

4.0 The Learning Network

4.1 Introduction

Part of the brief was to carry out a systematic analysis of the existing Learning Network in Wales.

An important process in examining the existing Learning network was to obtain a strategic perspective from the key stakeholders in the area of MLD.

Extensive consultations took place with key representatives from organisations such as ELWa, SEMTA, WDA, CBI, FSB, Chartered Management Institute, Wales Management Council, SSDA. A full list of those consulted can be found in Appendix 2.

The consultations focused on the following key areas;

- Key Issues for Wales
- Perceptions of existing provision
- Demand for provision;
- Perceived gaps in MLD
- Funding mechanisms
- Impact of provision on SMEs/other beneficiaries
- Barriers to take-up of MLD
- Relationship between Influencers, Funders, Deliverers and Employers
- Thoughts on provision outside Wales
- A Way Forward

4.2 SWOT Analysis

The SWOT analysis in Figure 4.1 examines the relative strengths, weaknesses, opportunities and threats of the existing learning network. It reviews the relationships and inter-dependencies between funders, employers, influencers and deliverers. It seeks to answer questions like ‘is provision meeting the needs of the market/ business?’

The results below form a summary of the views from a broad representation of organisations. Not all the views expressed below are shared by the consultant team.

Figure 4.1 SWOT Analysis of the Learning Network

Strengths	Weaknesses
<p>Plenty on offer from HE & FE Lots of private sector provision Variety of learning methods Flexible funding i.e. CLA Increases in mentoring & coaching Joined-up approach ELWa & WDA</p>	<p>Very few Micros engage with MD Existing provision: 'patchy' & ambiguous Little co-ordination from key stakeholders 'Management Development' term doesn't excite SMEs Not enough practitioners teaching M&L Not meeting SMEs perceived needs Current funding seems to favour those who seek it Funding focused on outcomes & not perceived need Current provision not reaching those who need it Courses too academically based Policy vacuum Difficult to find out who does what at ELWa Some businesses dissatisfied with FE's offering Quality of short courses difficult to gauge Current offering not marketed well Business benefits not demonstrated No data on impact of management/leadership development No complete database of all that's available</p>
Opportunities	Threats
<p>Re-branding of 'management development' to appeal to SMEs Development of 'seed corn' funding Address perceived needs of SMEs Greater take-up possible if link between productivity and development illustrated Basic funding offered to all – to get 'quick wins' More on-the-job training Clearer picture of what's available would be useful Unambiguous first point of contact Definite need for management development Consider best practice in other countries Improve communication channels between ELWa and other support agency's Build knowledge base on m&I 'ELWa could take a more active role in business partnership bodies' Suppliers to engage more with Voluntary Sector More 'innovative solutions' could be developed Need for more short courses (bite-size) Illustrate differences between L & M SME 'role models' to promote HRD/MD Increasing demand for coaching and mentoring Increasing demand for 'enterprise training'</p>	<p>Welsh business don't appear to have structures in place to develop their staff Poor recognition by SMEs of HRD importance Welsh productivity low and could decline further Getting hung up on 'made in Wales' No lead body driving the agenda? Too supply-led 'Dependency Culture' in Wales not healthy Learners needs seem last to be considered</p>

4.2.1 Strengths

The huge depth and breadth of MLD opportunities available, through FE, HE, private and public sector organisations can be seen as the main strength. The learning methods are broad encompassing a variety of techniques and styles from formal accredited learning through to informal on-the-job training and mentoring. Flexible learning appears to be on the increase, which is more suited to the needs of SMEs. The uptake of coaching and mentoring is also on the increase reflecting the demand for such a service.

From consultation with both ELWa and the WDA, there appears to be a more co-ordinated approach to management and leadership with both organisations working closely together to achieve the desired outcomes.

Funding has notoriously been a rigid process, off-putting to many SMEs. The piloting of company learning accounts and other proposals currently being developed by ELWa and the WDA will provide more flexible funding packages for SMEs and businesses generally.

4.2.2 Weaknesses

Uptake of MLD amongst SMEs is perceived to be very low with many SMEs, particularly micros not recognising the benefits of such development opportunities. The term 'management development' does not excite SMEs and is not valued as a key ingredient of business success. There is a real gap in understanding of how MLD can make a 'bottom-line' difference to performance (both from the SMEs perspective and in many cases the supplier).

Supply-led provision: the needs of SMEs are not being met. A lot of the work carried out on management standards by various organisations is perceived to be focused on the larger organisations, which can not be readily transferred to smaller organisations, whose needs and structures are different.

