



The Market for Leadership Development in the Public Sector

Report for the Cabinet Office
and the Public Services Leadership Consortium

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1. Introduction

OPM[®] (the Office for Public Management) was commissioned by the Cabinet Office to conduct a study for the Public Service Leadership Consortium into the current leadership development market. The Public Services Leadership Consortium (PSLC) was established in 2005 to develop closer collaboration between leadership professionals from across the public services (**Appendix One** describes the remit and role of the consortium). The aims of the study, developed in collaboration with the PSLC, were to:

- Examine the current 'landscape' of the leadership development market in terms of the relative growth of the sector, the extent to which the market is competitive, what products are being provided, indicators of cost and trends in the supply of leadership development.
- Assess the strengths and weaknesses of the commissioning processes through which leadership development is purchased.
- Explore the emerging trends in the supply of leadership development.
- Consider how the PSLC and its partners across the public services can help to bring about an improving market which offers high quality products and services in the future.

The research, which was largely qualitative in nature, was conducted in three stages:

Stage One

Desk based review of evidence – a systematic review of existing literature about leadership and the leadership development market, including journal and newspaper articles, research reports, and a review of the websites and annual reports of a cross section of 35 leadership development provider organisations (the organisations reviewed are listed in **Appendix Two**).

Stage Two

Qualitative interviews with a mixture of 20 purchasers and providers, sampled so as to be as representative as possible of the range of organisations either purchasing or providing leadership development. The sample was made broadly representative of the range of organisations providing leadership development by selecting interviewees from a mixture of large, medium-sized and small providers. Also every effort was made to ensure that the interviewees represented a mix of types of provider – private sector, charitable organisation, higher education or national leadership centres. A list of interviewees is contained in **Appendix Three**.

Stage Three

A workshop at the Cabinet Office with a mix of purchasers and providers which explored the emerging findings and developed specific recommendations for the PSLC. The views of

participants on the recommendations are reflected in the Conclusions and Recommendations section of this report.

Quotations

This work was undertaken on the basis that comments made by respondents would be kept anonymous. Consequently wherever quotations are used they are not directly attributed. To put them in context, all quotes are referenced by the following categories:

Large purchaser

A public sector body that purchases a large volume of leadership development work or is of a significant size, for example central government departments and some of the larger public service bodies.

Medium purchaser

A public sector body that purchases a moderate amount of leadership development work or is of a moderate size, for example conglomerations of NHS trusts or some of the smaller sector leadership centres that commission work on behalf of their membership.

Small purchaser

A public sector body that purchases little leadership development and is relatively small in size, for example individual NHS trusts or smaller local government bodies.

Large provider

An organisation of a significant size that provides a high volume of leadership development work, for example the larger leadership centres and private organisations such as the leading consultancies.

Medium provider

An organisation of a moderate size that undertakes a significant amount of leadership development work but tends not to provide the truly large-scale work. For example, some academic institutions and some of the smaller sector-specific leadership bodies.

Small provider

An organisation of small size and limited resources that undertakes small-scale leadership development work, for example small consultancies or sole operators and regionally specific firms.

Definitions

It is important in reading this report to be clear about the definitions used. These are set out below:

Leadership development

The aim of this project was not to revisit and reconstitute the enormous amount of existing knowledge and research about leadership development. It was agreed that, given the very

broad scope of this study, we would define leadership development as any service, product or intervention contributing to the development of the following skills in leaders. The skills form part of the Professional Skills for Government competency framework¹:

- Being a visible leader who inspires trust
- Focusing on strategic outcomes
- Taking personal responsibility for delivering results effectively and swiftly
- Working across traditional boundaries
- Matching resources to business priorities
- Acting with honesty, courage and realism with staff and Ministers
- Learning constantly.

Leadership development products and services

A wide range of services and products are present in the leadership development market. It was agreed for this study to adopt the view of leadership development as one of the following approaches or interventions, as defined by Warwick Business School in its study of leadership development². These are:

1. Competency frameworks
2. Appraisals
3. 360 degree feedback
4. Mentoring
5. Coaching
6. Networking
7. Action learning
8. Formal programmes
9. Fast-track cohorts

Leadership development providers

Throughout this report organisations, whether publicly funded, private or voluntary, are referred to as *providers* of leadership development. Where reference is to individuals who provide leadership development, they are referred to as *leadership developers*.

¹ Cabinet Office, Professional Skills for Government, 2005

² Hartley J, Hinksman, B, Leadership Development, A Systematic Review of Literature, NHS Leadership Centre, 2003

Purchasers of leadership development

Purchasers are individuals, or groups of individuals, working for public services who are engaged in some way with the purchasing or *commissioning* of leadership development services. It is possible for some organisations to be both purchasers and providers. For example, the Improvement and Development Agency (IDeA) for local government is both a purchaser of external provision of leadership development and a major provider in its own right.

Commissioning

Different terms are used to refer to the process by which public services purchase leadership development services, including *procurement* and *buying*. For the purposes of this study, all activities which relate to the purchase of leadership development are referred to as *commissioning*.

2. The leadership development market

This section sets out the findings on the current shape of the leadership market. The findings have been categorised in terms of who provides leadership development, the main services provided, and to whom they are provided. Throughout this section examples of current leadership development programmes identified through the research which reflect current trends in the delivery of leadership development to public services have been included.

Who is providing leadership development?

There is great diversity in the organisations involved in providing leadership development to the public sector. Appendix Two lists some of the organisations that were reviewed in depth in the desk research. Broadly these can be categorised as:

- Consultancies, both charitable and privately owned
- Academic institutions, such as university business schools
- Government-funded national leadership and development centres, such as the Improvement and Development Agency, Leadership Centre for Local Government and the NHS Institute for Innovation and Improvement
- Professional bodies, such as the Chartered Management Institute.

The leadership development landscape appears to be changing rapidly. The research and interviews point to an increasing range of types of providers – large private sector consultancies, higher education business schools, not for profit organisations, small scale private organisations and sole operators (that is, individuals who sell leadership development services).

‘There are a vast number of providers of all shapes and sizes, some have been around for years, some have broken away from existing consultancies, some are basically collaboratives of different individuals – we had 120 applications for one large programme.’

– Medium purchaser

Without data showing the total size of the leadership development market, it is difficult to extrapolate the market share of different kinds of providers. However, a review of the recipients of large-scale contracts and organisations on ‘supplier’ lists or framework contracts for large leadership development contracts suggested that the landscape is currently dominated by the large consultancies and higher education business schools.

However, two groups of providers appear to be taking up a growing share of the market: government-sponsored national leadership centres and small-scale providers, including sole operators.

National leadership centres

For the last five years, the Government has invested in establishing national leadership centres for different sectors within the public services, such as the Leadership Centre for Local Government, the National College for School Leadership, the National Police Leadership Centre and the NHS Institute for Innovation and Improvement (formerly the NHS Leadership Centre). These centres receive some government funding, but they are increasingly required to generate their own income. They are tasked with developing leadership competencies within their sector of the public services. What makes them unique among providers is that they have a role in both providing and commissioning leadership development.

Smaller providers

While the larger consultancies do much of the national work, a large number of smaller providers undertake tailored work at the sub-regional and local levels. These smaller organisations are increasingly asked to provide small-scale services, such as the facilitation of top management teams, coaching, mentoring and one-off leadership training events to support larger leadership development activities. In particular, locally based public service organisations often use local providers to tap into their contextual knowledge and gain benefits from the close relationships that are often forged. Several interviewees thought it likely that the number of smaller providers will increase, as former employees of public services made redundant as a result of budget cuts seek employment as leadership consultants.

'Increasingly, particularly smaller consultancies are offering some good services. Larger providers tend to offer the off-the-shelf products, which are not always as good.'

– Small purchaser

Internal providers

While not yet making a large enough contribution to be considered a major provider, the considerable group of public service employers who provide 'internal' development opportunities to employees in the organisations for which they work are critical to the development of effective leadership in public services.

According to a number of interviewees, some public service organisations are looking at ways to develop a stronger cadre of employees who can undertake leadership development within their own organisation. There appear to be two main groups of internal providers. The first group is made up of trained leadership experts who sit within existing human resources teams and provide internal leadership development support and services, and are also likely to be involved in commissioning external providers. The second, which appears to be growing more rapidly, is a more informal group of employees who have been asked to take on leadership development roles in order to enhance the

leadership development capacity of the organisations for which they work. The types of services they provide include coaching, mentoring, facilitation and appraisals. These developers are being actively trained by organisations increasingly aware of the growing squeeze on budgets, through schemes like 'coaching training', 'training the trainers' and other programmes.

