

## **5.0 Summary and Recommendations**

### **5.1 Summary of Findings**

The sheer number of organisations that have been identified as working in the field of MLD in Wales is quite amazing. This poses a difficult challenge to policy-makers, SME managers and others if they are to maintain current information on the activities of organisations in the area –the vast majority of them are micro businesses. The continuing churn of these micro SMEs adds to the challenge.

Major differentials exist in terms of the type and levels of management and leadership offered and ultimately provided across Wales. Around half of these providers receive some funding from the public purse which begs the question of whether the Government stimulates to a certain extent the multitude of organisations involved in the area.

The task of policy-makers is further complicated by the vast array of training and consultancy services offered by each organisation. Many of the organisations funded by the public purse, such as HE and FE, offer the greatest number and diversity of courses.

The upshot of this is that there is no shortage of providers or qualifications for MLD. Some of the providers have a world-class reputation – for example, MBAs from top Business Schools. But, too often the forms of training and the qualifications offered are not sufficiently attractive or focused, to achieve the scale of improvement in leadership and management skills required by Welsh SMEs.

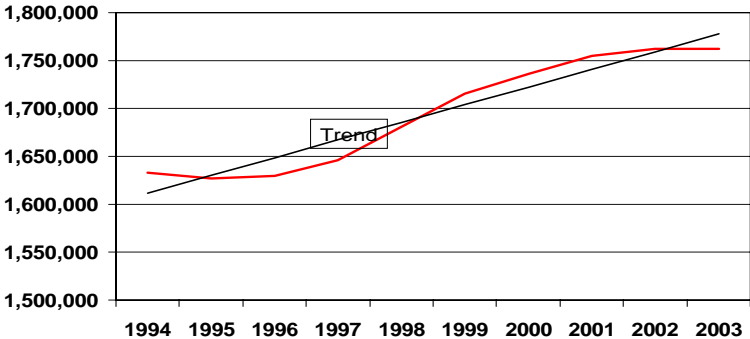
This review of existing provision reinforced to some extent the anecdotal evidence provided in the stakeholder interviews. The mapping exercise demonstrated that there is a plethora of poorly coordinated publicly funded initiatives - particularly European funding. Much of this appears to be driven by Government agendas and existing funding regimes, rather than any direct demand from SMEs themselves. Existing provision is very 'supply-led' and there is a crucial absence of 'demand-led' solutions that understand and reflect the needs of the SME manager.

The main gaps in provision lie in the area of practical, vocational, hands-on approaches to training delivered in a workshop environment that actively engages the participant. Managers complain that benchmarks are few and far between and there is no widely acceptable MLD qualification at senior management level.

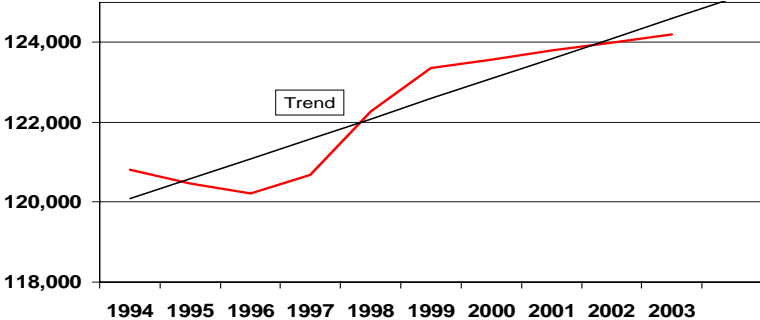
A key issue emerging from this study is that significant differentials exist in the availability of data across the board from HE, FE, public and private sectors and European funded programmes. This has a continuing impact on the ability to effectively measure and benchmark MLD. This in turn constrains the type of initiatives that policy makers can introduce.

Small businesses are the backbone of the Welsh economy. Effective management of people and other resources within SMEs is fundamental to the success of Wales' economy. Managers need the right skills to enable them to operate effectively and flexibly in an ever-changing employment market. The lack of managerial and leadership skills is likely to be directly related to the high failure rate in SMEs. For example, as the following charts illustrate, the stock of VAT registered companies in Wales has been falling rapidly over the last ten years compared with other regions of the UK.

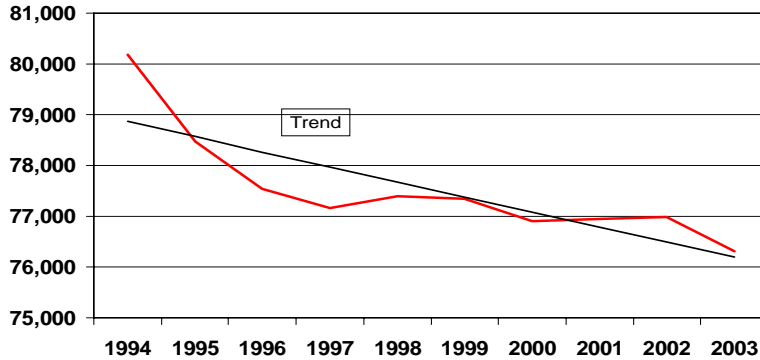
**Figure 5.1 Stock of VAT registered firms in UK**



**Figure 5.2 Stock of VAT registered firms in Scotland**



**Figure 5.3 Stock of VAT registered firms in Wales**



Source: DTI

In addition to the high failure rate, there is also concern about the low number of new firms that succeed in growing to an appreciable size in Wales - less than 2% of start ups grow to employ 50 or more people. The poor performance of the SME sector in Wales is increasingly being linked to weaknesses in management and leadership and to related training issues within the sector.

