that the model as structured needed re-thinking in order to capture this and that it was not merely a question of changing the direction or placement of arrows: '*it needs maybe a feedback loop – some element of review as in the 4A model which is like a wheel and allows this'*.

Differentiating factors

Despite being satisfied with what the model captures, some experts still felt that the model as currently conceptualised still does not capture what it is that makes one organisation or manager superior to another. There was a call for a consideration and addition of differentiating factors but no consensus over the detail of this. One suggestion was to include strategy as an over-riding influence: '*strategic choices shape capability and practice independently and not just through capability, so strategy needs to be sitting along the bottom*'. Another was to partly increase the focus on strategy: '*some of these things are mediated through strategy but some are not, and so are more indirect, eg risk aversion and bureaucracy in a firm*'.

Areas of uncertainty

A great deal of emphasis was placed on the conceptualisation of management practice, its elaboration and its relation to other aspects of the model – on paper and in the organisation. The difficulty yet importance of capturing '*the relationship between policy and practice*' was mentioned, as was the variety of management tasks undertaken: '*we need more on management practice – management of finances, capital etc.*' … '*we need to know more*'. Again, the relationship between '*the individual and the opportunity and the variables between*' was considered important and we were told not to assume an easy or direct relationship between good practice and skill or capability as defined by qualification levels.

Comments

Finally, we had a range of comments which were about the value of the model or querying aspects of it and how it reflected reality. Some of these comments were regarding the ability of the model to fully capture the experiences of the public sector or small organisations.

Others were more concerned over the difficulty of capturing all of the variables effectively.

> '*how would you measure some components of it, especially the core of management capability, although it raises some interesting questions – but it's how to capture the less tangible things.*'

> '*does management practice differentiates between HR type practices and more operational ones?*'

In reflecting on all these comments, it seems to us that in essence the model is acceptable as a broad articulation of the factors which impact on management capability and the way in which capability is expressed. We suggest some minor amendments to the model to reflect the interest in engagement, the complexity of strategy and the role of feedback loops within the model.

2.2 Revised model

In revising the model there are a number of changes raised by our interviewees, which we have sought to reflect. Some of the comments were regarding gaps in the model; interviewees clearly thought that some of the work exploring the role of motivation and its impact on performance needed to be reflected more fully in the model.

Motivation impacts in two ways: through the motivation of managers themselves, which might be considered an input to their capability; and through the motivation of the people they manage. This motivation of other employees in itself is clearly tied up with employee capability, in that more motivated employees are more likely to perform at a higher level and this is also influenced by management capability in that more able managers might be expected to be better able to recruit, develop and retain talent. The importance of employee capability in terms of the ability of managers to make a difference in the workplace was raised by our interviewees. The other gap was seen to be the context within which managers operate and the permissions or opportunities it provides for effective management.

Several people commented on the need to more explicitly include business strategy – as an outcome but also a contextual factor influencing the expression of management capability. Contextual factors were mentioned by a number of interviewees as being underplayed, although they were included in the model they were not made sufficiently explicit.

Finally, the original model was felt to be too linear with insufficient feedback loops built in.

As a consequence of this feedback we have revised the model (see Figure 2.2). For ease of presentation and more explicit focus we have concentrated on organisational impact and therefore we have omitted the outcomes for individuals. The key sections are:

- **inputs to management capability** – all those factors which might be considered to develop management capability, education, ongoing formal and informal learning, and job experience. It is also increasingly understood that the way in which people perform at work is not merely a result of their skill levels but also reflects their attitudes. It is a debatable point as to whether the motivation and engagement of managers is an antecedent of capability or rather a filter through which some kind of core capability is expressed. We have assumed for the purpose of the model that it is an input to capability.

- **context** – in recognition of the comments of our interviewees we have made context a much more explicit part of the model and both the development and expression of management capability is now seen to be dependent on the context within which managers operate. This includes the HR environment, the presence and operation

of rules, the degree of flexibility managers have, and the devolvement of people management responsibility.

■ **management practice** – affected by context, the expression of management capability will be management practice. This includes the processes and practices adopted in terms of managing people, structure, processes, strategy and innovation.

Figure 2.2: Revised model
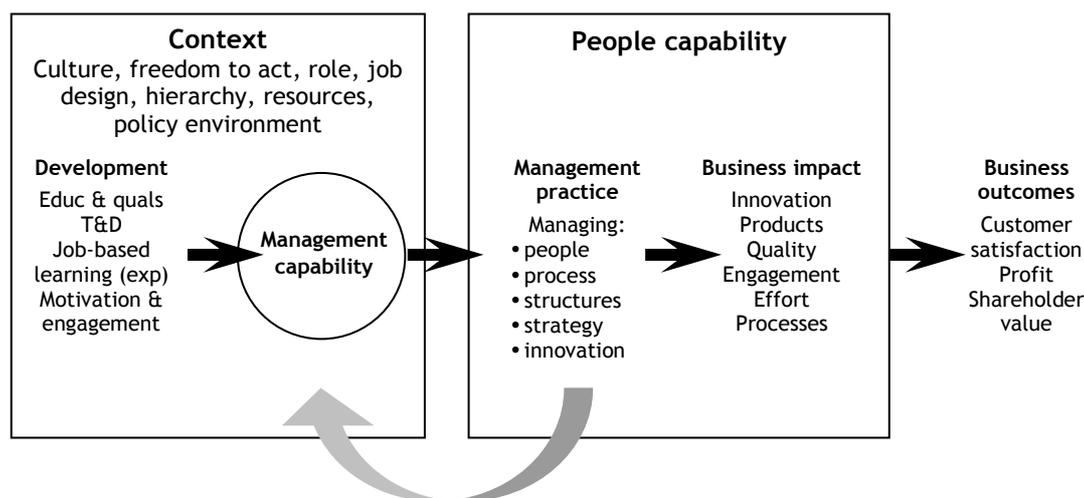
Source: IES, 2006

■ **people capability** – another area where we have sought to reflect the views of our interviewees that managers are dependent on the wider workforce capability to exert an influence on the organisation. The skills, capabilities and engagement of employees will all mediate the effect of management practice.

■ **business impact** – the impact of management practice mediated through staff capability is expressed through the activity of the organisation. Product quality, productivity, engagement and effort are all relevant elements here.

■ **business outcomes** – the effect of these activities (all other things being equal) will impact on business outcomes such as customer satisfaction, profit and shareholder value.

It seems to us that there are likely to be feedback loops throughout the model but we have for the sake of simplicity kept to one key loop which is from management practice back to management capability and context. Changing management practice changes the environment within which managers operate and therefore affects the skill with which they do so.

In Table 2.1, following we compare the two models.

Table 2.1: Comparison between original and revised model

Area of model	Original model	Revised model
Inputs to management capability	Education and qualifications	Education and qualifications, training and development, job based learning, motivation and engagement
Capability	Capability	Capability
Context	Management rules and other environmental factors	Process, practice, culture, freedom to act, role, job design, hierarchy
Management practice	HRM, HRD, quality, management of innovation, R&D	Managing process, managing people, managing structures, managing strategy, managing innovation
People capability	N/A	A contextual variable
Business impact	Innovation, products	Innovation, products and services, quality, engagement, effort, processes
Business outcomes	Customer satisfaction, productivity, profit, shareholder value, employee satisfaction	Customer satisfaction, profit, shareholder value

Source, IES, 2006

3 Management and Leadership Data Sources

In this chapter we present the data sources we have explored which contain information of relevance to the model. We describe the data source, the sample, the limitations of the survey with regard to our interest in management and leadership data across the model, and finally describe the use of the survey in terms of the management and leadership population. Part 2 highlight specific questions of relevance to different parts of our model.

It is important to note that the different surveys are of relevance to the management and leadership population in many different ways. Some are organisational single respondent surveys, where a representative of an organisation (frequently a senior person responsible for HR issues) will answer a series of questions some of which will be about management and leadership or managers and leaders. Some are organisational multi-respondent surveys (such as WERS) where a single respondent will represent the organisational perspective and other perspectives are sought from individual employees and their representatives. These individuals will be asked to comment on their organisation rather than represent it. Finally, other surveys are of individuals (eg the LFS) and are focused on individual experience. Some of the individuals will be managers. As a consequence each survey has to be treated differently in terms of accessing data on management/managers or leadership/leaders. This may involve identifying the relevant questions, or exploring the perspective of managers within the employee population. For individual surveys such as LFS, the results for managers would have to be separated out using the standard SOC definition.[1]

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[1] The Standard Occupational Classification was first published in 1990 and updated to produce SOC2000. The classification reflects the kind of work performed and enables this to be reflected at increasingly fine levels of detail.

3.1 NESS

The National Employers Skills Survey (NESS) is an establishment survey mapping skills shortages and workforce development activity across England. Data is collected from organisations through telephone interviews with *'the person at this site who would have the best overview of the skills that your establishment needs its workers to have'*.

The latest NESS was carried out in 2005, previous surveys were conducted in 2004 and 2003 and built upon previous Employer Skills Surveys in 1999, 2001 and 2002. Previous to this the Skills Needs in Britain Surveys explored a similar area.

3.1.1 Sample

The sample for NESS 2005 survey has been derived using data from the Inter-Departmental Business Register (IDBR) maintained by ONS. The sample was defined using a three dimensional grid, defined by:

■ sector of business activity

■ and size of establishment

■ within local learning and skills council areas.

The target number of interviews was distributed between each LSC in proportion to the number of establishments within that locality, although the very smallest LSCs were boosted to a minimum sample of 1,000 interviews. Within each local LSC the target interviews were distributed by sector as defined by the SSC footprints, half in proportion to the number of establishments within that sector and half evenly across all sectors. The targets within each sector were then distributed across six size bands according to the proportion of the number of people working in establishments of that size in that sector.

The sample was drawn from Experian, where the desired sample was greater than that available in the Experian database the sample size was reduced.

Each of the surveys had slightly different samples sizes and sample characteristics. In summary:

■ ESS 1999 involved interviews with approximately 27,000 respondents, 4,000 of which were conducted face-to-face. Those establishments with fewer than five employees and those in the agricultural sector were excluded.

■ ESS 2001 covered around 27,000 respondents sampled from organisations with more than one employee.

■ NESS 2003 covered almost 72,000 establishments sampled from establishments with more than one employee.

■ NESS 2004 was of 27,000 establishments and was employment rather than employee based, with all establishments of two or more staff being sampled.

■ NESS 2005 was the largest survey to date covering just under 75,000 establishments and again sampling establishments with two or more people working in them. It also included an ad-hoc training module carried out through a second wave of interviewing of 7,000 organisations.

The overall response rate for NESS 2005 was 43 per cent.

3.1.2 Survey Limitations

NESS provides some information about the management population but this is not the main focus of the survey and therefore the information is inevitably limited. Questions are only asked about the skills of managers where they have been identified by the respondent as one of the jobs or roles where the organisation is experiencing specific skill related problems (hard to fill vacancies or skill gaps within the existing workforce). For those organisations experiencing vacancy-filling difficulties for managers, follow up questions will explore the reasons for vacancies and where skills are identified as a reason, the kinds of skills which are lacking in potential candidates. All respondents are asked the proportion of managers (*'occupations where main tasks consist of direction and co ordination of organisations and businesses. This can include the management of internal departments/sections'*) regarded as fully proficient in their job.

Where management proficiency is felt to be an important issue then further questions are asked. As they are not however asked of all respondents, data on management and leadership is only available for a subset of the sample. However, the sample size is such that data can be broken down by size of firm etc. There are some known firm size effects with management proficiency being higher amongst smaller firms. This is felt to be a product of managers from smaller organisations commenting on themselves.

Mapped against our model, NESS provides limited information on management development and management practice. NESS does not provide any information on informal learning, on the kinds of development which are undertaken, the link between development and business strategy or any information on organisational change (both factors which are likely to influence the amount of development going on and which were touched on in previous incarnations of the NESS). There is also no exploration of development strategy (which may influence success), management qualification levels or training of managers and there is nothing on attitudes or experience no link to organisational performance. NESS does not explore.

3.1.3 Management relevance

The NESS focuses on skills shortages and skills gaps. Where management roles are identified as being subject to skills shortages or skills gaps then the survey explores

these issues further. The findings can therefore be analysed specifically for the management population.

3.2 Labour Force Survey

The Labour Force Survey (LFS) is a quarterly sample survey of households living at private addresses in Great Britain. Its purpose is to provide information on the UK labour market that can then be used to develop, manage, evaluate and report on labour market policies. The questionnaire design, sample selection, and interviewing are carried out by the Social and Vital Statistics Division of the Office for National Statistics (ONS) on behalf of the Statistical Outputs Group of the ONS.

ONS publishes full UK LFS results. However, the fieldwork is carried out separately; by ONS for GB, and by the Central Survey Unit of the Department of Finance and Personnel in Northern Ireland on behalf of the Department of Trade and Investment (DETINI).

The LFS is carried out under a European Union Directive and uses internationally agreed concepts and definitions.

3.2.1 Sample

The LFS is based on a systematic random sample design, which makes it representative of the whole of Great Britain. Each quarter's LFS sample of 60,000 private households is made up of five 'waves', each of approximately 12,000 households. Each wave is interviewed in five successive quarters, such that in any one quarter, one wave will be receiving their first interview, one wave their second, and so on, with one wave receiving their fifth and final interview. As a result, there is an 80 per cent overlap in the samples for successive quarters. Households are interviewed face-to-face when first included in the survey, and by telephone thereafter.

3.2.2 Main historical changes in methodology and other breaks or discontinuities

From 1979 to 1983 the LFS was carried out every two years. Following a change in the requirements of the EU Regulation, from 1984 to 1991 it was an annual survey. Key differences in design, method, sampling frame and definitions were introduced when the LFS became a continuous survey in Spring 1992.

3.2.3 Limitations

Mapping the LFS data against our model, the strongest area is in the development of capability. However, even here there are some limitations with nothing on the form of development, its focus or quality. There is very little data of relevance to the rest of the model, eg context, management practice or any link to performance. As an individual

survey there is scant organisational information and therefore no link with contextual factors such as change, business strategy or development strategy.

3.2.4 Management relevance

As an individual survey, the responses of those who are managers can be isolated by occupation and further analysis can be conducted of managers' responses either alone, or in comparison with the rest of the sample or other occupational groups. Responses of the management population can also be compared over time.

3.3 WERS

The Workplace Employment Relations Survey (WERS) is an establishment survey mapping the state of employment relations in workplaces across Great Britain. Data is collected from organisations through interviews with managers with day-to-day responsibility for employment relations or personnel matters, interviews with worker representatives and from employees through an employee questionnaire.

Interviews are conducted face-to-face, with the management interview taking in excess of one and a half hours on average (2004). Interviews with representatives averaged at almost an hour (52 minutes) for union reps and around three-quarters of an hour (43 minutes) for non-union reps. Panel interviews were shorter at around 42 minutes.

In addition, the latest WERS (2004) collected financial information via a Financial Performance Questionnaire (FPQ). The latest WERS was carried out in 2004; previous surveys were conducted in 1980, 1984, 1990 and 1998.

3.3.1 Sample

The sample for all the WERS surveys has been derived from the Inter-Departmental Business Register (IDBR) maintained by ONS. The first three WERS surveyed just under 2000 establishments with 25+ employees, WERS 98 widened its scope to include establishments with ten plus employees (sample size 2,200) whilst WERS 2004 was widened again to include workplaces with five to nine employees and the achieved sample increased again to just under 2,300.

In each WERS, interviews were conducted with a management representative and union representatives, although the latest WERS also sought interviews with a non-union staff representative at each establishment if they were present. WERS 1998 included interviews with a non-union representative only if unions were not recognised. Employees were included in the design for the first time in 1998.

In 1984, 1990, 1997 and 2004 a panel element of the survey was conducted with the management respondent, made up of establishments which had taken part in the previous survey.

The sample for WERS is restricted to establishments with a SIC classification (2003) of D-O inclusive. It does not cover establishments in A-C (Agriculture, hunting and forestry, Fishing, and Mining and Quarrying), and P (private households with employed persons) and Q (extra territorial bodies).

Overall response rate to the management interview in WERS 2004 was 64 per cent. The response rate amongst employee representatives was 81.9 per cent. The employee questionnaire yielded a response rate of 60.4 per cent amongst establishments with ten or more employees.

3.3.2 Limitations

The focus of WERS is on employee relations and therefore the survey is not geared towards wider management capability. A further issue is that managerial respondents (depending on the size of the establishment) may be specialists in employee relations and therefore may not have general HR responsibilities. The numbers of managers completing the employee questionnaire will be limited and may not be representative of the management population. Finally, the responses are based on self-report rather than observation. Nonetheless there are some interesting questions in WERS on how managers are perceived by their staff and on the degree of freedom managers have. On the positive side the survey is well recognised, known and well regarded by academics, practitioners and policy makers. It has a good sample size, is longitudinal, and is academically rigorous.

3.3.3 Management relevance

WERS has many responses of interest from a management perspective. The data provides considerable information on management practices and because of the matched employee survey, a matched employee perspective is possible. This employee survey provides information on management capability. Those managers who respond to the employee survey can be analysed in their own right, giving information on working conditions and attitudes.

3.4 Best Companies

Best Companies runs the best companies listing sponsored by the DTI and the Times newspaper. Companies which choose to take part in the best companies competition will complete an organisational survey, a survey is conducted of employees (either a census in small organisations or a sample) and a site visit takes place. The employee survey is a 70-item survey, which gathers data from employees on attitudes to their work and their organisation. Information is also collected using the company questionnaire. Over the past four years some 1,200 organisations have taken part and over 250,000 employee surveys conducted.

3.4.1 Limitations

Best Companies gathers information from those organisations seeking to enter the competition and therefore is neither representative nor random. The sample size is also quite small and the questions asked do not easily map against our area of interest. Its strengths are in measuring employee engagement. Unlike most other sources, the survey asks quite detailed questions on how employees feel about the senior management team and the support individuals receive from their immediate manager.

3.4.2 Management relevance

Best Companies asks very directly a range of attitudinal items relevant to an assessment of management capability from the perspective of employees.

3.5 SfBN annual employer survey

This survey is conducted annually by the SSDA (since 2003). Its purpose is to inform the evaluation of the Skills for Business Network (SfBN) by providing data on issues such as employer engagement with the network, data on skills challenges and HR and workforce development practices amongst employers. The survey is contracted each year and has been conducted by IFF in 2003 and 2004 and by MORI in 2005.

3.5.1 Sample

It is an establishment telephone survey of organisations with two or more employees using a stratified quota sampling approach of 500 employers in each sector. Within sub-sectors the sample is further stratified by size in rough proportion to the distribution of firms across size bands although this is subject to a cap such that no more than one in three of the population of firms is included in the sample. 'Rim' samples are also imposed at the four-country level. The sample is sourced from Experian.

- in 2003 a total of 13,620 surveys were conducted with a response rate of 45 per cent

- in 2004 13,700 establishments were surveyed, the overall response rate was 42 per cent

- final data is grossed up to reflect the population drawn from IDBR.

3.5.2 Limitations

The SfBN employer survey is predominately designed to measure involvement with SSCs and views of the activities of SSCs. There is therefore relatively little information on a management population. The most useful part of the survey for our purposes is the information it contains on high performance working practices.

3.5.3 Management relevance

The survey covers a wide range of high performance working practices and whether they are adopted.

3.6 Work skills in Britain

This survey (most recently carried out in 2001) measures the skill requirements of jobs and the distribution of broad skills in Britain. This survey series dates back to ESRC Social Change and Economic Life Initiative surveys carried out in 1986 and the Employment in Britain Survey of 1992 and aims to provide evidence on skills trends over time. An explicit aim is to provide a benchmark for comparison with the past and possible future surveys.

3.6.1 Sample

Individuals in employment, on a random basis, are sampled and the survey size has increased from 2,467 individuals aged between 20 and 60 in 1997 to 4,470 individuals (aged up to 65) in 2001. The 2001 survey was funded by DfES and the current 2006 survey is being funded more widely. Interviewees are interviewed in their home. The sample is random, representative and UK-wide.

3.6.2 Limitations

The survey takes place every four years or so, its aim to assess the stock – as opposed to the flow – of skills and therefore many aspects of our model are not surveyed.

3.6.3 Management relevance

Managers form a subset of the population and are an increasing focus. The emphasis is more on skills than capability or practice. Usefully, this survey captures managerial practices rather than the practices of those defined as managers.

A follow-up survey, the Employer Perspectives Survey 2003 was carried out with 1,114 senior managers in establishments where individuals interviewed in the 2001 survey were employed. It aimed to relate skills required to products and services provided to understand better the demand for skill. This survey covers relevant factors such as the role of technology, competition and modern management practices although in relation to product specification and related skill gaps.

3.7 General Household Survey

The General Household Survey (GHS) is a multi-purpose continuous survey carried out by the Office for National Statistics (ONS) which collects information on a range

of topics from people living in private households in Great Britain. The survey started in 1971 and has been carried out continuously since then, except for breaks in 1997/1998 (when the survey was reviewed) and 1999/2000 when the survey was re-developed.

The main aim of the survey is to collect data on a range of core topics from education to consumer behaviour.

The GHS has documented the major changes in households, families and people that have occurred over the last 30 years. These include the decline in average household size and the growth in the proportion of the population who live alone, families headed by a lone parent and the percentage of people who are cohabiting. It has also recorded changes such as the growth of home ownership. The survey also monitors trends in the prevalence of smoking and drinking. The GHS has a modular structure, which allows a number of trailers to be included each year to a plan agreed by sponsoring Departments.