'The idea is to grow our capacity to do this work ourselves and be less reliant on private providers; we hope to develop a whole cadre, for example, of internal coaches.'

– Medium purchaser

This research has not been able to identify in any great detail what is driving this trend, or the extent to which this group of providers is likely to grow in the future. However, there was a view that further research was needed to look in more depth at how internal providers can be developed, particularly as there is potential for this to lead to savings in leadership development budgets.

What is being provided?

A vast range of leadership development services are provided to public service organisations. Reflecting the findings of Warwick Business School described earlier, the main types of provision appear to be the following:

- Coaching
- Formal programmes
- Action learning
- Competency-based analysis and development
- 360 degree feedback
- Mentoring
- Networking
- Appraisals

In the review of 35 provider organisations, it was found that the service mentioned most regularly on websites and in corporate information was coaching (22 out of 35), followed by formal programmes (15 out of 35), action learning (15 out of 35) and competency-based analysis and development (12 out of 35).

The range and complexity of services on offer appears, from the desk research, to be growing. This growth is unsurprising, given that significant competition in any emerging market is likely to lead to the development of new products and services.

From the interviews, it is possible to detect the following trends:

1. E-learning and distance learning

Electronic learning and training is increasingly available either as a stand-alone offering or as a supplement to more traditional development opportunities.

'We now provide a quick and easy knowledge base to users on our website. This enables people to download very quickly guides and toolkits. I think there is growing demand for e learning products because of the difficulty of busy managers to find time to attend events and workshops.'

– Small provider

2. Competency-based appraisals

All of our informants pointed to a growth in the supply of 360 degree, competency-based approaches and the use of psychometric profiling as an initial or diagnostic step in development work. Many long-term programmes, while providing standard classroom-based learning, also contain a 360 degree survey element at the beginning and increasingly also at the end of programmes, to look at the individual competencies of participants. Several national leadership centres have also pioneered and are currently rolling out tailored 360 degree tools, such as the NHS Leadership Qualities Framework 360 assessment tool developed by the NHS Leadership Centre³.

3. Focus on whole systems and partnership leadership

In its paper on leadership in 2001, *Strengthening Leadership in Public Services*⁴, the Performance and Innovation Unit pointed out that in leadership development terms, *'too little attention is paid to the growing importance of leadership across organisational boundaries, or to learning between different sectors'*. This research has detected a growth in the number of leadership development products and services seeking to respond to this issue and develop leaders who are able to work across complex systems and traditional public service silos. A growing number of services, for example, advertise themselves as developing individuals to 'work across boundaries', 'negotiate across organisations' and 'understand and work with complex accountabilities'.

4. Coaching and mentoring

There is a growing recognition amongst leadership specialists of the importance and effectiveness⁵ of coaching and mentoring as a way of providing more informal and tailored support to leaders. Numerous organisations now provide coaching. There also appears to be a steady growth of organisations that provide mentoring to senior managers as part of a package of leadership development support. Organisations such as the Institute of Leadership and Management accredit coaches. Although no precise quantitative data about the growth of coaching has been identified, most informants felt it was the fastest growing type of service.

³ NHS Leadership Qualities Framework, 360 Assessment Tool can be found at <http://www.nhsleadershipqualities.nhs.uk/>

⁴ Performance and Innovation Unit, *Strengthening leadership in the Public Sector*, A research study by the PIU, 2001.

⁵ Fielden, S, *Coaching Effectiveness*, A literature Review, NHS Leadership Centre, 2005

5. Personalised and tailored learning

In many of the providers there was a strong focus on providing individualised and tailored learning. This reflects the move away from more traditional 'open' programmes, where participants are all given the same learning experience, towards the creation of programmes and services that are tailored to meet individual needs. Several programmes offer participants the opportunity to develop individual learning plans as part of their participation on the programme, and the growing use of 360 degree appraisals, which give participants individualised reports, reflects this trend.

'We try to avoid falling back on big models and frameworks. We understand leadership as something which is highly personal and must reflect the differing needs of stakeholders. As a result, our approach is highly tailored to fit the individual needs of those we work with.'

– Large provider

However, this dedication to tailored development programmes was not reflected by all providers. Some informants, generally on the provider side, argued that a balanced combination of formalised training and personalised development was the most effective option. One respondent in particular argued that formal courses were of great value, due to their focus on transferable skills that are applicable across organisations, and their ability to promote cross-fertilisation by bringing together leaders from different organisations.

'There are times when it is appropriate to supply generic development tools...a halfway house is quite beneficial. For example, one might use a 360 feedback tool – which is generic in nature – but design it in line with the needs of the organisation, in which case different feedback would be given in different settings'

– Small provider

To whom is leadership development provided?

The desk research indicates that much leadership development is targeted at specific sections of the workforce, with the vast majority of providers offering courses targeted specifically at senior management. However, a large number also provide courses for middle and junior managers, providing a progression of leadership development opportunities.

Interviews provided evidence to support these observations, with respondents citing a notable increase in specific leadership development programmes, aimed at a wide range of roles within organisations. Providers reported being required to deliver more targeted programmes than in previous years, with many highlighting development tailored to new managers and middle managers. Many respondents felt that this trend was influenced by the increased recognition within the public sector that leadership must occur across whole systems and between organisations. Perhaps more importantly, purchasers tended to speak of the need to manage talent and ensure effective succession within organisations as driving the increasing emphasis on developing more junior staff members.

'It is no longer only the most senior people who are being developed, but people in middle management and early line-management positions too.'

– Medium purchaser

Another reason for this trend is the growing tendency to see leadership effectiveness as an organisation-wide issue, rather than something relevant only at the most senior levels. As a result, the groups for whom leadership development is provided now range from the senior executives through to frontline staff, with junior and middle managers being specifically singled out for such development work.

'Four key groups who are essential for service transformation: senior clinical leaders; middle management; directors and aspiring directors; frontline staff. It is about people across the organisation, not just about those at the top.'

– Medium purchaser

There is also evidence of a 'cascade approach' to leadership development, in which successful programmes provided to senior leaders are subsequently rolled-out to more junior tiers within the organisation. This approach has the benefit of ensuring ownership and engagement from the top of organisations, which is perceived to be a crucial factor in the success of interventions.

The increased focus within the public sector on locality-based approaches, on working across organisational boundaries and on achieving outcomes through partnerships is having a considerable impact on the focus of leadership development. It has led to a growth in leadership development for those responsible for 'leading across systems', such as chairs or leaders of regional partnerships, local strategic partnerships (LSPs) and statutory children and young people's partnerships. This activity increasingly includes elected members, people who provide key connections between bodies, or people who manage projects that include a range of partners.

There is evidence from the interviews that central government purchasers are targeting leadership development at particular organisations, particularly the failing ones, or at groups who tend to be under-represented in leadership roles. In terms of under-represented groups, the research detects a growing focus in government on developing leaders amongst black and minority ethnic groups (BME). In a recent article⁶ about equality in public services, Aneez Esmail underlines the importance of this focus:

'The NHS needs to move beyond standard diversity training and identify the specific training needs of under-represented minorities and target interventions that will address these needs. Leadership development programmes that address the type of leaders required for delivering a diverse workforce are integral to changing the culture of the organisation.'

⁶ Aneez Esmail, *Slow Boat to Equality*, The Guardian, Wednesday November 30, 2005

The research also points to a growing amount of leadership development directed at those carrying out specialist and clearly defined tasks. This has led, for example, to the development of tailored programmes and interventions for local authority elected members, those leading clinical teams in the NHS, and individuals working with young offenders or drug users.

3. Size, profitability and growth of market

Size

It is difficult to gauge the size of the market accurately. Neither the purchasers nor the suppliers make information about the amount of work they have undertaken or the value of that work publicly available.

A number of reports over the past few months have discussed the size of the public sector consultancy market. These estimate current spending on consultancy at anywhere between £6.5 and £10.1 billion. However, the variation in these estimates makes it difficult to gauge the size of the public sector consultancy market and the figures do not in any case tell us how much of this money is being spent on leadership development.

