

managers and leaders:

raising our game

Government response to the report of the Council
for Excellence in Management and Leadership

September 2002

FOREWORD

1. Many British leaders and managers are innovative, creative, visionary and inspirational. We rely heavily on them to sustain our place as one of the world's leading economies. But in today's fast-moving competitive environment we need to continue to drive up the performance of the best and to address weaknesses in management and leadership that are holding back productivity and performance.

2. This is not a new issue, but it has become increasingly more critical. Our productivity as a nation is already lagging behind our competitors in North America and Europe. By tackling our management and leadership deficit with real vigour, we will unlock the doors to increased productivity, maximise the benefits of innovation, gain advantage from technological change and create the conditions for a radical transformation of public services.

3. Our ambition is to raise the game of managers and leaders. We will address the stock of existing managers by encouraging and supporting those who are currently under-performing to use the opportunities available to become highly professional managers. Through our skills and other strategies we will boost demand for management and leadership skills from employers by supporting them in their efforts to move up the value added chain, raise standards of education and training provision and ensure that products and services are in place to guarantee the supply of competent managers and visionary leaders for the future.

4. This ambition builds on the valuable work of the Council for Excellence in Management and Leadership (CEML) over the past two years. The Council has provided a thorough analysis of many of the factors that shape the management capability of the UK, and has presented a comprehensive set of recommendations. The Council's membership included many people with distinguished records of achievement and experience in leading and managing their own organisations. Their report¹ provides a valuable assessment of the current state of play, and a platform on which government and our many partners can build, in taking forward a strategy for improvement.

5. We are grateful to the many individuals and organisations who contributed to CEML's work and whose positive responses to the recommendations have helped to shape this document. Many organisations already have work in hand to take forward the issues raised by CEML.

6. This document sets out the government response to CEML's report. Tackling these issues is a long-term task needing sustained commitment by all those involved. There is no quick fix. As CEML recognised, there is more development work to be done in some areas, and our approach will need to continue to evolve. We intend to build on what CEML has done, implementing actions, testing their impact, and setting in train a sustained programme of activity to achieve the required step change in the quality of UK management and leadership. Raising the quality of leadership and management is not going to be achieved through stand-alone, short-term initiatives. It requires private sector leadership of the highest order, coupled with a coherent government response, integrated within the range of mainstream Government programmes for business support, skills development, strengthening the competition regime and modernising corporate governance structures.

¹ Report of the Council for Excellence in Management and Leadership: "Managers and Leaders: Raising our Game"; published May 2002.

7. We are conscious that good leadership and management is as vital to the success in the public sector as it is elsewhere in the economy. We are committed to much better delivery of our public services. This cannot happen without significant improvements in the quality of public sector managers and leaders and those in the voluntary and social enterprise sectors. There is much in CEML's report that is relevant to the public sector. We also believe that the public and private sectors have much to learn from each other and should be working together to advance the quality of their people. This will be essential if CEML's goal of placing the UK as a world leader in management and leadership development and capability is to be achieved.

8. To ensure that there is a sustained momentum, we are setting up a new Advisory Panel, which will comprise senior business people, others with a distinguished track record in leadership and management and Ministers from the relevant Government Departments. Members of the Panel will be champions for management and leadership in their areas of influence and have a powerful voice in Government and its agencies across the UK. The Panel will stimulate the transfer and sharing of knowledge and ideas across all sectors. It will be supported by a new joint DfES/DTI team that will draw on external expertise and seek secondees from across the public, private, voluntary and social enterprise sectors. Through these arrangements, we will carry forward the recommendations in CEML's "30 point plan", and co-ordinate management and leadership analysis and activity across Government more widely, to deliver a new and determined impetus for action in tackling these vital issues. To maintain the momentum of this work, we will make regular progress reports.

9. This is a response on behalf of government. It therefore focuses on our current programmes, policies and initiatives and on what we will do in future. Our aim is to build on what is already there, introducing new initiatives where there are gaps. Action on management and leadership must not be seen as the preserve of government alone. We give credit to the contribution already being made by the professional bodies, forward-looking employers, the business schools, higher and further education, private providers and the many other stakeholders identified by CEML. Without their extensive support, comments and advice CEML's report and this response would not be possible. We look forward to their continuing support.

10. We again thank CEML for the excellent work they have done. For us the Council's report is a beginning rather than an end. We are determined to carry forward what CEML has begun and, over time, ensure that the quality and effectiveness of management and leadership, whether in business, in public service or in the community is up to the task in delivering prosperity and high quality services.

11. This response is on behalf of government across the UK. All relevant UK government departments and the Devolved Administrations have been consulted. Much of CEML's analysis and its prescription is of general application. However, much of the detail of CEML's recommendations refers predominantly to the English context and in particular the areas of responsibility of the DfES and DTI. Therefore, in responding to CEML in this report we have largely confined ourselves to the areas for action specifically identified by CEML.

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OUR PRIORITIES FOR ACTION

CEML has set a demanding agenda. This section summarises the key actions we will take. These are set out in more detail in the chapters that follow. We have structured our response to focus on priority areas for action, grouped in the three broad themes of stimulating demand, improving supply, securing effective delivery. But everything cannot be done at once. There must be a order of priorities and we will look to the new Advisory Panel for advice on this.

Stimulating demand

Our strategy for raising demand aims to facilitate successive steps of business engagement: awareness raising, clear assessment tools and guidance, practical help, providing access to more detailed advice and employer best practice networks, and celebrating success through recognition. To do this we will:

Benchmark performance

- By developing an internationally benchmarked Framework of Indicators of National Management Capability. This will be used to encourage businesses to move up the value chain, through a better understanding of what the best of their competitors are doing
- By working with the new Sector Skills Councils, the Sector Skills Development Agency , and others to benchmark effective business practice sector by sector, particularly in relation to the identification of skills needs and the effective use of skill supply in business development. We will also look at benchmarking for bodies in the public and voluntary sectors

Assess performance

So that businesses can diagnose leadership and management capacity, and identify development priorities we will promote and make accessible

- the Investors in People (IIP) standard, IIP Beacon scheme, the new IIP Model on management and leadership and Laurel Online which is currently being rolled out across the LSC and Business Link network
- the Business Improvement Tool for Entrepreneurs (BITE) compiled by CEML, the new Business Link CONNECT module on leadership, the proposed “Competitive Scotland” tool, and other diagnostic frameworks

Focus on SMEs and engaging intermediaries

We will harness the potential of **intermediaries** such as banks and accountants in helping businesses and particularly SMEs to make sense of the array of support programmes, and choose which is best for them, including launching a new £30 million programme to encourage take up of Investors in People by small firms through a focus on business development. We will:

- review what Government can do to secure effective briefing, support and incentives for the intermediary network to promote better management and leadership to their clients
- pilot innovative ways of managing business support services at a local level with the Small Business Service and some Regional Development Agencies
- through Ufi establish a network of **learndirect** business centres (LDBCs) that will engage directly with small and medium enterprises and resellers, for example, accountants, lawyers and training companies
- in Scotland, connect with small firms through the Small Business Gateway operated by Scottish Enterprise

Promote best practice, leadership skills and diversity:

- through business networks, with a campaign to raise leadership skills, measures to encourage a diverse management talent pool, and opportunities to improve productivity by business learning from business and people learning from people, including expansion of the Fit for the Future campaign, development and use of an 'inspirational leadership index', Industry Forums, the Partnership Fund and Regional Centres of Manufacturing Excellence
- encouraging informal and innovative learning environments through supporting informal workplace and on-line learning, and promoting mentoring and coaching networks

Work through sectors

Using the new Sector Skills Development Agency and Sector Skills Councils to pursue management and leadership as a key cross-sectoral theme in their work

Set an example

Making better management and leadership central to our plans for better delivery and the reform of public services and taking action to develop leadership and management capability across the public sector and Government departments, for example through new national leadership centres for schools, further education and the health service

Create the right business environment

By addressing how regulatory structures, corporate governance and fiscal incentives have a major influence on management and leadership performance, in particular encouraging business to develop high performance work environments and to measure management and leadership performance, through more widespread and specific voluntary human capital reporting

