



UK COMMISSION FOR
EMPLOYMENT AND SKILLS

Management Matters: Key Findings from the UKCES Surveys

Briefing Paper
2013

Intelligence > Investment > Impact

Management Matters: Key Findings from the UKCES Surveys

Professor Mike Campbell

March 2013



Table of Contents

Foreword	i
1 Introduction	1
2 Management Skills: Shortages, Gaps and Management Training	2
3 Management Behaviour	6
4 High Performance Working Practices	8
5 Business Strategy	10
6 Conclusions	11
References	14

Foreword

The UK Commission runs two large-scale employer surveys in alternate years: the UK Commission's Employer Perspectives Survey (UKCEPS) and the UK Commission's Employer Skills Survey (UKCESS). The overall aim of the two surveys is to provide robust and reliable information from UK employers on skills issues and workforce development, which forms a robust basis to develop policy and contribute to the assessment of the impact of skills initiatives.

The 2012 Employer Perspectives Survey covered 15,000 establishments across all sectors of the economy (including the public and not for profit sectors) in England, Scotland, Wales and Northern Ireland. The UK Commission's Employer Skills Survey 2011 was a harmonised UK-wide skills survey of 87,500 establishments, enhancing the comparability of data across the four UK nations.

The two surveys cover complementary topics, with UKCEPS covering the external interface with the skills system and the UKCESS taking a more internally focused perspective on skills deficiencies, training and the management of these factors. The surveys have broad coverage and it is not possible to cover all of the topics in the overarching survey reports to the depth the survey allows.

This briefing paper is part of an occasional series which draws on the UK Commission's Employer Skills Survey and Employer Perspectives Survey. It explores survey findings on aspects of leadership and management including evidence of demand for management skills, skills gaps and provision of relevant training. It is intended to provide a starting point for discussion, show the range of topics covered by the UK Commission's surveys, and demonstrate ways in which the data can be analysed and interpreted.

Further information on both surveys and the survey questionnaires are available at <http://employersurveys.ukces.org.uk/>

1 Introduction

There is considerable evidence that management capability is a key determinant of organisational performance (see Bloom et al, 2011; and for summaries of the wider evidence see Garrett and Campbell, 2010). There is extensive evidence too, that management practices vary between, and within, countries (Bloom et al, 2007). There has also been concern, over many years, that management in the UK may be relatively weak in a number of respects compared to that in several major competitor countries.

More specifically, management skills; the practices of human resource managers in particular; and the extent of 'high performance working' have also been appraised and shown to be associated with variations in organisational performance (see, for example, Belt and Giles, 2009).

Recent cross-country work by Bloom et al (2011) not only evidences the substantial variations in management practices and their link to organisational performance, but also examines how such practices vary by sector; ownership; product market competition; workers' skill levels; and labour market regulation. Based on scores across eighteen key management practices, the UK ranked seventh of twenty countries (below Australia, Canada, Sweden, Germany, Japan and the USA). The problem is the existence of quite a long 'tail' of weak performers, relative to other countries. The level of education, of both managers and non-managers, is strongly linked to superior management practices and it is found that the UK has relatively less well educated managers, in their initial study (Bloom et al, 2007).

The UK Commission for Employment and Skills (UKCES) conducts two major surveys in alternating years: the UK Commission's Employer Skills Survey and the UK Commission's Employer Perspectives Survey. The surveys shed valuable additional light on a range of management issues in the UK. This briefing paper explores relevant findings from ESS 2011 and EPS 2012. It first covers management skill characteristics, deficiencies and behaviour and then provides some insight into management priorities in respect of business strategy, human resource practices and wider 'high performance working'. It concludes by outlining the key aspects of the findings and their implications for further investigation of the results.