The managerial skills deficit in Wales is being singled out for attention because many of the other factors that can influence the success or failure of firms, like the level of the exchange rate or the phase of the business cycle, are common across the UK. Clearly, helping improve the quality, calibre and capacity of managers and leaders in SMEs is becoming one of the most important policy options for the Welsh Assembly Government seeking to close the prosperity gap with the rest of the UK. Not only is skills and training within the Assembly's remit but, compared with all the other factors that might be holding back economic growth, the managerial skills gap appears to be the most significant independent obstacle to growth.

As was shown in section 2 of the report a huge amount of funding for management and leadership has come from European programmes, with a range of projects available across Wales. Some are focused heavily on MLD, whilst others have a more indirect impact. However, despite the millions of pounds of European money being spent on MLD, there appears to be little work being carried out as yet to assess the full impact of these projects. Current outputs are not particularly meaningful in measuring both the up-take and effectiveness of MLD in SMEs. The good news is that up until the end of 2006 when the current European programmes end there is ample funding available to develop more focused management and leadership projects across key sectors of the Welsh economy.

The results of the questionnaire show that ELWa is currently the most common source of funding for respondents. There are two main explanations for this; firstly, the majority of lead organisation for European funding are public sector organisations (from whom we had a relatively low response rate to the questionnaire) and/or secondly, the amounts of money being made available from ELWa are small in size, but fairly widely dispersed.

Different people have different conceptions of what management is about. This inevitably shapes their view about the way in which managers ought to learn and be developed. Because the availability of funding leads the development of training programmes this has created an impression from managers that all forms of training have to be subsidised. This leads to reluctance to spend resources on training. Also, the wide array of funding and the plethora of poorly coordinated provision mean that the individual manager has difficulty choosing a relevant training package.

Ultimately, improvements in management and leadership skills will only happen if employers, facing the day-to-day realities of running their organisations, see a value and purpose in investing scarce resources in upskilling their senior management team. They are more likely to engage in management development if it is offered through the types of communication channels and intermediaries that they trust. The trick is to deliver MLD in ways that encourage 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.

## **5.2 Key Recommendations**

Outline recommendations, that have not been prioritised, are summarised below to aid further research. These proposals have emerged from the desk research, from the results of the questionnaire, from follow up discussions with correspondents and from the stakeholder interviews. They have been categorised under the three key areas which need to be addressed; stimulating demand and raising the quality of supply, funding for MLD and; informal learning.

### **Stimulating Demand / Raising the Quality of Supply**

- **Build credibility of MLD** through raising quality standards and developing appropriate kite marks for courses relevant to industrialists and middle managers

- **Greater assessment of provider credentials** (i.e. qualifications/ managerial experience etc)
- **Simplifying current qualifications and structure**
- **Take action on identified gaps in provision** i.e. in strategic decision making and in meeting the needs of micro SMEs
- **Benchmarking Performance** – there is a need to develop a framework of indicators (personal and organisational) to assess management capability and evaluate the impact of any development undertaken. (To be effective, guidance will need to be given to providers on how to use it)
- **Appropriate benchmarking tools should also be developed in the public and voluntary sectors**
- **Best Practice** - develop and highlight case studies of best practice and exemplars of successful leaders to demonstrate the 'real' benefits of MLD
- **Engaging Intermediaries** (i.e. Business Eye, Enterprise Agencies, Business Advisors, and Membership organisations) to understand the importance of the role of MLD. In this way they can play an important role as catalysts for MLD (particularly for informal learning)
- **Rationalisation of existing support structures**
- Identify the key drivers of business growth in the SME sector and **develop better methods of articulating the role of MLD** in addressing these drivers
- **Development of a diagnostic** to assess the needs of SME managers and their capacity to undertake training so as to make more efficient use of scarce resources
- Utilise the data from this project to begin to **build and populate a database of providers**. For the database to be successfully used by the network it must provide access to local learning opportunities, formal and informal, supported with qualitative, objective assessments of their effectiveness (i.e. Amazon style), tailored to identified needs of SME managers

## Funding For MLD

- **Develop information on funding available for MLD** provided through key stakeholders i.e. ELWa, WDA , WAG and WEFO
- **Develop close links with other on-going research** in the area, such as that being undertaken by SSSA who have substantial funding to carry out a major study of MLD in the UK
- **Implementing ‘seed-corn’ funding** for innovative ideas to establish a desire for MLD which is self-sustaining
- **Review the funding regime.** The focus of the funding regime is currently too much on outcomes rather than learning – there is a need to re-address the balance
- The funding regime has given impetus to the development of a large number of uncoordinated deliverers. Need to **develop a more flexible funding regime that responds better to SME needs**
- **Capitalise on £27m + of un-spent European funding** by developing more focused MLD options for key sectors of the economy
- Use this funding to move management and leadership to the **top** of the training agenda and establish existing best practice across all sectors. **Develop MLD as a key channel for business support**
- **Integration of MLD funding** - funding for MLD should not be considered in isolation – it should be integral to other business support packages, through demonstration of management competencies

## **Informal Learning**

- **Incentivise and stimulate demand for informal learning and Continuing Professional Development (CPD).** Some of this research has emphasised the significance of informal over formal learning to SMEs. The lack of support from Government for informal learning needs to be reversed
- **Recognise the contribution to MLD that informal learning such as mentoring, skill swapping, work-shadowing, and networking groups can provide.** We recommend that a significant amount of the remaining European Funding (in the key period up to 2006) be dedicated to Informal Learning and CPD to support existing networks and clusters and enhance informal learning opportunities