Improving Supply

We will raise the quality of supply of leadership and management skills by:

Aligning supply and demand

- driving innovation within further and higher education, so that colleges and universities are responsive to the skills which employers need
- a range of actions in England flowing from the July 2002 spending review, such as initial pilots between selected RDAs and the LSC to pooling funding for adult skills
- through Frameworks for Regional Employment and Skills Action (FRESAs) - all RDAs and LSCs will be encouraged to look for opportunities to brigade funding better to support local action

Better preparation for school and college students through

- integrating management and leadership into the 14-19 skills curriculum
- pathfinder pilots to give all students the opportunity of up to 5 days of activities to develop their enterprise capability
- opportunities for school and college students to develop their understanding of the world of business through the new vocational GCSEs and A levels which are available from September 2002
- developing “vocational signposting” to enable the business community to contribute to students’ education at all levels whether through sandwich placements or work experience

Better training and development

- in further education through raising standards, a new leadership college and our “Success for All” strategy
- in higher education through an increased emphasis on employability
- in the public services by making management and leadership a key development area and encouraging appropriate provision for individual managers and leaders in the workforce, through new national occupational standards and a coherent qualifications structure with clearer progression routes
- by promoting e-learning

In sectors

Working with the new Sector Skills Development Agency and Sector Skills Councils to:

- encourage the supply and demand sides to bridge the gap that exists between them and develop opportunities for the business community to contribute to student education at all levels
- ensure that management and leadership feature in national occupational standards and vocational qualifications in all sectors

Provide a “no wrong doors” approach to signposting

- through ensuring a coherent customer focused approach to providing management and leadership information to employers through Business Links, the new UFI/**learndirect** business centres and Laurel Online
- by working with UFI/**learndirect** and other partners to ensure high quality on line sign posting system for management and leadership learning

Ensure Effective Delivery

To sustain momentum in carrying forward these actions, we will:

- establish an Advisory Panel of senior leaders from business and the public sector and Ministers to oversee progress
- establish a joint DfES/DTI team to develop and take forward the action plan, supporting the Advisory Panel

The panel and the joint team respectively will oversee and support integrated arrangements for management and leadership development across the UK. The devolved administrations will be consulted to ensure the arrangements meet the specific needs of Scotland, Wales and Northern Ireland.

The following chapters set out in more detail what will be done. A point by point response to CEML’s recommendations is at Annex C.

Other Government Departments and Devolved Administrations

Other Government Departments are addressing the management and leadership needs of the business sectors and public services they sponsor. Their initiatives are not set out in detail in this response. The Devolved Administrations have significant action planned or underway. The Scottish Executive is working with the Scottish Leadership Foundation, the Enterprise Networks and other partners to carry forward an equivalent programme of activity in Scotland. In Wales, the Assembly Government has a similar programme working with the Welsh Management Council and Elwa National Council. In Northern Ireland, the NI Executive works in close partnership with Invest NI and the Management and Leadership Network to promote, and assist organisations that are engaged in management development activity.

CHAPTER 1 - BACKGROUND AND APPROACH

Context

In a fast moving world we need to give constant attention to those factors that underpin our national economic productivity and competitiveness and the delivery of world-class public services.

1. Management and leadership are vital drivers of organisational performance. As CEML noted, they are pivotal to investment, productivity, delivery of service and quality of performance across both the public and the private sectors. Whilst there are many outstanding examples of excellent management and leadership in the UK, the UK Competitiveness Indicators suggest perceptions of management quality as a whole compare poorly with many other developed countries.
2. The report issued in November 2001 by the Performance and Innovation Unit (now the Strategy Unit) on workforce development, "In Demand: Adult Skills in the 21st Century", highlighted the impact of poor management and leadership upon employees' contribution to organisational performance. Last year's CBI/TUC productivity report² stressed management and leadership as a key driver of best practice and innovation. Improving UK performance in this area is vital to the bottom line of individual businesses as well as in improving investment, innovation and take-up of best practice to the benefit of the economy as a whole. The Trade and Industry Select Committee's Report on Manufacturing (July 2002) also emphasised the importance of sound management and leadership to business performance.
3. Traditional approaches to developing leadership and management effectiveness, such as ad hoc training courses, are no longer enough. They are too hit and miss. They will not build and sustain successful businesses and services on the scale, and with the consistency, that is needed. Many companies and organisations recognise this, and have developed increasingly sophisticated approaches to investing in the quality of current and future leaders and managers at all levels, through training, development and planned experience. There is some excellent practice. But it is not sufficiently widespread.
4. We cannot leave the emergence of skilled and effective leaders and managers to chance, in the belief that they are "born not made". The skills, knowledge, understanding, competences and attributes of good leaders and managers can be developed through training and experience. The development of management and leadership needs to be professionalised, so that it forms an integral part of long-term strategic development in all organisations.
5. Management and leadership have long been known as key factors in driving the performance of individual organisations and the wider UK economy, and in narrowing the productivity gap with our international competitors. But it has been tackled in a piecemeal fashion. Following a commitment in the 1998 White Paper "Building the Knowledge Driven Economy", the Council for Excellence in Management and Leadership (CEML) was set up by David Blunkett and Stephen Byers in April 2000. It was asked to identify the key issues for management and leadership in England, and articulate a management development strategy for the UK in consultation with the Management Councils established in England, Scotland and Wales.

² The UK Productivity Challenge, CBI/TUC Submission to the Productivity Initiative, October 2001

6. The Council's membership and terms of reference are at Annex B. Their report was published in May 2002 as "The Report of the Council for Excellence in Management and Leadership - Managers and Leaders: Raising Our Game".

7. The CEML report identified a serious deficit of management and leadership capability in the UK. It provides us with an excellent opportunity to work with key stakeholders to define and deliver a coherent and realistic approach to tackling management and leadership development.

Where the UK stands in management and leadership performance

8. Research has consistently demonstrated a substantial productivity gap between the UK and its international competitors. This has a number of causes, such as under-investment in physical capital, poor commercialisation of the science base, and poor skills in the workforce. But poor management and leadership have certainly played a role in holding back our competitiveness, as suggested by the National Skills Task Force report³. This concluded that UK managers were inadequately qualified and trained compared with their international counterparts. Although there are no measures allowing a direct estimate of the impact of management and leadership on productivity, a number of key facts make it clear that the UK is facing a substantial challenge:

- Around 4.5 million individuals in the UK have significant management responsibilities (around 14% of the workforce), yet 36% of enterprises report that their managers are not proficient.
- The International Institute for Management Development puts the efficiency of UK business leaders behind most of our main competitors (Germany, USA, Canada, France) in terms of management efficiency, as measured by the availability of senior managers and their international experience.
- A Chartered Management Institute report (2001) suggested that half of all junior managers rated the quality of leadership in their organisations as poor. Disappointingly, public sector leadership received the lowest ratings.
- The high rate of failure amongst small businesses is attributable in part to poor management and vision.

9. Many of the other improvements that are needed in order to raise productivity and develop world class organisations rely on getting leadership and management right first. For example, progress in raising skill levels in the workforce, levels of innovation, and levels of investment are all in part dependent on having leaders and managers who understand why those things are important, and have the skills to act on them. So if we can raise our game on leadership and management, that would itself help unlock progress elsewhere as well.

10. As well as providing a challenging "30 point plan", CEML has produced a series of detailed reports to inform future action and policymaking. These are listed at Appendix 6 of CEML's report. It has identified the need to focus on raising demand among employers, by placing management and leadership skills within the wider context of overall business strategies, enterprise, innovation and workforce development.

³ Towards a National Skills Agenda (Department for Education and Employment 1998)

Our Approach

11. Achieving progress requires sustained long-term effort undertaken in collaboration with many stakeholders. Government can proceed with some CEML recommendations immediately. But some are for the private sector or other stakeholders, whilst others will need piloting to establish the delivery mechanisms that have maximum impact. In a number of areas the framework and evidence base need further developing, in line with CEML recommendations. Consequently, this response seeks to:

- give our initial response to CEML's findings and recommendations;
- set out the measures we already have in train and
- outline the further actions that will be taken.