The business benefits of MLD are not clear to SMEs. Indeed, it is perceived that many providers are not confident about demonstrating the tangible business benefits of their own courses.

Funding is predominantly focused on outcomes and accredited learning and is not based on the perceived need of SMEs which typically is more informal, flexible style learning.

From the SMEs' perspective, it is not clear who is the first point of contact for MLD training and development.

The quality of existing provision has been questioned with comments about courses being too 'academically-focused' and dissatisfaction with some FE provision.

4.2.3 Opportunities

There is a real opportunity to 're-brand MLD' to make it more appealing to SMEs through demonstration of the real business benefits. There is a need to place emphasis on learning and not training (learning implies conditioning)

A clear picture of what is currently available and how to access it, including a point of contact would make it more accessible to SMEs. This can be achieved, in part through the development of a fully searchable database on management and leadership opportunities in Wales.

The demand for management skills, both within the managerial occupational group and beyond, has increased significantly. Moreover the nature of the skills required of managers is changing rapidly, with a growth in the demand for leadership skills, entrepreneurship and adaptability to change. In terms of future skills needs, at least 60% of employers have identified management skills as being amongst the most important over the next two to three years¹.

There is an opportunity to develop new and innovative approaches to MLD through establishment of 'seed corn' funding. This is explored further in Section 5 of the report.

Little or no data exists on the impact of MLD on SMEs. There is an opportunity to build up a knowledge base on how it impacts on the business through development of appropriate benchmarking tools.

Clearer communication channels between support agencies should be developed.

There is an opportunity for suppliers to engage more with the Voluntary sector who currently perceive that there are not enough suppliers.

4.2.4 Threats

¹ Employers Skills Survey, (2002), DfES

It is perceived that Welsh SMEs do not have the appropriate structures in place to develop their staff. There is a real danger that if there is little or no consideration given to business objectives and change drivers prior to assessing both business and individual needs, that it will not have the desired impact on the business.

MLD is not currently perceived to be important to business development. If its priority is not increased amongst SMEs, then the long-term sustainable development of businesses in Wales will be impeded.

Part of the reason for this is that there is no clear lead body driving MLD in Wales that is equipped with both the authority to stimulate change and the resources required to implement it.

The Wales Management Council (WMC) is viewed by some of the stakeholders interviewed as the main source of information on MLD in Wales. Yet, the WMC in its current form has very limited resources at its disposal. Its mission is to champion the case for better management and leadership performance across all sectors in Wales. It has succeeded in taking positive steps in raising awareness amongst SME managers in Wales, through a wide range of activities including forums, sharing good practice, research, newsletters, development of an information portal and the setting up of working groups.

However, it is evident from the interviews that MLD is currently falling between the WDA and ELWa.

4.2.5 Conclusions on SWOT: Some general points

Most of the stakeholders agreed that MLD was not working well in Wales but they also believed that no region in the UK had yet successfully tackled this issue. Inflated perceptions by managers of their own competencies were partly to blame together with their consequent reluctance to engage in training. Part of the problem was the difficulty of comparing managerial competencies with best practice. Managers need to know their level of competence at the beginning of the training process and where they are in relation to their peers after undertaking a development programme. (We need to be able to say 65% of successful managers in successful companies have 'x' skill or accreditation. With this information it might then seem pertinent to suggest that this skill be acquired.) In addition to bench marks being few and far between there is no really acceptable qualification at senior management level.

There is the related problem of measuring the impact of leadership development: there is little research being undertaken on how to measure

it. Consequently there is a dearth of benchmarking techniques available and comparative evidence is largely unavailable. One of the major problems in generating more SME involvement is that the perception of the need for management development is not high. Most of the barriers are psychological and revolve around the problems of 'time constrained' small management teams with little time to invest in themselves or their staff.

Research from Future Skills Wales highlighted the fact that managers themselves put the need for management development at the bottom of their list of priorities. The general view of consultees in terms of perceptions was that SME managers were equally convinced about two things: i) there was too much management development on offer, and ii) that none of it was applicable to them. So the initial requirement was to affect attitudinal change.

In terms of the demand side it was felt that in addition to the issues surrounding perceptions, there is also a confidence problem in some parts of Wales – especially rural Wales – where it is difficult to get people to invest in themselves to rise above supervisory grades because they lack the confidence to take on a wider management function. This is especially true in areas where the public sector dominates employment opportunities and the commercial sector has traditionally had few opportunities to offer. The confidence factor is especially important where there is little tradition of higher management grades being undertaken by local people. Some larger corporations still seem to prefer to bring in senior management from outside the region rather than develop existing supervisory staff or middle managers.