3.7.1 Sample

The sample size is around 13,000 households and interviews are conducted face-to-face with all adults aged 16 and over. The response rate is around 72 per cent.

From 2001 the sample has been weighted to compensate for non-response and to match population distributions.

3.7.2 Limitations

Only a relatively small percentage of those completing the GHS will be managers (approximately 16 per cent of the working population). Numbers, therefore, are quite small. The focus of the survey is also clearly on other matters than management and leadership. The few questions of interest focus on employment and education.

3.7.3 Management relevance

As an individual survey, the responses of those who are managers can be isolated by occupation and further analysis of their responses either by themselves, or in comparison with the rest of the sample or other occupational groups can be run. Responses of the management population can also be compared over time.

3.8 The British Household Panel Survey

The British Household Panel Survey (BHPS) is being carried out by the ESRC UK Longitudinal Studies Centre with the Institute for Social and Economic Research at the University of Essex. The main objective of the survey is to further our understanding of social and economic change at the individual and household level in Britain, to

identify, model and forecast such changes, their causes and consequences in relation to a range of socio-economic variables.

The British Household Panel Survey began in 1991.

3.8.1 Sample

The Wave 1 panel consists of some 5,500 households and 10,300 individuals drawn from 250 areas of Great Britain. Additional samples of 1,500 households in each of Scotland and Wales were added to the main sample in 1999, and in 2001 a sample of 2,000 households was added in Northern Ireland. The same individuals are re-interviewed in successive waves and, if they split-off from original households, all adult members of their new households are also interviewed. Children are interviewed once they reach the age of 16; there is also a special survey of 11 to 15 year old household members from Wave 4 onwards.

3.8.2 Limitations

As for all individual surveys, the focus of the BHPS is on individuals, only a small proportion of which will be managers. Therefore, the sample of interest will be relatively small. Again the focus is on household issues rather than employment experience. The advantage of the BHPS is the panel element which provides career tracking and an attitudinal element.

3.8.3 Management relevance

As an individual survey, the responses of those who are managers can be isolated by occupation and further analysis of their responses either by themselves, or in comparison with the rest of the sample or other occupational groups can be run. Responses of the management population can also be compared over time.

As a panel survey this latter point is particularly relevant.

3.9 Non-UK data sources

Although WERS does not have an exact parallel in any other country there are similar national surveys which could be used in conjunction with WERS to allow some comparison on aspects of management and leadership capability. As with the UK surveys detailed in this report, there are important differences in content, methodology and timing to consider before any useful comparison can take place. Some have also not been carried out for some time. Examples of these surveys include:

- The French *Réponse* survey, which is nationally representative and longitudinal but with a more traditional industrial relations focus than WERS currently has. This survey was carried out in 1993, 1998 and 2005.

- The Canadian *Work and Employee Survey* which is also a longitudinal survey which asks employers for information about workplace organization, employee benefits, training and technology and employees about their jobs, the hours they work, their training, their use of computers and other machines, their recent job changes and their pay. This survey has been carried out every year since 1999.

- The US *National Employer Survey*, which gathers information on worker education, employer training and employer business characteristics, including business productivity covering establishments with 20 or more employees but has not been carried out for some time. This survey was carried out in 1994, 1997 and 2000.

- The German *IAB* survey which is a national establishment-level panel survey of workplace issues and has been carried out every year since 1993.

- The Australian *AWIRS* survey which was devised to be similar to, albeit smaller than, the UK WERS. This survey was carried out in 1990 and 1995 but has not been carried out since.

- There are also workplace and HR surveys carried out in Korea, Denmark, Sweden, the Netherlands and Belgium[1]. These surveys vary greatly in terms of scope, sampling strategy, survey design and continuity. We could however, find nothing that would provide regular comparable data on management and leadership issues.

Comparable EU-wide information on aspects of management and leadership capability is also available from the European Foundation for Living and Working in Europe. They commission national experts to provide regular data on aspects of work and working life and produce regular bulletins and reports (including regular annual studies) using national and EU-wide data sources which contain aspects of relevance to the understanding of management capability.

For example, the recent Quality of work and employment (2006) gives an overview of EU-level data on the following relevant areas: career and employment security, skills development, and work-life balance. The data sets used for this study are the 2003 European Labour Force Survey[2] and the European Community Household Panel[3]. The

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[1]   Huys R, *Measuring the Degree of Organisational Transformation*. http://www.hiva.be.

[2]   The European Labour Force Survey is conducted by Eurostat in the 25 Member States of the EU, three EFTA countries and two candidate countries. This survey is a large household sample survey which gathers information on labour participation. Results are provided on a quarterly and annual basis. There are also specific (ad hoc) modules carried out on particular issues eg on participation in lifelong learning was included in the 2003 survey.

[3]   The European Community Household Panel (ECHP) is an annual survey of representative panel households and individuals, also carried out by Eurostat. It is based on a standardised questionnaire gathering information on issues such as income, education and employment characteristics. It was started in 1994 and the first survey covered 60,500 nationally represented households (ie approximately 130,000 adults aged 16 years and over). The ECHP was replaced by the Community Statistics on Income and Living Conditions (EU-SILC) survey which in 2003.

limitations of the study reflect the limitations of the datasets used and although containing relevant aspects to this study on management the focus is obviously different.

The European Foundation also publishes comparative analyses of national surveys carried out by their network of correspondents and it commissions its own surveys in some areas, for example the European working conditions surveys which have been monitoring the working conditions of European employees on a periodic basis since 1991. Fieldwork for the fourth European working conditions survey took place in late 2005 and first results are due to be published soon. This survey involves face-to-face interviews with 1,000 employees in each of the EU25 countries (600 in five smaller Member States), in four applicant or candidate states (Bulgaria, Romania, Croatia, Turkey) as well as in Norway and Switzerland. Secondary analysis and reporting based on this data also takes place.

The European Foundation operates a European monitoring centre on change which focuses on employment, skills, management and work organisation issues during restructuring and EurLife – an interactive database on living conditions and quality of life in Europe which draws from data gathered by the Foundation's own surveys and from other published sources. Information is available in EurLife on issues such as hours of work, control over work, job satisfaction and security, skills, education levels and so forth. Finally, they also operate a European industrial relations observatory (EIRO) on-line which provides regular news and analysis on national and EU-level developments (eg on skills, human capital and work organisation).

Finally, there are also some sectoral EU surveys, which look at the management capabilities deployed by organisations eg the INSEAD Manufacturing Future Survey, and the International Manufacturing Strategy Survey.

Although there is good quality EU-wide or national data available of relevance to the area of management and leadership capability (across all aspects of the model) there is still a need to consult a variety of sources and to use data collected using different conceptual frameworks, methods, tools, time-scales and respondents. There is also the added complication of using data collected in a different national context and typically analysed in another language.

Part 2: Analysing the Model of Management and Existing Data Sources

We now examine each section of our management model in turn. In analysing the gaps between the current sources of data and what might ideally be sought we have taken into account two sources of information.

1. Our interviews with the panel of experts

2. Existing evidence from current literature and survey questions.

Consistent headings are applied to each section of the model and are as follows:

- Definitions – looks at the relevant terminology and clarifies which definitions are considered as part of the report.

- Views of our interest group – summary of specific issues.

- Identified gaps.

- Need for additional research.

- Identified priorities.

- Existing evidence base.

- Contribution from existing surveys – lists relevant questions from each survey.

- Gap analysis – takes into account view from experts and the exiting literature to make recommendations on how parts of the model could be improved. Provides a summary table of identified gaps and relevant conclusions.

4 Development of Management Capability

Figure 4.1: Model – inputs to management capability

Context
Culture, freedom to act, role, job design, hierarchy, resources, policy environment

Development
Educ & quals
T&D
Job-based learning (exp)
Motivation & engagement

Management capability

People capability

Management practice
Managing:
• people
• process
• structures
• strategy
• innovation

Business impact
Innovation
Products
Quality
Engagement
Effort
Processes

Business outcomes
Customer satisfaction
Profit
Shareholder value

Source: IES, 2006

4.1 Definitions

The *development of management capability* was defined to include the key elements of the model shown in bold above:

■ education and qualifications

■ formal and informal training

■ job based learning/experience

■ personal factors/motivation and engagement.

4.2 Views of our interest groups

The development of management capability was considered by all participants to be the area where there is already the greatest level of information, research and data so

this area was not considered to be the most important current priority. However, this was also the area respondents felt most comfortable discussing and the area where flaws or weaknesses rather than gaps were more readily identified.

There was consensus around the need for good-quality, regular, linked, disaggregated data and research on all the elements that provide evidence of the development of management capability. This aspect of the 'model' was seen to underpin other aspects and so participants typically accessed and needed this data to help evaluate areas of management capability or practice or to aid or justify other decisions.

There were considerable differences between the views gathered in this area according to interest group. The academics were not currently involved in any large-scale survey work in this area and were more interested in the development of capability at corporate or establishment level rather than nationally. Where research on these factors was felt to be important it was typically on a disaggregated basis eg sectoral rather than regional differences were considered more important. The need for broad high-quality data was accepted but data on the development of capability was not a current research focus.

Institutes and membership organisations placed relatively more importance on data and research relating to the development of management capability. In part this was due to their particular uses for this basic data. The CMI is responsible for the setting and guardianship of management standards and for training and accrediting members. The CIPD also provides help, information and ideas to members in this area and uses core data on management development to facilitate benchmarking and justify further development and also in servicing CIPD members who train and develop managers. Both the TUC and CBI expressed an interest in data and research on the skills and experience of managers but currently the priorities of both organisations were on skills of the workforce in general. These interest organisations were, however, keen to maintain a broad interest in government policy orientation in this area and in workplace performance and employee satisfaction.

Experts from government bodies highlighted the development and support of government policy – and justifying intervention or not – through advice, research and analysis. A further concern was to provide the best evidence base for the business case; managing the integration of and support for M&L issues within the wider governmental agenda. For those interviewed in local government the interest was in political and managerial leadership which current data and research was not seen to adequately address. Those agencies with a skills remit were interested in establishing whether managers can lead, manage and develop people and to benchmark, support and fund efforts to address deficiencies 'to improve the productivity of UK plc'; and finally those within the education sector who carry out research and conduct training of managers and leaders could not envisage training being successful without the knowledge provided by research and data on capability.

4.2.1 Identified gaps

Academic participants referred to a number of gaps in the literature, which they considered important. Two key gaps were: how to equip managers with the 'skills to make decisions for today and longer'; and issues around 'definitions and discourses' (for example, the manager versus leader discourse and the risks of this discourse in practical and research terms).

The membership institute participants tended to focus more on improving management capability (and making the case for managers) whilst also interested in understanding management better. For example, they referred to:

- the need to professionalise the discipline to reduce the number of 'accidental managers'

- improving qualification levels in managers

- becoming better at predicting and meeting replacement demand.

Other interviewees referred to the need to ensure that the variety and complexity of management was taken into account and the importance of recognising the different dimensions of management. There was also a demand for M&L research to cover other sectors and small businesses and to challenge the private sector bias.

4.2.2 Need for additional research

Participants in the academic, government bodies and public agencies groups called for a clarifying and tightening of definitions to ensure that there is some consensus around what is meant by management and leadership. Both membership bodies and representative bodies felt that the distinction was important for both data collection and research analysis. In the education sector it was noted that the term 'manager' has been replaced by that of 'leader'. In the small business sector the distinction between the two was felt to be lost and largely irrelevant. In reality the terms are used in different ways by different commentators and in the literature; and therefore, we use them interchangeably in this report.

In considering the need for additional research in the area of management development, a strong overall conclusion was that participants were looking for good quality, reliable and regular data and research that could be turned to for the definitive answer. There was some consensus around the need to map not just skill areas but also skill deficiencies.

In response to the need for additional research, most organisations had commissioned or carried out their own research. This ranged from one-off studies to regular large-scale surveys.

The member institutes interviewed shared similar reasons for commissioning research: to increase practical relevance and usefulness and to 'plug gaps'. They said, they often work in partnership with other institutes and invest heavily in outside and member-based surveys. CIPD will at any one time have 20 projects on the go and they also have 20 to 25 surveys per annum. CMI similarly regularly survey their members and also work with the academic community to fill gaps left by the published general research and data in the area. The CMI runs a regular (four-yearly) survey of management development, which for them has the advantage of a longitudinal core and indeed some panel data.

Most other organisations surveyed chose to commission work for similar reasons: to make the research relevant to their sector or size or priorities. Several chose to carry out case studies related to, or further analysis of, existing research. Many wanted to tailor work to progress a policy aim and a dedicated own-brand research report was often considered to be the most appropriate way of achieving this. Others felt it was more useful to commission an external report to achieve the same goal ('*Sometimes it's useful to take [us] out of the picture for a while then [our] customers see the research as more rigorous'*).

There was some frustration expressed (by all parties) about the numerous surveys and research studies that are available and the impossibility of digesting these or linking these with ease. Policy-makers and academics also expressed dissatisfaction about the cost or difficulty of accessing research carried out by member institutions amongst their own members and about the reliability of this data. For example, one government body representative said: '*I'm not so sure about research that uses partial/in-house data and members as they are not representative'*.

The membership institutions, for their part, felt that their own surveys on basic issues relating to the development of management capability were a necessary response to difficulties relating abstract academic research or aggregated policy-oriented data to the workplace: '*the difficulty is in what to do with it for members. Making connections is the issue'*.

Even one academic accepted that it can be difficult to find some research and use it to make a difference: '*most studies are done at universities and it can be difficult finding them and difficult tracking the work down. It's not easy for someone who is not very familiar with the field'*.

4.2.3 Identified priorities

In line with the model, we asked respondents to consider the development of management capability from their particular perspective and to identify their own priorities in better understanding or evidencing the development of such capability. The results are as follows:

4.2.4 Under the category of 'inputs to capability'

■ The role of experience and informal learning in management capability – and indeed formal learning that was not accredited – were considered to be key aspects currently under-emphasised in the literature and data. In general, academics were less interested in the composition of these capability inputs than business commentators.

4.2.5 Under the category of national, sectoral or regional

■ Respondents were keen to understand the national picture.

■ All said this was important and the policy and interest/membership bodies considered the level to be key. It was felt that companies like to benchmark with others and therefore having information available at a level of detail that they can relate to is very important.

■ Respondents were keen to understand sectoral/regional breakdowns.

■ There was a mix of opinions on the importance of regional breakdowns. One academic stated that regions are artificial boundaries which may create difficult decisions (in funding allocations for example). A policy interviewee felt that the importance of the regions is growing and that the future M&L debate is likely to be centred there. Although it was noted that companies like to know how their performance compares to that of local competitors, most interviewees said they were much less interested in regional concerns relative to the other issues mentioned.

■ Interviewees were more interested in sectoral breakdowns. An academic noted that we can learn more from the sectors; for example, comparisons of productivity in different sectors show that the 'productivity gap' may be confined to specific sectors. Several interviewees said that believed they ought to be more aware of sectoral differences but that work constraints kept them from exploring differences by sector, country or other key variables.

Several organisations operate or have funding along non-national lines and it would seem that the level of interest in regional and/or sectoral information was greatly influenced by this. Equally organisations like the CBI, CIPD and TUC were more likely to focus at the national level.[1]

4.3 The evidence base

Here we consider existing evidence related to the inputs to management capability.

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[1]   Views on the relative importance of national versus regional versus sectoral remained constant for all aspects under study/for all elements of the model.

A number of studies in the late 1980s found that a considerable proportion of UK companies (around 50 per cent) were not providing management training, a problem more acute for smaller organisations. At that time the average manager in large organisations 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. These themes are still current.

4.3.1 Levels of management development

Qualification levels

Qualification levels have been explored in a number of studies in the main because they are seen as an important proxy for skill levels and an important measure of the quality of education and learning received.

There have been major concerns raised regarding both qualification levels of managers and the amount of training and development which is undertaken. This work (Bosworth, 1999; Bosworth and Wilson 2004) has highlighted that UK managers tend to be less well qualified than UK professionals, which may imply that management is not seen as an attractive profession. There is also evidence that entry qualifications to management undergraduate courses are lower than average, which might indicate the brightest and the best are not attracted to 'management'. Whilst there has been an increase in MBA qualifications it has been noted that numbers are still small relative to the management population as a whole and compared to the USA (Bosworth, 1999).

Other research, however, does not support the argument that UK managers are less qualified or capable than managers in competitor nations (eg Owen, 1999 and Tamkin et al., 2006), which suggest that qualification levels are broadly equivalent.

Ongoing formal training and development

There is evidence that levels of individual training and development activity have shown some increase since the late 1980s. Thompson and Mabey's studies (1997) suggest a modest increase in formal management development provision by employers over a ten-year period to 1996 coupled with greater focus on management development.

Concerns have been expressed by IES previously (Tamkin et al., 2001) that there are indications of training by managers having increased in terms of numbers of managers reporting involvement, but also tending to become less frequent and of shorter duration. Thomson et al. (1997) also reports a move away from 'sheep dip' training and organisations spreading their training input across all levels of management. This would tie in with the IES findings. These views are supported by work by Keep and Westwood (2002), see Table 4.1.

Table 4.1: Training of managers in the UK

	UK	USA	JPN	GE	FR
Average terminal education age	19.5	22	21	21	22
Graduate (%)	49	74	78	72	61
Off-the-job training (days)	4	7	5.5	5.5	6
On-the-job training (days)	4.5	8	6.5	6.5	6

Source: Keep and Westwood, 2002

Managers also seem to be taking their own training more seriously. Off-the-job training in the manager's own time rose from 3.3 days on average in 1990 to 4.9 days in 2000.[1] The CMI's 2001 survey of management attitudes to training and development[2] indicated that, as far as development methods for the future were concerned, on-the-job training was the preferred method, followed by external courses/seminars.

On the whole though, employers don't perceive a lack of training as a major issue for managers. The National Employers Skill Survey 2003 found that the greatest proportion of managerial skill gaps were ascribed by employers to managers lacking experience (61 per cent said this) followed by a failure to train (35 per cent). There is evidence that experience may be particularly important for managers[1]. People in management positions are more likely to have a longer period of continuous employment to acquire experience. For example, over 40 per cent of managers and administrators have been continuously employed for more than ten years. This compares with less than 30 per cent for those in other occupations[34]

The UK emerges as having a short-term attitude to management and leadership development compared with some European neighbours. A study, funded by the EU's Leonardo de Vinci programme, analysed MD policies and practices in seven countries: Germany, Denmark, France, Spain, United Kingdom, Romania and Norway. This shows the UK spend on management development to be lower relative to the other countries (see Table 4.2) (Mabey and Ramirez, 2004).

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[1]   Poole et al., 2001

[2]   Mabey and Thomson, 2001

[3]   National Employers Skill Survey, 2003

[4]   Williams, 2002.

Table 4.2: Spend on management development

Country	Euros per manager (average per year)
Germany	4,438
Denmark	3,387
Norway	2,734
France	2,674
Spain	1,803
United Kingdom	1,625
Romania	424

Source: Mabey and Ramirez, 2004

4.3.2 Linking management development to business impact or outcomes

There are relatively few studies that provide direct empirical evidence of a link between management and leadership development activity and organisation performance. The few suggest that there is a positive link but also indicate that it is the degree to which management and leadership development effort is coherent, strategic and has the commitment of those in the organisation which makes the difference more so than the volume or variety of management and leadership development activity.

There is very little, if any, published *evidence* that investment in business and management higher education improves organisational or national performance. Courses including practical and interpersonal skill development appear to be somewhat more likely to improve the quality of UK management and leadership compared with those using traditional higher education teaching methods (CEML, 2002, Burgoyne et al. 2004) provides a useful overview (see appendix 3). These studies provide some evidence for cost-savings and improvements in business performance although the context is highly important.

4.3.3 Conclusion from the literature

Whilst there is evidence linking investment in skills to individual or organisational performance, the studies tend to be small scale, one off and look at development investment quite crudely.

Despite comments on the qualification levels of UK managers (qualifications being seen as a proxy for skills), the evidence is mixed. Clear evidence of comparative qualification levels (and perhaps at a greater level of detail such as subject discipline) would be of greater help. It would be very useful to have more detailed information on the amount of training and development which takes place and to be able to also explore the kinds of development and its strategic integration across organisations and time. Current data tends to focus on numbers of days (or amount spent) rather than allow us to explore how different development processes are used and for which

population of managers. It would also be much more valuable to have data which can be explored at the sectoral level, by firm size and internationally.

Evidence suggests that the way in which development is structured is as important if not more so, than the amount of development taking place. However, there is relatively little information about this in existing data sources.

Our experts commented that this was an area where there was already a considerable amount of research available and that is indeed the case. But there are some significant gaps in the evidence base:

■ much of the evidence that we have referred to here is as a result of one-off studies and therefore does not allow the collection of data and their comparison over time

■ there is no separation of management and leadership in existing data sets or indeed relatively little in the literature

■ the strategic context of management development would appear to be important but again there is relatively little data available on this.

Whether better management can be developed and in what circumstances seem to us to be key questions and an area where data could be much improved.

4.4 Existing survey contribution

In the area of the development of management capability our group of experts were most likely to consult NESS and LFS. One or two also referred to the Work Skills in Britain series. References were also made to CIPD skills and training surveys but largely by those who had access to these. The CMI longitudinal work conducted by Chris Mabey is also of interest here. In the previous chapter we have given full details of all surveys accessed by the experts surveyed but we spell out below the questions which are relevant to this chapter on the development of management capability.