Several strands of information indicate the size of the market. Recent years have seen the establishment of a range of leadership centres across the public sector, including the National College for School Leadership, the NHS Institute for Improvement and Innovation, the Local Government Leadership Centre, the National Police Leadership Faculty and the Civil Service Leadership Centre. Also a leadership centre specifically for the voluntary sector is currently being established. There has also been an expansion in the overall numbers of providers providing and advertising leadership development services. As discussed in the section *Who is providing leadership development?* (p. 5), most informants now see the leadership development market as comprising a much wider range of providers, from the traditional public service consultancies, through to large private sector providers, through to numerous small companies and 'sole operators.' The higher education sector, through its expansion of consultancy services, is also now a large and established provider of leadership development.

It is clear from interviews with people from national centres and government departments that a growing amount of information is collected and stored about the market. This information includes databases held on providers, information held as part of framework contracts between purchasers and providers, and other informal research studies into the market, often focused on specific sectors. Although this information is gathered, formatted and analysed differently, there appears to be scope in the future to bring this information together more systematically and ensure it is shared across government and national leadership centres.

Growth

Reflecting the difficulty faced in finding detailed and consistent information about the size of the market, it has been difficult to determine the growth in the market. At present, market reports on consultancy activity and information on government spending do not analyse leadership development separately.

However, the documentation which is available and the interviews both suggest that the leadership development market has experienced considerable growth in recent years, and is currently regarded as buoyant.

The first indicator is the recorded growth of the consultancy market for public services as a whole, of which leadership development services and products form a significant part. Evidence from newspaper and journal reports indicate a growth in the value of public sector consultancy, variously cited as having risen from 4 to 30 per cent of total consultancy income over recent years. According to a study by the Management Consultancy Information Service, daily charges for public sector work have increased by almost 25 per cent over the last two years, from an average of £1,025 to £1,250. Consultants have also benefited from a sharp rise in government spending, with public sector contracts having risen from 15 per cent of their business in 2002 to almost 30 per cent, a total of £4.7 billion last year. Further, Management Consultants' Association (MCA) figures show consultancy spend by central government now exceeds £1 billion, compared with £450m in 2002.

There is evidence to suggest that the provision of consultancy to public sector organisations is growing at a faster rate than provision to private sector businesses. The MCA claims that the value of public sector consulting to its members grew by 46 per cent last year, while private sector business grew by only 4 per cent.

There is also evidence that specific services associated with the leadership development market have seen substantial growth. In a study examining coaching provision, for example, both public and private sector organisations reported a dramatic increase over the past few years, with 77 per cent of respondents reporting purchasing more coaching. There is evidence from our interviews to suggest a rapid growth in the range and diversity of leadership development methods available to public sector consumers. This is seen to reflect the increasing competitiveness of a market that is growing in terms of both overall size and the number of providers, leading to new products and services.

'The leadership development market is growing, especially in the public sector. Much of this has been driven by political expediency and the government's reform agenda (the needs identified as the agenda was progressed) but also by changes in how the general public lives and what they expect of services.'

– Medium provider

There was widespread agreement among purchasers and providers that there has been a significant expansion of the leadership development market in all directions within the public sector. Not only are services available – and apparently affordable - to a wider range of organisations across all sectors, but demand is being met by a greater range of provision across organisational tiers and layers.

'Leadership development training has grown by about 60-70% in the last five years, this growth is very much driven by the public sector.'

– Medium provider

Specific growth areas

It is difficult to determine which provider organisations are benefiting most from the growth in demand for leadership development. The desk research and interviews suggest that all sections of the market have shown growth. However, the most marked growth appears to be within the sector providers that receive 'top sliced' or significant grant funding from the government.

Concern was expressed by consultancies and academic institutions that this has unfairly altered the playing field, with centrally subsidised centres having a clear advantage over organisations entirely funded by the leadership development they sell. Providers, particularly the smaller providers, feel that this acts as a barrier to entry in certain areas of the market, reducing competitiveness and restricting growth in quality. Concern was also voiced about the long-term danger of high-quality providers being less able to compete on cost with such organisations, and being squeezed out of the market. The argument was that this approach is detrimental to both providers and the public sector, as it suppresses innovative approaches (which tend to be more expensive), because it directed much work into the centres and restricted the dynamism of the market, and because it leads purchasers towards the cheapest options.

Reasons for growth

A number of explanations for the striking growth in the demand for and provision of leadership development in the public sector emerged from the interviews. It was reported that in the current climate of the public sector, characterised by a continuous drive towards delivery and results, there is an increased understanding and acceptance of the need for powerful and effective leadership. A greater pressure on front-line leaders, such as those with clinical responsibilities, community leaders and teachers to produce service improvements was seen as creating demand for leadership development to which politically knowledgeable and informed providers are well placed to respond:

'There is an ever-growing demand on public services to deliver improved results in the face of many competing agendas. Policy has followed this demand by focusing on the need to equip leaders to respond to these challenges.'

– Large provider

The growth of the market has also been attributed to a widespread acceptance that effective leadership is fundamental to productivity and the maintenance of a productive organisational culture. The positive correlation between successful leadership and organisational effectiveness on a broad front is now more widely accepted, prompting enhanced recognition of the workforce as an organisation's most important asset.

'It is no longer possible to distinguish yourself by technology alone, and it is crucial to have effective leaders in order to get the best out of people... it is the increase in awareness of the power of a good leader which is producing the demand for more development opportunities.'

– Medium provider

There was also recognition of an increased perception that leadership development was a legitimate area in which to invest. Organisational cultures within the public sector were believed to have evolved to the extent that it is now acceptable to embark openly on personal development. This change has led to more genuine engagement with leadership development among those at the top of organisations.

In contrast to opinions voiced by other interviewees, one provider attributed this apparent market growth to other, unappreciated, factors. The provider suggested that growth may be fuelled by the externalisation of work conducted previously in a less formal manner within organisations. Consultancy firms are now being hired to provide training and development that was traditionally provided within organisations, leading to a growth in externally provided leadership development rather than a growth in overall demand.

Future growth

There was strong agreement among providers that the market for leadership development in the public sector will continue to grow over the next few years. This growth is attributed to an increasingly sophisticated understanding of the potential benefits of leadership development, at both individual and organisational levels;

'Public sector organisations are increasingly seeing leadership as a key feature of success, high morale and lower stress levels amongst employees. As organisations are becoming leaner than they used to be, they are increasingly trying to ensure that as people are brought in they are developed in the areas in which they are lacking.'

– Medium provider

All providers were optimistic about their expected business in the next few years, predicting the continuation of a steady upward trajectory in the volume and value of leadership development provision. One provider reported that its leadership development work had trebled in value in the past three years, and expressed the expectation that it would double again in the next two to three years. The scope of the work is also thought likely to continue to expand, as organisations seek to develop leadership across all roles and levels. Highlighted areas of predicted growth included the development of middle and junior managers, an enhanced focus on women and black and ethnic minority managers, and a focus on young managers to boost the retention and succession of skilled staff.

'There is huge organisational change predicted over the next few years, with a shift of emphasis towards less hierarchical structure, so it is likely that development will be available to people further down the organisation in order to empower people at different levels.'

– Medium provider

Amongst purchasers, views on future growth diverge more notably. In the view of some purchasers, while there have been steady reductions in many core public sector budgets, the government has realised the importance of maintaining high spending on leadership development activities and continued professional development. The argument of this group is that the government realises that the one constant that must be kept in place

during times of massive change and flux is high quality leaders; and is resultantly willing to invest in these.

'Although we are seeing cuts in some core services, it appears that many government departments have listened to our concerns and maintained investment in leadership.'

-Medium Purchaser

In contrast, other purchasers felt that the initial largesse of spending on leadership development was coming slowly to an end, with the more optimistic of this group feeling that where spending does continue it will become more targeted. Several members of this group predicted that the general drive for greater efficiency in public services and the need for considerable savings will lead to cuts in spending on leadership development. They also felt that more public services will build their own capacity to develop leaders. As evidence of this trend, they point to the growing number of public services investing in training to develop their own cadre of facilitators, coaches and mentors. They also cite the move by some services to develop and manage their own 360 degree feedback processes.

Profitability

Interviews with providers and purchasers of leadership development produced mixed views on the profitability of the leadership development market, and, unsurprisingly, there was reluctance amongst some providers to reveal detailed information about the profitability of their own organisations.

Information provided by several informants supported the idea that this area of work is substantially profitable. The following evidence was discussed.