The key to unlocking workforce skills and the higher productivity that goes with it is better HR management skills at the top of the command chain but this is not well understood. Financial Management skills and access to other functional skills are improving but HR issues – particularly staff development – are still neglected. One option could be specialist support for management development in areas like Human Resource Management (HRM), marketing, etc. in parallel with greater utilisation of support such as company learning accounts.

On the supply side collaboration was the needed between universities, FE and business to agree on the employment prospects to which different academic courses might lead. Employers were rightly concerned about a "mismatch" between their business needs and the generic and specialist skills being developed through the typical university course. There is an urgent need to develop appropriate 'kite marks' for courses relevant to industrialists and middle managers. Too often the training available is funding led rather than based on asking what businesses need. Wasted

opportunities were highlighted in areas where the local university was not delivering business focused programmes but instead championing an MBA with little relevance to the needs of local firms.

Developing management competencies has to be seen as part of the wider issue of continuing professional development and CPD has not been seen as a priority by existing funders. Comparatively little has been spent in this area and consequently the support infrastructure is relatively weak. In contrast one Regional Development Agency in England has allocated £40m into continuing professional development and management skills.

The key to success in this area is to raise management competencies without letting the training get in the way of running the business. E-learning is sometimes seen as the answer to this problem but not many of the consultees agreed with this and in contrast saw e-learning as raising more barriers than solutions. The main gap in provision was identified as in the area of practical, vocational, hands-on, workshop approaches that engage the participant.

Other solutions such as mentoring were seen as very expensive and were questioned in terms of value for money. A number of consultees supported the view that diagnostic questionnaires should be used to a greater extent to ascertain the need for management development and the capacity of the company and the individual to make full use of the scarce resource before mentoring and other avenues of support for management development were made available.

One suggestion was for a sort of management 'due diligence' to be undertaken along the lines of the financial enquiries that precede a large equity investment. In this respect a distinction was made between mentoring and coaching with the latter seen as more cost effective and more likely to produce long term results, especially in terms of the behavioural aspects of management.

Before making moves to reform the system, everyone was agreed that we need to understand the market better. In situations of imperfect knowledge the best, least cost solution (in the first instance) is often to tweak existing structures rather than implement grandiose plans for a complete overhaul. Within the current structure, the market for management development is not very robust so there was a general need to strengthen delivery on the supply side by working closely with existing intermediaries before trying to introduce wide ranging reforms and major attitudinal changes to the customer base.

The current structure is currently being overhauled anyway. The role of the regional committees and CCETs is evolving differently in different regions. Their role in policy making has not yet been clearly defined. All agreed that reforming the mechanisms for funding were going to be key to resolving these issues. ELWa had to be in the lead on funding with the WDA and others key players as customers. One of ELWa's main delivery mechanisms at present is through the FE sector and the main challenge is to get the funding from the source to the eventual deliverer as quickly as possible. Whatever the main channel, the main criteria must be an efficient funding mechanism that allows the client to purchase wisely from what's on offer.

In terms of funding options, two current studies are being undertaken in the area of skills training in Wales and these will need to be linked into the present research: the Workplace Learning Review and the Skills and Employment Action Plan. Both of these could have a significant impact on the funding regime.

4.3 Market Failure or Perceived Gap?

It may be argued that the market functions efficiently in that businesses which choose to invest in MLD and more general learning activity can source offerings from a variety of providers, both inside and outside Wales. The fact that many SMEs, particularly small and micro businesses do not do so reflects their choice not to engage in structured training.

However, drawing on the consultations combined with our own research in this area, some managers within SMEs are not necessarily able to articulate what they need i.e. they 'don't know' what they 'don't know.' An example of this comes from a participant on Cardiff Business School's Sustaining Profitable Growth programme, a strategic leadership development programme which includes one-to-one coaching for participants. Feedback on the coaching was perceived to be 'empowering and invaluable.' However, prior to starting the programme, some participants would not have identified their need for coaching.

The dependency culture in Wales poses another issue in that SMEs actively look for (and in some cases expect) training and development opportunities that attract subsidies from Europe or Government rather than focusing on what their specific needs are first before matching their need with what is available in the marketplace. This in turn raises the issue of public policy emphasis on providing appropriate offerings which reflect the specific needs and interests of SMEs. Significant public funding is currently geared towards formal learning; whereas it is well documented the informal learning is generally preferred by SMEs.

Research carried out by the Centre for Enterprise² examining demand/supply side issues identifies a gap between individual needs of micro businesses and available provisions which is likely to be apparent nationally. The research found abundant management development provision but little perception that it addressed the needs small businesses have for 'softer' skills, like leadership.