4.4.1 NESS

These questions relevant to our first section of the model from NESS, are asked:

> ■ Does your organisation have a business plan that specifies the objectives for the coming year?
>
> ■ Does your establishment have a training plan that specifies in advance the level and type of training your employees will need in the coming year?
>
> ■ Does your establishment have a budget for training expenditure?
>
> ■ What percentage of your staff have a formal written job description?
>
> ■ Does this establishment formally assess whether individual employees have gaps in their skills?
>
> ■ What percentage of your staff have an annual performance review?

Asked of all:

- Which occupations have you provided off-the-job training for? How many managers have you funded or arranged off the job and on the job (separately recorded) training for?

- Number of days off-the-job training provided for each member of staff receiving off and on the job training (but not specifically managers)?

- Numbers being trained towards a qualification (but not specifically managers)?

- Also how much spent in total on training (but not specifically management)?

- Does the organisation formally assess whether the training and development received by an employee has an impact on his or her performance?

4.4.2 Labour Force Survey

For those identified as managers (using the SOC definition) data is available on:

- level of qualification

- main subject area studied

- where gathered, ie academic institution, combination, through work, government training, self-directed

- when obtained

- whether currently studying or contemplating studying in next 12 months

- if studying for qualification, at what level

- use of open learning

- if taken part in any education or training in the last three months related to job, and in the last four weeks

- in the last three months any education or training connected with a job might be able to do in the future, and in the last four weeks and last week

- likely to lead to a qualification and at what level

- on or off-the-job training with check if included attending conferences, using Internet or cd-rom, watching videos or TV programmes (for off-the-job training only)

- total length of the training, how many days, how many hours (covers both on and off-the-job training)

A series of mop-up questions further explore any training involvement from those not currently studying for a qualification and who have not undertaken any off-the-job training in the last three years:

- Any taught courses designed to develop skills which might be used in a job?

- In the past 12 months, have you received any supervised training while you were actually doing a job (when a manager or experienced colleague has spent time helping you learn or develop skills as you do specific tasks at work)?

- In which year did you start working continuously for your current employer?

- Were you working for the same employer 12 months ago?

- Were you doing the same job 12 months ago?

4.4.3 Work Skills in Britain

The questionnaire contains the following sections:

- broad questions about job characteristics

- detailed job analysis

- computing skills and qualifications

- work attitudes

- the work organisation

- pay

- the job five years previously

- recent skill changes and future perspectives

- demographic data

4.4.4 CMI management development survey

The Chartered Institute of Management has undertaken a membership survey every four years since 1996. This survey is not in the public domain[1] but broadly the survey covers:

- the presence of a business strategy and the links to HR

- the degree to which training and development of managers is strategic

- the broad approach to management development

- resourcing strategy

[1]   As this survey is not in the public domain it is not possible to provide the detailed questions asked.

- the time horizon of development

- the degree of involvement and commitment to management development

- talent management processes

- spend

- processes for assessing development needs

- skills being developed

- use of formal and informal development processes

- means of assessing impact

- influence of development on business performance

4.4.5 General Household Survey

The following questions are of relevance:

- main job, what did in main job

- formal responsibility for supervising the work of others

- size of organisation or if self-employed, the number of people supervised

- highest qualification

- currently enrolled on an education course

4.4.6 British Household Panel Survey

Questions in the following areas provide information of relevance to this chapter:

- description of job

- description of what organisation does

- name of employer

- managerial or supervisory duties

- have you attended any periods of full time education which started before September 1 2000?

- also periods of part time education and training

- if yes, record type of education institution, date stated, date left

- if part-time asked where attended, eg workplace

- if part-time ask if training was:

  to help get started in current job

  to increase skills in current job, eg learning new technology

  improve skills in current job

  prepare for a job or jobs might do in the future

  to develop skills generally

- how much time spent on this course in total

- who paid fees

- if designed to lead to a qualification

- if any qualifications achieved

- attendance at FE institutions and age when finished

- qualifications

- any qualifications since last interviewed

- gross pay

- satisfaction with (1-7 scale, where 1 = completely dissatisfied):

  the total pay

  job security

  actual work

  hours you work

all things considered, how satisfied with present job

- date started working at present position (if promoted or changed grades give date of that change)

- how much paid when started

- self-employed – do they have any employees and how many?

- asked if:

  running a business or professional practice

  partner in a business or professional practice

  working for self.

- share of profit/income from business

- things likely to happen over the next 12 months:

get a better job with current employer

take up any work related training

start a new job with a new employer

start up your own business

- all spells of work since September 2000 and why left one for the other:

    promoted

    left for better job

    dismissed

    made redundant

    temporary job ended

    took retirement

    health reasons

    left to have a baby

    other caring responsibility

    moved area

- self-completion questionnaire on general mental health

4.4.7 WERS

There is nothing in the WERS organisational survey which is relevant to the development of management capability. Questions of note relating to the development of ML capability from the employees survey are as follows:

For those identified as managers:

- Apart from health and safety training, how much training have you had during the last 12 months, either paid for or organised by your employer? (none, less than 1 day, 1 to less than 2 days, 2 to less than 5 days, 5 to less than 10 days, 10 days +)?

- Which academic qualifications have you obtained (tick all that apply) GCSE grades D-G, GCSE or equivalent grades A-C, 1A level grades A-E, 2 or more A levels grades A-E, first degree, higher degree, other?

- Which professional qualifications have you obtained: level 1 NVQ or equivalent, level 2, level 3, level 4, completion of apprenticeship, other vocational, eg city and guild, other professional, eg teacher, non-vocational or professional qualification?

- How many years in total have you been working at this workplace?

4.5 Gap analysis

Our gap analysis of the evidence base is derived from the views of our interviewees and the gaps that they identified, our review of the literature and existing surveys and our own perceptions of the information gaps. We start by exploring the views of our interviewees.

4.5.1 Respondents

When asked what M&L data are needed, responses were often rather generic in nature with relatively little clear view of what would make a real difference.

Respondents felt data should:

■ be improved, in terms of coverage and scope.

This reflects some of the problems identified with the existing data in that there is insufficient attention given to certain key groups such as SMEs and sectors, for example. For those with a regional or sectoral interest, it was often quite difficult to disaggregate the data at a useful level. Others commented on a private sector bias or too much focus on the UK with very little comparative work.

■ provide support for specific communities.

Some wanted data that would be of use to practitioner managers whilst others wanted data that would provide a longitudinal database which several academics could work off.

■ deal with problems of interpretation.

There were also problems of interpretation and limitations as the data may focus on only part of the issue of interest. For example, most surveys look at formal rather than informal training and tend to use qualifications as a proxy for competence. This is illustrative of a wider problem of wanting data which is not collected. Many surveys, for example, miss specific areas of interest or are felt to be too selective in some way. Often the only way to deal with this is to try and link across different surveys that explore part of the area of interest but this is difficult to do. This absence of links or the near impossibility of being able to link between sets (different samples, time-frames etc.) was also noted: '*although there's volume it's not well integrated*'.

■ test relationships between variables.

Academic participants and government bodies mentioned their wish for data which includes and tests relationships between numbers of variables including qualifications, attitudes, behaviour. These respondents referred to the need for a quality research design that examines cause and effect and is of high academic rigour. Such an instrument should also be flexible enough to cover new and emerging issues.

■ be more accessible.

Some mentioned access difficulties, with HE and FE statistics seen as inaccessible and some organisations predominately providing reports for their own membership. Where surveys were undertaken by membership organisations the raw data was then not available and could not be interpreted. The reliability of samples (especially for in-house surveys) was also raised: '*objectivity of the data needs to be addressed*'.

■ focus on management.

Many participants expressed the wish for a bespoke dataset on M&L capability. This desire was equal across all groups. This did not exclude them from also asking for better connections between the datasets and sources currently available in the UK.

It was clear that asking our interviewees what data they would like tended to result in quite generic comments and therefore we also took a step back and asked them what questions they would ideally like answers to. The following suggestions were made:

■ How do people identify themselves as managers?

■ How did managers get into management roles? Were they selected for their management skills or for their specialist abilities?

■ Do different development approaches and techniques make a difference?

■ Why people do and don't acquire skills? What are the incentives and barriers?

■ What skills do managers have? How were they acquired? Are skills important or not?

This suggests that our interviewees would like data in three key areas:

1. definitional issues of management and leadership

2. the development paths of managers

3. the impact of development techniques and opportunities.

To which we would add a number of other key areas:

4. the amount of development going on by both purpose and method

5. the qualification levels of managers and changes over time

6. the motivation and engagement of managers.

An assessment of quality of development and its effectiveness.

4.5.2 Existing literature and existing evidence base

If we consider our model as our starting point we are interested in information on education and qualification levels; ongoing training and development (both formal and informal); job-based learning, ie learning from doing; and motivation and engagement. Ideally, we would want data that explored the quantity of such inputs, the quality where appropriate, and the type. We would like such data broken down by size, sector, type of manager, and by country. Crucially, we would also like to see such information embedded in the context of the rest of the model, ie we would like to be able to make the link from these inputs to management capability, to capability itself and then on to management practice, business impact and business outcomes. This ability to link data across the model is a key test of the adequacy of a data source and is an issue for most of the areas of data available and for most of the data sources.

Other concerns focus on:

■ The representativeness of the sample in that many surveys provide access to only a sub sample with regard to management and leadership issues.

■ There is generally little information regarding management development as opposed to the development of managers. It may be that much development undertaken by managers is not relevant to their managerial role.

■ Little information available on informal learning or on approaches to learning (eg methods such as coaching, action learning etc.).

It is in this light that we can judge the existing evidence base.

Table 4.3: Gap analysis of existing evidence base – inputs to management capability

Area of interest	What we know	Limitations of data	What we would like to know
Qualifications	Qualification levels of managers and main area (LFS and BHPS) Some breakdown by size and sector possible Whether studying for a current qualification and if so at what level (LFS and BHPS)	Data does not link across the model	Qualification levels of managers within context of organisation
Ongoing training and development	Amount of training (both on and off the job) undertaken by managers (LFS asks total length of training and NESS asks number of managers trained) Spend on development (NESS for total spend)	Managers who undertake training but no evidence as to what the training is for rather than a measure of management development No data on informal learning	The amount of management development undertaken Spend on different kinds of management development Informal learning

Area of interest	What we know	Limitations of data	What we would like to know
	Whether certain development forms are used (CMI)	Small sample No data on amount of development taking place	The form of development, eg coaching, mentoring, etc. The amount of usage
	Organisational approaches to learning (CMI and NESS to some degree)	CMI small sample	Strategic approach to management development What is the focus of the development, eg management skills, soft skills, leadership, etc.
	Assessment of training (NESS) and CMI, which also asks methods used for evaluation)	Yes/no questions as to whether evaluation takes place CMI small sample	The quality, effectiveness of development undertaken
Experience	Number years working for current employer? (LFS and BHPS) Doing same job 12 months ago (LFS) Reasons for job change in last 12 months? (BHPS)	Individual based surveys with no link to organisational issues	Level of experiential learning, impact of role models, time in post/time as manager Development paths of managers
Motivation and engagement	BHPS General motivation (scale 1= completely satisfied, 7= completely dissatisfied, 4 neither) The total pay including overtime and bonuses Job security The actual work itself The hours you work All things considered how satisfied are you with your present job.		Attitude/engagement of managers
General gaps			Comparison of all factors with other countries Relationship between these factors and management capability, management practice and business impact and outcomes Definition of management and leadership

Source: IES, 2006

5 Management and Leadership Capability and Context

Figure 5.1: Model – management capability and context
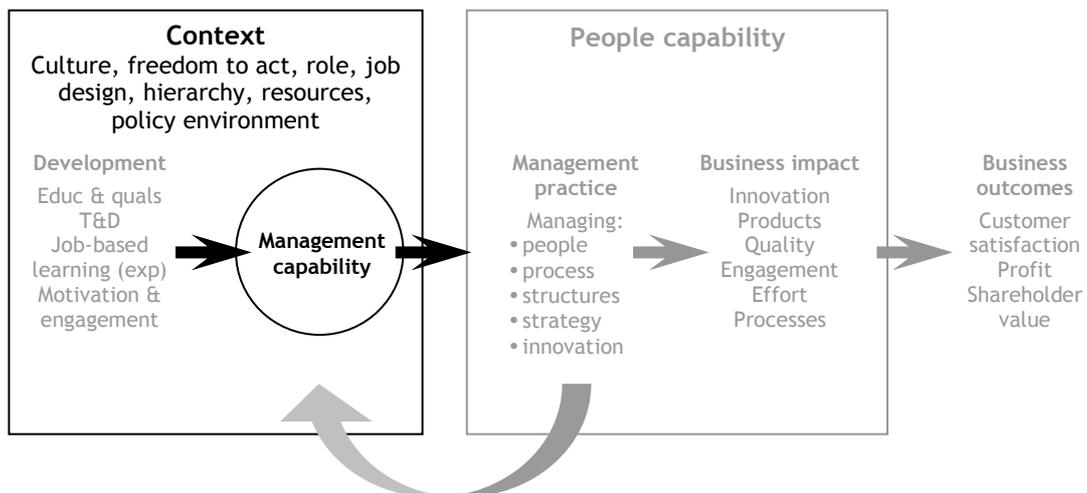
Source: IES, 2006

5.1 Definitions

In this chapter we explore *management capability* and context. These are defined to include the key elements:

- capability in terms of skills, knowledge, aptitude

- internal and external contextual factors including processes, practices, culture, job design, hierarchy, role, freedom to act, ie those factors which will impact on the expression of capability.

5.1.1 Definitions of management capability

Management skills are difficult to define. Core competencies vary with level and type of responsibilities undertaken, as well as the nature of the industry. Ultimately, however, management is a decision-making role, which requires the ability to identify and exploit opportunities with the most effective use of resources. Apart from organisational skills and technical know-how, which are important to manage operations and develop a business, the following skills are highlighted in the literature:

- **Creativity and the management of change:** Robert Chia (1996) in his work argues strongly for the need for managers to develop what he calls the 'entrepreneurial imagination'.

- **Innate factors**: Mabey and Thomson (2000) found that experience, personality and inherent ability were the most important factors in making an effective manager. Beech's work for the LMU (Beech, 2003) also provides strong evidence for the importance of innate factors.

- **Soft skills:** Mabey and Thomson (2000) suggest that the kinds of skills that believed to be most needed in this century will be the 'softer' skills - leadership, people management, team working, customer focus. The consensus from a number of studies (for example, De Geus, 1997; Fitz-Enz, 1997; Ulrich, 1997) reflects Mabey and Thomson's findings.

- **Generic Skills:** The Council for Administration includes 'management skills' as a specific category of generic skills, and notes that management skills are no longer restricted to those in 'Manager' occupations.

- **Customer Relations:** In a survey by the Chartered Management Institute[1], managers rated customer relations the most important determinant of organisational success in the future.

- **The need to manage change:** It has been noted that the need to manage change,, will require new management development activities (Winterton et al., 2000).

- **Leadership and strategic thinking**: Kettley and Strebler (1997) argue that senior managers need to think strategically, analyse information, solve problems and make decisions. [2]

There are also a host of different typologies of management skills all of which purport to capture the key skill set required of successful managers. Some of the most common of these are given in Appendix 1.

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[1]   Mabey and Thomson, 2001

[2]   *Inspired Leadership*, DTI and CMI, 2004.

5.2 Views of our interest groups

Participants were generally dissatisfied with the level of knowledge, research and data in this area. Particular criticism came from the representative and membership bodies where it was felt that we still do not know what makes a good manager.

5.2.1 Identified gaps

In general, there was a wide ranging interest in the issues facing managers day to day, and in understanding management better. Several participants – across all groups – stated that despite years of research we are still no closer to knowing what it is that actually makes a good manager and that this has important implications for policy and practice.

Academic participants, and those from the education sector, identified gaps through their current research concerns and priorities:

- inertia, momentum and decision-freedom.

Research is needed on the extent to which managers and their decisions are dependent upon other factors or limited by them (eg the regulatory environment) such that it is difficult to isolate or judge the quality of capability or practice independently. There are many factors at play which may not be readily apparent or visible and analysis which can better explore and capture a more complex M&L capability would be useful. Decisions can lock companies into certain ways of behaving (and these may be made lower in the management chain) and managers can create determine organisational capability through their decisions.

- how managers cope with the complexity of the environment

- situational leadership.

Again, this is about appreciating more the context in which the manager or leader operates (and understanding this as a potential differentiating factor) and focusing less upon skill proxies. For example, in the education field we heard there was a desire to know about the qualities that enable leaders to succeed in certain environments (eg urban leaders in schools).

- emotional intelligence and the personal qualities of the leader.

5.2.2 Need for additional research

Member institutes were most likely to suggest research to improve our understanding of management capability itself and areas of interest were as follows:

- what a good manager looks like and the skills gaps

- understanding that management is not simple and that management face expectations and challenges outside the organisation

- understanding that the concept is changing from dictatorial to a more co-operative type

- taking the focus from leaders/top management to middle-level and front-line management (and equally from conceptualisations of super-human charismatic managers as ideal)

- comparing capability in the UK with other nations.

5.2.3 Identified priorities

All participants agreed that our understanding and conceptualisation of management capacity needs to be improved and taken beyond the elements that make up the development of capability (as discussed in the previous chapter). In particular, the membership and representative bodies and those in the skills and small business sector wanted this to be a practical rather than abstract exercise in order to better distinguish and promote the capable manager. On the business side it was felt that there is not enough emphasis on the market or on current practice and that too much emphasis is placed upon the qualification levels of managers as a limited proxy for management capability. As one participant stated:

> *'There is too much emphasis on formal academic skills and not enough on management and market needs. Policy is still lagging behind practice. That's where it's useful, to get certain aspects across to others. Policy cannot only be driven by what we currently measure or by what is easily measurable.'*

Above all, there was an interest in placing managers within their business environment when investigating or assessing capability.

5.3 The evidence base

Several reports from UK government or other bodies suggest perceptions of management quality as a whole compare poorly with many other developed countries (eg the UK Competitiveness Indicators), the Cabinet Office Performance and Innovation Unit (now the Strategy Unit) report on workforce development and the Trade and Industry Select Committee's report on Manufacturing[1]). The National Skills Task Force report (DfES, 1998) concluded that UK managers were inadequately qualified and trained compared with their international counterparts.

Researchers have also believed that one reason for the productivity gap is that 'UK management is not, on average, up to the quality of its main competitors' (Nickell and

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[1]   Select Committee Third Report, July 2002.

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).

5.3.1 Perceptions of the comparative quality of UK management

In fact, there is scant internationally comparable data on management quality. What evidence there is tends to be perceptual because more objective measures are difficult to construct, and often small scale. This perceptual research has tended to be quite negative.[1,2]

A recent piece of work by IES (Tamkin et al., 2006) explored perceptions of UK management quality within UK and non-UK multinationals. On a negative note comments were made of UK managers being risk averse, unwilling to deal with poor performance or conflict and overly hierarchical. On the positive side UK managers were seen as sensitive and entrepreneurial. The key difference appeared to be organisational rather than national culture.

More detailed evidence from UK-only studies reinforces the view that there may be qualitative shortfalls in management skills, based on perceptions of management quality by other employees (eg Horne and Stedman Jones (2001) in a survey of 1,500 managers found that over one-third of managers and almost half of junior managers rated the quality of leadership in their organisations as poor and Charlesworth et al. (2003) in a survey of over 1,800 public sector managers found only one-third of managers giving a high rating to senior management teams, but 44 per cent giving a high rating to their immediate manager).

One recent DTI survey found that, while 55 per cent of responding managers identified inspiration as one of the three most important leadership characteristics, only 11 per cent said they had experienced it. Half of all responding managers felt that their employers gave a low priority to leadership development (DTI, 2004).

The available evidence is also hard to interpret. For example, Porter and Ketel's claim that: '*Problems with managerial skills in the UK seem likely to be concentrated at the lower and middle management level, reflecting the overall skill deficit in the UK labour force'*[3] does not easily square with their view that UK firms have a problem with their strategic positioning.

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[1]   Institute for Management Development's *World Competitiveness Yearbook*, 2003

[2]   Savery et al. (1994)

[3]   Porter and Ketels, 2003.

5.3.2 Linking management capability to performance

There has been growing interest in the role of managers in motivating staff. Research in both US and UK retail sectors show that employees' views of their manager are a critical link in the chain from employee attitudes towards the job and attitudes towards the employer associated with customer attitudes and in turn with business results (Rucci et al.,1998;[1] Barber et al.,1999[2]; Purcell et al. 2003[3]).

5.3.3 UK management capability and context

In considering the impact of management development and management capability on organisations it is clearly important to consider how these are embedded within a wider framework. Partly this is about the challenges facing managers, firms and societies and appreciating the dramatic shift that has occurred in our economic world which managers have had to adapt to and partly about responding to the vagaries of national institutional environments (Cassis, 1997; Kay, 2003). It has also been suggested that effective competitive response involves creating new business structures (Tamkin et al., 2006) and a key element of firm success is how they do that. Inevitably this places further demands on managers.

Other contextual factors include organisational culture, regulation and business climate and there have been various studies which have pointed to international differences and their impact (eg House et al., 2004)[4]. There is some debate that multinational companies will create a different management development climate than domestic companies such as using development as a cohering factor, being able to marshal greater resources and adopting '*best practice*' solutions (Gooderham et al., 1999; Tregaskis, 2001).