Public Service Reform

12. Government has set a demanding agenda for the reform of public service. Many of CEML's recommendations although not specifically addressed to the public sector are relevant to its performance. Much activity focusing on leadership skills is already in hand across the public sector. Leadership colleges have been, or are being established in the NHS police, defence, schools and FE. In Scotland, the Scottish Leadership Foundation has been set up. But there remains much to be done; we are committed to joint working in across the public sector and with partners from the private, voluntary and social enterprise sectors to improve management and leadership.

CHAPTER 2 - STIMULATING DEMAND FOR MANAGEMENT AND LEADERSHIP

13. The main reason given by 62 per cent of employers for not providing job-related training is that the skills of their employees currently meet their needs, so training is not needed (Spilsbury, 2001). For some companies, this may be a consequence of a sustainable product market strategy. For many others however, it may reflect a lack of ambition, an absence of an organisational strategy for developing products, services and methods in response to new demands, and a failure to anticipate the skills they will need in order to remain competitive.

14. As CEML observed, while business failures and low productivity are blamed on poor management, management and leadership education are not valued as a prime ingredient of business success and national performance. As a result, no training at all takes place in 4 per cent of large companies and 20 per cent of smaller companies.

15. Improvements in management and leadership will only happen if employers, facing the day-to-day realities of running their organisations, see a value and purpose in making such improvements. This means using the types of communication, channels and intermediaries that they trust, and encouraging employers and individuals to adopt in their own interest the strategies that will drive up performance and enable their organisations to respond positively to changes in the economy and society.

16. Our strategy for raising demand aims to facilitate successive steps of business engagement: awareness raising, clear assessment tools and guidance, practical help, providing access to more detailed advice and employer best practice networks, and celebrating success through recognition.

Benchmarking Performance

17. CEML concluded that the UK is lacking a coherent picture of the quality of management and leadership competencies and their relationship to performance. It identified a need to improve the evidence base if we are to convince individuals and businesses of the benefits, and thereby drive up demand for management development.

Actions:

- We will develop better evidence about employer investment in management and leadership, and the value it brings by drawing together the expertise and information held by the Regional Development Agencies, Learning and Skills Council, Sector Skills Development Agency, CBI, TUC and their equivalents in the devolved administrations. At the regional and local level, this will draw on work such as the LSC employer engagement measure, the annual national Skills Assessment and the RDAs' Labour Market Information work. In Scotland, this will focus on work being done by the Enterprise Networks, particularly the Small Business Gateway and the Futureskills Scotland Unit. It will focus on the impact of management on business activities and outcomes, such as innovation spend, patenting activity, customer and employee satisfaction, productivity and profitability.

- We will develop an internationally-benchmarked Framework of Indicators of National Management Capability building upon the work of the Institute of Employment Studies and CEML, so we can compare our performance with that of our competitors.
- The Economic and Social Research Council is building the evidence connecting management capability to organisational outcomes:
 - Through the Management Research Initiative and the establishment of the Advanced Institute of Management.
 - The Skills, Knowledge and Organisational Performance Research Centre, the Centre for Organisation and Innovation, the Future of Work and the Centre for Economic Performance, are sponsoring projects to relate management and leadership practice to performance.
 - The Management Research Forum will promote dialogue between major business and key researchers.
- It is part of the role of the new Sector Skills Development Agency and Sector Skills Councils to make arrangements for helping companies and other organisations in each sector including public and voluntary sector organisations to benchmark themselves against best practice, particularly in identification and use of skills.

18. Through these actions, we can generate a much better evidence base on the impact of management and leadership skills and actions on organisational effectiveness. That must be the first step in convincing organisations of all types that it is in their interest to raise the priority given to leadership and management. But simply making available lengthy research reports or detailed statistical analyses will have no impact. The evidence will need to be made available in short, compelling and useful forms, through formats and intermediaries that have credibility and impact.

Assessing Performance

19. If we can raise awareness of the significance of management and leadership to organisational performance, support then needs to be available to enable both organisations and individuals to assess their performance and identify the key areas that could improve it.

20. This can be done through external assessment processes such as diagnostic and quality improvement tools, benchmarking and the Investors in People accreditation process, as well as through the advice and guidance of Business Link Business Advisors and intermediaries such as banks and accountants. Government will support the development of these various vehicles for improvement, so that they can be widely applied.

Actions:

- The Investors in People (IIP) standard is a vital instrument for organisational assessment, which covers many key aspects of management and leadership. There are now 26,000 IIP recognised organisations in the UK, and over 20,000 are committed to working towards the Standard.

- IIP UK is developing a new IIP Model on Management and Leadership, building on the work of CEML. As with other IIP products, it takes the form of an assessment tool against stated principles of good organisational practice. This is currently being trialled and is expected to be finalised for use by the end of 2002. This will provide an important new instrument which organisations can use to diagnose where their priorities for developing management and leadership skills should be. An early task of the new cross-departmental management and leadership team will be to develop, in partnership with IIP UK, the Learning and Skills Council, Ufi/**learn**direct and the relevant partners in the devolved administrations, an action plan for maximising the impact of this new Model, so that it is widely applied across all types of organisation.
- IIP UK is also developing a Beacon Employer scheme, to identify employers who demonstrate excellence against the Investors in People Standard. That will provide a new form of benchmarking, for companies to test themselves against the best. The Beacon scheme will be launched in April 2003.
- “Laurel Online” has been developed by LSC in conjunction with DfES, SBS and IIP UK, as a web-based business development support application, which is available to help organisations self-assess against the Investors in People Standard and work towards it. Many organisations are finding it a flexible way of assessing themselves over a period of time and identifying priorities for development, including management and leadership. Available across the LSC and Business Link networks, the aim is to develop Laurel Online into a broader management and workforce development tool.
- As part of CEML’s work, a new evaluation instrument was compiled, the Business Improvement Tool for Entrepreneurs (BITE), which complements the many other tools available. This was specifically designed as a short, accessible questionnaire to help entrepreneurs, SME managers, and the intermediaries who work with them, quickly to assess where their business development priorities should be, and the priorities for strengthening their management and leadership capability. The Small Business Service and Business Link Operators will consider how the BITE tool, alongside other self-assessment tools (such as the “Competitive Scotland” diagnostic tool) can best be used in future business support programmes. Many other partners are already using and promoting the BITE diagnostic tool.
- The introduction of the new designation of “chartered manager”, being piloted by the Chartered Management Institute from October 2002, provides an opportunity for individual managers to have their skills and credentials recognised in the same way as their peers in other chartered professions. It will provide an accredited benchmark against which employers can recognise and measure individual’s current managerial competence in the workplace.

Focusing on SMEs and engaging intermediaries

21. There are 3.7 million businesses in the UK – of these 99 per cent are small businesses with less than 50 employees and these account for 45 per cent of non-government employment and 49 per cent of turnover. Poor management performance is a key factor cited for the high rate of closure of small, young

businesses – 37.5 per cent closing within the first three years (CEML SME Group Report). However, it remains difficult to raise awareness of support schemes and self-assessment tools amongst small businesses, particularly those with fewer than 50 employees.

22. For these various assessment instruments to have most impact, it is not enough that they be available. A major problem for organisations, and particularly SMEs, is how to find out quickly and easily which way of developing leadership and management is going to be most effective for them; and what combination of support activities might best support wider business development. This is part of a much wider question about signposting, to explain how various programmes and initiatives relate to each other, and how they can be accessed.

23. There is a vital role here for intermediaries, because they are people whom the organisation already knows and trusts, and who are well-placed to help the organisation make sense of the sometimes confusing array of possible initiatives and programmes which it might want to access. Some of those intermediaries are in the public sector - for example, Business Link Operators. But many are in the private sector - such as banks, accountants, and legal advisers.

24. The CEML Intermediary Taskforce demonstrated the importance of establishing networks of public and private sector intermediaries, who have regular engagement with and the trust of SMEs. Following the recent cross-cutting review of services for small business, the Small Business Service is committed to delivering effective customer-focused services through the brokerage model approach using intermediaries and offerings that businesses most readily identify with.