Increased number of providers

A steadily increasing number of providers are populating the leadership development marketplace, which suggests that there are, or are seen to be, significant opportunities for financial reward.

The position of large private sector providers within the market

There is an increasing dominance of private sector providers of leadership development, with some informants claiming this group was the greatest beneficiary of the growth in demand. However, one informant raised a cautionary note about whether the large providers still regard this market as sufficiently profitable to warrant their engagement with it.

Increased turnover in leadership development products and services

Several well-established consultancies reported increased turnover and revenue in relation to their leadership development businesses. While not in itself an indicator of profit, it is possible to infer that such rapid growth of business would not be possible without adequate profit.

A small number of providers described the high profitability of their leadership development provision in comparison with other areas of their consultancy work. There was suggestion from providers that, despite considerable resources being channelled into the initial stages of securing work and structuring interventions, the profitability of the later stages of a programme are sufficient to warrant the initial investment.

One provider stated:

'The supply of our leadership development offer accounts for the fastest area of growth in our business in recent years (we supply many other consultancy and research functions). We put this down to the proliferation of organisations buying large-scale, long-term leadership development programmes. There is a lot of work entailed up front to win the work, but unlike other sectors, where it costs a lot all the time to keep the work coming in, once you have won a small number of contracts, the work levels are maintained for a long time.'

– Large provider

In stark contrast to these observations, several informants stressed that profits for leadership development work are generally small and highly constrained by factors underpinning their business model. The view of these providers was that the business is very costly to run effectively, with additional costs detracting from the potential for profit;

'Leadership development is unlike most other parts of the business; you don't just turn up with a laptop and a flip chart. To run high-level, long-term programmes, you need to cost in a great deal for venues, technical support, administration, and the cost of processes such as 360 feedback surveying.'

– Small provider

Several providers also stated that the consultants who undertake leadership development work are likely to be more senior in terms of experience and age. This has clear implications for providers in terms of the difficulty in securing the employment of such consultants, and the high expense of doing so. This, it was argued, means that much leadership development provision operates within very tight financial margins, making high profit difficult to achieve.

The question of profitability remains open. The providers are unwilling to provide information about their profit margins, and without that it is impossible to make a conclusive judgement. The patterns that emerge within the evidence are that the purchasers tend to report that high profits are being made, whilst the providers report that profit margins are squeezed and profitability is difficult to achieve. This is unsurprising and unfortunately gives little clear information about profitability.

How much does leadership development cost?

It is difficult to generate detailed or comprehensive information about the cost of leadership development interventions, mostly due to the proprietary nature of this information and thus reluctance by providers to share it, but also because pricing and the detail of what is

offered varies greatly between providers, types of provision or product, and is subject to rapid change.

It has been possible, however, to identify two broad findings in relation to pricing.

Variation in prices

It is clear that prices vary considerably, often for what, at face value, appear to be very similar products and services. For example, prices for a single day of a single provider's time to run a small workshop with a senior management team range from £500 to £4000.

A range of reasons have been suggested for this variation in cost: the experience, background and skills of the provider can be hugely different; the modes for delivering the work could vary enormously; and, most importantly, as many providers were keen to state, the outcomes of the work for the organisation can also vary greatly.

Perhaps the main issue in relation to the variations in costs is that some purchasers were unsure what elements 'are factored in' when prices are drawn up. Some purchasers felt that there was 'little transparency around cost structure,' making it difficult for them to judge whether they were achieving value for money when assessing and comparing providers. No clear solution was suggested for this problem. However, it has been suggested that if purchasers are to achieve higher degrees of value for money, they need to be able to gain a better understanding of the elements which underpin cost and that this information is made more transparent.

Discounting

A number of providers are willing to vary their pricing or to 'discount' their services, depending on the circumstances. In most cases, providers seek to adhere to their standard price structure, but there was a willingness to vary price where purchasers were interested in buying large-scale or long-term programmes. This willingness places greater buying power with public services that are seeking economies of scale when purchasing.

'It is possible, if you come together with other leadership development leads, to drive down the costs of services through a process of offering economies of scale to the provider.'

– Medium purchaser

Equally, there is evidence that providers can offer a better price in some cases if they come together in a consortium to offer services, with larger, more expensive providers carrying out some of the work, while smaller providers deliver elements of the programme at lower costs. In light of growing financial pressures on public services, some purchasers felt that providers needed to work in this sort of arrangement more often.

4. The quality and value of current provision

Informants were asked to give their impressions of the extent to which the current market provides sufficient value for money and quality of services. The views on quality and value for money were wide ranging and differed considerably across the groups and it was difficult to identify clear areas of agreement. There was, however, one area of broad agreement across most of the informants, both purchasers and providers, and this is the view that there is huge variability in the achievement of quality and value for money. While almost all of the informants felt that there is excellent quality leadership development work going on, they also point to examples where they have received low quality provision, sometimes with very damaging consequences.

The lack of quality and value for money in some cases was seen to be caused by the following factors:

The lack of consistent, strategic and systematic approaches to the commissioning of leadership development.

Good commissioning, which informants viewed as being strategic, based on good practice, and driven by skilled and competent commissioners, is critical to the achievement of quality and value for money. As the next section describes in more detail, problems arising at each point in the commissioning process can greatly diminish the quality of the services that are delivered.

'Commissioning processes vary considerably across localities. There is not enough quality assurance of the process and the process is often left in the hands of junior staff.'

– Large Purchaser

Gaps in provision

Another reason given for variable quality was the lack of providers able to supply innovative products that take account of the fast-moving policy terrain. Specific gaps in the market that need to be filled if greater quality is to be assured include: development focusing on complex leadership across partnerships and whole systems; sufficiently sophisticated and tailored e-learning products; and context-specific services. While leadership development opportunities are seen to have been opened up to a wider group of public service employers, there is still seen to be insufficient support for specific groups. Two examples given were the lack of management development for senior nurses and managers in the voluntary sector responsible for providing public services.

Shortage of skills

There was said to be a shortage of skilled trainers and developers. While there are a growing number of providers, some purchasers in particular felt that this growth has not led to a larger number of specialist developers able to meet the growing demand for leadership

development. According to several informants, in fact, there is a considerable shortage of high-quality trainers, which leads in some cases to the delivery of low-quality services and poor value for money.

This shortage was not seen as surprising. Most informants viewed the provision of leadership development to be a highly skilled task, which maybe calls for greater levels of demonstrable experience and gravitas than other forms of consultancy. Clearly it is a major task for providers, who are responsible for recruiting most leadership development trainers and developers. However, a small number of informants felt that providers and purchasers could work together to develop a clearer understanding of the skills and competencies required for leadership development and to articulate a strategy for ensuring that there are sufficient numbers in the system.

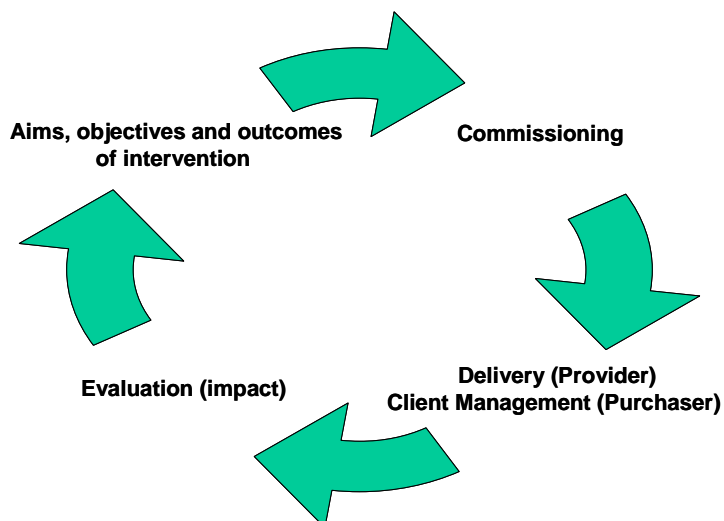
5. Commissioning leadership development

As previously mentioned, commissioning processes are critical to the success of public services in purchasing high quality and good value leadership development services and products. According to the vast majority of those interviewed, it is clear that where commissioning processes are both strategic and well managed, public services achieve better results when purchasing services. Where they are not well managed, and narrowly focused, the opposite can occur.