Others have also commented on cultural aspects of the UK. For example, Porter and Ketels advise that a '*change of perspective*' is required if UK managers are to succeed in re-orientating company strategies 'towards a greater level of innovation and the provision of higher value goods and services' (2003, p.46). Chandler (1990; see also Chandler and Hikino, 1997; Jones, 1997) suggests a cultural explanation for the relatively lower competitiveness of British firms in comparison with other leading economies.

Recent work as part of the GLOBE project confirms cultural differences across countries and suggests that certain approaches are linked to national performance

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[1]   Rucci A J, Kirm S P, Quinn R T (1998), *op.cit.*

[2]   Barber L, Hayday S, Bevan S (1999), *op.cit.*

[3]   *op.cit.*

[4]   House R J, Hanges P J, Javidan M, Dorfman P W, Gupta V (eds) (2004), *Culture, Leadership, and Organisations,* Sage Publications

although the messages on how the UK scores on these dimensions is mixed (House et al., 2004).

There is also clear evidence of differences in development effort and firm performance by size, with SMEs providing less formal development (eg Haskell and Martin, 2002) being less likely to have a formal policy about management development (Johnson, 2002). When a broad definition is used, most SME owner/managers have undertaken some form of management training or development in the recent past (Curran et al. 1996). However, the preference is for informal on-the-job training rather than more formal externally provided courses, particularly for the smallest enterprises. Owner-managers tend to rate training dealing with personnel and communication skills as relatively unimportant and tend to rely on themselves or other members of staff to deliver it.

Similarly, there is considerable evidence that sector too is associated with major differences in productivity and investment in managerial skills. A sectoral analysis of labour productivity shows that the existence of a productivity gap is common across all parts of the UK economy and affects most sectors (Mahoney and De Boer, 2002). A recent report by the Advanced Institute of Management (AIM) (Griffith et al., 2003) however, contradicts some of these findings and suggests that more than half the gap in productivity between the UK and US can be attributed to three sectors: 'wholesale and retail', 'financial intermediation' and 'machinery and equipment'. There is some research which suggests that the UK continues to have comparative strengths in the finance, food, retail, energy and pharmaceuticals sectors (Jones, 1997; Porter and Ketels, 2003; Whittington and Mayer, 2000).

A sectoral analysis of qualification levels and training indicate just how complex the picture is. There are considerable sectoral differences both in the experience of management skills gaps, qualifications and training provision (Bosworth and Wilson, 2005). Whilst there is some relationship between productivity, skill gaps, qualification levels and training investment is it by no means straightforward. For example, variations in training across sectors are large, in part because of variations in the average size of establishment (larger establishments are more likely to offer some form of training). The existing qualification level of the manager is also important with managers without qualifications significantly less likely to receive training. Training is also greater the higher the management vacancy ratio and the greater the reported incidence of skills gaps. The productivity performance data do not obviously correlate with management skill data (Tamkin et al., 2005).

The important message to emerge is that absolute levels of qualifications and training are less meaningful by themselves than understanding the context and the comparators.

5.3.4 Conclusion from the literature

There is little common understanding of what makes a good manager and even less of how management capability makes a difference within organisations. This might be considered the black box in the link between management inputs and organisational performance. The difficulty likely to be confronted by any attempt to unpick what makes a good manager or what good managers do is that it is likely to be highly context specific. The issue of defining what good management looks like in all circumstances is likely to be impossible.

Of those studies which exist exploring perceptions of capability, very few have any international comparator and there is no link made to organisational performance. Generally the evidence is weak and sample sizes are too small, perceptions are not correlated with knowledge, eg perceptions of managers of different nationalities is likely to be influenced by personal experience but this is rarely taken into account. Studies of perceptions of UK managers by subordinates have not as yet been able to relate these views to performance data, although there is evidence which suggests that what employees think of their managers is critical to performance.

5.4 Existing survey contribution

WERS is the study of most relevance (and most frequently cited by our group of experts) when considering management capability. A further study is the Best Companies Survey.[1] NESS also provides data to aid our understanding of ML capability. Finally some surveys carried out by membership organisations such as CIPD and CMI are also useful although less accessible. We spell out below the questions from these surveys which are most relevant to gathering data on management capability.

5.4.1 WERS

Employers survey

The survey asks the following relevant contextual questions to organisational respondents (ie the person responsible for personnel or employee relation matters):

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[1]   Although this survey was only referred to in interviews by DTI respondents.

- Whether those at the top are best placed to make decisions about this company?

- If part of a larger organisation but not the head office?

- How much involvement managers at higher levels in this organisation have in employment relations matter here, is there a managers or director at a higher level and at a separate establishment in your organisation in the UK who spends a major part of his/her time on personnel or employee relations matters?

- On which of these matters (see list below) must you follow a policy or procedure set by managers at another workplace in your organisation:

- And on which of these matters (see list below) are managers here able to make decisions without consulting with managers at another workplace (and on which of these must managers follow a policy or procedure set by managers at another workplace in your organisation:

- And on which of these matters (below) do you regularly report to managers at another workplace in your organisation:

  rates of pay

  working hours

  holiday entitlements

  pension entitlements

  recruitment or selection of employees

  training of employees

  grievances or grievance procedures

  disciplinaries or disciplinary procedures

  staffing plans

  equal opportunities

  health and safety

  performance appraisals

  recognition of a trade union

  quality of main product or service

  quantity of output of main product or service

  major physical changes in the establishment

  major changes in the organisation of work within the establishment

  use of personality or aptitude tests routinely used in filling management and senior officials posts

  use of performance or competency tests.

WERS employees survey:

Relevant capability questions are also asked of employees:

- How good are managers at keeping employees informed about changes to the way the organisation is being run, changes in staffing, changes in the way you do your job, financial matters including budgets?

- How satisfied are you with the respect you get from supervisors/line managers?

- Managers here are understanding about employees having to meet family responsibilities

- In general how good would you say that managers at this establishment are about:

  seeking the views of employees or employee representatives

  responding to suggestions

  allowing employees or employee representatives to influence final decisions.

- How good would you say managers here are at the following? (keeping everyone up to date about proposed changes/providing everyone with the chance to comment on proposed changes/responding to suggestions from employees/dealing with work problems you or others may have/treating employees fairly).

- In general, how would you describe relations between managers and employees here?

- Now thinking about managers at this workplace, to what extent do you agree or disagree with the following: managers here

  can be relied upon to keep their promises

  are sincere in attempting to understand employees' views

  deal with employees honestly

  understand about employees having to meet responsibilities outside work

  encourage people to develop their skills

  treat employees fairly.

- And for managers who respond to the employees survey:

  How well do the work skills you personally have match the skills you need to do your present job (much higher, a bit higher, about the same, a bit lower, much lower)?

Context questions

There are also relevant factual questions to aid comparison of establishments:

- Type?

1. one of many establishments belonging to larger organisation
2. single independent establishment
3. sole UK establishment of foreign organisation.

- Formal status, eg PLC, charity?

- Size in UK?

- Ownership (country)?

- How old (<5, 5-9, 10-14, 15-20, 21-24, 25+)?

- Change in status in last two years (change of activity, merger, opposed merger, sold, privatised, management buy out)?

- Percentage of total annual value of goods and services provided to largest customer?

- How many competitors do you have?

- How would you assess the degree of competition in the market?

- Face competition from overseas?

- What is UK market share?

- Is the market in which you operate growing, mature, declining, turbulent?

- Any industrial action taken in last months (what form), any threat of industrial action, any ballot for industrial action?

- Any employees raised any matter through the individual grievance procedure, which type of grievance raised?

- Any disciplinary sanctions applied in last 12 months and what kind, reasons?

- Any tribunal cases in last 12 months, number?

- Injuries sustained in last 12 months, illnesses incurred in last 12 months and numbers of employees absent?

- Use of contractors/outsourcing of activities, eg cleaning, security, catering, maintenance, printing, payroll, transport, computing, training, recruitment, filling of temps?

- Bringing in-house same services?

- Hours of work, use of overtime, percentage of managers and non-managers working over 48 hours a week?

- Use of temporary, agency, fixed term contracts, working from home, freelance?

5.4.2 Best Companies Employee Survey

Relevant question areas:

- relationship with manager

- attitude of manager towards employee

- attitudes of employee towards manager and organisation

- perceptions of employee about the way manager operates

- context questions about the organisation itself

5.4.3 NESS

Questions on management proficiency are asked of all companies.

- In which specific occupations do you currently have vacancies at this establishment?

And then **if** managers[1] are recorded as a hard to fill vacancy:

- Reasons for hard-to-fill vacancies

  applicants lack required skills

  not enough interest in job

  low number of applicants

  applicants lack required attitude

  lack of work experience

  poor terms and conditions

  lack of qualifications

  competition from other employers

  shift work

  remote location

  poor career progression

  seasonal work.

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[1]   Details are also collected on the type of manager where managers are cited.

- Are you finding these vacancies hard to fill because:

    applicants have not been of sufficient quality

    because there have been few or no applicants

    or for both of these reasons.

- If lack of quality, asked is it:

    the skills you look for

    the qualifications you look for

    the work experience that you require

    or do applicants tend to have poor attitudes, motivation and/or personality.

- Have you found any of the following skills difficult to obtain from applicants:

    general IT user skills

    IT professional skills

    oral communication skills

    written communication skills

    customer handling skills

    team working skills

    foreign language skills

    problem solving skills

    management skills

    numeracy skills

    literacy skills

    office admin skills.

- Ask if 'technical, practical or job specific' skills mentioned.

- What technical, practical or job-specific skills do candidates (management included, if cited above) particularly tend to lack?

- How many of your existing managers would you describe as fully proficient in their job?

- Asked of those who identify some skill gaps (2 occupations taken at random):

- What are the main causes of some of your (managers) not being fully proficient in their job?

    high staff turnover

recruitment problems

not keeping up with change

failure to train staff

staff lack motivation

lack of experience.

- Which, if any, of the following skills do you feel need improving?

    general IT

    IT professional

    oral communication

    written communication

    customer handling

    team working

    foreign language

    problem solving

    numeracy

    literacy

    technical

    practical or job-specific.

- What impact is their lack of proficiency having on the organisation?

    lose business or orders to competitors

    delay developing new products or services

    have difficulties meeting quality standards

    increase operating costs

    have difficulties introducing new working practices

    increase workload for other staff

    outsource work.

Context:

- What is the main business activity at this establishment?

- Would you classify your organisation as one *mainly* seeking to make a profit; as a charity/voluntary sector organisation; as a local-government financed body, or as a central government financed body?

- *Including you and any working proprietors*, how many people are on the payroll at this location?

- How many working proprietors does your organisation have **at this site**, if any?

5.4.4 CMI survey

Context:

- main activity

- staff numbers

- management population

- turnover

- growth or contraction

- existence of business and HR strategy

- importance of management development

- ethos

- HR on the board

- resourcing strategy.

5.5 Gap analysis

Again we analyse the gaps considering the views of our respondents, existing literature and our review of existing surveys.

5.5.1 Respondents

Obtaining data on this section of the model was considered to be important although significantly less so than the other three broad areas (although notably there was some perceived overlap between the development and existence of capability and between capability and management practices). The most important need here was that of

defining capability clearly and practically to facilitate better comparisons/ benchmarking and to improve future measurement of changes in capability.

Understanding management capability and of what actually makes a good manager was seen to be too abstract for the majority of our interviewees who favoured data on management skills and practices and the impact of both on performance. As one expert in the education sector commented: 'for some time it has been difficult to relate to these datasets'.

Representative organisations cited the least interest here; academics the greatest relative interest. Comments included:

> *'capability is fundamental to the performance of business … it's about efficiencies and the link between skills and performance … but it's not a priority focus'*

> *'between skills and practices we need a lot of work … on opportunities, freedoms and resources '*

> *'we'd like to explore this and understand the term better as there's no great definition and no sense of purpose from a policy point of view'*

> *'we need to look at employers and their needs and things like why invest or why not invest … not the what that managers are doing or capable of doing but the why'.*

Finally, the closeness of some organisations (eg some regional bodies and membership bodies) to their members and the practical nature of their role led them to focus more on other aspects of the model rather than identifying gaps to be remedied here. The priorities of the expert and their organisation made gaps here of the least current relevance.

5.5.2 Existing literature and existing evidence base

Once again taking our model as the starting point we are interested in information on capability and context. What is felt to be the capability of managers in organisations, how does this relate to development, how does it impact on practice and performance and how does it vary by context. Ideally, we would want information on subordinates perspectives of what managers do well or not well and how this varies by sector, organisational size, managers and leaders, by country.

Achieving this kind of detail suggests some common understanding of what capability is and we have seen that this is highly contentious. Perhaps less contentiously, there could be agreement on management tasks and therefore some questioning on how well managers undertake them. To some degree this is what WERS does.

In terms of context we would like information on organisational culture, the degree of freedom to act managers have, their role, job design, level of hierarchy, the management structure including the presence of support and processes.

Table 5.1: Gap analysis of existing evidence base –management capability and context

Area of interest	What we know	Limitations of data	What we would like to know
Proficiency	Degree to which managers considered proficient (NESS) from organisational perspective	Broad assessment of management capability only in NESS	Subordinate's views on proficiency
	Reasons for lack of proficiency		Key areas of skill gaps
	If SSVs in managers, then reasons eg lack of experience, lack of qualifications, lack of skills, poor attitudes etc.		Gaps in management and leadership
	Skills lacking in applicants, eg management skills		
	Impact of lack of proficiency (NESS)		Link to subordinate's motivation and engagement
	Lose business		
	Delay in development		
	Difficulty meeting quality		
	Increase costs		
	Diff introducing new practices		
	Increase work pace for others		
	Outsource work		
	Self-assessment of proficiency: How well do the work skills you personally have match the skills you need to do your present job (much higher, a bit higher, about the same, a bit lower, much lower (WERS)	Only for managers who respond to employee questionnaire	Match with employers question
	General view on management ability (Best companies)		Detailed understanding of capability and relative strengths or weaknesses
Ability to undertake specific activities	Some questions on how well managers undertake a number of tasks (WERS)	Good data	Agreement on key tasks
	Changes to the way org run, staffing, changes to own job, financial matters (WERS)		Look at quality of working life survey
	How good at seeking views, responding to suggestions, allowing to influence decisions (WERS)		Terms of employment
			Autonomy
			Interest
	Keeping everyone up to date about proposed changes/Providing everyone with the chance to comment on proposed changes/Responding to suggestions from employees/Dealing with work problems you or others may have/Treating employees fairly (WERS)		Social embeddedness
			Management support
			Opportunity for development
			Reward
			Free from

Area of interest	What we know	Limitations of data	What we would like to know
	How satisfied with respect (WERS)		
	Understanding on family responsibilities (WERS)		
Managers' approach Trust and relationships	(Best companies) Appreciation, utilises talents, live values, open and honest, inspired, trusts judgement, confidence, manager cares, sound moral principles, manager cares, support, senior managers listen, fulfil potential, role models, share knowledge	Good data	
	How would you describe relations between managers and employees here(WERS) Managers here … … can be relied upon to keep their promises … are sincere in attempting to understand employees views … deal with employees honestly … understand about employees having to meet responsibilities outside work … encourage people to develop their skills … treat employees fairly		
Context	Degree to which policy or procedure on certain matters set by managers at another workplace (WERS) Degree of freedom managers have to make decisions in certain areas (WERS) Which of certain HR matters are regularly reported to managers at another workplace (WERS) eg pay, working hours, holiday entitlement, pension entitlement, recruitment/selection, training, grievances, disciplinaries, staffing plans, equal ops, H&S, performance appraisals, recognition of TU, quality, quantity of output, major physical change in establishment, change in organisation of work, use of aptitude tests in filling management and senior posts	Good data	Organisational context, eg use of rules, support to managers from, eg the HR function, use of standards, processes, policies Size, broad and more detailed sectors, ownership, family owned, degree of competition experienced, changes taken place and expected, tenure of top team Span of control, no of management tiers, clarity of effective management, promotion of the right people

Area of interest	What we know	Limitations of data	What we would like to know
	Type, status, UK size, ownership, age of company, changes in last 2 years, (Best Companies)		
	Activity, broad sector, size, no of working proprietors (NESS)		
	What org does, no of UK sites, ownership, time in post and LOS of head of company, Age, total revenues, total pre tax profit, if subsidiary, no of staff, no of joiners and leavers, demographics, salary profile, (WERS)		
	Competition in the market, status of market, competitive strategy (WERS)		
	How quality is monitored (WERS)		
			Comparison of all these factors with other countries
			Relationship between these factors and management development, management practice and business impact and outcomes
			Separation of data for management and leadership

Source: IES, 2006

6 Management and Leadership Practice

Figure 6.1: Model – management practice
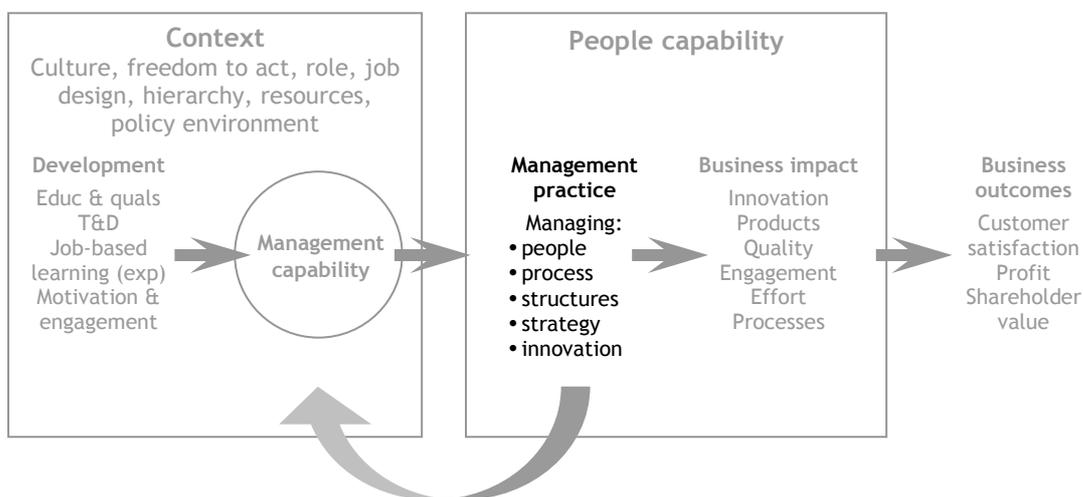
6.1 Definitions

Management and leadership practice was defined to include the key elements shown above:

Managing:

- people

- process

- structures

- strategy

- innovation

6.2 Views of our interest groups

This area was considered to be of great importance particularly to policy makers, government bodies and academics. Business interest groups and the professional interest organisations, although placing marginally more emphasis on organisational outcomes, also stressed the importance of increasing our knowledge of management practice itself.

This part of the model was referred to as 'the black box', the area of management and leadership research where the least is known or understood. Specific comments include from a policy maker 'we're vague on how things work' and from a business community representative 'just because it's got a big budget and it 'works' doesn't tell us which aspect actually works'.

6.2.1 Identified gaps

It was seen that data-capture in this area is particularly problematic and gaps were accordingly noted in particular areas of study or knowledge rather than in any available datasets or surveys.

■ Gaps were noted in the content of the research available.

For example, one academic respondent said that we still do not know enough about: innovation and promising practices, understanding choices open to and made by managers, or even management strategies and practices.

■ Gaps were also emphasised in the scope or coverage of existing studies:

'the research tends to have limited scope for example the vast majority uses a private sector model and there was not felt to be enough about public services leadership and the differences between the two'

'there has been new and interesting research such as Bloom and Van Reenan but like many studies, it focuses just on manufacturing'

'most research has been focused on the bigger companies – cannot recall one that is relevant to the concerns of smaller ones'.

■ Finally, participants emphasized that research and data – where available and accessed – in this area needed strengthening in rigour and relevance:

'there's still no good way of measuring and differentiating the good from the bad'

'a lot of research infers rather than draws firm conclusions'

'not good at capturing the informal, inside the organisation issues – our instruments for capturing softer data are not sufficiently detailed'.

There was a relevant caution from one respondent from the business community about relying solely on academic research in this area as is currently the case:

'a lot of the ideas that filter through are from business schools and are of limited use'.

6.2.2 Need for additional research

There was support for research to fill the above gaps in scope, coverage and content. Business community respondents wanted an emphasis in delivery (rather than capability itself or on proxy measures of capability). Other policy agencies referred to the need for research to unpick management practice and to aid our understanding of what sort of management matters. An academic interest was in management practice in times of change and under pressure.

6.2.3 Identified priorities

An initial priority shared by most respondents was to better understand what a manager is, what a manager does and what the difference between a good and a bad manager is. The term 'management practice' was also considered to be too vague.

An overriding shared priority was also for quality data in this area. Various recommendations included: robust, academically rigorous, empirical, integrated (or capable of being linked in a better way with other available data and research), more experimental, longitudinal, stable, objective, representative, practical and detailed.

Surveyed experts also agreed that there was a great initial need for clear useful definitions. It was felt that there would be no sense of purpose or quality research design without common terms. Those who were interested in international comparisons in particular stated that this could not take place or be improved without shared understandings, terminologies and measurements – or at least an ability to gauge where differences might lie.

Examining priorities regarding the content of data and research needed in this area, there were important differences in emphasis. Membership and representative organisations wanted forward-looking, practical data that captured the complexity of day to day management practices. Management was broadly defined by these experts but the management of employees was considered a crucial element: *'managers cannot have an impact without employees so this needs to be better integrated and the linkages recognised'*. A better connection between the academic community and practitioners was desired. Many respondents in the business community emphasised their role in reaching their constituents with this research.