Actions:

- An early task of the new Management and Leadership Team will be to review what Government can do to secure effective briefing, support and incentives for the intermediary network to promote better management and leadership to their clients. This will build on the work and example of the CEML Intermediary Taskforce. Many Business Link Operators have already established, or are about to establish local networks of intermediaries. SBS is currently piloting an approach in the South West, and if successful we expect further work leading to a wider strategy of intermediary engagement.
- Following the spending review, the Small Business Service and the Regional Development Agencies are piloting and evaluating different RDA-led approaches to improve the co-ordination of business support services locally. This will strengthen the relationship between Regional Economic Strategies and Business Link services including those aimed at improving the management and leadership capability within SMEs.
- LSC in conjunction with partners will engage substantially more SMEs in workforce development. For example, under the Small Firms Initiative announced in the 2002 Budget, an extra £30 million was allocated to use IIP to drive up business development, encouraging small employers in the private and voluntary sectors to commit to, and seek recognition under, the Investors in People Standard. This will build on a range of work already in hand:
 - A Small Firms Task Force has been established with SBS, DTI, LSC, BCC, CBI and others to look at ways to engage more SMEs in

workforce development and take up of the IIP Standard. In Scotland, the Enterprise Networks are committed to engaging more small businesses in the IIP process.

- Development of www.yourpeoplemanager.co.uk, a website to help intermediaries and SME managers deal with day-to-day issues such as the management of people and a pack to help intermediaries promote the Standard to small business clients.
- Through its diagnostic and facilitation work in advisory projects, ACAS delivers good practice events to SMEs which can help improve employment relations practices by developing managers' ability to deal with "people" issues within their organisations
- The UFI's learndirect business centres (LDBC's) will link small businesses and intermediaries with high quality learning provision

25. The review of working with intermediaries noted in paragraph 25 above will be particularly important in focusing support for SMEs and making it more easily accessible. The actions listed above are not exclusive. We will continue to seek new ways of engaging with SMEs recognising that informal means of engagement are just as important formal programmes.

Promoting best practice

26. Businesses can gain a clearer understanding of their development needs by examining the activities of their competitors and other businesses, and learning from the experiences of others. At present, the concentration of best practice is often between high performing organisations, with too few managers and leaders gaining direct experience of such environments. If employers have no experience of best practice or formal management learning, they are unlikely to appreciate the link between investment in skills and workforce development and improved organisational performance.

27. Current estimates (by CEML) suggest only 7% of UK firms engage in government-backed management best practice development activities. DTI aims to increase the number of firms (employing 9 or more people) participating in benchmarking and best practice activities by 20,000 per year, with a target that 50% take some positive action within a twelve-month period from the initial contact.

28. Government has already committed £45 million to the promotion of best practice. The focus of future activity will be to build upon existing measures relating to sustainable improvements in performance and productivity through "*business learning from business*" and "*people learning through people*".

Actions:

- We will expand the "Fit for the Future," national best practice campaign. This brings together business, trade unions and leading business support organisations to deliver best practice tools and techniques, and help both management and workforce to deliver sustainable productivity improvement, employability and job satisfaction.
- We will extend the Industry Forums to additional sectors and manufacturing firms. These business-led groups, focused on the supply chain and aimed at

raising productivity currently cover the Automotive, Aerospace, Ceramics, Chemical, Hotels and Tourism, Metals, Oil and Gas and Textiles sectors.

- We will expand the Partnership Fund, which provides grants to help employers and employees work together. Like Fit for the Future, it emphasises the importance of good management and leadership.
- We are establishing the Manufacturing Advisory Service to provide access to expertise in several hundred Centres of Expertise, with the cornerstone being Regional Centres for Manufacturing Excellence in each English region and in Wales. The regional centres will provide hands-on advice, support and practical aid to local manufacturers covering production techniques and management expertise.

Raising Leadership Skills

29. CEML has shown that leading edge organisations with consistent and systematic frameworks for developing leadership are rated more highly by their workforce, are generally more innovative, and reap the benefits in improved business growth and turnover. CEML is clear that the key leadership skills of inspiration and vision, which engage the commitment and trust of all employees, are lacking in many parts of the UK economy. We believe that more work is needed to understand and define the attributes that enable leaders to demonstrate vision, adopt new and innovative approaches, inspire their staff, and transform the effectiveness and productivity of their organisations.

Actions:

- DTI and key partners will develop an “inspirational leadership index” to identify the attributes of those leaders in large and medium companies who have demonstrated the ability to inspire new business models and deliver extraordinary results.
 - The measures of inspirational leadership will link into the development of voluntary reporting of management and leadership capability, with partners in the investment community being encouraged to support the development and promotion of reporting.
30. The work will include:
- research into the effectiveness of current selection processes for leaders;
 - a framework/toolkit based on examples of exceptional leadership practice to be developed for wider dissemination;
 - a promotional campaign to raise awareness of the UK’s leadership challenge, using the findings of the two strands of work mentioned above.
31. We will promote good leadership and management practice through:
- CEML’s Leadership Best Practice Guide that is already been used by many companies, by the Fit for the Future Campaign and other partners.
 - the Small Business Service’s “Connect” programme - raising awareness of

key leadership issues through interactive documentary case studies.

- SBS Benchmark Index – giving businesses the means to compare their leadership performance against others, by sector or by region.

Promoting diversity

32. One important aspect of best practice relates to promoting diversity and equal opportunities. CEML concluded that there are blockages in the system which inhibit the development of a management talent pool that sufficiently reflects the diversity of the UK population and also meets the needs of globally focused organisations.

- Women account for 45% of all employees in Britain yet hold only 30% of management positions. At Director level, in the FT100, only 2% of executive directors are women and almost half the top 100 companies have no women directors at all.
- Ethnic minorities are under-represented in senior management positions, holding only 2% of directorships in the Top 100 Companies.

33. As CEML acknowledges, there are significant gaps in the evidence base on the quantity and quality of under-represented groups of managers and entrepreneurs. Management skills are crucial to the success of any enterprise, and the Government has put a series of measures in place to promote enterprise in disadvantaged areas, and among disadvantaged groups including the Phoenix Fund, the Community Investment Tax Credit and the Community Development Venture Fund. Included in these measures are some activities that help develop the management and leadership capability of those taking part. These are in addition to the safeguards offered by legislation which prohibit discrimination on grounds of race and sex, and which promote fair treatment at work. Equal opportunities need to be integrated in all aspects of the CEML follow-up programme.

Action:

- Government departments, working with the EOC, SSDA and SSCs, the Small Business Service, Regional Development Agencies, LSC and the equivalent bodies in the devolved administrations, will be seeking to address these gaps where possible and better co-ordinate on-going monitoring programmes.
- Over the past year the Government has considerably enhanced ACAS's ability to help organisations successfully utilise the range of skills and abilities of an increasingly diverse population. ACAS services now include Equality Direct, a helpline for employers and managers, and the Race Relations Advisory Service (RREAS). Both these services offer practical support and guidance on managing equality and diversity.

Encouraging informal and innovative learning

34. CEML showed that many organisations in the UK could do more to help their people develop into high quality managers and leaders. Recognising time and resource pressures on all organisations, the flexible, any time, any place, on-line nature of e-learning can help ease any additional pressures of attending traditionally delivered courses that frequently necessitate time away from the workplace. Working with many key stakeholders, we will encourage employers and employees to develop

innovative ways of working which will support this.

Actions:

- We will support the Business Volunteer Mentoring Association (BVMA). With support from the Small Business Service and operating through Business Link local partners, there are now over 900 BVMA volunteers who assist start-up businesses in identifying and progressing their entrepreneurial development needs, which include management and leadership issues.
- We will encourage informal workplace learning through coaching and mentoring. In England the RDAs and SBS working with LLSCs and BLOs are piloting the promotion of mentoring networks as a powerful approach to support management development. The South East England Development Agency has committed £2m to bringing managers together in learning networks and action learning sets to support business improvement and to expand executive coaching, mentoring and e-mentoring pilots. Similar action is in hand in Scotland through Business Mentoring Scotland and the Enterprise Networks. Innovative approaches are being sought that make managers want to learn rather than provide something they ought to do.
- ACAS is developing an on-line learning facility that will enable managers and staff to deal more effectively with workplace issues such as disciplines and grievance, absence management and employment contracts.
- UFI's learning for work scheme offers a new online model enabling employers and their employees to work together with one of UFI's 8 partner higher education institutions.