The commissioning process is not simple. Rather it is a complex mixture of factors and entails a number of different actions. Whilst it is not possible to completely disentangle the different elements of the process from each other or, in many ways, from the operation of the public body in question, certain dividing points or identifiable stages have emerged during the research. Diagnosing the strengths and weaknesses of the process can be done by deconstructing the process into constituent parts, even though the reality is not as clear cut or neatly packaged as the descriptions suggest.

For these purposes, then, the commissioning process can be viewed as comprising four main phases, represented in the diagram below. In this model, commissioning is viewed as both a technical and a broader strategic process, which needs to be integrated with organisational and contextual factors, such as strategy development, organisational change and the development of leaders. As a result, the analysis addresses issues which are specific and refer to the technical process of commissioning, and some of the wider organisational and contextual factors which inform effective commissioning.

Figure 1: The Commissioning Cycle



Stages:

i. Developing a vision, aims and objectives – This is the stage in the process where senior managers develop a strategic understanding of what they want to achieve through

leadership development. Sometimes referred to as a diagnostic phase, it includes developing clear and coherent vision, aims and objectives for the planned leadership development intervention.

ii. Commissioning – The process by which public sector organisations purchase specific leadership development interventions. Although approaches vary across public services, this stage in the commissioning broadly entails: writing an Invitation to Tender or Specification; sending out the Tender to potential suppliers; Assessing proposals from suppliers (including interviewing suppliers); and awarding contracts for work to be undertaken.

iii. Delivery – This phase entails the delivery of products and services. To be successful, this phase requires effective processes and activities both from the purchasers in managing the delivery of the service, and the provider in delivering the intervention.

iv. Evaluation – Although evaluation can occur both prior to and during the delivery of interventions, this phase has been placed at the end of the commissioning cycle as evaluation usually seeks to assess the impact of the intervention. Evaluation is taken to be any process which is used to measure whether the aims and objectives of the intervention have been achieved and to inform the development of improved future interventions.

i. Developing the vision, aims and objectives for leadership development

Many informants consider the first stage of the cycle to be most important. This is the point at which senior managers and leaders in organisations should come together to consider the outcomes they seek to achieve, how leadership development will contribute to these, and what kind of services might be required to deliver the outcomes sought.

Several interrelated concerns were raised about this phase in the cycle. The first is that the organisational strategy is often not connected with the strategy for leadership development. This means that while senior managers may hold a clear view of where they are taking the organisation, this does not fully inform their vision and strategy for leadership development. Consequently leadership development interventions may fail to contribute to the strategic goals of the organisation or, at worst, run contrary to them.

'The worst cases we come across are when the programme is not informed by a strategic understanding of the organisational and personal needs of individuals. There is only occasionally senior involvement in the programme design and evaluation, not enough time is devoted to working with individuals (e.g. only 3 days a year), and there is a distance between us and the client and thus they do not get the best from us. When it works well the client is more involved – and senior people participate, there is active client involvement in designing the programme, participants are given time to take part and the programme is followed by evaluation.'

– Large provider

While accepting that senior managers have many commitments, most informants do feel that there is value in greater senior involvement in shaping leadership development strategies.

The second main concern is that senior managers often fail to understand leadership development adequately. Informants reported that senior managers often do not fully understand what leadership development is, how it should relate to wider organisational change and how it can add value. This leads to strategies for leadership development that are ill considered, and may lead to inappropriate interventions. There is also a felt lack of effective evaluation of impact when senior managers fail to appreciate what results are or what may be achieved through interventions.

The third concern arises when senior managers fail to find the time or inclination to be actively engaged with leadership development process. Several informants pointed to examples where major decisions about large-scale leadership interventions were left to human resources managers who did not sit on the board, or where decisions were taken without the full involvement of the chief executive and other senior managers.

Hence a critical issue is the need to build understanding of leadership development, and ownership of the process of commissioning leadership development, among senior managers in public services.

'It is important to build ownership at the highest level, and to actively develop a leadership strategy and programme with the senior management team.'

– Large purchaser

Several informants highlighted the importance of developing a 'partnership approach' during this critical phase (when the aims and objectives of the interventions are agreed), whereby the senior management team of the purchaser works directly with providers to develop a clear set of outcomes and a coherent approach to delivery. This process, where it happens, *'allows us as providers to help senior managers get their heads around what they are trying to achieve and the options available for achieving this.'*

One of the recurrent frustrations of both providers and purchasers was that it is extremely difficult to adopt a cooperative approach. Ideally, the intervention would be designed from the outset with a provider, so that the public sector body can determine what it is trying to achieve, work with a provider with expertise in leadership development to diagnose needs and design an effective approach, and then undertake the work. Presently the two sides have to act independently, with the commissioners drawing up a detailed specification which dictates an approach which may or may not be appropriate, but is generally designed by someone without expertise in leadership development. The providers then have to respond to that brief, often without the opportunity to comment upon or alter the specification.

The formality of procurement and the discontinuity of the process as a whole were seen as significant hindrances to effective leadership development interventions. In particular, it was suggested that there is often a disconnect built into the process from the outset. Those

people who develop the ideas of what is needed are not the same people who undertake procurement and draw up the specification. Then an entirely different set of people may be in charge of overseeing the work once it has been commissioned. This effectively makes it impossible to build any form of co-production, fragments relationships and leaves the intervention remote from the initial intentions of the senior people within the organisation. The result can be an ineffective intervention which does not address the aims for which it was initially commissioned.

ii. Commissioning

There was a strong consensus that the process for commissioning leadership development has improved in recent years, brought about by advancements in policy, practice and skills in procurement and commissioning, and by a growing recognition of the links between strong commissioning practices and value for money.

However, a number of concerns about current commissioning process were raised. The first is the lack of collaboration across public services, and particularly the sector leadership centres, in relation to the design and implementation of commissioning strategies. The public sector as a whole, it is argued, invests considerable resources in commissioning leadership. However, in many cases they are not sharing vital information on the market, good practice on commissioning, and skills and experience. The fact that in many cases the purchaser has not evaluated previous programmes, as we explain below, makes it more difficult to generate robust information on the quality of providers in the market. This lack of collaboration leads directly, according to several informants, to the duplication of effort, lower quality commissioning decisions, and a failure to learn from good practice.

'There are currently several national approaches to commissioning 360 degree feedback, but not enough sharing of what we know about who provides this, where duplication can be avoided, and in terms of possibilities for joint purchasing. This is costing us money and effort.'

– Large purchaser

Secondly, there is seen to be a lack of involvement, in some places, of senior or sufficiently competent staff to manage the technical process of commissioning. The view of those who raised this issue is that this role needs a combination of:

- An understanding of leadership development
- An understanding of the needs of the organisation and the goals it is trying to achieve
- An understanding of the market and the range of interventions available
- Knowledge of the technical side of commissioning (such as drawing up detailed specifications and terms and conditions)
- Skill in interviewing providers
- Ability to negotiate contracts.

In too many cases, the individuals or teams involved in commissioning lack one or more of these skills. In too many cases the people charged with commissioning are not those

working at senior level and so do not have the knowledge of the organisational goals necessary to ensure an appropriate intervention.

'Often there is a tendency to let more junior staff manage the procurement process. This can work if the person has the support and ear of senior managers, but in many cases these individuals struggle to translate the high-level organisational aims into practical ideas for what they want in terms of delivery.'

– Large provider

Another issue of importance is that current processes have a tendency to be overly prescriptive and time-consuming. According to several providers, the current commissioning process requires providers to spend considerable amounts of time responding to complex specifications and terms and conditions. While there is acceptance that regulation of procurement is necessary, there is a sense that some providers have to provide excessive and sometimes unnecessary information, such as long statements on the finance, structure and shape of their organisations, responses to terms and conditions, and long lists of references. A common example was the need for providers to supply the same information about their organisations to different clients. A number of informants suggested the use of more common terms and conditions, or for the more active use of 'supplier databases' that can be accessed by public services to extract up-to-date information on different providers.

'The cost of responding to bids is very high – the client needs to understand this. The level of detail required in relation to budget, organisational information and other information is too great – it switches time and effort away from concentrating on the meat of the brief.'

– Large provider

Concerns were also raised about the quality of specifications. Several informants felt that specifications too often either fail to convey the aims of the leadership development interventions clearly, or are overly prescriptive in defining the response required. This problem can lead to a situation where providers design approaches that are inappropriate to the actual development needs. The most common feeling was that the poor quality of some specifications is due to the lack of senior and *informed* (that is someone who understands leadership development) management involvement in drawing up the specifications.