2 Management Skills: Shortages, Gaps and Management Training

What is the situation when establishments are seeking to recruit managers? Around one in fourteen (seven per cent) of establishments with vacancies have one or more management vacancy, a proportion which is lower than for almost any other occupation. It nonetheless amounts to around 24,000 vacancies across the UK. This proportion is higher in some parts of the economy than in others. It is highest in: large organisations; public administration (11 per cent); in the charitable sector (16 per cent); and in establishments where the Product Market Strategy (PMS) index is very low (11 per cent). The PMS index is an indicator of the sophistication of the products/services produced and is associated with innovation and quality. So, it would appear that the extent of management vacancies is higher in low PMS establishments, perhaps reflecting relatively high turnover and low levels of retention of managers. However, overall, the relatively low level of management vacancies reflects relatively low turnover (high levels of retention) of managers compared to other occupations and the consequent ability to fill such vacancies with relative ease.

Nonetheless, nearly one in five of the management vacancies (19 per cent) were hard to fill because of skill shortages (a proportion above the average of 16 per cent for all vacancies in the economy as a whole). In Northern Ireland this proportion is 41 per cent. The proportion is also above average in SMEs (24 per cent) and in some sectors, especially in agriculture (76 per cent), Utilities (33 per cent), Construction (29 per cent), Social Work (28 per cent) and Manufacturing (27 per cent). It is also high in establishments working in international rather than local markets (21 per cent compared to 13 per cent). Furthermore, the proportion is closely connected to the PMS index; it is 48 per cent in very low PMS establishments compared to 15 per cent in very high PMS establishments.

Whilst managers' skills shortage vacancies account for just four per cent of all skill shortage vacancies in the economy, the proportion is much higher in some sectors, most notably in electricity, gas and water (14 per cent); wholesale and retail (nine per cent); health and social work (nine per cent); and agriculture (seven per cent). It is also relatively higher in large establishments (seven per cent), in the charity sector (seven per cent) and in establishments with a low PMS index (14 per cent). Thus, management skill shortages are especially high in low PMS establishments, reflecting the difficulty of attracting managers to such establishments.

The skills that are lacking in managers (where employers find their management vacancies difficult to fill because of skill shortages) are primarily the job-specific skills required for the post (identified in 71 per cent of all cases). In more than half (57 per cent) of all cases, strategic management skills were found wanting; and in over 40 per cent of cases, planning and organisation skills (44 per cent), customer handling skills (40 per cent), oral communication skills (36 per cent) and problem solving skills (35 per cent) are the 'top five' skills lacking

But what about the skills of existing managers i.e. those already employed? What is the evidence of the existence or otherwise of skill gaps, where managers' skills are seen as not adequate to perform their job effectively? Care needs to be taken in reporting and interpreting these results as they represent managers' own assessment of such skill deficiencies, especially in smaller organisations, as managers/human resource managers are the respondents to the survey. They are thus probably likely to underestimate the extent of such deficiencies, due to the self assessment element involved.

Around three per cent of the UK's 5.4 million managers are reported as exhibiting skill gaps, the lowest of any occupation. Nonetheless, this represents around 166,000 managers deemed (by themselves and their peers in their own establishment) to be not fully proficient in their jobs. Skills gaps density for managers (the number of skills gaps as a proportion of total employment) does not vary much from this average three per cent by region. However, there is more variation by size, with skills gaps density increasing with establishment size, and sector, with the highest density of manager skills gaps (five per cent) found in the public administration sector.

The number of managers with skills gaps accounts for more than one in ten of all skill gaps in the UK. This proportion varies considerably across the economy, however. Manager skills gaps account for nearly a quarter of all skill gaps in micro establishments (employing between one and four people) and 11 per cent in small establishments (employing between 5 and 24 people). This is likely to be in part a result of a large proportion of those working in such small establishments necessarily having a management role. They also account for a disproportionately large proportion of skill gaps in certain sectors: financial services (18 per cent of all skill gaps), agriculture (18 per cent), construction (16 per cent) and in the public administration (14 per cent) sectors of the economy. They are least pronounced in the health (seven per cent) and hotels/restaurants (nine per cent) sectors. They also amount to 11 per cent of all skill gaps in England compared to between eight per cent and nine per cent in Scotland, Wales and Northern Ireland.