Government setting an example

35. High quality leadership and management is every bit as important for public sector organisations as it is for the private sector, to bring the creativity, innovation, responsiveness and value for money that the public expects of public services. Government departments and the wider public sector therefore need to lead by example.

Actions:

- In England, the Government has launched major leadership and management initiatives in the NHS, schools, the police and defence; the Cabinet Office is driving forward this agenda across Government. Schools, health, local government and the Civil Service all have leadership colleges. In Scotland, the Scottish Leadership Foundation has been established to address management and leadership issues in the public sector.
- Last November, DfES announced a new national leadership college for further education in England, which will offer its first programmes by April 2003. In later years the college will also cover Wales.
- In higher education, Universities UK is working with the Standing Conference of Principals to develop a strategic framework and business plan for developing leadership and management competence. It is expected that the arrangements made for HE will work closely with the new FE leadership

college.

- The NHS Leadership Centre was established in May 2001 and has already enrolled over 30,000 staff on its “leading an empowered organisation” course.

Creating the right business environment

36. In addition to the specific actions set out above, the wider external business environment, including the regulatory structure and corporate governance, has a major influence on management and leadership performance. The Government has taken steps to encourage enterprise and promote a less risk-averse culture, for example through changes to insolvency law. We have implemented major changes to the taxation of share options, enhancing enterprise management incentives to help high-growth firms attract high-quality managers and leaders.

37. It is accepted that the most successful organisations are those whose managers and leaders get the best out of all employees and stakeholders, by enhancing their capacity for direct involvement and increasing their motivation. Many UK businesses have already shown the benefits that can be had from high involvement management or high performance work practices. The characteristics of high performance workplaces are high levels of adaptability, flexibility and involvement by both employers and employees. Information and consultation can be one of the key ingredients of a modern high performance workplace. Supporting the efforts of managers to modernise their workplaces and achieve high performance is a priority for Government.

38. CEML concluded that measurement of management and leadership capability at the national level needed to be matched at the level of the organisation, particularly in larger organisations where there is the infrastructure to make measurement a practical proposition. They noted that while many organisations think that evaluating their investment in management and leadership is desirable, few either do it or know how to go about it.

39. We endorse CEML’s arguments about the importance of incentivising greater focus on management and leadership by promoting more detailed business reporting. This can help both business and investors understand how improvements to human capital build organisational efficiency and long-term value. Moving towards greater human capital information is a long-term undertaking, but one that we are keen to set in train.

Action:

- The Modernising Company Law White Paper (published July 2002) proposes that the directors of economically significant companies should be required to report on key non-financial aspects of the business as part of a statutory operating and financial review. Amongst the matters the directors would need to consider are the company’s policies in relation to employment by the company.
- Building on the work of the Company Law Review⁴, the Myners review⁵, and the current Higgs Review of the role and effectiveness of non-executive

⁴ “Modern Company Law for a Competitive Economy: Final Report” (June 2001)

⁵ Paul Myners – “Institutional Investment in the UK” (March 2001)

directors in the UK⁶, a task group is being established to identify best practice in human capital reporting, and provide guidance for companies introducing such reporting. The new Management and Leadership team will support this group.

- On 1 August 2002, the Government introduced legislation giving shareholders of quoted companies the right to an annual vote on directors' pay. The Directors' Remuneration Report Regulations 2002 require quoted companies to publish a full report on directors' remuneration as part of the annual reporting cycle. This must include full details of each director's pay package, the company's policy on directors' pay, and a performance graph. The report must be produced annually and be put to an advisory shareholder vote at each AGM.

⁶ Derek Higgs – “Review of the Role and Effectiveness of non-executive Directors: Consultation Paper” (June 2002)

CHAPTER 3 - RAISING THE QUALITY OF SUPPLY

40. Raising demand for improved leadership and management skills is only one part of the equation. We also need to improve the quality of the supply of those skills. As the Council noted, there is no shortage of training providers or qualifications. Some of those providers and qualifications have a world-class reputation - for example, MBAs from the UK's top business schools - and there has been a steady increase in demand for business-related training programmes. But too often the forms of training and qualifications on offer are not sufficiently attractive, particularly to entrepreneurs, to achieve the scale of improvement in leadership and management skills that is needed to tackle the problems identified in the CEML report.

41. In many respects, further and higher education providers throughout the UK are already highly responsive to changes in student and employer demand, and have worked hard to align the content and delivery of programmes with what their customers want. Nonetheless, existing training programmes attract far too few students and employers. To achieve the necessary step-change in the volume and quality of skills development, providers need to understand their customers better and get closer to meeting their needs, offering up-to-date products to meet market expectations. The challenge to providers is to show that they can offer programmes which:

- Strike a balance between the theoretical and the practical which both students and employers will see as properly grounded in the real world, delivered by people who carry credibility because of their own experience and achievement.
- Are offered in ways that recognise the demands of working life, through flexible delivery. That includes the appropriate use of ICT to a standard that at least matches what the student will experience at work.
- Are delivered in a way which “walks the talk” - which reflects in the providers’ own approach the qualities of professionalism, innovation, creativity, inspiration and commitment to quality which are the hallmarks of good leadership and management.
- Lead to qualifications with a clear market value, while allowing those who are not seeking qualifications to acquire through targeted modules or units the specific areas of skill and knowledge that they are interested in, and which can be built up over time.
- Recognise, draw on, and give credit for, those areas of skill, knowledge and understanding that the student has already acquired through informal learning at work.

42. We also need to develop a strategy which links business education across all types of provision including schools, colleges, COVEs, and new technology institutions.

Aligning Supply and Demand

43. This is part of a much wider issue about how we get a better alignment between what employers want, now and for the future, in respect of the skills and competences of those they recruit and employ, and what further and higher

education supply. Improving that alignment is a long-term goal. There are still too many skill shortages. There are still too many employers who assume that further and higher education cannot or will not respond to their needs or deliver the training they want.

44. But this is not just a matter of incentivising supply to be responsive to demands for skills as currently manifested. It is also about encouraging more businesses and organisations to raise the level of their ambition in terms of future business strategy and organisational goals, and to recognise the consequences for higher-level skill needs if they are to achieve those goals. Both supply and demand need to escalate if we are to improve productivity and international competitiveness. If achieved, that will benefit leadership and management along with other areas.

45. This general objective of stimulating and aligning demand and supply is being pursued through a range of actions:

- The DfES published in July 2002 a consultation paper, "Success for All" setting out a reform strategy for further education in England. The strategy has four key strands: meeting needs and improving choice; developing the teachers and leaders of the future; putting teaching and learning at the heart of what we do; and developing a framework for quality and success. The final strategy will be announced later in the year subject to the outcomes of the government spending review.
- The Scottish Executive is conducting a review that aims to strengthen the governance and accountability of further education colleges in Scotland. In addition, to help bring about a better alignment between supply and demand, the Scottish Further Education Funding Council has commissioned a study into variations in take-up and provision in different parts of Scotland.
- Following the July 2002 spending review, the DfES is undertaking a review of the funding of adult learning. Alongside the FE strategy, this will address support for individual learners in accessing, and meeting the costs, of learning; and ways of engaging with employers and incentivising providers to meet employer need. This will feed into a wider Government skills strategy to be published for consultation in Spring 2003.
- New Frameworks for Regional Employment and Skills Action (FRESAs) are being developed in each English region. This work is led by RDAs and regional skills intelligence units. These frameworks will enable local delivery partners to co-ordinate action to meet key regional requirements, including management and leadership, in support of the Regional Economic Strategies. Thus they assess needs at regional and local level, as a basis for identifying and securing the supply of skills to meet those needs.
- The RDA/LSC funding pilots for adult learning and skills announced in the spending review will test out new ways of aligning supply and demand for skills, and of linking skills to business development. They will build on the work underway through FRESAs. They will provide a new vehicle that can look at the management and leadership skills needed for business development in the pilot regions, and ensure effective supply in response. The pilots will operate from April 2003.