'There is a danger of clients trying to over control the process and ask for very clear set of products even though they seem to have a limited understanding of what is available. It is not uncommon, for instance, for a person to ask for very specific types of intervention with no evidence this is the right approach.'

– Small provider

This view about the bureaucratic nature of the commissioning process is not held just by providers, but by purchasers as well, who often feel that complicated commissioning procedures are time-consuming and distracting.

'I am of the view that I could spend more time thinking strategically about what we need if I didn't have to fill endless forms and review countless documents.'

– Small purchaser

Another concern which was raised about this element of the commissioning process is the lack of use of systematic approaches and criteria for assessing the quality of potential providers or the value for money they offer. Many of the conversations about this issue referred to the dynamic and fast-changing nature of the leadership market. New approaches, offerings and providers are springing up all the time, so it is essential that purchasers know the market and are better prepared to judge the quality of provision. A number of processes need to be strengthened, including assessment of the marketplace and the range of providers, benchmarking of providers to assess whether quality and fair market rates are being provided, and the systematic use of supplier lists that give up-to-date information.

There is evidence that some parts of the public service are well advanced in ensuring that they are fully aware of the market and are able to assess value for money and quality appropriately. Parts of the public sector are increasingly working together to pool their knowledge about commissioning, the quality of providers and the costs of different interventions.

'I am not aware of many public services who consistently review the market, develop robust supplier lists, and benchmark the performance of providers. The market is highly dynamic and fast changing; what are public services doing about this fact?'

– Large purchaser

The development of criteria to help purchasers select the best providers was another issue. Most purchasers were already using rigorous selection processes, involving detailed assessments of proposals, visits to suppliers and selection interviews. The main concern, though, surrounds the criteria that are used to guide the selection process. Providers in particular think that there is an overwhelming focus on cost as opposed to other factors, such as the provider's track record, organisational values, methods of delivery and levels of innovation. When selection is undertaken by managers who do not fully understand what is required, there is sometimes an over-focus on the format of the provider submission rather than its content. There was broad agreement that a 'balanced' approach to assessing potential providers was needed.

'One thing that is noticeable from looking at tenders and specifications is that there are still a lot of organisations seeking to purchase development services on an input basis. You can buy staples on an input basis, but for more specific programmes it doesn't really tackle it.'

– Medium purchaser

However, providers recognised that they may need to do more to explain how they arrive at costs, which can vary for apparently similar products and services. There was also support for the development of clearer 'market' rates for different kinds of services, which could be used by purchasers to assess whether value for money is being offered.

iii. Delivery

Methods and forms of delivery can vary considerably. Some interventions, such as long multi-faceted programmes, require considerable investment of time by both the provider and the purchaser to be effective, while smaller scale interventions, such as workshops with senior managers, require less investment of time and resources. However, concerns were raised yet again about the need to improve the quality of relationship between purchasers and providers, with a shift towards a more 'partnership approach' to the delivery of services. It was felt that this was another stage in the process during which relationships were inadequately managed – a theme which recurs throughout the discussion of commissioning.

The role of the purchaser in supporting, administering and monitoring the delivery is seen as critical to the success of the intervention. Again, there were concerns about the lack, in some cases, of sufficiently senior staff with the right competencies in this role. There were also criticisms of situations, which were said to arise regularly, when the purchaser's project manager adopted a distant, hands-off, and even occasionally confrontational stance to the provider.

'Unlike our relations with the private sector, there is an inherent suspicion, nervousness and risk averseness with the public sector in the way it works with us. This leads to a breakdown of trust. We need to sit down more often and try to understand where we are both coming from.'

– Large purchaser

At the same time, several examples were given where project management by the provider was insufficient and did not meet purchaser expectations. A recurrent theme among purchasers was that providers are often unable to maintain a consistent team of staff over the period of the intervention. This makes continuity difficult, often leads purchasers to have less faith in the ability of the provider to deliver, and makes it difficult to ensure that interventions meet the needs of the organisation.

Both purchasers and providers saw constant monitoring and development of interventions as essential to effectiveness. It is not enough to design a process and run it: both sides must constantly monitor its effect and effectiveness, and be willing and able to discuss it frankly and alter it according to needs. Too often this does not occur, in some cases because of the distance between the provider and purchaser, in others because the provider does not feel their relationship with the purchaser is strong enough for them to admit their intervention is not having the desired impact. Relationship management, closer and more trusting interactions, and openness are essential to more effective delivery.

Given this backdrop, there were calls from both purchasers and providers to develop an approach to delivery, particularly for highly complex and long term interventions, that follows the principles of formal project management and of partnership working. This proposition has implications for the way services are commissioned and how the purchaser/provider relationship operates. Most respondents agreed that overly cosy relationships between purchasers and providers should be avoided. However, there were

numerous examples where more intelligent and collaborative relationships had developed between purchasers and providers that provided constructive challenge on both sides. The National Assembly for Wales, for example, is increasingly moving toward a co-production relationship with its providers, sitting with them during design phases, taking part in interventions and becoming more involved in the evaluation of impact.

iv. Evaluation

Evaluation is critical to judging the delivery of leadership development. It can be used to inform purchasers whether the intervention 'worked' and in what terms, and to help them design more appropriate and effective strategies in the future.

Overall, very few informants on either the provider or the purchaser side felt that enough high-quality evaluation was taking place. Firstly, there is often a lack of understanding about the importance of evaluation or how to construct effective evaluation approaches. However, this was seen as unsurprising, given the difficulties associated with defining and measuring the impact of leadership development, especially on the wider organisation or on the recipients of its services. Secondly, the proportion of spend which is used to fund evaluation is generally seen as insufficient to enable high-quality evaluation to take place. Finally, there is still seen to be a lack of knowledge and experience in conducting evaluations within purchasing organisations. More could be done, it was felt, to identify and disseminate knowledge and advice about the evaluation of leadership development.

'The most common form of evaluation stretches no further than the use of participant response sheets and basic quantitative analysis; this won't tell you much more than immediate perceptions of impact and certainly won't help you re-design future intervention.'

– Medium provider

The above quotation reflects a recurrent concern amongst respondents, namely that evaluation does not always go beneath the surface. Satisfaction with the sessions being run does not necessarily equate to an effective intervention. The difficulty is, however, that the outcomes of leadership development may be diffuse and are often long-term. This makes evaluation a difficult and costly business. Most respondents argued that evaluation can be a significant tool in commissioning and can actually save money by directing future spend as well as influencing changes to on-going interventions.

A growing body of research is emerging about how evaluation can inform better leadership outcomes^{7, 8}. There are also a growing number of purchasers who are aware of the importance of evaluation and are willing to invest in it as part of leadership interventions. However, it is clear more could be done to strengthen the understanding of purchasers about the importance of evaluation, the technical aspects and who can help to conduct it.

⁷ Ashridge, Executive Education: *Evaluating the Return on Investment, Bringing the Client Voice into the Debate*, May 2005

⁸ NHS Leadership Centre and OPM, *Guide to evaluating leadership development*, 2005

In addition, there was a strong sense that evaluation yields the most benefits for the organisation when it is seen as integral part of the commissioning cycle that captures organisational learning and informs the next steps, as well as provides a summative assessment of development work already undertaken.

'It is now standard for us to put at least 10 per cent of our overall leadership budget into evaluation activities – when assessing providers it is one of the most important questions we ask – how would you evaluate this programme.'