Worryingly, the gaps are greater in establishments operating primarily in national/international markets (14 per cent of all skill gaps) rather than in local/regional markets (10 per cent). They are also greatest in 'high skill' organisations, reaching 20 per cent of all skill gaps in establishments where more than 80 per cent of staff are qualified to level 4 or above, as well as in high PMS index establishments (18 per cent). Again, this is in part due to the high share of management staff in such organisations.

The causes of these skill gaps are mainly that: the training the employee is undertaken is only partially completed (40 per cent), they are new to the role (38 per cent), and that the staff lack motivation (23 per cent) or have not received the appropriate training (29 per cent).

The 'top five' skills most lacking are: strategic management skills (46 per cent) and planning and organisation skills (44 per cent), followed by team working skills (38 per cent), problem solving skills (35 per cent) and oral communication skills (33 per cent). Taken together, they provide an agenda for management training and development in establishments that experience management skills shortages and gaps.

Difficulties in retaining managers, once recruited, are not substantial. Management is the occupation with the least difficulty in retaining staff (only three per cent of those establishments who experience retention difficulties cite managerial occupations as problematic), though this does rise to six per cent in the wholesale/retail sector; five per cent in health and social work; six per cent in large establishments (employing over 250 people); and 14 per cent in the charity sector.

Given the existence of such skill gaps, what is the incidence of provision of training for managers? Nearly two-thirds (61 per cent) of establishments provided training for their managers over the previous year. This does however mean that more than a third provided no training for their managers over the previous year. The proportion who did provide training varied from 72 per cent of large establishments to 56 per cent of small and medium size enterprises and to just 23 per cent of micro establishments. The proportion of establishments providing training was especially high in: financial services (66 per cent), public administration (72 per cent) and health/social work (71 per cent) sectors and it was especially low in: agriculture (54 per cent) and construction (54 per cent). It is also especially high in the charity sector (73 per cent) and especially low in the 'for profit' sector (58 per cent). Not surprisingly, establishments with IIP were more likely to train managers (70 per cent of establishments) than those without (58 per cent).

Management Matters: Key Findings from the UKCES Surveys

There is also a strong association between the incidence of management training and (1) a high PMS score (2) high PMS/high skills establishments. For example, 62 per cent of high/very high PMS index establishments provided management training compared to 52 per cent of low/very low ones.

3 Management Behaviour

The UK Commission's employer surveys can be seen as providing insights into a wide range of management behaviour and, in particular, that associated with human resource behaviours and practice, both because of the purpose of the surveys and because of the respondents to them. This section provides a brief overview of employer behaviour in respect of investment in skills and, in particular, to report on training plans, budgets, IIP, and the use of external information and advice on skills and training.

Just under 60 per cent of establishments provided training for at least one of their staff over the previous year: thus, nearly 40 per cent provided no training for any of their staff (this varied from 42 per cent in England to 32 per cent in Scotland). The incidence of training varies widely by: size of establishment (with larger establishments more likely to provide training); sector (with agriculture, manufacturing, construction and transport/communications least likely to provide training); and PMS index (with high PMS establishments more likely to provide training than low PMS establishments). This latter variation is especially marked across small establishments.

In terms of the planning for, and budgeting of, training, 30 per cent of establishments have none of: a business plan, a training plan or a training budget. (Even then, 16 per cent of establishments that did have these still provided no training over the previous year.) The proportion of establishments without a business plan, training plan or budget, varies considerably across the economy: from a low of 25 per cent in Scotland to a high of 39 per cent in Wales; from seven per cent in large establishments to 37 per cent in SMEs; and from just six per cent in public administration, seven per cent in education and 10 per cent in health to highs of 37 per cent in transport and 48 per cent in construction. It also varies greatly from a low of 11 per cent in the charity sector to 34 per cent in the for-profit sector and from 24 per cent in establishments primarily engaged in international markets to 32 per cent in local/regional markets.

There is also an association between the existence of business training plans and budgets and the existence of skill gaps. One in five (20 per cent) establishments with skill gaps didn't have a plan or budget, compared to 32 per cent of establishments without skill gaps. Establishments with training plans and budgets are more likely to have a sophisticated approach to people management and thus a more acute ability to identify skill gaps than others. Unsurprisingly, IIP accredited establishments are more likely to have a training plan/budget than those that are not accredited, as are high PMS index establishments and high skill establishments.