Better Preparation in Schools

46. The Council argued convincingly that young people need to be better prepared for leadership and management, and that leadership skills should be fostered through the 14-19 curriculum. We agree. The DfES's proposed new 14-19 framework, set out in the recent Green Paper, is intended to foster wider personal skills, development and experience, and to prepare young people better for adult life. Pathfinder pilots will be established from 2002/03 allowing all students to experience up to 5 days of activities that will develop their enterprise capability. The proposal to include work-related learning for all young people at key stage 4 will allow young people to learn *through work*, for example through work and community placements, work experience or part time jobs; *about work* through vocational courses and careers education; and *for work* for example through developing the key skills such as management and leadership in the educational environment which are valued by employers.

Actions:

- For those students who opt for them, there will be further opportunities to develop their understanding of the world of business through the new vocational GCSEs and A levels that are available from September 2002 in subjects like Applied Business and Engineering.
- We will discuss with the Qualifications and Curriculum Authority (QCA) the Scottish Qualifications Authority (SQA) and other partners how best to encourage leadership and management development. In England, this may be through exemplification rather than as a formal component of the national curriculum. In future, there may be some form of Matriculation Diploma at 19. This would record achievement in enrichment and out-of-school activities as well as in formal study, thereby encouraging schools to make more opportunities available to all pupils to experience activities that develop their management and leadership. These could include Active Citizenship projects, Outward Bound, Young Enterprise, leadership of sports teams, school productions or publishing a school newspaper.

47. The Howard Davies Review of Enterprise and the Economy in Education in England⁷ proposed that the Government should commit resources to enable all young people to have the opportunity to experience enterprise activity at some time during their school career, with funding sufficient to support an average of five days per pupil. The Comprehensive Spending Review allocated £60m to the DfES by the year 2005/6 for this purpose. In the shorter term, testing of different types of enterprise learning and delivery models is to be included in the 14-19 Pathfinder Projects as part of the 14-19 Reforms. A similar review of Education for Work and Enterprise has recently been undertaken in Scotland by the Scottish Executive. 'Enterprise capability' was defined by the Davies Review as the capability to handle uncertainty and respond positively to change, to create and implement new ideas and new ways of doing things, to make reasonable risk/reward assessments and act upon them in one's personal and working life. This was seen to depend on the development of decision-making (particularly under conditions of uncertainty), personal and social, leadership, risk management and presentational skills.

⁷ "A Review of Enterprise and the Economy in Education (Feb 2002)

Better Training and Development in Further and Higher Education

48. We agree with the Council that management qualifications should be flexible, meet the needs of individuals, and provide a coherent basis for career progression. People should not find themselves in a qualifications cul-de-sac with no obvious next step. Accredited qualifications within the National Qualifications Framework (in England) must relate to the occupational standards. Qualifications based around common occupational standards will allow the development of clear learning pathways and aid progression to higher education and professional qualifications. The Management Standards Centre within the Chartered Management Institute has been contracted by the QCA to develop new management standards that will reflect the full range of management and leadership skills that are needed and will enable them to be placed into curricula in ways that are flexible, can be customised, placed in the context of a specific industry sector, and are recognised by industry.

Actions:

- Management standards are already used in many sector specific qualifications. We will discuss with SSDA, QCA, SQA and other partners whether the current approach to including management units in qualifications above level 2 as common units (subject to the views of sector employers as to suitability) is the right one. Alternatively, a core of management units could be developed to provide key management and leadership skills.
- We will review with the professional bodies in the management and related fields, and with the qualifications regulatory bodies, how best to progress the integration in all professional development of components of management and leadership. In particular, we will pursue the proposal from a group of members of the Consultative Committee of Professional Management Organisations (CCPMO) to pilot an approach for transferring knowledge across professional CPD programmes.

49. In higher education, a wide range of undergraduate and postgraduate courses in business and management is already available, including MBA programmes from business schools. A range of actions is in hand to increase the emphasis on employability in higher education, including through new published performance indicators, and the learning and teaching strategies which the Higher Education Funding Council for England (HEFCE) commissions from all HE institutions. More specifically, HEFCE has introduced, jointly with DTI and the Office for Science and Technology, funding programmes to encourage all HEIs to work with businesses and the community regionally and locally, to support regional economic development. That includes a wide range of activities to support students in gaining work experience and leadership and management skills.

50. We agree with the CEML view that it is important to ensure that people who want leadership and management development and training can easily access the available supply. This means providing the right information, in the right place, at the right time through effective information, advice and guidance (IAG) services. Ufi/**learndirect** offers a national IAG service, and provides on-line learning programmes targeted on management and leadership skills through an extensive and expanding network of learning centres and hubs. Improvements to the information and signposting to employers on skills issues more widely is under review. In Scotland, *Learndirect Scotland* has also recently launched a *Learndirect*

Scotland For Business service which provides a similar IAG function for Scottish businesses.

Action:

- Alongside the wider review the new Management and Leadership team will open discussion with LSC, UFI and other providers to examine the effectiveness of current services in signposting people to the most suitable support; and consider whether a bespoke signposting service for management and leadership, as recommended by CEML, is the best approach.

Sector Skills

51. The Sector Skills Development Agency has been set up as a powerful new force in the skills arena. It will lead skills-based productivity improvements in major sectors of the economy, providing a new means of connecting employer demand with the supply-side. A network of Sector Skills Councils (SSCs) is also being established, in place of the National Training Organisations. The Agency will provide core funding for SSCs, and ensure high standards are maintained. They also have the role of securing essential skills information and other occupational-related functions for sectors without their own SSC. The SSSDA has a particular responsibility for cross-sector skills including management and leadership.

52. "Trailblazer" SSCs have already been set up for the following sectors:

- Broadcasting and audio-visual (Skillset)
- Environment and land-based (Lantra)
- Chemicals, manufacturing and petrochemical (Cogent)
- Apparel, footwear and textiles.(Skillfast)
- Retail (Skillsmart)

53. The following sectors are developing formal proposals for the award of a SSC licence:

- Technology, engineering and science
- Eskills
- Hospitality, leisure, travel and tourism

54. The skills analysis work undertaken by SSSDA and SSCs will cover higher education across the UK. That will include considering what management and leadership content should appropriately be included in foundation degree and graduate apprenticeship courses.

Actions:

- We are discussing with SSSDA and other government departments an action plan for addressing the management and leadership agenda throughout the Sector Skills network. This is recognised as one of the most important cross-sector skill needs within SSSDA's remit, and is a crucial lever for pursuing the CEML recommendations. Drawing on the occupational mapping being carried out as part of the review of the management standards, we will work with SSC network to identify management and leadership skills needs, both generic and sector specific; and then cause those needs to be tackled

effectively, both in influencing the supply of training by providers, and the take up and use of skills by employers. This work is already in train with government departments across many sectors, for example in healthcare the new SSC Skills for Health will have a mainstream role in skills promotion alongside existing and new bodies such as the NHS Leadership Centre.

- Management and leadership are expected to be high priorities for SSCs in determining national occupational standards and vocational qualifications in their sectors.
- The SSDA and SSCs will have a primary role in ensuring that demanding occupational standards are in place in all sectors and that they promote best practice in management and leadership.
- We will ask the SSCs working with the LSC and providers to review the provision for management and leadership in Modern Apprenticeships, Graduate Apprenticeships and Foundation Degrees.
- We will explore with SSCs and LSC how funding can be directed to sector focused activity.

Centres of Vocational Excellence

55. Centres of Vocational Excellence (CoVES) will enhance existing training and invest in the development of new high quality vocational training focused on meeting the intermediate skill needs of employers in England. Centres will be established in both Further Education colleges and private and voluntary training providers (including the training arms of large companies or the group training arrangements of a cluster of small firms). By March 2004, there will be some 250 Centres dealing with a range of new and traditional industries.