– Large purchaser

Summarised below are the main issues which were cited as determining how well commissioning processes work:

Commissioning works well when....	Does not work well when....
<p>Developing vision, aims and objectives</p> <ul style="list-style-type: none"> • The Chief Executive and Executive Directors are actively engaged in developing a leadership development strategy • The emerging strategy for enhancing leadership is aligned to the strategic objectives of the organisation • There is a clear understanding of the outcomes that will be delivered through leadership development and how these will be measured and assessed 	<p>Developing vision, aims and objectives</p> <ul style="list-style-type: none"> • The decisions over the leadership development strategy are left to more junior managers • The strategy is not aligned to wider organisational, strategic and contextual factors • The leadership strategy is not widely owned at the highest levels in the organisation • The leadership strategy does not consider future policy changes and external drivers
<p>Commissioning</p> <ul style="list-style-type: none"> • Senior managers are directly involved in developing the tender or specification • There is a systematic assessment of the market and the range of providers who would be able to fulfil the specification • The Panel Interviews give enough time for the provider to explain how they will undertake the tender • Providers are assessed and selected on the basis of a clear, balanced set of criteria 	<p>Commissioning</p> <ul style="list-style-type: none"> • The specification is unclear, too long, or incoherent • The specification is too prescriptive in what interventions are sought • There is insufficient senior involvement in the selection of providers • Purchasers are not available to discuss aspects of the specification prior to the need to respond • Providers are selected only on the basis of cost

<ul style="list-style-type: none"> Detailed and high quality feedback is given to providers who do not succeed in securing a contract 	
<p>Delivery</p> <ul style="list-style-type: none"> Senior managers take part in the interventions Programme and project management good practice principles are applied in managing the provider There are pre-planned 'breaks' in the delivery at which point the purchaser and provider can assess progress, and if necessary, make changes 	<p>Delivery</p> <ul style="list-style-type: none"> Insufficiently senior or inexperienced staff are left to manage the delivery Providers chop and change staff during the delivery of interventions The interventions are so inflexible in their design and implementation that they cannot be changed to reflect changing circumstances
<p>Evaluation</p> <ul style="list-style-type: none"> The evaluation looks not just at impact but at the process through which the intervention is delivered so that future interventions can be improved A significant resource is available for conducting the evaluation 	<p>Evaluation</p> <ul style="list-style-type: none"> Not enough investment is made available for evaluation The evaluation does not consider how the intervention could be improved in the future

6. Conclusions and recommendations

Conclusion: The market for leadership development is dynamic and fast moving, with different providers moving in and out of the market rapidly. The nature and methods of delivery are also shifting rapidly. It is important that public services maintain awareness of the changing shape of the market. But it can be difficult for organisations, particularly those that only periodically commission leadership development, to keep abreast of the market and to commission work quickly and effectively. This often means that organisations are uncertain which providers will best meet their needs.

Recommendation One: The PSLC should develop market intelligence which is accessible to all public service organisations. This could include a register of providers that have worked with the public sector and referees from public services who can provide testimony as to the appropriateness or strengths of a particular provider.

Conclusion: Cost savings can be achieved through collaborative commissioning where it allows those in need of similar leadership development work to take advantage of economies of scale. Several examples were given to us of where groups of public services have come together and developed a specification for leadership development that meets all their needs and can be commissioned through a joint commissioning arrangement. Providers are often willing to discount or to collaborate on lower-cost structures in situations where they are assured of large-scale or long-term work. This is to the provider's advantage, because it assures them of workflow and reduces the cost of tendering by reducing the number of projects for which they have to bid.

Recommendation Two: The PSLC should actively promote collaborative commissioning wherever it is appropriate. This study has been able to identify a number of examples where effective collaborative commissioning arrangements across public services have been developed leading to both reduced costs in relation to the commissioning process and the overall costs of the leadership development. In many cases, providers have also accrued benefits because they have had to tender for fewer jobs. The PSLC should conduct a more in depth review of how these arrangements take place, the value they bring, and how they can be promoted elsewhere.

Conclusion: While leadership development is generally accepted as important, there remains a lack of understanding about how it links to organisational performance and outcomes. Many respondents report a lack of connection between the acceptance that leadership development is needed and an understanding of its contribution to organisational improvement. Providers and purchasers report that, in many cases, there is little or no senior-level involvement in the design, commissioning or running of leadership development activities. As a consequence, there may be a gap between organisational goals and strategy and the leadership development initiatives. In these circumstances

leadership development can fail to address or improve organisational imperatives. This lack of connection may severely hinder the capacity of development interventions to produce the intended results and to deliver value for money. Senior managers need to be provided with a clear rationale for taking a strong interest in leadership development.

Recommendation Three: The PSLC should consider the purpose of leadership development in delivering public service reform and better outcomes and articulate why it is important, and how leadership development contributes to organisational improvement. This could take the form of a narrative with supporting practical guidance for public service organisations.

Recommendation Four: The PSLC should actively promote and encourage the engagement of senior managers, for example through the production of inspiring good practice examples of how leadership development has contributed to better outcomes. Several informants also felt it might be useful if the Consortium were able to help produce a powerful evidence based narrative which clearly explains the links between improved leadership and organisational performance.

Conclusion: Effective commissioning in a broad sense is key to successful leadership development. If the commissioning process is ineffective, the development will fail to deliver the outcomes for which it was, or should have been, purchased. The research has shown that there are many facets to commissioning and many ways in which it can fail to operate effectively. One of the most prominent is inappropriate specifications, arising from a lack of senior involvement or a lack of knowledge of leadership development. In many organisations, individuals may not be experts on leadership development, and they may only ever have to commission a handful of leadership development projects. The respondents in this research were in general agreement that leadership development would be far more effective if the appropriate expertise was available to purchasers earlier in the process, with collaborative work to establish clear strategic goals and options for how these could be achieved.

Recommendation Five: The PSLC should develop guidance, based on existing good practice in commissioning and procurement, focusing on the specific skills and competencies required to commission leadership development. This should offer practical advice on how to achieve the best outcomes, how to ensure the right people are involved and how to manage a commissioning process.

Recommendation Six: The PSLC should review the possibility of developing a cohort of independent advisors with expertise in leadership development who can assist organisations in commissioning leadership development. This might operate in a similar manner to the leadership centre for local government, which helps to broker relationships and advise local authorities.

Conclusion: The delivery of leadership development requires strong project management skills from both purchasers and providers, particularly for highly complex and long-term leadership interventions. There is a view that while project management has improved in recent years, some of the providers' project management is not of sufficient quality.

Concerns have been raised about the level of seniority of project managers and their lack of skills in challenging and supporting providers and in evaluating and assessing impact. Project management needs to be based on collaboration; the ability to monitor and revise the work constantly and openness between provider and purchaser are essential.

Recommendation Seven: The PSLC should develop guidance to assist public service managers in improving the project management of leadership development delivery.

Conclusion: There appears to be a growing trend towards the development of a larger group of public service employees who are able to carry out leadership development for other employees within their own or neighbouring organisations. A particular emphasis has been upon the provision of in-house coaching and mentoring. This trend, if effectively supported and funded, may enable the public sector to reduce its reliance on some elements of external provision.

Recommendation Eight: The PSLC should consider more actively supporting the development of internal leadership capacity in public services.

Conclusion: Concerns were raised about the contribution of sector leadership centres in developing new thinking, practice and approaches to commissioning leadership development. While there was strong support for a sector-specific approach and for dedicated sector centres, it was felt that more could be done to ensure that these centres share information, collaborate where there is scope to, and develop shared approaches. Without increased collaboration, it is argued, money will be wasted and knowledge kept within silos, and there will be duplication of effort. In addition, it was felt that opportunities were not being exploited in central government departments, non departmental public bodies, and other public services involved in large scale commissioning to share information about the market, collaborate around commissioning, and disseminate good practice.

Recommendation Nine: The PSLC, which has senior leaders from the sector leadership centres, should consider ways in which to promote cross organisational working around sharing information about the market, developing effective commissioning, and sharing good practice in relation to leadership development. Where possible, information about the quality of providers – such as their proven track record of delivery – should be shared to help purchasers secure high quality providers

Conclusion: There is strong support for the establishment of a group of senior leadership development experts which brings together the range of public sector bodies to share their learning and experience of leadership development. This is the role that the PSLC does and should play. However, there was also support for the idea that the PSLC should provide a strong leadership role and have a significant profile, such that it can effectively influence the whole of the public sector.

Recommendation Ten: The role of the PSLC should be clearly delineated in light of this research, and a strategy for raising the profile of the consortium developed.

Conclusion: One clear gap in the effectiveness of leadership development in the public sector is the lack of evaluation. While many leadership development programmes include evaluation which gathers experiential feedback from participants, few undertake outcome or impact assessments. Without such assessment it is difficult to establish a link between the leadership development and organisational progress. This deprives both providers and purchasers of valuable learning which may help them construct better interventions, and it may limit senior manager buy-in, because leadership development is not clearly tied to organisational or service outcomes. While this is not the easiest aspect of evaluation to conceptualise and conduct, valuable evaluation studies can be undertaken. Most respondents expressed a view that more evaluation was needed.