Academic respondents and those in the education sector tended to refer to the complexity of management practices and to look beyond the immediate workplace in discussing their priorities for future research. The context (situational management) and the external environment (eg regulatory environment and corporate governance

structures) were two factors considered vital to a quality study of management practices. It was generally accepted by these that there are risks in defining or studying practices in too isolated or narrow a way. A further concern cited by academics, public skills agencies and some of those in government bodies was to examine cause and effect and to prioritise research that was not too descriptive.

In general those surveyed wanted information and research on management practices that was relevant to their region, sector or firm size. Research that was valued was often felt to fall short of this priority (eg focus on manufacturing or the private sector).

Across all groups there was an interest expressed in obtaining data on management practices that was:

■ more behaviourally oriented, eg what is it that a good or a bad manager actually does rather than what they think.

■ less UK-centric and more readily comparable on a number of different levels (across sectors, regions, company size).

■ sophisticated, eg differentiated between the individual, the unit and the organisation. It was felt that not all managers are the same, both between and within establishments and that there was a need to better capture the informal and actual practices and processes within the workplace. Equally it was felt that not all managers matter in the same way and that there was a need to take the research emphasis off leaders and elite managers and to focus on middle and front-line managers.

■ focused on impacts and effective management practices.

■ accessible.

An overall goal in considering needs and priorities was to obtain data that allowed companies to better understand and benchmark current practices and to improve future practices of managers at various levels and at various stages of their careers. One academic noted that 'we could do a lot more interesting work if we had data here'. Across all groups surveyed it was felt that changes in management practices – whether to reinforce 'good' practices or attempt to eliminate 'bad' practices – could not take place without a strong evidence base and useful metrics.

6.3 The evidence base

6.3.1 The lack of uptake and application of best practice

Following the Porter and Ketel's review of UK competitiveness, the Advanced Institute of Management (AIM) conducted a systematic review of the literature on

adoption of best practices in the UK[1] which confirmed that there is a poor level of adoption of promising practices in UK organisations in the manufacturing sector (eg Total Quality Management and Supply-Chain Partnering). It noted there is a lack of evidence for other sectors.

The AIM report identified the level of management knowledge as a key driver for the adoption of best practice, referring specifically to top management and executive training and attendance of management at workshops and professional events. The main finding of the review was, however, that there is no such thing as a 'one size fits all' best practice. The adoption and application of best practice is subject to the interactions of institutional factors (eg supply chain dynamics, technological drivers, regulation) and circumstances (eg needs, critical events, opportunities and whether they fit in with the firms' improvement plans). In view of the complexity of the process of adopting best practice, the review noted that it was not clear how UK companies differed from major competitors in the management of adoption efforts.

Leseure et al., 2004, explored the adoption of promising practice and suggested that successful adoption needs both push and pull factors and a staged approach to implementation.

Bloom and Van Reenan (2005) explored the use of management practice in a number of medium sized manufacturing organisations in US, France, Germany and the UK. They found that the usage of management practices were strongly associated with business performance and varied significantly by country. The US firms on the whole were better managed. Two key elements affected performance: the degree of product/market competition (positively associated with performance) and whether ownership passed to the eldest son (negatively associated with performance). These factors account for around two thirds of the Europe/US performance gap.

There have been various studies which have also explored the role of quality standards in raising performance. Amongst these, for example, have been studies that evaluated the impact of the Investors in People Initiative. On the whole these studies have found positive performance outcomes (eg the Hambledon Group, 2000[2]; Hillage and Moralee, 1996[3]).

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[1]   Bauer et al., 2003.

[2]   Hambledon Group (2000), *Corporate Financial Performance Observed Before and After Investors in People Recognition*, DfEE, 222

[3]   Hillage J and Moralee J (1996), *The Return on Investors*, IES Report 314, Brighton: Institute for Employment Studies

6.3.2 Business Strategy and the low skills equilibrium

A number of commentators suggest that UK managers adopt less effective corporate strategies. Porter and Ketel's (2003) argue that UK companies compete less on unique value and innovation than other advanced countries even when there are good business reasons for them doing so. *'UK managers might either fail to understand the opportunities of competing in premium segments, or might indeed be better at low cost processes, products, and services'*. The concern here is that in view of rising competition with firms in lower cost economies, such a strategy can only be sustained by off-shoring low value added activities.

There has been considerable debate regarding the UK tending to adopt low added value, low skill business strategies. The phrase 'low skill equilibrium' first coined by Finegold and Soskice (1988)[1] describes an economy *'in which the majority of enterprises staffed by poorly trained managers and workers produce low quality goods and services'*. The essence of a low or high skills trajectory is that the goals and product market strategy of the company, product quality, HRM systems, work organisation, work design, management skills and skill demands are intimately bound together and interrelated. Any attempts to upskill and move an organisation up-market will depend on firm modernisation, innovation and new technologies and products, organisational change and the re-organisation of work.

6.3.3 Linking management practice to firm performance

There is a vast literature that purports to demonstrate a linkage between management practices and firm performance (see, for example, Tamkin, 2005; Tamkin et al., 2006). An evolving understanding of high performance work systems suggests that they generally focus on high skill requirements, discretion at work, team working and incentives enhancing organisational commitment (Batt, 2002; Delaney and Huselid, 1996).[2]

Whilst there is considerable evidence that there is an association between adoption of practices and business performance there is still considerable debate about how such a link operates in practice. For example, there is mixed evidence regarding the degree to which it is practices *per se* which make the difference as opposed to practices aligned to the specific needs and demands of the organisation or aligned with each other (eg

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[1] Finegold D, Soskice D (1988), 'The Failure of British Training; Analysis and Prescription', *Oxford Review of Economic Policy*, Vol. 4, No. 3

[2] Batt R (2002), 'Managing Customer Services: Human Resource Practices, Quit Rates and Sales Growth', *Academy of Management Journal* 45: 3; Delaney J T, Huselid M A (1996), 'The impact of Human Resource Management Practices on Perceptions of Organisational Performance', *Academy of Management Journal* 39:4

Huselid, Jackson and Schuler, 1997).[1] This latter perspective would seem to align with some of the models in the competitiveness literature regarding how competitive advantage is conferred such as the resource based view of the firm (Barney, 1991).[2] This suggests that the implementation of people management practice is as critical, if not more so, than the design and therefore places managers in a key position. Support for this view is found in a CIPD study completed by Purcell et al. (2003)[3] which suggested that discretionary performance depends three factors: the skills of the workforce, the degree to which they are motivated and the opportunities provided by the organisation for them to deploy their skills. Management practice is unsurprisingly a major input to each of these.

The work of Bloom and Van Reenan explored a number of practices, some of which are predominately manufacturing based but provide an interesting base for future research:

- introduction of modern manufacturing techniques, eg just in time, automation, flexible manpower, support systems, attitudes and behaviour, and the rationale for their introduction

- process problem documentation and performance tracking and review

- performance clarity and dialogue

- target balance and interconnection

- target time horizons and flexibility

- managing human capital including the reward of high performance, attracting, retaining and promoting high performers and removing poor ones.

These practices were found to correlate with firm performance with UK firms generally underperforming especially with regard to those from the US.

It is noted (eg Munshi et al., 2005) that the role of management and leadership in the innovation process is unclear and research is still in its infancy. These authors suggest that innovation involves both the process of managing exploration and exploitation and that different management and leadership styles may be important for each. They suggest that motivational, transformational styles are more important for the adoption of radical innovation, whereas a transactional style with an emphasis on structure, systems and processes is of more value for incremental innovation. In effect they

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[1] Huselid M A, Jackson S E and Schuler R S (1997), 'Technical and Strategic Human Resource Management Effectiveness as Determinants of Firm Performance', *Academy of Management Journal*, 40:1

[2] Barney J (1991), 'Firm Resources and Sustained Competitive Advantage', *Journal of Management*, Vol. 17

[3] Purcell J, Kinnie N, Hutchinson S, Rayton B, Swart J (2003), *Understanding the People and Performance Link: Unlocking the Black Box*, CIPD

suggest that attention to systems and processes is vital in terms of building on ideas or bringing ideas to market whereas motivation is important for creative thinking.

6.3.4 Conclusion from the literature

The research into management practice is relatively new but is interesting. At present it is limited in terms of the sectors investigated and the methodology is complex and time consuming to undertake, but initial findings suggest more detailed data would be valuable. The advantage of the research to date has been that it has taken an international focus.

The literature on people management practice and organisational performance is of longstanding. It has however tended to focus more on numbers of practices than on their integration within the culture and strategy of the firm. It has also tended to amalgamate practices into a single index for analysis purposes so that it is difficult to unpick particular bundles and their contribution.

The most recent research has thrown the spotlight onto management practice as an important link in the chain from management capability to firm performance.

More detailed analysis would be particularly useful.

6.4 Existing survey contribution

WERS is the large study of most relevance (and most frequently cited by our group of experts) when considering management practice. A further study is the Best Companies Survey.

6.4.1 WERS

WERS employers survey: relevant questions

- Is this workplace covered by a formal strategic plan which sets out objectives and how they will be achieved?

- Which of the following issues are covered in the plan?

  employee development

  employee job satisfaction

  employee diversity

  product or service development

  improving quality of product or service

  forecasts of staffing requirements

  market strategy/developing new products

- Are you accredited as an Investor in People?

- Which best describes your approach to filling vacancies at this workplace?

    internal applicants only

    internal applicants preferred

    internal and external treated equally

    external preferred

    external only

- What factors are important when recruiting new employees

    references

    availability

    recommendation

    skills

    age

- qualifications

    experience

    motivation

    other

- Any procedures to encourage applicants from women returners, all women, ethnic minorities, older workers, disabled, long-term unemployed.

- Use of personality or attitude tests and for which groups, use of competency or performance tests.

- Induction programme and time taken for largest occupational group.

- Proportion of largest occupational group trained off the job.

- On average how many days of training did the LOG experience?

- Did the training cover any of:

    computing skills

    team working

    communication skills

    leadership skills

    operation of new equipment

    customer service

    health and safety

problem solving methods

equal opps

reliability and working to deadlines

quality control.

improve skills already used in current job.

- Did the training have any of the objectives:

    extend skills in current job

    provide skills needed to move to different jobs

    obtain IiP status

    increase understanding of or commitment to organisation

    other.

- What proportion of LOG are trained to do jobs other than own?

- What proportion do other jobs at least once a week?

- To what extent would you say that the LOG have:

    variety in their work

    discretion over how they do their work

    control over pace of work

    involvement in decision over how work is organised

    what proportion of LOG work in formally designated teams.

- If no, then how best described:

    team members depend on each other's work to be able to do job

    tasks or roles rotate among members of the team

    team members are able to appoint their own team leaders

    TMs jointly decide how work is done

    teams given responsibility for products or services.

- Do you have meetings between managers and whole workforce?

- How often do senior managers communicate face to face with the whole workforce?

- What is discussed: production/employment/finance/future plans/pay/leave/flexible work arrangements/welfare, govt regulations/work organisations/health and safety/equal ops/training?

- Do you have team briefings? If so how frequent? What is discussed … (as above)?

- Do you have consultative committees? What is discussed … ?

- Do you have problem solving groups? Are they finite or permanent? What proportions of non-managerial employees are involved in them?

- Have you conducted formal survey of employees views in last two years?

- Other communication systems used:

  notice boards

  cascade

  suggestion schemes

  newsletters

  email

  intranet

  other.

- Does management give employees info about:

  Internal investment plans?

  Financial position of establishment?

  Financial position of whole organisation?

- Staffing plans.

- In what staff groups are there union members, attitudes to unions, number recognised, no of reps, use of union learning reps, non-union reps, negotiate, consult, inform: on Rates of pay, Hours of work, Holiday entitlements, Pension entitlements, Selection of employees, Training of employees, Grievance procedures, Disciplinary procedures, Staffing plans, Equal opps, Health and safety, Performance appraisals, Rates of pay, Hours of work, Holiday entitlements, Pension entitlements, Recruitment or selection of employees, Training?

- What occupational groups receive payment by results?

- What proportion of non-managerial employees receive PBR?

- What measures of performance are used: individual output, group output, workplace measures, org measures?

- Use of profit related pay, occupational groups involved, percentage of non-managerial groups receiving profit related pay?

- Use of employee share schemes, occ groups involved, percentage of non-managerial groups receiving?

- Use of formal job evaluation, method used?

- How often base pay reviewed, impact of last review, any difference in award for managers/non-managers, how compared with others in industry, locality?

- What influences award: changes in cost of living, ability to recruit or retain, financial performance, productivity, industrial action?

- Who involved in determining pay rises: managers at workplace, managers elsewhere, directors, employer association, union reps, non-union reps, pay review body?

- How pay is set for different groups of staff?

- Which aspects of terms and conditions are made available to LOG from payment terms, hours of work, sick leave arrangements, grievance and disciplinary procedures, training opportunities, holiday entitlements?

- Entitlements (LOG and managers) to pension, car, private health care, >four weeks holiday, sick pay >statutory?

- Who gets appraisal and proportion of staff, how frequently, by whom, does it include training needs, pay link?

- Is there a grievance procedure and how operates, is there a discipline procedure and how it operates?

- Is there a formal written policy on equal ops or diversity, what does it cover?

- Is recruitment/selection, promotion, pay, monitored by gender, ethnicity, disability, age?

- Flexible working arrangements, and who is eligible, maternity leave, paternity leave arrangements, caring arrangements?

- Use of health and safety representatives?

- Is there a policy of guaranteed job security?

- Use of working time arrangements (shifts, annualised hours, zero hours)?

- Does the workplace operate systems designed to minimise inventories, supplies or work in progress, has the workplace obtained BS 5750 or ISO9000?

- How do you monitor quality of work (managers, inspectors in separate department, individual employees, keep records on faults/complaints, customer surveys?

- Are any records kept on sales costs, profits, labour costs, productivity, quality, labour turnover, absenteeism, workforce training?

- Does establishment have targets for any of these (volume of sales, total costs, profits, ROI, unit labour costs, productivity, quality, labour turnover, absenteeism, workforce training, employee job satisfaction, customer satisfaction?

- Which if any of these set at a higher level in the organisation?

- Any set in consultation with employees or representatives?

- Over past two years have you introduced performance related pay, upgraded computers, upgraded or introduced other new technology, changes in working time arrangements, changes in the organisation of work, changes in work techniques or procedures, introduction of initiatives to involve employees, introduction of technologically or significantly improved produce or service?

WERS employees survey: relevant questions

- During the last 12 months, have you discussed any of these with your supervisor/line manager? (how you are getting on with your job/your chances of promotion/your training needs/your pay/none of these)?

- How often are you and others working here asked by managers for your views on any of the following? (Future plans for the workplace/Staffing issues, including redundancy/Changes to work practices/Pay issues/Health and safety at work)?

- If you needed any of (flexi-time, job sharing, reduction in hours, working from home, change work patters, changing pattern of work, term time only, parental leave, workplace nursery) would it be available?

- If needed time off to care for someone how would you do it? (Paid holiday, special paid leave, make up for lost time, unpaid leave, sick leave)?

6.4.2 Best Companies

Best Companies Company Questionnaire: Relevant question areas:

- context questions eg IiP status

- terms and conditions and working practices

- policies and procedures eg on equal opportunities

- communicating with employees

6.4.3 SfBN Employer Survey relevant questions:

- To the best of your knowledge … Is this specific workplace covered by a formal, written business plan which sets out this establishment's objectives and how they will be achieved … ?

- I'm now going to read you a list of statements about the extent to which your establishment currently focuses on a number of different objectives and priorities. For each please tell me if it is a major focus, a minor focus or is it not something you are particularly focusing on at all:

  reducing the labour costs that this establishment incurs

  reducing other costs of production and/or service delivery

reducing other costs of production and/or service delivery

developing new products and services

developing the skills of the people who work here

meeting legislative and regulatory requirements

improving our reputation in the local community through activities such as sponsorship, voluntary work or working with local charities.

- Provision of training and development opportunities to staff:

    induction training

    health and safety

    job specific training

    supervisory training

    management training

    training in new technology

    training in foreign languages

    IT training.

- Have you funded or arranged training in generic skills for employees at this location over the past 12 months?

- Have you used any of the following methods or approaches to develop the skills of your employees:

    supervision structures to ensure that employees are guided through their job role over time

    opportunities for staff to spend time learning through watching others perform their job roles.

- Allowing staff to perform tasks that go beyond their strict job role, and providing them with feedback on what they have done right or wrong.

- Does your establishment:

    conduct training needs assessments

    conduct staff appraisals

    have a training plan that specifies in advance the level and type of training your employees will need in the coming year

    have a budget for training expenditure which specifically covers training spend for this site

    have formal procedures in place for employee consultation (such as a staff association or employee forum)

    give employees information about the financial position of the establishment

    consult with trade unions for reasons other than negotiations about pay and conditions

formally assess the performance of employees who have received training and development

create teams of people, who don't usually work together, to work on a specific project?

- Does your establishment have any of the following pay and incentive schemes for your employees:

  bonuses that are based on the overall performance of the company

  individual performance related

  flexible benefits

  share options for employees?

- Can you please tell me whether you agree or disagree with the following statement:

  'the Human Resources strategy of this establishment is closely linked with our overall business strategy'

  'the Human Resources strategy of this establishment is independent of, and not derived from, our business strategy'?

6.4.4 CMI Survey

- resourcing practice

- succession planning

- talent management

- use of competencies

- performance appraisal

6.4.5 NESS

- percentage of staff with formal job description

- percentage formal appraisal

6.5   Gap analysis

6.5.1 Respondents

Respondents were either not aware of this data, did not access it (because it was not considered relevant or useful or because they did not have time given the day to day demands of their jobs) or carried out their own analysis in this area. As most did not engage directly with these data sources, perceived and reported gaps have therefore been included in the discussion of research/data priorities above (see Section 5.2.3).

6.5.2 Existing literature and existing evidence base

In exploring management practice we are interested in the things managers do to manage people, process, structure, strategy and innovation. It is a fine point to distinguish between what manages do and how well they do it. How good managers are perceived to be at communicating with employees for instance, might be considered a measure of management capability, whereas the processes they have in place to communicate might be better considered a measure of management practice.

On the whole these practices can be seen to be a mix of managing people and managing process and relatively little on managing strategy, innovation or structure.

Table 6.1: Gap analysis of existing evidence base –management practice

Area of interest	What we know	Adequacy of the data	What we would like to know
Managing strategy	Presence of business plan and what it covers WERS/SfBN Focus on cost reduction SfBN Focus on developing new products/services SfBN Training plan SfBN	Tend to focus on presence or absence rather than what it covers	The difference between practice in policy terms and practice in application
Managing people	**Recruitment** Approach WERS Resourcing practice CMI Succession planning CMI Talent management CMI	More involved issues such as succession only covered by CMI	Ability to attract talent processes to retain people
	Communication Communications from senior managers WERS What discussed Team briefings Employee surveys WERS/ Best Companies Information system used WERS Information given WRES/ SfBN Methods of communication Best Companies	Good coverage in WERS	

Area of interest	What we know	Adequacy of the data	What we would like to know
	Performance management Pay systems used and for whom WERS/ Best Companies/ SfBN Measures of performance used WERS Who is appraised WERS % of staff appraised WERS/NESS Policies on grievances WERS Discussions on performance, development needs, progression and pay WERS Use of 360 Best companies Processes for Staff appraisals SfBN/BC Performance related pay schemes Flexible benefits Best companies Pension schemes	Good coverage of processes, ideally would also want some coverage of quality. Little mapping against Bloom and Van Reenan's practices	Quality of performance dialogue Consequence management (there are processes which respond to problems in individual capability Use of targets and their spread Target time horizon Performance clarity Reward for high performance Removal of poor performers or processes for dealing with poor performers
	Flexible working Family friendly approaches WERS/ Best Companies Working time arrangements WERS Average hours WERS/Best Companies Holiday entitlements Best Companies	Existence of policy but no measure of take up	
	Ethics Formal policy on EO WERS H&S WERS/Best Companies Job security Equal pay Best Companies Monitoring Best Companies Maternity/paternity Best Companies, WERS Formal statement of benefits Best Companies Focus on CSR SfBN		
	Involvement Formal consultation procedures WERS/ SfBN Trade unions WERS	WERS good data	

Area of interest	What we know	Adequacy of the data	What we would like to know
	Skills	Methods of development and policies around assessing need and evaluating impact only covered in SfBN	
	% trained WERS		
	Number of days WERS		
	What covered WERS		
	Objectives WERS/ SfBN		
	IiP WERS/Best Companies		
	Focus on skills development SfBN		
	Methods of development SfBN		
	Use TNAs SfBN		
	Assess performance of those trained SfBN		
	IiP WERS Best Companies		
	ISO 9000 Best Companies		
Managing process	Problem solving groups WERS	Little information on wider process management or some of the issues raised in Bloom and Van Reenan not explored	The influence of process in service organisations
			Performance tracking (the degree to which key performance indicators are identified, tracked and acted upon
			Process problem documentation (degree to which the organisation surfaces problems and deals with them
Managing structure	Multi-skilling WERS	Good data from WERS	Which processes are important for managing structure
	Variety/discretion/control		
	Team working structures		
	The influence of structure WERS		
	Use of project teams SfBN		
	% staff with formal job description NESS		
Managing innovation		No data	Relevant processes in terms of managing innovation

Source: IES, 2006

7 Impact on Organisational Performance

Figure 7.1: Model – business impact and outcomes
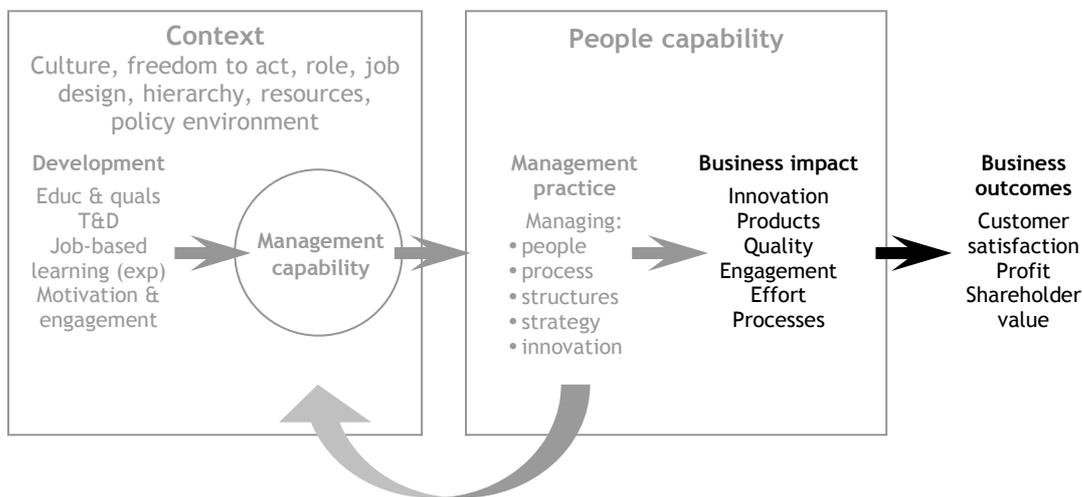
Source: IES, 2006

7.1 Definitions

The *impact of management capability on organisational performance* was defined to include the key elements shown above:

■ business impact: innovation; products; quality; engagement, effort, processes

■ business outcomes: customer satisfaction; profit; shareholder value.