With respect to IIP, 16 per cent of establishments are IIP accredited. This varies from 40 per cent of large establishments to nine per cent of SMEs. It also varies substantially across sectors, from 45 per cent in public administration, 29 per cent in financial services, 28 per cent in mining and quarrying, 27 per cent in health, and 28 per cent in education, to 10 per cent in both manufacturing and transport and eight per cent in construction. IIP accredited establishments are also proportionally more likely to: have skill gaps; train their workforce; have a training plan/budget; and have a high PMS index. EPS provides further information on IIP. Three in four establishments have heard of IIP, though this proportion is lower in the private sector. Accreditation is highest amongst larger employers (46 per cent). Amongst those accredited, perception of the benefits of IIP was high, with 80 per cent saying it was 'beneficial' to them. However, almost half of all establishments did not intend to apply for IIP accreditation.

4 High performance working practices

The ESS data set provides a substantial amount of evidence on the extent and nature of a range of 'high performance working practices' that go beyond skills development. This section summarises the headline findings with respect to: pay/incentive schemes; performance reviews; employee consultation; equal opportunities; ISO accreditations; and whether they evaluate the costs and benefits of skills and training activity.

Nearly a half of establishments have some form of pay/incentive scheme for their staff (45 per cent). This varies from a high of 47 per cent in Scotland to a low of 39 per cent in Wales. It is also much more prevalent in large establishments (73 per cent) than SMEs (38 per cent). In sectoral terms, it is highest in financial services (75 per cent of establishments) and mining/quarrying (66 per cent) and lowest in agriculture (32 per cent) and construction (34 per cent). It is also more prevalent in the for-profit (46 per cent) rather than not-for-profit (38 per cent) sector as it is in establishments active in the international marketplace (61 per cent) than those without skill gaps (42 per cent); in those that are IIP accredited (64 per cent); and those that have a high PMS index and exhibit high PMS/high skills characteristics (56 per cent).

Almost half (47 per cent) of establishments have arrangements where all staff have performance reviews. This varies again by country (with the lowest proportion, of 39 per cent, in Wales). Establishment size (80 per cent of large establishments and 37 per cent of SMEs), sector (from highs of 80 per cent in health and 71 per cent in financial services to lows of 23 per cent in agriculture and 27 per cent in construction), for profit or not (41 per cent in for-profit establishments, 72 per cent in the charity sector) and also by marketplace (international, national, regional/local), IIP status, and PMS index and establishments exhibiting high PMS/high skills characteristics.

The patterns are broadly similar in respect of employee consultation, equal opportunities and ISO standards. For example, 44 per cent of establishments have procedures for employee consultation. These are especially prevalent in Scotland (52 per cent), in large establishments (75 per cent) and certain sectors, most notably public administration, financial services and mining/quarrying. They are also more common in the not-for-profit (40 per cent) sector; in those that are IIP accredited; and in those with a high PMS index.

In respect of equal opportunities, 14 per cent of establishments do not have an equal opportunities policy. This proportion is especially high in SMEs (18 per cent), in manufacturing (16 per cent), utilities (16 per cent), construction (23 per cent), transport (21 per cent) and agriculture (32 per cent). It is also higher than average in establishments with skill gaps, in those that do not train their staff, that do not have IIP and that have a low PMS index and exhibit low PMS/low skills, characteristics.

Finally, around one in eight establishments (13 per cent) have an ISO 9000 standard. This is most common in large establishments (26 per cent) and in certain key sectors: mining (51 per cent), utilities (32 per cent) and manufacturing (26 per cent). It is especially low in hotels/restaurants (8 per cent) and construction (11 per cent). It is more common in establishments working in international (25 per cent) than national (16 per cent) or local/regional (10 per cent) markets; in those establishments that also have IIP status; and that have a high PMS index and exhibit high PMS/high skills characteristics.