Recommendation Eleven: The PSLC should actively promote the importance of effective evaluation in leadership development. As a starting point, it should produce a paper highlighting the importance of evaluation, how it links to organisational effectiveness, and recommendations on how evaluation can be integrated into the process of commissioning leadership development.

Appendix 1 – Remit and Role of the PSLC

Delivering Results

Summary

The following document provides background to the Public Services Leadership Consortium (PSLC), chaired by Peter Kane along with Consortium priorities for action over its first 12 months. The overarching aim of the Consortium is to add value above service specific leadership initiatives by delivering a programme of joint action on leadership development, procurement and the sharing of best practice between the public services

1. Background

The proposal for a Public Services Leadership Consortium was developed in close collaboration with leadership professionals from across the public services. It was developed through research & working sessions that highlighted the need to raise the quality and effectiveness of public service leadership by driving collaboration and smarter working between services on leadership development. It was felt that although there are already some good examples of cross sector work and innovation occurring in the public services, there was considerable support for going well beyond the current level of activity. The PSLC business case was endorsed by Sir Andrew Turnbull and received positive responses from key Ministers across the public services.

Two successful meetings of the PSLC have now taken place in January and April 05, which received excellent feedback from members and have driven forward the joint programme of work rapidly.

2. Objectives

The Consortium will add value over and above current sector specific leadership activity by:

- i. Delivering efficiencies in leadership development – through exploring opportunities for eliminating duplication of activity, sharing resources and realising economies of scale.
- ii. Creating a driving coalition for a new breed of leaders who see leadership as a collective widely distributed activity and who can deliver across organisational boundaries – providing the steering group for the new Cross Sector Leaders Scheme
- iii. Developing the scope for real interchange, career movement and a more joined up approach to succession planning within the public service delivery system. Developing incentives for building careers that link up different parts of the public sector.

- iv. Championing examples of excellent leadership, governance and management so that they can be shared and disseminated across sectors

3. Priority Areas for Action

The 5 priority areas for joint action as agreed by Consortium Members are:

- Developing curriculum for customer focused leadership and reform

There has been good progress in recent years in developing frameworks for competencies/ qualities of leaders in different sectors and in developing programmes for leaders based on these frameworks. Research has highlighted however, that there is only a limited amount of work so far on the curriculum required to develop some of the newer skills required of leaders across public services, specifically to drive reform and improve service delivery. The aim of this work is to develop a common curriculum element for customer focused leadership and reform that complements and supports existing provision for leadership development

A first report was made to the Consortium in April 05. The Consortium is now taking forward the recommendations and developing the curriculum element in partnership with public service leadership centres

- Talent Management & Mobility of Public Service Leaders

The NHS is developing a systematic and stretching career development programme for clinicians, general management and technical specialists to ensure the development of a stream of high calibre leaders. A part of this programme is the use of 'stretch assignments' for high potential leaders in regions to develop expertise in key areas. The NHS team have highlighted the potential to widen the scope of this programme to broker 'stretch assignments' for high potential leaders across public services and to develop seed beds of talent within the regions. The Consortium will take forward this proposition to develop cross sector 'stretch' assignments at a local level.

The study of Mobility of leaders across the Public Services by OPSR and Penna Consulting reported to the Consortium in April. It reinforced the need for the development of cross sector secondments/ assignments as well as highlighting key barriers and facilitators of mobility of leaders across the public services. The PSLC strongly supported the findings and recommendations of the report, which are now being submitted to the Cabinet Secretary and the Civil Service Reform Board.

- Diversity and leadership

The Consortium, led by Christina Pond at the NHS Leadership Centre is developing opportunities for joint action on diversity in leadership development, given some evidence that current programmes are having limited impact across the public services. This project aims to explore the approaches to developing diversity in leadership across the public sector in order to share models, assess impact and agree core principles for development.

- Common approach to shaping the leadership development market

The Consortium has the potential to leverage the influence of the public services to shape and develop the leadership development market to offer better value for public service organisations. The Consortium is taking forward a project with the CBI to better understand the landscape and assess the competitiveness of the leadership development market for the public services with a view to making recommendations to develop the market – to produce better quality products and better value for money for public service employers.

- Leaders UK

The Consortium, with the CBI acts as the steering group for the Cross Sector Leaders Scheme, now renamed 'Leaders UK'. Leaders UK is a flagship programme for developing aspiring public service leaders for senior leadership positions, through exposure to different sectors, organisations and experiences. A Consortium of 3 core providers (CMPS, School of Public Policy, University of Birmingham and Ashridge Management School) and partners has been engaged to deliver the programme. The first group of learners (100-150 participants) will start the scheme on the 22 September 2005.

4. Ways of Working

A draft structure and ways of working for delivery are outlined below:

- Members of the Consortium are drawn from a small group of leadership policy officials and the Directors of leadership centres/academies (e.g. for Police, NHS, Schools, Local Government, & Higher Education)
- The Consortium is chaired by Peter Kane in OPSR. The Consortium meets on a quarterly basis.
- OPSR acts as a secretariat to the Consortium and plays a light touch project management role in overseeing the overall programme of work.
- Consortium is responsible for:
 - agreeing areas of focus where collaboration will have the greatest impact over and above current sector specific initiatives
 - agreeing a programme of work and selecting individuals & groups to take forward particular strands of activity
 - committing funding where relevant for particular projects and joint activities of the Consortium
 - evaluating and reviewing joint work and Consortium impact.
- The Consortium formally endorses/actions subgroups to take forward joint work. There are a number of different mechanisms by which joint activity will be taken forward:
 - Working subgroups are chaired by a Consortium member with lead responsibility for the initiative/proposal. In the case of any joint procurement

initiative appropriate protocols need to be established to ensure there is no conflict of interest between consortium members. Procurement subgroups potentially need to operate independently from leadership providers within the Consortium.

- Implementation led through the National School of Government which has a new remit to work across public services and to work with other public service academies to ensure a service wide approach
- Existing practitioner networks (e.g. Leadership network run by Defence Leadership Centre) take forward key recommendations

Appendix 2 – Organisations reviewed as part of desk research

As part of our desk research we reviewed the websites, and where possible, other corporate documents such as annual reports, of the following organisations.

Consultancies

- Andy Holder associates
- Ashridge
- Bath Consulting
- CAG Consultants
- Deardens
- Deloitte and Touch
- ER Consultants
- Hay Group
- Impact Factory
- Insight People
- Julia Wright
- King's Fund
- KPMG
- McKinsey
- OPM
- PA Consulting
- PWC
- Tribal Secta Group

Academic

- Warwick Business school
- Cranfield Business School
- Exeter University
- Manchester University
- Lancaster University
- Centre for Leadership and Management, University of York

Sector Leadership Centres

- Leadership Centre for Local Government
- National College for School Leadership
- National Police Leadership Centre
- NHS Institute for Innovation and Improvement

- National School of Government
- The Leadership Foundation for Higher Education

Professional Organisations

- Chartered Institute of Personnel Development (CIPD)
- Institute for Employment Studies (IES)
- Institute of Leadership and Management (ILM)
- Chartered Management Institute (CMI)

Appendix 3 – List of Informants

Interview informants

Dr Mark Pegg Ashridge
Kate Charlton Ashridge
Jenny Deere National Police Leadership Centre
Ed Straw PWC
Gaynor Davies Tribal Secta Group
Bill Shedden Cranfield School of Management
Ian Lawson Work Foundation
Jonathan Gosling Exeter University
Zoe van Zwanenberg Scottish Leadership Foundation
David Knowles King's Fund
John Atkinson Local Leadership Centre
Sue Rubenstein Foresight Partnership
Diane Neale Gatensby Sanderson
Geoff Merchant Cabinet Office
Judi Billing IDeA
Rosemary Arrow-Smith Oliver London Borough of Barnet
Alison Johns HEFCE
Ian Apperley Greater London Authority
Caroline Stanger Essex SHA

Workshop participants

Greg Templeton PWC
Colin Conner National College for School Leadership
Kay Evans, National school of government
Joe Simpson, Local Government Leadership Centre
Geoffrey Merchant, Cabinet Office
Kate Charlton, Ashridge
Andrew Odgers, Tribal Consulting
John Kirkham, The Work Foundation
Judi Billing IDeA
David Marshall, Exeter University
Peter Casebow, Good Practice
Rob Emms, Good Practice
Bernie Brooks, The King's Fund
Jane Wharmby, Cranfield University
Esther Schofield, DfES