7.2 Views of our interest groups

We asked respondents their views on the ways in which management and leadership matter. There was considerable consensus amongst participants in focusing on 'the bottom line' and organisational performance more broadly defined. It was generally agreed that good management and leadership leads to organisations being more productive, effective and competitive.

Interviewees detailed comments varied according to the remit of their organisation. Both management membership institutes referred to the impact of good M&L on the working environment and to the important benefits which capable managers bring to the quality of working life. Both interest organisations referred to the role managers play in maximising employee performance and satisfaction. Skills bodies and some policy interviewees also referred to the importance of people management as a key 'management matters' factor. An interviewee in the education sector referred to the way in which management impacts upon student learning and outcomes.

It was also generally felt that although this relationship between good M&L and the bottom line is important, we are far from knowing how and in what ways M&L capability impacts. Most agreed that there were many factors at play and that this relationship was a complex one which whilst regularly addressed had never been satisfactorily understood. Several participants expressed a need to establish this relationship, and to gain a fuller understanding of it, in order to progress policy and justify investment.

7.2.1 Identified gaps

Two important areas which our experts thought were under-researched were:

1. the role of management capability in business performance

    a. this was considered to be crucial by most. The point was made that we need a quantified and not an anecdotal link, and

2. the relative performance of UK managers.

Although most expressed an interest in this ('we keep a watching eye') several said that there is not enough time to take on board this aspect in their work. One interviewee said that we need a common set of indicators before this would be a useful exercise.

Most participants – across all groups but notably less so in the business community – were, however, happier criticising the available research on organisational performance as they found it had some important gaps:

> *'most research begs more questions than it answers'*

> *'very few if any really look at the effect on the bottom line which would be very useful'*

> *'research that's out there doesn't get beyond the headlines that X leads to Y but not how …'*

> *'the difficulty is that there is nothing conclusive. Does investment lead to business benefit? We don't know enough about M&L and productivity or about cause and effect in the field as a whole.'*

7.2.2 Need for additional research

Some participants did not want additional research if it was more of the same:

> *'there's not much point in getting yet another study about the fact that UK managers don't aid performance … need to know why.'*

Overall, however, there was support for additional research if good quality. Guidance as to what constitutes good research in this area was given by some: *'it unpicks what works and what doesn't … it's empirical'* or *'[it] sets out a framework … a way of thinking about the impact of management'*. As one respondent noted: *'we still don't know enough about M&L and productivity or about cause and effect in the field as a whole.'*

An academic respondent suggested more research was needed on the productivity gap in the UK and on high value added versus low cost competing as recent research seems to be showing an increase in the number of multi-national companies choosing the UK as a base or site.

One membership organisation respondent felt that better research and data in this area could also be used to improve policy-making and levels of capability in general in the workplace and reinforce the point that the investment is worthwhile and necessary. Data could drive the demand for investment in learning in this way. And better management capability will improve the bottom line and facilitate more investment in management skills. As a caution, however, this respondent also pointed to the intangible benefits that come from investment in M&L training and development said that simple ROI calculations might be misleading or counterproductive. This was a point echoed by the representative institutions and those in the public sector.

7.2.3 Identified priorities

For some experts this area was considered to be the biggest gap – linking development and capability to the bottom line. For most it was a clear priority.

Participants – especially membership and interest organisations – wanted performance to be broadly defined and to include many intangible factors. They suggested including factors such as the quality of working life, employee job satisfaction and wider social implications. Those in the business community stressed that a business-case needs to be made for investment in any area and that clear, straight-forward research which could be communicated widely would help to increase management and leadership development and capability.

Public sector experts (ranging from local government and the NHS to the education sector) and those within the SME group referred to a more complex notion of 'performance' and wanted different measures of success to be considered: for some shareholder value was irrelevant and needed to be replaced by other outcomes more important to them. Research was needed by some in this group to improve policy development and reinforce the importance of investment for a variety of reasons.

Those in the academic community expressed a greater interest in much narrower operational definitions and testable hypotheses. One noted that we have been looking at this for years and are still no further forward in terms of explaining cause and effect.

Public agencies, particularly in the skills field, emphasised the need for data and research that would finally and hopefully definitively make the case that 'skills pay'. In the absence of this proof they at least wanted research into the risks of not investing in management and leadership development in terms of profits and organisational outcomes – an investigation into the opportunity costs attached to non-investment.

A general priority was for research that allowed comparisons – across companies, regions, sectors and on an international basis. It was felt that understanding differences in outcomes would provide useful incentives for revisions in learning and development strategies. This was an important priority: to learn not just about what works but also what does not – ultimately to make relevant adjustments in strategy and investment over the long-term. One business commentator said: *'we need to know how to change things where ML is not impacting on the bottom line – not just what to do but what to avoid and how to secure better outcomes'*.

Experts wanted research and data in this area that had a 'better capacity to reach the end audience', was honest about its limitations, and could 'drive the demand for investment in learning'.

We do not in this chapter present the existing evidence base as all evidence linking management development, capability or practice to business performance has been covered in the relevant previous chapters.

7.3 Existing survey contribution

There is relatively little linkage in existing surveys between management and performance, a few do record business outcomes, eg WERS, CMI and NESS to differing degrees of objectivity.

7.3.1 NESS

- Generally speaking, thinking of ALL hard-to-fill vacancies you are currently experiencing, how much of an impact are hard-to-fill vacancies having on this establishment?

- Generally speaking, are hard-to-fill vacancies causing this establishment to:

  lose business or orders to competitors

  delay developing new products or services

  have difficulties meeting quality standards

  increase operating costs

have difficulties introducing new working practices

increase workload for other staff

outsource work?

7.3.2 WERS

- What percentage of operating costs/sales revenue is accounted for by wages etc.?

- To what degree does demand depend on lower price/better quality/what two factors are most important to competitive success (offering a complex product or highly skilled service, offering a product or service with unique features, developing new products or services, customising to meet the needs of particular customers, maximising availability or minimising delivery times, offering a high level of customer service)?

- Has organisation benchmarked against other companies (other in industry, other establishments in same organisation, establishments located overseas)?

- Compared with other establishments in the same industry is initial performance, labour productivity, quality of product or service (a lot better, better, average, below, a lot below)?

- Which of these has had the greatest impact on employees working here?

- Rate relationship between employees and management (very good ….neither ….very poor).

7.3.3 WERS data sheet

- turnover

- number of full and part time employees

- value of owned and leased assets (buildings recorded separately)

- total capital expenditure

- purchases of goods materials and services

- total employment costs

- percentage of total current expenditure on R&D.

7.3.4 CMI

- compare performance with competitors in terms of quality, innovation, attracting staff, retaining staff, customer satisfaction, employee relations, financial performance, productivity

- degree to which influenced by management development.

7.4 Gap analysis

7.4.1 Respondents

Respondents were either not aware of this data, did not access it (because it was not considered relevant or useful or because they did not have time given the day to day demands of their jobs) or carried out their own analysis in this area. As most did not engage directly with these data sources, perceived and reported gaps have therefore been included in the discussion of research/data priorities above (see Section 6.2.3).

7.4.2 Existing literature

As we have noted, there is now a wealth of studies which report a correlation between the adoption of people management practices and business performance measures. On the whole these have tended to focus on whether a practice is used by the firm or not rather than the degree to which a practice is adopted or the quality with which it is undertaken. The emphasis has rarely been on the role of the line manager.

There is also rather mixed evidence as to whether it is the number of people management practices used within organisations which makes the difference as opposed to the kinds of practices and whether they align together to form a coherent bundle or indeed if they align with the business strategy and context of the organisation.

Table 7.1: gap analysis of existing evidence base – impact and outcomes

Area of interest	What we know	Adequacy of the data	What we would like to know
General	People management practices are linked to firm performance	One offs Little evidence of causality Little definitive evidence on bundles	Impact on the bottom line Causality What has greatest link Separation by size of organisation Tailored to sector Number of practices or bundles or practices Practices versus implementation
Impact on people	Impact of hard to fill management vacancies NESS Relative labour productivity WERS/CMI Relationship between employees and management WERS Increase workloads (SSVs) NESS Relationship between employees and management WERS	Narrow focus, little linkage to other aspects of the chain WERS data available for some performance areas but not all	Business Productivity Engagement Absence Employee turnover

Area of interest	What we know	Adequacy of the data	What we would like to know
	Compare performance in retaining staff and employee relations CMI		
Impact on products and processes	Relative quality WERS Lose orders due to SSVs NESS Difficulty meeting quality (SSVs) NESS Increase costs NESS	Little on cost or speed of production	Quality changes Cost of production Speed of production Quality standards
Impact on structures	Outsource (SSVs) NESS	Very little data available	Introduction of new structures, impact on costs Acquisitions or takeovers Impact on performance
Impact on innovation	Delay developing new products, introducing new practices due to SSVs NESS Rate relative performance in terms of innovation CMI Spend on R&D	Little broad data available	Link to development and success of new products or services Number of patents % of turnover accounted for by products/services introduced in last 2 years
Financial outcomes	Relative financial performance WERS/CMI Financial performance Q from WERS Turnover Value of assets Capital expenditure Purchase of goods, materials and services Employment costs	WERS financial performance questionnaire 47 per cent response rate	Absolute financial performance over time
Customer outcomes	Relative customer satisfaction CMI	Limited measures used	Customer satisfaction, customer retention, repeat business, new customers
Shareholder outcomes		No data	Dividends, shareholder value

Source: IES, 2006

Part 3: Conclusions and Recommendations

We present our conclusions from our analysis in three sections:

1. Summary of existing sources and conclusions regarding coverage of our management model.

2. Recommendations for improving existing surveys.

3. Recommendations on a bespoke survey.

8 Analysis of Contribution of Existing Surveys

In this chapter we take an overview of the various relevant data sources discussed in earlier chapters and how they map against our chain of impact – from the development of management and leadership capability, influencing capability itself, which in turn influences management practice, which affects outcomes and which in turn will impact on bottom line business performance. For each section we explore the degree to which the data sources map against the chain both in terms of question coverage and sample adequacy. We also evaluate the general properties of each of the surveys before debating the advantages and disadvantages of expanding existing surveys and explore the option for a new survey.

8.1 Data coverage

In each of our chapters we have addressed specific elements of the model and presented the data which is available and an overview of what data is needed from the perspective of our interviewees and our review of the literature. In each case there is a mismatch between what interviewees would like and what is available and also gaps visible from the literature. We have chosen to focus on the model (and gaps in relation to that) instead of structuring our analysis around the identified gaps in research and data. Our expert interviewees in general felt more comfortable criticising the available datasets that were familiar and regularly accessed (typically relating to the development of capability) and tended instead to outline priorities and needs in relation to later aspects of the model. An analysis structured around gaps in the literature or data would not do justice to their comments and views across the chain and to the general consensus that the model captures and expresses the key elements of capability under study in this research.

The key thing about the model is that it looks at impact along a chain and therefore data must be linkable across the chain to get full value. Ideally, one source would gather data for each element of the chain and therefore enable analysis across it. To

explore this we present a matrix below of the chain and the degree to which each of the data sources we have explored provides data against it.

We have done this in two ways; firstly our 'at a glance' table below (Table 8.1) shows which parts of our model the various data sources provide some evidence against. The darker the shading, the more detailed the evidence available in terms of both the numbers of questions asked and the degree to which data is sought for different populations or at finer levels of detail. Secondly, our much more extensive table (Table 8.2) provides detail of the data available in each cell of the matrix. In this analysis we are focused on the quality of the questioning of relevance to our model. We will later look at the comprehensiveness and representativeness of the sample. It is clear that some of the data sources are much more extensive in terms of their existing fit against the model than others and therefore options for extending their reach need to take this into account.

Table 8.1: Mapping existing data sources against IES model

Data source	Developing management capability	Management capability	Context	Management practice	Business impact	Business outcomes
LFS	Good					
GHS	Some					
BHPS	Satisfactory					
SfBN				Satisfactory		
NESS	Some	Satisfactory	Some	Some	Some	
CMI	Satisfactory		Some	Satisfactory	Some	Satisfactory
Best Companies		Satisfactory	Satisfactory	Satisfactory		Some
SkillsinBritain	Satisfactory			Some		
WERS	Some	Good	Good	Good	Satisfactory	Some

Good coverage = ■   *Satisfactory coverage =* ▨   *Some coverage =* ▢   *No coverage =* □

Source: IES, 2006

From this analysis it is clear that the most comprehensive coverage is provided by WERS, followed by Best Companies and the CMI management development survey, followed by NESS.

Looking more specifically at each area of the model, the following table highlights what information each data source provides.

Table 8.2: Detailed examination of data sources against model

Data source	Developing management capability	Management capability	Context	Management practice	Business impact	Business outcomes	Issues
LFS	Qualification Subject When Where Current study Training amount						Also covers self-employed
GHS	Highest qualification Any current enrolment						Also covers self-employed
BHPS	Education in last year Where Why Time spent If leads to qualification Any qualifications Satisfaction with job etc.	Date started present position Why left job in last year					Also covers self employed
SfBN				Business plan Strategic focus Staff training kinds provided Means of developing staff TNAs/appraisal/budget/consultation procedures/give employees financial info/consult with TUs other than pay and conditions/assess performance of those trained/ teams/incentive schemes IiP/ISO 9000			Yes/no rather than % of staff covered
NESS	Budget use of Training Needs Analysis (TNA) % managers trained	Proportion of managers fully proficient If managers hard to fill vacancies then why Skills difficult to find in applicants (including	Business plan Training plan Sector Size Working owner	% Job Descriptions % appraisal evaluate training	Impact of hard to fill vacancies on losing orders, delays, quality, costs, new practices, workload, outsourcing		Questions on skills gaps only asked if management is mentioned and is one of a maximum of two roles explored Questions on vacancies

Data source	Developing management capability	Management capability	Context	Management practice	Business impact	Business outcomes	Issues
	managerial)						only asked if managers identified as hard to fill vacancy
	If managers picked then Qs on reasons for skills gaps, skills which need improving						
	Impact of lack of proficiency						
CMI	Approach Short- or long-term How TNA What skills developed Formal and informal processes used How impact assessed		Sector Size Management population Growing? HR on board?	Business strategy Link to HR Resourcing strategy Talent management Competencies Appraisal Succession planning	Qs on influence of development	Comparative performance on quality, innovation, attract/retain staff, customer satisfaction, employee relations, financial, labour productivity	Uniquely about management development rather than development of managers
Best Companies		Feedback, being trusted, ethical, caring, supportive, inspiring confidence, listens, developmental, communicates	Length of Service, Time in post of leader Age of company Status Ownership Size Demographic profiles Av hours worked per week	360 degree feedback Hours EO policy Pay reviews, pay audits holiday non pay benefits Values Communication attitude surveys		Total pre-tax profits/total revenues	Competition and therefore not representative
Work Skills in Britain	Qualifications held length of training time required Length of learning time required	Elements of skills that are important including under- and over-utilisation of skills	Characteristics of organisation relevant to demand for and development of skills Changes in workplace associated with skill demands of jobs Pay questions	What job actually entails including task discretion and IT skills Captures info on some managerial practices: motivating staff; coaching staff; developing staff careers; resource control and strategic thinking Differentiated by male/female and part-time/full-time			Focus is more on the job than on the person who fills it Focuses on the stock (rather than the flow) of skills in use at workplaces Captures managerial skills by those not necessarily classified as managers

Data source	Developing management capability	Management capability	Context	Management practice	Business impact	Business outcomes	Issues
WERS	Amount in last year qualifications Length of Service	How good are managers at communication, influence, involvement. Trustworthy, respect, honest, family friendly, developmental, fair Management employees only match between skills and job demands	Size, sector, ownership, age, Freedom to act on range of HR practices Changes in last 2 years IR/ER climate Working owner Injuries absence Outsourcing/in sourcing Hours or work Flexible labour Competitors Competitive strategy Changes in last 2 years, eg new technology, working time arrangements	Strategic plan, what covers IiP? Resourcing strategy, use of tests % of LOG trained off job How many days, what covered Objectives for training Multi-skilling Autonomy of employees Team working Communication Consultation Employee survey Reward approaches Benefits Appraisal – who, how often Equal ops Job security Flexible working BS 5750/ISO 9000 Quality systems, records targets	Absence Relationships with employees	% operating costs staff costs Comparative financial, quality, labour productivity, performance	Qs on development only for employees who are managers Management practice questions are supported by Qs to employees on appraisal, training needs, communication, flexible working, time off for caring

Source: IES, 2006

8.2 Overall assessment of existing surveys

Each of the surveys considered has different characteristics, in terms of sample size and the method in which the sample is drawn. Table 8.3 identifies the more salient of these characteristics in identifying the broad advantages and disadvantages of each survey.

Table 8.3: Advantages and disadvantages of data sources

Survey	Pros	Cons
LFS	✔ large sample ✔ in-depth data on training and qualifications	✘ no link to organisations
GHS		✘ limited applicability
BHPS	✔ panel element allows longitudinal tracking ✔ good data on learning and qualifications ✔ data on attitudes	✘ relatively small sample size ✘ management only small sub sample ✘ little organisational linkage
SfBN	✔ data on HPWPs	✘ limited or no data on other aspects of the chain
NESS	✔ large sample ✔ some organisational context	✘ limited focus on management
CMI	✔ directed specifically at management development ✔ range of unique questions on types of development, ethos and focus	✘ small sample ✘ not readily available data ✘ front of chain only
Best Companies	✔ good data on staff attitudes to management and leadership	✘ limited and self selecting sample ✘ small sample
Work skills in Britain	✔ good data on the distribution and trend of broad skill requirements ✔ rigorous methodology ✔ longitudinal – repetition of identical questions ✔ random representative sample ✔ raw data accessible	✘ limited focus ✘ management only small sample of whole ✘ 2001 management questions not replicated in earlier studies ✘ individuals
WERS	✔ good spread across the chain ✔ rigorous methodology ✔ matched employee and employer data ✔ raw data accessible	✘ relatively small sample size for sectoral breakdown ✘ limited information on development of managers ✘ only every four years

Source IES, 2006

To summarise:

Surveys of individual respondents

The **LFS** provides good data on the amount of training and development being undertaken by managers and covers the self employed but has no coverage of other aspects of the model.

The **GHS** is similar in its coverage of the model to the LFS but has less information on development.

The **BHPS** again provides information on development history and qualifications but also gives some information on job satisfaction and some crude information which might be relevant to career movement (and therefore might be a proxy for capability).

Work skills in Britain captures information on qualifications, training, the utilisation of management skills, and on some management practices. Managers are however only a small part of the sample and although the survey is longitudinal some management questions have only recently been introduced.

Organisational surveys

SfBN provides reasonable information on management practice (in terms of whether practices exist or not) but does not provide information on other parts of the model.

NESS is best known for its management proficiency questions but does also provide some (not very detailed) information across other parts of the model. Although the overall sample is large, questions on management are only asked of a sub sample of respondents which identify management as being an area where they have skills shortage vacancies or is one of two areas of skill gaps explored.

CMI is the only management specific survey and asks some detailed questions on management development and also covers other parts of the model (it provides reasonable data on management practice but is limited elsewhere). The main disadvantages are that it is relatively small scale and the results are not easily available for further analysis.

Best Companies provides reasonable information on management capability from the perspective of employees, context and management practice. It also provides some limited information on business outcomes. The main difficulty is that the survey is not random and participants are a self selected sample.

Organisational and individual survey

WERS combines both individual and organisational surveys. It provides good coverage across much of the model although development information is light. It provides multiple perspectives of management capability from the employee survey

and a check on management practiced so is unique in the confidence that can be placed in the data. The sample size is relatively small though.