According to EPS, around a third of establishments conduct evaluations of the costs and benefits of training/skills activity. However, this is predominantly a practice associated with 'non market' services (59 per cent) rather than, for example, manufacturing (28 per cent). It is also more common in large (45 per cent) rather than small/medium (31 per cent) establishments and in public and charitable establishments (59 per cent and 48 per cent respectively) rather than in the private, for profit sector (30 per cent). It is also more common in IIP accredited establishments (54 per cent compared to 30 per cent in non IIP establishments). Interestingly, it is also more common in establishments that expect to grow (37 per cent) than others (24 per cent).

5 Business Strategy

ESS 2011 sought to elucidate the 'product market strategy' (PMS) of establishments by constructing a 'score' and product market description based on four characteristics: price dependency; leadership in products/processes; quality; and customisation. A PMS is not only indicative of an establishment's likely position in the value chain, its likely value added and competitiveness; it is also a proxy for the business strategy developed, explicitly or implicitly, by the management and leadership of the organisation. Moreover, there is a relationship between PMS and an organisation's skill levels (Mason 2011).

Establishments were given a PMS score based on their ESS survey responses. These were then converted to a fivefold classification of PMS: very low, low, medium, high and very high. The percentage of establishments falling into each category was, consecutively: four per cent, 16 per cent, 34 per cent, 26 per cent and 10 per cent. The share of total employment in each category was consecutively: two per cent, 10 per cent, 32 per cent, 33 per cent and 12 per cent. All else being equal, it is a legitimate and desirable objective of government action to encourage a progressive move towards a larger proportion of establishments and jobs, into a high/very high PMS and away from a low/very low PMS, in order to help develop sustainable long term growth and competitiveness.

We have seen above in earlier parts of this briefing paper that a high PMS score/index is often associated with a range of arguably desirable skills situations and practices including training levels, HR practice and HPW practices. For example, the incidence of training varies by type of PMS adopted, with those establishments with a higher product market positioning being more likely to train: from 65 per cent of those establishments with a very high PMS and 63 per cent with a high PMS to 50 per cent of those with a low, and 41 per cent with a very low, PMS. The variations are even greater in the key 'small establishment' group, with rates varying from 80 per cent to 32 per cent.

Similarly, in terms of the proportion of staff trained, this varies from 57 per cent in establishments with a very high PMS to 36 per cent in those with a very low PMS. Training spend varies similarly, from an average of £4200 in the former to £3100 in the latter. Indeed, there is a strong association between PMS and high skill levels in organisations (Mason 2011; NESS 2012a). As the PMS score increases, the proportion of establishments with a highly skilled workforce also increases. Conversely the proportion with a low skilled workforce decreases. For example, in very high PMS establishments 31 per cent of them can be classified as 'high skill' establishments, whereas only 14 per cent of very low PMS establishments can be so classified.

6 Conclusions

Management matters for at least three reasons:

1. management capability is a strong driver of an organisation's performance and thus of national and sectoral performance;
2. management capability varies internationally and across sectors and this is a source of both current underperformance and the potential for future improved performance; and
3. there is a concern that UK management could be improved relative to its competitors.

The headline conclusions that we can draw from this review of findings from the UK Commission's employer surveys are as follows:

- Nearly one in five of all vacancies for management jobs are hard to fill because of skill shortages. The problem is especially prevalent in certain sectors, large firms, in the charity sector and in low 'product market strategy' establishments. The skills most found wanting are in strategic management, planning and organisation, customer handling and team working.
- Around 166,000 managers are deemed to be not fully proficient in their job. The problem is especially prevalent in small establishments, certain sectors, high skill and high 'product market strategy' establishments, and in national/international markets. The skills most lacking are strategic management, planning and organisation, team working, problem solving and oral communication.
- More than a third of establishments provided no training for their managers over the previous year. This varies by size of establishment, sector and 'product market strategy'.
- Managers' behaviour on the skills agenda can be elicited from data on their training provision, training plans, budgets, IIP and the use of external information and advice services. The incidence of such training activities varies widely by country, sector and size of establishment.
- High Performance Working Practices are important if workforce skills are to be effectively and fully utilised. Evidence here, from pay and incentive schemes, performance reviews, employee consultation, equal opportunities, ISO accreditations and whether they evaluate the costs and benefits of skills and training activity, show that they are extensively but unevenly deployed. They vary by country, size of establishment, sector, marketplace and 'product market

strategy' as well as establishment skill levels.