Action:

- The Learning and Skills Council (LSC), which is implementing this programme, has identified management as one of the priority skills areas for the CoVE network and has encouraged providers to come forward with plans to develop Centres in Management and Leadership. To date, there has been a limited response. The LSC is working to establish and address the reasons for this low response rate. Its intention is to ensure that management and leadership is appropriately represented in the final CoVE network. There is adequate scope for it to achieve this, as it sets up the remaining 100 or so Centres over the coming 18 months.
- For example, East Midlands local LSCs are supporting the Centre for Enterprise to undertake a feasibility study into the establishment of a Regional Centre of Vocational Excellence for SME Management and Leadership. The study will look at whether the model for a Centre of Excellence in Management and Leadership put forward by CEML is an appropriate regional response to meeting the needs of small and medium sized businesses. The study may also provide an approach that can be applied in other regions.

CHAPTER 4 - ENSURING EFFECTIVE DELIVERY

56. Achieving a step change in the quality of the UK's management and leadership capability is a major challenge. It requires gaining the co-operation of many partners, drawing together into a more coherent package the array of relevant programmes, policies and activities, getting greater impact as a result, and developing a strategy for future action which is regularly monitored and updated. Although there is much that we can do now to make a difference, the issue is one that can only be comprehensively tackled through a sustained effort over the long term.

57. As CEML recognised, it is important that we put in place effective arrangements to ensure the delivery of this crucial agenda. We agree that there is a need for greater clarity of responsibility amongst the key stakeholders, and for better co-operation and co-ordination of effort. We need a delivery structure which can undertake a championing role within Government, and which has the credibility and influence to persuade other partners in both the public and private sector to engage.

Actions:

- In the next six months, will draw up and agree, with the relevant Departments and bodies, firm plans to identify effective delivery mechanisms, simplify the structures to improve employer and employee access, and prioritise the key interventions that offer the most efficient and effective leverage for driving demand and improving supply.
- We are establishing an Advisory Panel drawn from recognised leaders from business and the public sector and Government Ministers from the relevant Departments to oversee progress in implementing the actions in this report, and carrying forward the wider agenda on leadership and management.
- The Department for Education and Skills and the Department of Trade and Industry are establishing a dedicated joint team on management and leadership. The joint team will support the Advisory Panel and take forward the action plan, monitor progress and maintain momentum in the management and leadership agenda amongst the many partners at the national, regional, local and sector levels.
- The Advisory Panel, supported by the joint team, will produce its first progress report to Secretaries of State and Ministers in the devolved administrations by July 2003.

Annex A

Acknowledgements:

ACAS
Adult Learning Inspectorate
Association of Business Schools
Association of MBAs
British Academy of Management
Chartered Institute for Purchasing and Supply
Chartered Institute of Marketing
Chartered Institute of Personnel & Development
Chartered Management Institute
Confederation of British Industry
Economic & Social Research Council (ESRC)
Forum for the Future
Foundation for Management Education
Higher Education Funding Council for England
Institute of Chartered Accountants in England and Wales
Institute of Directors
Institute of Employment Studies
Investors in People UK
Learning & Skills Council
Learning and Skills Development Agency
Qualifications and Curriculum Authority
Quality Assurance Agency for Higher Education
Scottish Leadership Foundation
Sector Skills Development Agency – Skills for Business
Small Business Council
The Work Foundation
TUC
Ufi/Learndirect
Universities UK

Annex B

COUNCIL FOR EXCELLENCE IN MANGEMENT AND LEADERSHIP

The Council for Excellence in Management and Leadership (CEML) was set up by David Blunkett and Stephen Byers in April 2000 to advise on action needed to improve the quality of management and leadership in the UK. CEML was asked to present a report with recommendations to the Secretaries of State for Education and Skills and Trade and Industry by March 2002. CEML carried out a substantial programme of work which is recorded 30 reports and working papers.

MEMBERSHIP

Chair - Sir Anthony Cleaver, Chairman of AEA Technology, the Medical Research Council and e Universities Worldwide

Sarah Anderson CBE, Chief Executive of Mayday Group

Dr Neville Bain, past Chairman of the Post Office

Dr Tony Hayward, Group Treasurer, BP Amoco plc

Professor Amin Rajan, Chief Executive, CREATE, THE Centre for Research in Employment and Technology in Europe

Sir Martin Sorrell, Chief Executive, WPP plc.

Chris Humphries, Director General, City and Guilds,

Stephen Watson, Chair of the Association of Business Schools.

Sir Michael Bichard, formerly Permanent Secretary, Department for Education and Employment resigned as a member of the Council from July 2001 but continued to lead the professions working group.

TERMS OF REFERENCE

CEML'S overall aim was

“To ensure that the UK is able to develop the managers and leaders of the future to match the best in the world. To sustain the UK's competitive performance, we must achieve this in both the public and the private sectors.”

To achieve it the Council's was remitted to –

- (a) identify key issues for management and leadership in England in consultation with the Management Councils established in Scotland, Wales and Northern Ireland,
- (b) identify key stakeholders and challenge them to take action on the basis of the investigations undertaken by the Council and its members;

- (c) develop a management development strategy for the UK, which incorporates leadership issues and specifically addresses the needs of SMEs;
- (d) review the quality, relevance and support for management and leadership education and training;
- (e) monitor progress on issues identified by the Council as in need of action; and
- (f) reporting annually to Government and to stakeholders on the progress of those responsible for taking action.

Subsequently it was specifically asked by John Healey MP (in close consultation with Douglas Alexander MP) to address

- solutions for embedding management development in small businesses;
- incentives for individuals and employers, with recommendations for the development of management and leadership skills in individual career development;
- business education – plotting progression routes through the system with recommendations on infrastructure and funding;
- measurement – precise recommendations on how this should be done and the identification of gaps and how these should be filled
- a strategy for developing management and leadership skills in the UK with views about how this can be taken forward once CEML completes its work.

Annex C

	CEML RECOMMENDATIONS	Lead bodies	Response
	58. INCREASE DEMAND		
1	National Framework of Management and Leadership Measures	DTI DfES DAs SSDA/SSCs RDAs LSC	Agreed. DTI is developing a framework for benchmarking of management and leadership. It is part of the role of the new SSDA and SSCs to help sector businesses benchmark themselves against best practice. - see paragraphs 18 and 19 of response. The LSC employer engagement measures and RDAs Labour Market Information will feed into this work.
2	Commit to research to underpin the measurement model	ESRC	Agreed. The ESRC Advanced Institute of Management (AIM) is developing a research agenda - see paragraph 18 of response
3	Promote voluntary Corporate Reporting on management and leadership capability	DTI DfES HMT CIPD ICAEW DAs	Agreed. See paragraphs 37-40 of response. DTI Employment Relations Directorate is setting up a cross-departmental team to work on human capital management reporting including DTI (Company Law and Employment Relations angle), Women and Equality Unit and Cabinet Office Strategy Unit
4	Test and promote CEML Tool Kit for Corporate Reporting	ICAEW CIPD SLF	This will be pursued as part of the response to recommendation 3.

CEML RECOMMENDATIONS		Lead bodies	Response
59. INCREASE DEMAND			
5	Promote CEML Leadership Best Practice Guide through multiple channels	DTI CBI, CMI, ILM Industrial Society SSDA/SSCs SLF	Agreed. CMI will promote the guide through its networks and products. Ufi/ learndirect and learndirect scotland will promote the guide through their Learndirect Business Centres.
6	Create Leadership Development module in association with IIP standard	IIP UK IIP Scotland	Agreed. Work is already in progress and IIP has pilots in place - see paragraphs 20,21 of response.
7	Establish Leadership Best Practice Networks	DTI Public Sector Leaders Forum, CMI, Industrial Society SSDA/SSCs SLF SFEU	Various networks already exist, including Industrial Society Campaign for Leadership, Public Sector Leaders Forum, CMI Leaders Panel See paragraphs 30-32 on raising leadership skills
8-11	SMEs: Stimulate demand amongst entrepreneurs/promote BITE	DfES DTI DAs SBS RDAs LSC SSDA/SSCs	Agreed. See paragraphs 21-26 of response. Part of LSC workforce development strategy. UFI promoting BITE as part of package working with SBS/Business links. In Scotland promotion by the Small Business Gateway

CEML RECOMMENDATIONS		Lead bodies	Response
INCREASE DEMAND		60.	
11	Incentivise and stimulate the market for informal learning	DTI, DfES DAs LSC SSDA Ufi	This is part of the wider issue about aligning supply and demand for skills training and qualifications in further and higher education - see paragraph 35 of response. The Ufi's Learning through Work scheme offers one route to engage employers and partner HEIs in supporting customised learning at work
12	Professional Associations to introduce elements of management and leadership development into their pre-qualification and continuing professional development programmes	Professional associations Association of Business Schools Universities Scotland	Review of the management standards underway. Professional Bodies and higher education will be involved in developing management and leadership units which will be a suitable basis for CPD across the piece
13	Encourage higher take-up from individuals for management and leadership development	DTI DfES CMI	This is part of the wider issue about aligning supply and demand for skills training and qualifications in further and higher education - see paragraphs 44-46 of response Individual chartered status for CMI members will encourage take up.
IMPROVE SUPPLY			
14	Develop leadership skills within the 14-19 curriculum	DfES QCA SQA OfSTED SSCs	Agreed. See paragraphs 47,48 of response.