8.3 Conclusions

Our conclusion from this analysis is that by far the most appropriate survey for adaptation to provide more detailed data on UK management and leadership is WERS. WERS has some major advantages – it is already providing some data across much of the chain of impact, it has a linked employee survey and therefore there is an independent check on practice including some attitudinal views of employees. Panel data also ensures a stable core over time allowing a full appreciation of change. There is both a self-assessment of perceived relative performance and an associated performance data questionnaire. Because of the breadth of coverage, WERS is able to provide some degree of data linking. These attributes should not be underestimated and it makes WERS a very strong candidate for adaptation at minimal cost to provide very good data on management and leadership.

There are of course also areas where WERS does not fully match needs. These are in part about the sample and in part regarding the question coverage.

■ The major disadvantage may be the relatively small size of WERS and therefore the limited capacity to conduct any detailed analysis by sector. Although the survey is only conducted approximately once every four years this may be an appropriate gap to enable tracking of changes over time.

■ In terms of question coverage the key gaps are in the development of management capability.

■ A further disadvantage is the identification of the respondent interviewed. The management respondent may be the person responsible for employee relations or personnel rather than broader operational or management issues. In larger organisations there may be others who are more expert in the management and leadership population. Accordingly the current respondent may not provide sufficient detail across the chain and may be even less able to answer additional and more detailed questions on management and leadership issues.

In the next section of this report we turn to recommendations as to how these gaps might be filled. We also explore other possibilities for providing good management and leadership data.

9 Recommendations for Improving the Relevance of Existing Surveys

9.1 WERS

As we noted in the previous chapter, WERS is the closest contender amongst existing surveys to provide additional management and leadership data. We look now to how it could be adapted to fill the gaps across the framework we have identified. Wherever possible we have suggested questions which tie in with the existing questions in WERS.

9.1.1 Development of management capability

At present there are no questions of the organisational respondent specifically on management development. The literature, however, tells us that management development does seem to impact on performance although the literature suggests that it may be the strategic linkage of such development rather than the development amount *per se*, which is important.

We suggest additional questions in the management survey specifically on managers but which align with current questions on employees more generally:

■ What proportion of experienced managers have been given time off from their normal daily work to undertake training/development over the past 12 months? (categories of all [100 per cent], almost all [80 to 99 per cent], most [60 to 79 per cent], around half [40 to 59 per cent], some [20 to 39 per cent], just a few [one to 19 per cent], none [zero per cent])

■ How many experienced managers have been given time off from their normal daily work duties to undertake training/development over the past 12 months?

■ On average, how many days of training/development did experienced managers undertake over the last 12 months (less than one day, one to less than two days, two to less than five days, five to less than ten days, ten days or more)?

- Did this training/development cover any of the matters on this card? Could develop list of key areas (eg managing people, managing finance, managing process [operations] managing innovation, managing structure [job design], dealing with conflict, team working, appraisal, diversity etc.)?

- Did the training/development have any of the objectives listed on this card (could then develop list of meaningful objectives such as increased skills, career development, meeting business objectives, increasing employee engagement etc.)?

- How many of the top team have been given time off from their normal daily work to undertaken any form of training or development over the past 12 months? And then repeat questions on how much training and what covered with different coverage such as leadership, strategy, innovation etc.?

- Amount spent on management and leadership development in the last 12 months.

We also suggest adding questions on talent management, for example:

- Some questions on succession planning processes (whether they exist or not, the number of jobs covered by a formal succession plan, the levels in the hierarchy that such apply to).

- The existence or otherwise of a high potential pool, the treatment of such a pool, approach to retention of talented individuals.

Further questions on the type of development used and its effectiveness would also provide valuable additional information:

- Which of the forms of development shown on this card have you provided for managers (formal taught courses, executive coach, mentor, line management coaching, action learning, secondments, job rotation/job shadowing etc.)?

- Thinking of all management training/development undertaken what proportion is …. (repeat of card of types of development)?

- Which has been the most effective?

- To what degree do you feel that your management development activity has:

    Provided value for money?

    Met the objectives set for it?

    Improved personal performance?

    Improved engagement of the workforce?

    Improved business performance?

One of the major advantages of WERS is that it provides not only the organisational perspective but also matched employee viewpoints from the employee survey.

Employee views can not only verify the organisational line but can also provide information that is much more difficult to collect from a single respondent eg the quality of development experienced or its impact. The large majority of current employee respondents will be non-managerial and therefore to get this managerial employee perspective, we also suggest that it would be useful to boost managerial returns from the employee survey so that specific managerial questions could be asked. An additional three managerial returns per organisation would give us a managerial sample of at least 5,000 and an additional five managerial employee returns per organisation would provide a managerial employee sample of 8,500. In this managerial booster we could target questions on personal experience of the development of managerial capacity rather than development *per se* with questions on:

■ the amount of *management* development experienced

■ the impact of such development

■ the development experience with biggest impact

■ what skills have been acquired through development

■ role and extent of informal development

■ career profile (possibly).

9.1.2 Management capability and context

One of the difficulties in suggesting changes to enhance data capture on management capability is the lack of clarity around the concept.

Our respondents commented that they would like more clarity on what makes a good manager. Unfortunately, evidence about this is difficult to come by and that which does exist tends to be very variable. There are a wide range of models of management skills and competencies available from which it might be possible to agree a common list, for example the CEML list developed by Perrin and Burgoyne (2002). With such a list it would then be possible to ensure that attitudinal statements posed of subordinates cover the main elements of the list or to ensure that there are no key gaps. These could then be added to the statements in the WERS employee survey. Our judgement, however, is that the current WERS statements are sufficient for most analysis given the difficulties of making additions or changes.

Employee questionnaire

Our respondents also noted that greater separation of management and leadership would be helpful. This suggests distinct questions commenting on the capability of different management populations targeted at subordinates. Given the research on the importance of the line in promoting employee engagement, we also feel that some questions which are specific to 'my' line manager as opposed to managers in general

could also add value. This then would create three distinct sets of questions, those about leaders, those about managers and those about the respondents specific line manager.

Management questionnaire

We have learnt from NESS that a general question on management proficiency tends to be answered more positively the smaller the organisation. This may be because managers are indeed more skilled in smaller organisations (but unlikely given other data on SME performance), or because standards in SMEs are lower or because respondents are commenting on those close to them. WERS does not pose a general question on management and leadership capability in the manager questionnaire but does have questions of relevance in the employee survey. This seems to us to miss an opportunity to probe more deeply from an organisational perspective and therefore also compare and contrast organisations' and employees' views. It is also true that subordinates are better placed to see some aspects of management and leadership than others, and an organisational perspective would pick up those aspects less easily seen by subordinates (eg strategic approach).

We therefore suggest adding questions on management capability to the employers survey. The easiest way to do so would be to add a generic proficiency question similar to NESS with all the limitations. Alternatively it may be possible to get better responses if the question is split into different kinds of skills or if the question is asked as to which management skills are felt to be particularly strong and which are felt to be particularly lacking.

9.1.3 Management practice

WERS already has extensive evidence regarding use of different people management practices which would appear to be reasonably comprehensive. The key problem is that they do not tie up very directly with the work recently published by Bloom and Van Reenan which covers approaches rather than specific practices, eg how organisations find out about and deal with problems, the degree to which performance indicators are identified and tracked over time, the quality of performance dialogue, the completeness of targets arrived at, the ways in which the organisation deals with poor performers.

The issue is whether these elements of management practice can be explored through a structured survey rather than the semi-structured in-depth discussions which were held in the original research. Certainly it would be challenging to build in questions to WERS that would easily capture these kinds of issues without:

■ overloading the survey and making it too long, and

■ losing questions which have continuity attached to them.

If a management and leadership addition was seen to be feasible it would be important to conduct consultation to explore if capturing such subtle practices/approaches might be possible.

We have also noted that there is little information available regarding the way in which innovation is managed and there would be benefits in a focused literature review of this area. This is another area which would benefit from consultation and test to see if there are ways that management and leadership for innovation can be included.

9.1.4 Business impact

Ideally we would like to be able to pick up areas of business impact such as:

- innovation

- product or service positioning (ie the niche market the organisation chooses to operate in)

- quality

- employee engagement

- employee effort

- complexity and sophistication of processes.

WERS currently collects some of these through comparative perceptual data and this could be extended to cover as much of the list as is sensible. Harder measures may also be feasible, for example on innovation perhaps using items from the innovation survey.

The financial performance questionnaire captures all relevant information. It collects data on financial turnover (ie the total amount received in terms of goods and services), the number of full time and part time employees in the period, the value of assets (separately for owned buildings, leased buildings, other owned assets, other leased assets), total capital expenditure, value of total purchases, total employment costs, and percentage of total current expenditure on research and development.

9.1.5 Overview

In suggesting that WERS is the existing survey closest to meeting the needs on management and leadership data, we are also aware that there remain difficulties:

- the respondents in WERS may not be ideal

- the issues relating to management and leadership capability risk being swamped by the concerns of WERS on employment relations and practices

■ adding to WERS may present an impression of completeness while not taking on board the valuable contributions of the other data sources and research available.

We do not consider these to be insurmountable, but most importantly, there are also practical problems. We understand that the WERS survey faces a number of demands and that there is a need to maximise response rates and limit the coverage of the questionnaire rather than increase it further. We see this as a major impediment and a prompt to consider a bespoke option.

In considering a feasible alternative to WERS, there are a number of surveys which we have seen as covering some aspects of the chain: Best Companies, CMI and NESS. We can reject further development of both Best Companies (non random survey) and CMI (raw data not available in the public domain, small limited sample) and therefore focus on NESS.

9.2 NESS

We consider NESS as the next best alternative to WERS and therefore similarly consider how this survey might best be adapted to cover some of the gaps. In doing so it is important to note that NESS is a long way behind WERS in terms of its existing coverage of the model. Although the sample size and sample selection is very good, the exploration of the management population and the questions asked about management are both much more limited. However, the stakeholders for NESS may be more open to changing the survey and the timing may be better for NESS. In undertaking this research we were informed that NESS will be entering a new design phase shortly whereas WERS will not be repeated again for some considerable time.

9.2.1 Development of capability

At the moment NESS provides only light coverage of the development of management capability and therefore if it were to be used as a vehicle to provide more information across the model it would benefit from the addition of the same kinds of questions suggested for WERS (with the exception that NESS already asks for the proportion of managers trained in the last 12 months). We would therefore suggest adding questions on days of training, reasons for training, top team training, amount spent of training (see 9.1.1 above).

Questions could also be added on talent management, types of development, training effectiveness.

9.2.2 Management capability and context

The part of our model which currently has the best coverage in NESS is management capability where existing questions on management proficiency and skills deficits provide a reasonable organisational perspective (where the respondent specifically

addresses the management population). Questions on skill gaps in the existing managerial workforce currently apply to only part of the sample and therefore extending these questions to all respondents who state that their existing managerial population is not fully proficient would be very helpful. There is no employee questionnaire as part of NESS and therefore it is not possible to gather corroborating evidence on management capability from employees.

There are a small number of contextual questions in NESS but nothing to compare to the climate questions posed in WERS eg questions on the freedom to act and on the employee relations climate and health and safety etc.

9.2.3 Management practice

This is another area which is lightly covered by NESS. Detailed questions on management practice, if not at the level gathered by WERS, then at least at the level covered by the SfBN survey would provide essential information.

9.2.4 Business impact and outcome

Again areas which are barely covered currently and which could be included through the collection of performance data. The options for collecting performance information appear to be to collect:

■ comparative perceptual performance data (eg views on how well perform compared to other like organisations)

■ financial data through interview or data sheet

■ linking to a financial performance database.

Each of these has advantages and disadvantages. Comparative perceptual data lacks rigour and will depend on the degree to which the respondent is aware of the performance of competitors but has the advantage of being relatively easy to answer. Hard performance data requested as part of the survey tends to have very limited response from a single respondent chosen because of their people management knowledge.

Data sheets are administratively difficult and in WERS achieve about a 50 per cent response rate, but do enable gathering data at the level of the responding unit, at least where this is available. This is an important issue and one of the major problems with trying to link survey responses with existing performance databases is that the databases tend to collect data at the level of the enterprise, ie the whole organisation rather than the establishment. Survey data tends to be collected at the establishment level and therefore making the link is difficult. Other problems are that the data tends to be out of date as it is gathered from published accounts, and tends to be incomplete especially from smaller organisations.

This poses some major challenges as to how we might close this gap with regard to NESS as unlike WERS it does not have any existing vehicle for providing data on performance. We feel that it is important not to create too much additional burden for the respondent as telephone surveys cannot explore to the same degree as the WERS face to face interviews, neither is the same level of relationship developed. For this reason we are nervous of suggesting the completion of a data sheet which requires good levels of commitment to the survey. Our compromise suggestion is to both include comparative perceptual questions and to collect performance data from an existing database such as FAME. We acknowledge that this is far from ideal.

9.2.5 Overview

Our overall assessment is that the gap between ideal data and that which NESS could reasonably be expected to cover is significant. At the moment NESS has the advantage of a very large sample size and keeps costs down by keeping the questionnaire very short. Any additions which we would suggest would require several extra questions, would add to the interview length perhaps by some 30 to 40 per cent (this is of course only an estimate and would depend on the exact questions added). NESS would need more and more detailed questions across the model on management development, management capability, management practice and business impact. This is no easy task and would in many ways unbalance the current focus of NESS on skills shortages and skills gaps. However, there are several ways in which a more detailed focus on management and leadership would also be helpful to further analysis of the core subject matter of NESS. The initial work of the skills task force suggested that latent skills shortages were often a side effect of a managerial skills deficit and would only become clear if the business strategy of the organisation was to shift over time. If NESS were to gather more detailed information on skills gaps and shortages, whilst also having more information on management skills and business strategy and context, more detailed analysis could be undertaken.

It may also be relevant that previous versions of NESS were more detailed in the information they gathered and did enable some interesting research on the links between management/business strategy and skills issues. A decision was taken to shorten and simplify the survey and what we are suggesting would reverse this strategy and may well involve resistance. However, our discussions as part of this research suggests that the stakeholders in NESS would be willing to consider changes and therefore amendments may be possible.

Another option worth pursuing is to add in an ad-hoc module on management (which could be repeated every four years or so). The most recent NESS carried a module on training to a smaller subsample of about 7,000 employers that did some training. Similarly such a module could be delivered to a sample of organisations with managers. Initial discussions suggest such a module would be possible in either 2008 or 2009 at a cost of approximately £200,000 to £250,000.

9.3 Other alternatives

We also believe there are a number of other alternatives which we have not considered in depth but which may be feasible. It may be possible to use WERS or NESS to recruit organisations who are willing to take part in a managerial module and conduct this at the same time if the respondent agrees. The main disadvantage we believe would be the potentially reduced and therefore small sample from WERS although NESS will be less vulnerable.

Providing additional funding to the CMI survey to boost the sample size and add questions to fill gaps might also be possible. However the results are not easily available and this would require some negotiation.

It may also be possible to distribute a management employee questionnaire through the respondent in NESS although recruiting further assistance from the telephone interview is likely to be more difficult than the face to face approach used in WERS.

9.4 Recommendations on existing surveys

Having considered the options of changes to existing surveys in some depth, we strongly recommend WERS as the best option for additions. WERS already provides a wealth of information across the model, is a very credible survey with the major advantage of including both organisational and individual perspectives, both of which are very valuable in considering management capability issues. The changes needed for WERS to provide an excellent database for researchers into management capability are minimal and it provides the option of international comparison as similar WERS type surveys are undertaken outside the UK.

We present NESS as a potential next best alternative although the sample of an organisational respondent only is less ideal and the changes necessary would be considerable. The strongest positive attribute of NESS is the large sample sizes and the potential benefits to its core focus to widen the questions to include a managerial element. As a telephone based survey, NESS does lend itself to widening the sample of companies into Europe and elsewhere if a more international perspective were required (in which case a shorter management focused module could be piloted).

However both options are entirely dependent on agreeing changes to the existing questionnaires with the current stakeholders and the message we have received is that changes to WERS would be very difficult to negotiate indeed, however sensible an option it is.

If NESS were to be considered a potential contender for an adapted survey then further discussions would be needed with the survey stakeholders to explore the possibilities of adaptation and the costs. We do not however strongly recommend this option as the result would be much less suitable than either a bespoke survey options or WERS.

If international benchmark data is required then either survey could be used as the basis for an international element. This would obviously be a more extensive undertaking with regard to WERS because of the complex methodology and the costs associated. It would be possible to narrow the questionnaire to specific management questions and deliver them by telephone interview but it would be sensible to pilot if this affects the answers compared to face to face interviews. With NESS we would recommend that only those questions of relevance be asked using telephone interviews.

We turn now to consider a bespoke survey solution.

10 Bespoke Survey Option

Obviously the construction and design of a major bespoke survey would require extensive thought and planning – from terms to sample, to questions to outputs. For the purposes of this study we have drawn up a list of issues to take on board following discussion with various large survey houses and analysis of the expressed needs of the expert participants in this study.

In previous chapters we have fully discussed the main existing surveys which were explored to see what light they could throw on management and leadership capability in the UK. To do so each survey has been mapped against the data needs arising from our model, the views of our expert interviewees and the literature. We have seen that there are considerable shortfalls in the evidence available from each survey with the exception of WERS. This gap is due to a range of reasons: the question areas not mapping against our model; insufficient sample size or because the sample is not sufficiently representative of UK firms. This is not surprising, as all the surveys explored have been designed for another primary purpose.

We have suggested that WERS shows the closest link to our model and have made some recommendations as to how the scope of WERS could be extended to better align with data needs. However, we are sensitive to the difficulties of extending an existing survey and of negotiating changes and it may be that changes cannot be agreed or that what is feasible is not near enough to meet the demand for better management and leadership data. It may also be considered that WERS whilst closest to meeting the data needs is still not close enough (although this is not our view) and therefore a new bespoke survey is an attractive option.

We set out below two key issues of importance in discussing the option of a new survey:

1. survey sample issues

2. survey design issues.

10.1   Survey sample issues

10.1.1   Who responds

In determining the sample population there are two key choices to be made; individuals or organisations. Individuals (in this case managers and leaders) will have a detailed and unique perspective on their own experiences and will be able to provide data on qualifications, training and development, career, motivations, skills, and the capabilities of others. They will be less able to comment fully on context, their own capability, practice and organisational performance. Organisations (normally through a single respondent) will be able to provide some information on amounts of training and development provided, information on organisational approaches to resourcing, development strategy, perceptions of management capability, organisational context and formal management practice. Organisations are also much better placed to provide information on business impact and financial performance.

There are obviously advantages to having views of both individuals and organisations as in WERS.

Organisational surveys require further consideration with a clear choice to be made between establishment (including or excluding head offices) and organisations (normally a head office respondent). There tends to be a better response to HR issues at establishment level but it is more difficult to make the link to performance. As many surveys in this area are interested in details of activity and perceptions of capability, the organisational surveys we have explored are of establishments.

Recommendation: We suggest an establishment level organisational survey with a matched sample of managers responding as individuals from each participant organisation. This matched sample would be asked questions about their organisation and its approach to management development, the capability of peers, subordinates and more senior colleagues.

10.1.2 How many

Whatever the source of information, the size of the sample will depend on the demands for the data. Better data on leadership and management is likely to have a range of potential clients and therefore differing views on what factors are important and those which are less so. Clearly those organisations charged with adopting a sectoral focus on skills or those adopting a regional focus will wish data to be capable of disaggregation at their level of interest. If this is judged to be important and detailed data analysis required, then very large sample sizes are needed. The closest existing survey is the NESS which as we have seen uses alternating samples of 27,000 and 72,000 to 75,000.

If detailed sectoral and regional breakdowns are not felt to be so critical then sample size can be determined by the number of cells at which analysis needs to be reported. The sample size in each cell will affect the confidence intervals, ie the reliability which

can be placed in the response achieved (providing we have a random sample). In any survey the results depend on the individual views of respondents. Different samples drawn from the same population will give slightly different results but providing the sample size is reasonable we can be confident that our achieved result broadly represents the average views of the population. The smaller a sample the bigger the differences are likely to be between samples drawn from the same population and asked the same question. This spread of likely results is called the confidence interval and is a measure of the spread (95 per cent of results will fall within the parameters of the confidence interval). The larger the sample size the narrower the confidence intervals, ie the more confident we can be that our observed result is close to all possible results. For example, if we find that 59 per cent of our sample give answer X for a question and we have a sample of 1,000, the confidence interval is plus or minus 1.55, ie we can be 95 per cent certain that the real result lies somewhere between 57.45 per cent and 60.55 per cent.

Knowing both the number of cells required on which to report data and the confidence interval which is acceptable will help determine the size which will achieve this. The overall sample is then the cell size times the number of cells. There are diminishing gains in confidence intervals to increasing sample size.

If a sample representative of all sectors is desired but the resultant sample is too large to be afforded, then choices can be made to focus the survey on specific sectors. For example WERS does not sample from the agricultural, hunting and forestry, fishing, and mining and quarrying sectors. Deciding on whether the survey should also include the public as well as the private sectors and if so whether a single survey document will be suitable for gathering the views of both (or indeed will be equally acceptable in all parts of the public sector) is another consideration.

Recommendation: We suggest that a focus on broad rather than narrow sectoral level coupled with the ability to disaggregate by size would dictate a minimal sample similar to WERS. Whether the sample size could be larger is likely to be highly dependent on cost considerations.