Questions have been raised about the quality of management education in a system dominated by a qualification and series of providers that may have little overall effect on the quality of skills in our growing management population. Put another way – the supply of management qualifications may well be moving, but it might be doing nothing to address the skills gap.

It seems then, that the growth in management and leadership education might be of the right size to meet the gap, but be the wrong shape³. This begs the question of how different it should be given that the range of skills and competencies required to run a SME effectively are qualitatively as well as quantitatively different to those needed in the context of a larger organisation.

In particular, managers in smaller businesses cover a much wider variety of roles. Therefore, the functional specialisms often found in mainstream management development – e.g. finance, marketing, operations are not always appropriate.

Research at the Centre for Enterprise points towards a leadership gap, amongst SMEs. The main gaps are highlighted below;

- Firstly, some of it is down to a lack of demand for better managers. More dynamic, competitive markets are needed to force businesses to expect more from their managers. This is a wider institutional question, and should be tackled accordingly.
- Second, where businesses do demand higher skilled managers, there does seem to have been a response. The problem seems to be that this response has taken the wrong form.
- Thirdly, we can infer that the management skills problem is primarily a question of supply – adequate in scale but inappropriate in type. Rather than a qualifications framework built on a functional, managerial curriculum, we need to be finding and nurturing genuine leadership. That is about the

² Centre for Enterprise: (2001) Management & Leadership Development in the East Midlands: is supply meeting demand?

³ Centre for Enterprise: (2003) Leaders and Managers: Learning their Way

ability to find and act upon opportunities, bringing together the right people and the right tools to realise their potential.

4.4 Funding and Implications for Policy

This section of the report provides a critical review of some policy instruments to encourage uptake of management development. It reviews the rationale for providing support for SMEs and the challenge of developing a customer driven approach to intervention.

4.4.1 Effectiveness of current policy instruments

There have been a number of policy instruments which have been adopted to encourage employers to invest in management and leadership training and development. A selection is outlined below and some issues are associated with their application.

4.4.2 Financial Assistance

There appears to be very little knowledge on exactly what funding is available to SMEs wishing to pursue MLD. Part of the reason for this is that MLD often forms part of another support initiative or comes under a broader heading of business support and is not considered in isolation. Therefore, it has proved difficult for some organisations, including ELWa to identify and quantify information and data relating to MLD support.

From our research there is very limited access to flexible forms of funding which SMEs can access directly to address their individual development needs. The majority of financial assistance comes in the form of subsidised training and consultancy programmes accessed by supply-side providers, of which management and leadership in many cases only forms a part of the package on offer.

The main direct and indirect financial assistance available to support SMEs to develop their management and leadership competencies are listed below:

Direct Access

- ELWa Company Learning Accounts (CLA) - A flexible funding package primarily for SMEs. First stage access to this has been restricted to around 120 businesses; although ELWa's 2004-2007 Corporate Plan aims to have increased the number of CLA's to 250 by the end of 2004-05 operational years. There is a maximum of

£5,000 available (if match funded) for innovative management development activity. Each business is appointed to a Management Development Advisor who will support the implementation of better management practices within the business.

- Assembly Learning Grant - provides a guaranteed source of extra money for the least well-off learners in FE and HE.
- Investors in People (IiP) – as with the CLA above, each business is appointed an advisor who is sub-contracted by ELWa. The service can be free, but often the business has to make a financial contribution to achieve their desired outcome. Through this support 298 businesses across Wales have committed to IiP and 275 businesses have achieved IiP recognition in 2003/04.

Indirect Access

- European Funding has provided a number of opportunities to support MLD. The majority of this has been through subsidised training and development opportunities. However, this is not sustainable as Wales is likely to receive significantly less funding post 2006.
- ELWa have invested £1m in a Collaborative Management and Leadership Development programme whereby ELWa contract with local providers and/or employer representative organisations across Wales to subsidise workshops/programmes delivered to groups of businesses. Approximately 2,200 businesses have already benefited from this programme in 2003/04.
- Local Authorities generally only have very small pots of money which have been accessed through them applying elsewhere under a broader heading of 'Business Development' from Europe and WAG.
- Similarly, some Sector Skills Councils (SSC) have access to funding, but only through them applying elsewhere
- Various WDA programmes such as 'Mentor Wales'

4.4.3 Investors in People (IiP)

liP was launched in the late 1980s as a framework for workforce development. It is the DfES flagship initiative to promote employer good practice and investment in training and employee development⁴.