	CEML RECOMMENDATIONS	Lead bodies	Response
	IMPTOVE SUPPLY	61.	
15	Undergraduates of all disciplines to have the option of acquiring some management and leadership skills	Government HEFCE SHEFC SSCs	Agreed that options should be available, but stopping short of compulsion. See paragraphs 42, 49-51 of response.
16	National Forum for employers and Business School Deans to improve dialogue	ABS AOC AOSC Providers	For ABS to consider. Business schools already have close contacts with employers. FE, UFI and other providers should consider how to improve dialogue and partnerships between suppliers and clients
17	Develop courses for provider staff in FE and in the private sector by the LSDA to help interface with customers	DfES LSDA AOC AOSC LSC SFEU SFEFC	This is part of the wider agenda of raising standards and improving responsiveness in further education - see paragraphs 49-51 of response. LSDA considering research project to establish how FE staff can better understand the business context leading to suitable learning provision
18	Improve Management Standards; their effectiveness and usage	Employers MSC, Regulatory Bodies	QCA/SQA/PSAG funded review of standards underway
19	Include management and leadership units in all occupational qualifications at Level 2 and above	DfES SSDA MSC QCA SQA SSCs	Many qualifications already include management units. Part of SSDA/SSC role to pursue the place of management and leadership skills within occupational standards, and to promote management and leadership as a cross-sector skill

	CEML RECOMMENDATIONS	Lead bodies	Response
	IMPROVE SUPPLY	62.	
20	Incorporate practical skills and work experience in the curricula of business and management undergraduate studies and MBAs	HEFCE AMBA ABS Business Schools	The ABS has developed national benchmark standards for the business and management subject community that have a focus on skills development and in the case of MBAs leadership skills. Not convinced of the argument for making this compulsory. See paragraphs 42,50 of response.
21	Promote CMS/DMS to improve pathways between HE/FE	DfES Providers of Qualifications DAs	This is part of wider issue about supply, demand and responsiveness. So long as demand and supply are effectively aligned, there should be no need to promote specific qualifications, but leave that as a matter of individual choice
22	Aim for Centres of Excellence for Management and Leadership in each RDA region	DfES LSCs RDAs Business Schools FE Providers	There is considerable support for centres of excellence for management and leadership and appropriate arrangements will be explored. The Learning and Skills Council (LSC), which is implementing the CoVE programme will work with key organisations to determine whether the CoVE model is appropriate for delivering management and leadership skills at a regional level. For example, in the East Midlands local LSCs are supporting the Centre for Enterprise to undertake a feasibility study into the establishment of a Regional Centre of Vocational Excellence for SME Management and Leadership. At the same time the LSC will continue to set management as one of the priority skills areas for the CoVE network and encourage providers to come forward with plans to develop Centres.

CEML RECOMMENDATIONS		Lead bodies	Response
63. IMPROVE SUPPLY			
23	Centres of Excellence should be required to set plans for identifying and spreading good practice in developing the in-house capacity of employers and increased capacity for informal learning	DfES DAs LSCs RDAs SFEFC SFEU	This role is shared between CoVEs, SSCs/SSDA and business support intermediaries. A diversity of approaches will be needed. Centres of Vocational Excellence in Management and Leadership will play a key role in sharing best practice and working with employers to increase the capacity and quality of their training . The LSC supports the sharing of good practice through specialist development groups, including one focusing on management. Sector Skills Councils will be actively involved in the development and operation of these groups and will ensure a strong employer focus. See paragraph 56 of response. In Scotland the SFEFC working with the SFEU is responsible for disseminating good practice.
24	Establish incentives to recruit and retain new teachers to business and management studies, resource CPD structure for non-HE staff	ABS LSDA LSC	ABS exploring the extent of the problem. FME fellowships and ESRC research fellowships will provide a number of new teachers. National Occupational Standards have been developed for FE staff and the FE strategy will promote higher professional standards. In Scotland the SFEFC has set targets that aim to increase the number of lecturers who hold a teaching qualification.
25	Develop research programme to improve process of management learning	ESRC	HEFCE has established an HE Subject Centre for learning and teaching in business and management which disseminates research findings to teachers.

	CEML RECOMMENDATIONS	Lead bodies	Response
	IMPROVE SUPPLY	64.	
26	Link management research to needs of practising managers	ESRC	ESRC committed to making £17m UK research programme work as CEML recommends
27	Encourage knowledge transfer from research to teaching as core part of CPD for teaching staff	DfES DAs LSC LSDA ESRC	ESRC Management Research Initiative to indicate how programmes make possible transfer of knowledge
28	Allow business schools to become more autonomous within their universities	Universities	This is a matter for individual universities to pursue
	BETTER LINKAGES		
29	Develop on-line sign-posting	DfES DTI DAs SBS Ufi/ learndirect learndirect scotland	See paragraph 51 of response
30	Establish a new strategic body for management and leadership	DfES DTI DAs SSDA	Agreed - see paragraphs 57,58 of response

Annex D - Glossary of Terms

ABS	Association of Business Schools
ACAS	Advisory Conciliation and Arbitration Service
AMBA	Associations of MBAs
AOC	Association of Colleges
AOSC	Association of Scottish Colleges
BCC	British Chamber of Commerce
BITE	Business Improvement Tool for Entrepreneurs
BVMA	Business Volunteer Mentoring Association
CBI	Confederation of British Industry
CCPMO	Consultative Committee of Professional Management Organisations
CEML	Council for Excellence in Management and Leadership
CIPD	Chartered Institute of Personnel and Development
CMI	Chartered Management Institute
COVE	Centres of Vocational Excellence
CPD	Continuing Professional Development
DAs	Devolved Administrations
DfES	Department for Education and Skills (from June 2002)
DTI	Department for Trade and Industry
EOC	Equal Opportunities Commission
ESRC	Economic and Social Research Council
FE	Further Education
FME	Foundation for Management Education
FRESAs	Frameworks for Regional Employment and Skills Action
HEI	Higher Education Institutes
HMT	Her Majesty's Treasury
HE	Higher Education
HEFCE	Higher Education Funding Council for England
IAG	Information, Advice and Guidance
ICAEW	Institute of Chartered Accountants in England in Wales
ICT	Information and Communications Technology
liP	Investors in People
ILM	Institute of Leadership and Management
LDBCs	LearnDirect Business Centres
LLSCs	Local Learning and Skills Councils
LSC	Learning and Skills Council
LSDA	Learning and Skills Development Agency
MSC	Managerial Standards Centre
OFSTED	Office for Standards in Education
PSAG	Projects and Standards Approvals Group
QCA	Qualifications and Curriculum Authority
RDAs	Small Business Council
RREAS	Race Relations Advisory Service
SBS	Small Business Service
SFEFC	Scottish Further Education Funding Council
SFEU	Scottish Further Education Unit
SLF	Scottish Leadership Foundation
SMEs	Small and Medium-sized Enterprises
SQA	Scottish Qualifications Authority
SSC(s)	Sector Skills Council(s)
SSDA	Sector Skills Development Agency
TUC	Trades Union Congress
UFI	University for Industry