10.1.3 What firm size

If all the organisations in the UK are plotted on a distribution curve by their size (number of employees), the curve is strongly skewed to small organisations i.e. there are vast numbers of small and very small businesses and much smaller numbers of large and very large organisations and yet most organisational surveys do not sample proportionately across this population (they under-sample these small organisations and over-sample large). This is for a variety of reasons, small organisations are less likely to have formal policies and practices for managing people and they are less likely to have an HR person responsible for people management issues. Deciding on the size distribution of the sample is an important consideration. In this kind of survey where the population of interest is managers, determining the sample profile not according to the distribution of employees but according to the numbers of

managers within firms will automatically result in a sample distribution shifted towards medium and large organisations. Even with this shift it may be considered wise to still conduct some over-sampling of those organisations with more managers but the degree of over or under-sampling will be less.

In Table 10.2 and Table 10.3 we compare the distributions of companies and the distribution of numbers of managers by size of organisation.

Recommendations: We recommend distributing the survey sample by the numbers of managers within organisations rather than based on employee numbers although there may still need to be an oversampling of larger establishments in some sectors and weighting back to this population distribution.

10.1.4 Finding the sample

There are various sources for organisations, eg Experian, IDBR, FAME. However, a survey of individuals would involve sampling managers which is more difficult as there is no set sample source. This means securing a sample becomes much more complicated and more costly. A sample frame can be devised from the LFS to be representative of the population of managers in terms of size of organisation, sector of organisation, position in the hierarchy etc. (see Table 10.3) Approaching individuals could be done face-to-face through a household survey or through telephone approach via random digit dialling. Either approach would require a sift questionnaire to identify managers in employment and the rejection rate would be high (managers make up something like 15 per cent of the working population). Such an approach is therefore very costly. Another approach would be to use an individual survey (the LFS for example) to identify managers and to ask them if they are willing to take part in any further research. This sub sample of individuals could then be contacted to participate in a more detailed management and leadership survey, with the advantage that data collected by the LFS could be carried over.

Alternatively managers could be identified and contacted through organisations (similar to the WERS approach). This would mean that the achieved sample would no longer be random (because of the clustering by organisation) and this then affects the statistical reliability of the findings.

10.1.5 How will the survey be conducted?

The survey could be conducted face-to-face, by telephone, by post or through the Internet. These are broadly in descending cost order. The length of survey which individuals will respond to is also related to method with longer surveys best conducted face-to-face. The method also affects the response rates, our analysis of existing surveys shows the kinds of response rates these predominately face-to-face and telephone surveys achieve. Unsolicited postal and email surveys can result in very low response levels indeed.

Mixed methods may also be considered especially where different populations are approached, eg the WERS mix of organisations and individuals. This approach is likely to be more effective in terms of recruiting participants for the individual survey if the first organisational survey is face to face. This means that data protection issues can be circumvented if a batch of questionnaires is left with the organisational respondent for distribution. Potentially, an email survey could be distributed in the same way, with questionnaires and an introductory email left for onward distribution. Whilst the same process can be negotiated in a telephone interview we suspect that it is more difficult to achieve compliance.

WERS also uses a separate financial data sheet which is left with the management interviewee for later return. This is likely to reduce the response but may enhance the accuracy of completion compared to attempting to collect financial data through a telephone survey. In our experience asking HR respondents for financial information results in very low useable response.

Recommendations: We suggest adopting a mixed methods approach with the organisational element of the survey completed face to face or by telephone and the individual manager element completed by telephone or email.

For cost purposes we suggest piloting a telephone organisational survey and email/ postal individual survey.

10.1.6 Cost issues

Each of these factors has implications for cost with sample size, individual or organisational survey.

Table 10.1: Costings

Methods	Sample size		
Employer survey			
Number of interviews	6,250	12,500	25,000
face to face	£1,500,000	£3,150,000	£6,285,000
telephone	£165,000	£300,438	£542,500
postal	£70,000	£129,875	£250,000
email	£30,000	£47,788	£82,500
Number of interviews per organisation	5	3	2
sample size	31,250	37,500	50,000
postal	£135,000	£160,000	£210,000
e-mail	£97,500	£115,000	£150,000

Source: IES 2006

For costing purposes we have sought broad costings for different sizes of survey using a range of data collection methods. These costings are inevitably broad brush until more detail is available on the size of the survey, the complexity of the questionnaire, the expectations of data validation and cleaning etc.

We have not costed for a performance questionnaire.

10.2 Survey design issues

Once issues with regard to the sample are determined there are then a host of issues to do with the design and conduct of the survey itself.

10.2.1 The focus of the survey

Another consideration for this potential survey of managers and leaders is to consider who is the focus of the survey? This relates too to definitional issues, eg regarding management and leadership.

We believe that there are three alternatives. Firstly, the survey could ask generic questions of managers defined as those who are responsible for managing others. Alternatively the survey might want to tease out different levels, eg seeking data on leaders separately from that on managers. Thirdly, the survey might want to explore management skills independently from the population of managers or leaders and include professionals and others.

Recommendations: we recommend that the survey asks questions separately regarding managers in general, line managers and the leaders of the organisation where possible. The individual survey provides the opportunity to do so, the organisational survey may be able to separate data on the development of managers and the top team and on management capability by managers and top team.

10.2.2 Frequency

Most major organisational surveys are repeated every year. WERS has been approximately every four years, similarly the CMI has been repeated on an approximately four year cycle.

In deciding on frequency, the likely change cycle of the issues being explored is of interest. If change is unlikely to happen very quickly then a longer cycle may be appropriate.

Recommendations: We recommend repeating a managerial survey regardless of how it is delivered around every four years.

Table 10.2: Distribution of firms by size and sector

	1 to 24	%	25 to 49	%	50 to 299	%	300 to 499	%	500+	%	Total
A : Agriculture, hunting and forestry	7,638	93.8	319	3.92	180	2.21	7	0.09	3	0.04	8,145
B : Fishing	3,736	99.7	5	.1	6	.2	0	0	0	0	3,747
C : Mining and quarrying	2,096	85.1	169	6.9	172	7	23	0.9	11	0.4	2,462
D : Manufacturing	146,738	87.2	9,873	5.9	10,183	6.05	815	0.48	617	0.4	168,219
E : Electricity, gas and water supply	1,543	71.2	215	9.9	347	16	48	2.2	27	1.2	2,168
F : Construction	201,088	96.5	3,997	1.9	3,090	1.5	172	0.1	86	0	208,430
G : Wholesale and retail trade; repair of motor vehicles, etc.	464,884	94	16,099	3.3	12,048	2.4	976	0.2	554	0.1	494,556
H : Hotels and restaurants	146,802	91.1	9,237	5.7	5,024	3.1	85	0.1	54	0	161,201
I : Transport, storage and communication	90,349	90.2	4,257	4.2	4,887	4.9	393	0.4	320	0.3	100,199
J : Financial intermediation	44,364	88.0	3,079	6.1	2,440	4.8	259	0.5	304	0.6	50,440
K : Real estate, renting and business activities	618,677	96.5	10,504	1.6	10,679	1.7	778	0.1	601	0.1	641,233
L : Public administration and defence; compulsory social security	19,471	68.2	3,611	12.6	4,610	16.1	513	1.8	358	1.2	28,563
M : Education	33,613	57.2	13,580	23.1	10,933	18.6	326	0.6	303	0.5	58,755
N : Health and social work	87,439	79.6	13,541	12.3	8,087	7.4	260	0.2	520	0.5	109,847
O : Other community, social and personal service activities	188,685	95.6	4,760	2.4	3,666	1.9	116	0.1	98	0	197,325

Source: IES, 2006

Table 10.3: Distribution of managers by size and sector

	Size of est. (employees and self employed with employees)								
	1 - 24	%	25 - 49	%	50 - 499	%	500+	%	Total
A-B: Agriculture & fishing	41,874	72.8	6,712	11.7	7,572	13.2	1,381	2.4	57,539
C,E: Energy & water	17,705	15.2	11,977	10.3	53,736	46.3	32,699	28.2	116,117
D: Manufacturing	271,672	21.2	144,785	11.3	578,630	45.2	285,829	22.3	1,280,916
F: Construction	224,266	39.7	99,468	17.6	194,534	34.4	46,798	8.3	565,066
G-H: Distribution, hotels & restaurants	747,991	49	231,150	15.2	429,025	28.1	116,937	7.7	1,525,103
I: Transport & communication	119,396	23.3	56,340	11	197,600	38.6	138,538	27.1	511,874
J-K: Banking, finance & insurance etc.	543,035	34.6	179,042	11.4	505,694	32.2	342,440	21.8	1,570,211
L-N: Public admin, educ & health	660,230	21	459,600	14.6	1,021,038	32.5	998,959	31.8	3,139,827
O-Q: Other services	222,598	49.7	66,717	14.9	118,968	26.5	39,846	8.9	448,129
Workplace outside UK	468		363		935		615		2,381
	2,849,235		1,256,154		3,107,732		2,004,042		9,217,163

Source: IES, 2006

10.2.3 Question areas

In considering the design of a new survey we utilise the analysis previously conducted against all key parts of the model. We believe that a new survey would ideally collect information across the model and we suggest the areas of potential questions below.

Developing managers and leaders

■ strategy of development, eg links to business plans and HR plans, common framework for development (competencies or clear model of management capability)

■ how development needs determined

■ priority given to development

■ talent management approach, ie long term as opposed to job focused development

■ activity, ie amount of training (days plus duration), cost

■ aim and objectives of development

■ different methods utilised

■ some measure of informal development (best asked of individuals)

■ qualification levels (by subject) and ongoing accredited study

■ evaluation processes and views of impact.

Capability

■ level of leadership capability

■ level of management capability

■ what makes for effective leaders/managers

■ display of trust, communication, concern, ethics, feedback, development

■ percentage of managers ready to assume a greater role

■ percentage of managers with deficiency to meet business plan

■ views on effectiveness of managers and leaders against range of tasks and practices

■ turnover amongst top team.

Management context

- sector

- size

- tenure of management team

- competitive environment

- competitive strategy

- employee relations climate

- health and safety performance

- freedom to act on range of issues

- rate of change.

Management practice

- planning process

- quality initiatives

- job design

- process management (explore Bloom and Van Reenan):

- key business processes

    how derived

    how is performance tracked

    what review processes are in place

    what data is used

    how are problem areas dealt with

    what targets are set

    how are targets cascaded and connected

    degree of stretch

    clarity over targets

    process and practice for attracting and retaining talent

    use of appraisals and reward structure

    dealing with poor performers

    progression of top people.

■ people management, eg resourcing, development, performance, motivation, equal opportunities, family friendly policies, job design, flexibility, outsourcing

Business impact

■ managers' personal levels of motivation and engagement

■ management of others

■ also increasing interest in well being of staff too suggests widening engagement to broader quality of working life

■ absence levels

■ innovation measures

■ measures of customer retention

■ comparative views on quality, productivity and customer satisfaction

■ ability to link to financial performance data or to collect it.

In the table below we suggest whether these areas of potential questions are asked of the organisation or the employee.

Table 11.4: Appropriate respondents

Area of question	Organisation respondent	Employee respondent
Developing managers and leaders		
strategy of development, eg links to business plans and HR plans, common framework for development (competencies or clear model of management capability)	✔	
how development needs determined	✔	
priority given to development	✔	✔
talent management approach ie long term as opposed of job focused development	✔	✔
activity, ie amount of training (days plus duration), cost	✔	✔
aim and objectives of development	✔	
different methods utilised	✔	✔
some measure of informal development (best asked of individuals		✔
qualification levels (by subject) and ongoing accredited study	✔	✔
evaluation processes and views of impact	✔	✔
Capability		

Area of question	Organisation respondent	Employee respondent
level of leadership capability	✔	✔
level of management capability	✔	✔
what makes for effective leaders/managers?	✔	✔
display of trust, communication	✔	✔
concern, ethics, feedback, development	✔	✔
views on effectiveness of managers and leaders against range of tasks and practices	✔	✔
percentage of managers ready to assume a greater role	✔	
percentage of managers with deficiency to meet business plan	✔	
turnover amongst top team.	✔	
Management context		
sector size tenure of management team competitive environment competitive strategy employee relations climate health and safety performance rate of change	✔	
freedom to act on range of issues	✔	✔
Management practice		
planning process	✔	
quality initiatives	✔	
job design	✔	
process management (explore Bloom and Van Reenan): key business processes how derived how is performance tracked what review processes are in place what data is used how are problem areas dealt with what targets are set how are targets cascaded and connected degree of stretch clarity over targets process and practice for attracting and retaining talent use of appraisals and reward structure dealing with poor performers progression of top people.	✔	
people management, eg resourcing, development, performance, motivation, equal ops, family friendly policies, job design, flexibility, outsourcing	✔	✔

Area of question	Organisation respondent	Employee respondent
Business impact		
managers' personal levels of motivation and engagement	✓	✓
engagement /quality of working life	✓	✓
absence levels	✓	
innovation measures	✓	
measures of customer retention	✓	
comparative views on quality, productivity and customer satisfaction	✓	
ability to link to financial performance data or to collect it.	✓	

Source: IES, 2006

10.3   Key considerations and conclusions

Broadly the options we believe are to either expand existing data sources or to design a new bespoke survey.

Our strong preference is to expand existing surveys where possible to reduce costs and the survey burden on the business community. In this scenario, our preference is to utilise WERS by expanding into those areas not currently collected and boosting others where WERS is weaker. We have discussed this option in Chapter 8. Our belief is that this would be an effective means of gathering the data needed, the methodology of WERS is well suited to questions of management and leadership, the survey is rigorous and capable of gathering very detailed data across the model, and most importantly much that is of interest is already gathered by WERS. This clearly is more sensible than designing a new survey which then goes on to repeat much of what WERS contains.

However, we have severe reservations as to whether the negotiations could be successfully concluded. There are many stakeholders to WERS and the last design round had to contend with different views and needs. We would be making this debate even more difficult and complex. We were also told that the next WERS may not be for another six years and so although there is the advantage of time in coming to agreement, it is a very long time to wait.

The alternative scenario is to develop a new bespoke survey. This has the advantage of being tailored to all those aspects of management and leadership capability felt to be of interest but will still need to be carefully designed to avoid overload. If this option is preferred it is important to start the design process quickly as it will take some time to gather views, design, pilot, run and analyse a new survey.

We believe WERS provides a good model for the design of a relevant questionnaire. The mix of employer and employee perspectives is very valuable and would provide a detailed dataset which could be trawled to explore many different questions. As for the current WERS it is likely that different academics would find their own areas of interest to explore. We are confident that the current difficulty of defining what are the key unanswered questions in management and leadership, confirmed by the experts consulted for this study, is due in large part to the lack of good data to explore and to begin the debate.

It is also important that any survey be seen to be evolving over time and that whilst providing some core data could also be used to explore different priorities which might shift.

Ideally we would like to see a strong mix of hard facts, alongside some more qualitative assessments of whether approaches work or not. We suggest measures of practice in the broadest sense which might be indicative of a quality approach, further combined with attitudinal data from respondents (both organisations and managers themselves) which would give an alternative viewpoint. We have spelt out key question areas.

Our suggestion would be for an organisational survey coupled with a managerial survey (say an average of five managers per organisation). Different sample sizes could be costed to determine the most effective mix of sectoral and size spread and statistical reliability of the findings.

In terms of taking this work forward, we suggest a partnership of AIM, DfES DTI and important agencies such as SSDA and the LSC alongside key academics in this area.

Appendix 1: Discussion Guide

Background to the project commissioned by DTI to determine the most appropriate way to broaden and deepen the quantitative evidence base on management and leadership skill in the UK. As part of this work IES is speaking with policymakers and others to explore their views on the key questions on UK management and leadership skills that require answering, the data they would wish to see available and to discuss possible frameworks for defining and measuring management and leadership skills for the purpose of this project.

General M&L issues

■ (*only where not obvious*) What has been your organisation's interest and involvement in management and leadership issues?

■ In what way do you think good management and leadership matter?

■ What do you see as the main emerging issues on management and leadership?

■ (*prompt if necessary*) To what degree are you interested in the following:

  □ understanding management capability

  □ the contribution of skills and learning to managerial performance

  □ the role of experience and informal learning in management capability

  □ any other factors affecting managerial performance

  □ the role of management capability in business performance

  □ relative performance of UK managers

  □ understanding the national picture

  □ understanding sectoral/regional breakdowns

  □ other.

- We are using a model (see Figure 2.1) of the chain of impact of management capability (*telephone interviews: emailed; face to face: show*). To what degree do you think this framework for thinking about management and leadership capability makes sense (*details in BRIEF)* ?

- Do you think this might be a useful framework for guiding the definition and measurement of management and leadership skills?

M&L research

- Do you use M&L research findings? If so what for?

- What M&L research have you found most useful or influential? Why was this particularly useful/influential?

- Were there any weaknesses in the M&L research used?

- Have you commissioned any research of your own? If so, what kind of work have you commissioned?

- Why did you commission such work? What were you hoping to achieve?

M&L data

- What management and leadership data do you access? (*prompt: LFS, NESS, WERS, any other surveys? …)*

- What kinds of questions are you most engaged with regarding such data? What kinds of questions are you asked by others?

- Are you aware of any specific problems with existing M&L datasets?

- Where are the gaps do you think in management and leadership data?

- If more quantitative data on management and leadership capability were available, how would you use the data?

- What kinds of questions would you most like answers to?

  □ End

  □ Thank you for time.

  □ Any recent research/surveys that aware of/would recommend?

  □ Will send (summary?) of final report – OK?

Appendix 2: Details of literature from Burgoyne et al., 2004

Overview of management development and organisation performance literature/ evidence. For fuller details see Burgoyne et al. (2004).

Management development and organisation performance

- A management-training programme provided by British Telecom was claimed to have saved the company £270 million. This figure was an estimate made by managers of the value of errors made by untrained junior managers, and waste caused by missed deadlines, customer complaints etc. (Lee, Coaley and Beard, 1993).

- Winterton and Winterton (1996) in an in-depth analysis of 16 UK organisations, looked at the impact of competence-based management development activity on performance. They found a statistically significant relationship between competence-based HRD systems and business performance, especially where the management development activity was linked to business strategy. Although a frequently quoted example, this was a comparatively small-scale study.

- DTZ (1998) examined 127 firms that were using TEC (Training and Enterprise Council) related management development activity. Sixty-three per cent of firms could identify an impact of this development on business performance. The types of impact most often mentioned by respondents were: improved morale of staff, an improved response and greater flexibility shown by managers, and improvements in quality, leading in turn to greater customer loyalty or new business. Indirect impacts were identified to be: an improved management style, better tracking of projects and evaluation of their worth to the firm, and greater understanding of the value of training and human resource development in general. Only 18 per cent of firms felt they could identify 'definite and direct' business impact, and fewer than nine per cent could quantify this impact. Of the 11 firms that felt able to provide a monetary estimate of the impact of training, nine were involved in the Investors in People process.

- Fox and McLeay (1991) examined the recruitment and selection, management development, performance appraisal, rewards and recognition and career planning processes of 49 UK companies operating in the engineering and electronics sectors. The team were careful to distinguish intent (HRM systems), practice (the reality of how staff are recruited, promoted,

rewarded and developed) and the internal coherence of such activities. They found a clear positive relationship between financial performance and the degree of integration between corporate strategy and the human resource management functions *in practice*. So it was the implementation of HR that was the important variable, rather than the supposed systems.

■ In a UK study of management training which secured the views of both HRD managers and MBA managers participating in training activities (Mabey and Thomson (2000)), it was found that positive outcomes of management development investment, whether measured by perceived success in achieving objectives, perceived organisational impact or personal satisfaction, could largely be attributed to the way an organisation made its policy choices concerning the setting up and running of management training and development processes. Particularly important in this regard was the commitment given by the company to training activity. Policy statements, high priority, centralised management development systems and responsibility for management development emerged as the key elements of this visible corporate commitment.

■ Thompson (2000) found that company performance in over 600 aerospace establishments was not related at all to total management development spend, but high performing firms spent more of their management development budget on people management skills (27 per cent of spend) than low performing firms (nine per cent of their spend).

■ Mabey and Ramirez (2003) have led an EC funded research project analyzing management development in six European countries. Interviews were conducted with the HRD manager and a line manager in 600 private sector organisations. Findings indicate that 25 per cent of variance in organisational performance is explained by three factors: a strategic approach to HRM, a long-term, proactive and strategic approach to management development and, on the part of line managers, a belief that their employer takes management development seriously. Interestingly, neither the presence of management development systems/procedures, nor the amount and diversity of management training activities enhance performance to a significant effect (Mabey and Gooderham (2003)). A further analysis on a sub sample of 180 companies where financial data was available (from the Amadeus database) discovered that where line managers reported positively on their employer's management development strategy, this explained a modest but significant amount of variance (15 per cent) in firm productivity. The Mabey and Gooderham findings were confirmed in a follow up study including MNCs in four countries (Tamkin et al. (2006)).

Leadership development and organisational performance

■ Barling et al. (1996) conducted a study on the effects of transformational leadership training in one region of a large Canadian bank. The study was small but rigorous. This took pre- and post-training ratings and compared those receiving training (one day, plus four booster sessions at monthly intervals) with a matched sample of managers who did not. Significantly positive impacts were found for those participating in the training when measured by subordinate perceptions of their leadership, subordinate ratings of their own organisational commitment and two aspects of branch level financial performance.

■ In a study of the state of leadership in UK organisations, Horne and Stedman Jones (2001) concluded that where systematic implementation of leadership development did exist, this

related strongly to the perceived quality of leadership in that organisation and organisational performance. The latter was measured by self-report estimation of financial turnover during the past three years. The leadership development methods perceived as most effective were found to be formal mentoring, project management and 360 degree feedback.

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