- 'Product Market Strategy' is a key indicator of an establishment's business strategy, market positioning and, thus, management approach. It is strongly related to an establishment's skill levels. It also varies widely across the different parts of the economy. More establishments need to 'score' more highly on the PMS index. Overall a high PMS score is associated with a wide range of 'desirable' skills situations and practices, including training levels, HR practices and HPW practices.

In summary, do the management issues examined in this paper: skill shortages and gaps; management training; management behaviour in respect of people development; high performance working practices; and business strategy; exhibit a clear pattern across different establishment types?

In broad terms some establishment characteristics seem to be associated with more 'positive' management characteristics and behaviour, whilst others are more often associated with less positive characteristics and behaviour. The characteristics associated with positive management behaviour and practices are: larger establishments; high PMS establishments; and, to a lesser extent, public, charitable and financial services sectors as well as those establishments engaged in international markets. There is also something of a country pattern, with Scotland exhibiting more positive management practices/behaviour, followed by England.

Establishment characteristics associated with less positive behaviour overall are: smaller establishments; those with a low PMS index; private/market sector establishments (except financial services and especially perhaps, agriculture, construction, manufacturing and transport); and those primarily engaged in local markets.

There are two important caveats to enter however. First, these are very broad patterns elicited from bivariate analysis. By no means all establishments will conform to this pattern: it is more of a propensity and probability than a defining characteristic of such establishments. Second, positive management practices and behaviour are not necessarily associated with positive outcomes, in terms of skill shortages or skill gaps, at least from the bivariate analysis in this paper. Multivariate analysis and a detailed benchmarked analysis of these establishment characteristics would provide a more robust assessment.

Areas for future work and additional exploration of the UK Commission's employer surveys could include:

- Creation of a management 'index' from the data (or the PMS score could be used as a proxy) for use as a dependent variable and examination of cross tabulations with key independent variables.
- Multivariate analysis of key dimensions of the data, using principal components analysis, cluster and factor analysis, and multiple regression techniques, with a focus on the key establishment characteristics and management practices and behaviours outlined in this report.
- Key dimensions for further analysis include variations by: country, sector, high/low skill organisations, and ownership.
- Individual sector studies.

References

Belt, V and Giles, L (2009) *High Performance Working: A synthesis of key literature*. UKCES Evidence Report 22

Bloom, N et al (2007) *Management Practice and Productivity: why they matter*. Centre for Economic Performance, LSE


Bloom, N et al (2011) *Management Practices across Firms and Countries*. Harvard Business School Working Paper 12-052

Davies, B., Gore, K., Shury, J., Vivian, D. and Winterbotham, M. (2012) *UK Commission's Employer Skills Survey 2011: UK Results*. UKCES Evidence Report 45.

Garrett, R and Campbell, M (2010) *The Value of Skills*. UKCES Evidence Report 22

Mason, G (2011) *Product Strategies, Skill Shortages and Skills Updating Needs in England*. UKCES Evidence Report 30

Shury, J., Vivian, D., Gore, K. and Huckle, C. (2012) *UK Commission's Employer Perspectives Survey 2012: UK Results*. UKCES Evidence Report 64



The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our mission is to raise skill levels to help drive enterprise, create more and better jobs and economic growth.

All of the outputs of the UK Commission can be accessed on our website at www.ukces.org.uk

UKCES
Renaissance House
Adwick Park
Wath-upon-Deane
Rotherham
S63 5NB
T +44 (0)1709 774 800
F +44 (0)1709 774 801

UKCES
Sanctuary Buildings
Great Smith St.
Westminster
London
SW1P 3BT
T +44 (0)20 7227 7800

This document is available at www.ukces.org.uk under "Publications"

© UKCES 1st Ed/07.13