ELWa's current performance measures include a target of increasing the number of organisations achieving liP status from 1380 in 2002 to over 2180 by 2005. liP takes a process approach to encouraging workplace learning. An analysis of liP companies shows some evidence of improved performance after taking the standards, but there are some important caveats to bear in mind; (i) there is a 'relatively small number' of liP companies with requisite data for analysis. Those with requisite data tend to be larger companies, and; (ii) if a company is willing to invest effort in achieving the standard, they are forward-looking anyway – maybe liP companies are self-selecting successes, and their recognition is coincidental.⁵

However, it is worth noting that the consultations generally revealed a lack of enthusiasm for the benefits of liP in a management context. It was felt that liP doesn't tackle the core business objectives and change drivers which are fundamental to assessing what skills need to be developed and who is the appropriate person within the organisation.

4.4.4 National Vocational Qualifications

National Vocational Qualifications form a cornerstone of government policy in terms of monitoring progress through the National Training Targets. An emerging skills standard movement has begun to develop skills classification systems which focus on generic and cross job competencies. These skill standards reflect the needs and vision of predominantly large organisations and do not reflect the needs or behaviours or interests of small employers⁶. Specific courses for SMEs have since been developed but owner managers rarely appear interested in vocational qualifications as a development or learning mechanism.

Of the 3,090,505 NVQ certificates awarded across all occupational sectors, the Owner Manager category Business Management and Development accounted for 68 awards and Business Planning accounted for 3542 (level 3) awards⁷. In the context of about £3m micro businesses across the UK, these figures reflect the challenge that business support agencies and training providers have in engaging SMEs in management development of this type.

⁴ DfES (2001) Research on the Costs of liP and Related Activities, DfES Research Report No. 274, DfES

⁵ CEML, (2002) Incentivising Management and Leadership Development

⁶ Cullen and Matlay (1999)

⁷ Merris Mc Donol (2001)

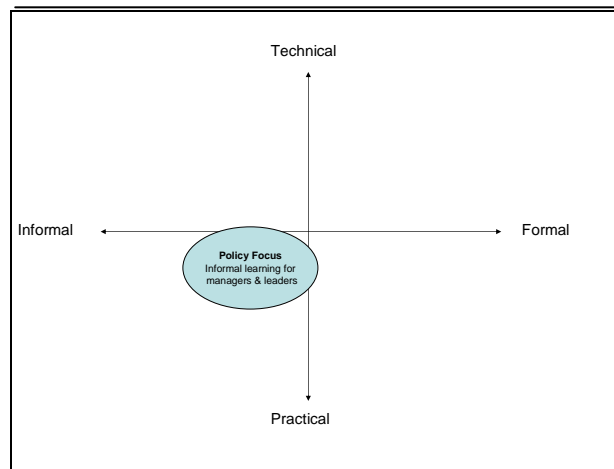
4.5 Locating the Right Policy Focus: Informal Learning

In examining the Learning Network, it is important to understand the options for how MLD is made available to SMEs in Wales. This is best illustrated through Figure 4.2 below.

The x-axis is the 'method' i.e. the process by which knowledge is acquired by the learner. This ranges from informal (completely unstructured learning experiences i.e. a chance conversation with a colleague who shows what can be done with a computer package and that leads how to do it) through to 'formal', (structured learning experience e.g. following a defined course syllabus to a fixed timetable and with a formal assessment to gain a qualification i.e. MBA).

The 'y-axis' represents knowledge and exists on a continuum going from technical (forms basis of formal practices, to be learned for application) to practical (exists only in application and is imparted rather than taught)⁸.

Figure 4.2 Locating the Right Policy Focus



Source: Centre for Enterprise, 2003

Just as learning is a combination of informal and formal experiences, knowledge is never purely technical or practical.

Research has shown SMEs like to learn through less formal, more experiential methods and are looking to develop their practical knowledge. Policy should therefore be focused on the area illustrated on Figure 4.2.

4.6 Section Summary

⁸ Centre for Enterprise, (2003) Leaders & Managers: Learning their Way

The current learning network in Wales is complicated. The relative strengths and opportunities have been raised, whilst acknowledging, the weaknesses and impending threats, if improvements are not made. Achieving a step change in the learning network is a major challenge. It requires gaining the co-operation of many partners, drawing together into a more coherent package the array of programmes, policies and activities, getting greater impact as a result, and developing a strategy for future action which is regularly monitored and updated.

This section has highlighted the 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 champions MLD, and which has the credibility and influence to persuade other partners in the public, private and voluntary sectors to engage. Policy focus should be more closely aligned with the perceived need for more informal learning.

