

The leadership void is costing billions

An insight into the real training and skills gap facing British management today



Management is being starved of the right business skills



... and I'm almost entirely proficient in Playstation 2.

Britain spends approximately £2 billion per annum on management development and is recognised internationally as a source of good management practice.

As a leading management consultancy which also specialises in training managers in the art of business planning, SCQuARE International undertook this survey because it was our concern that, despite this massive investment, the right training and education for managers just isn't widely available.

This study confirms that it is neither the reluctance of British business to spend nor management's unwillingness to learn that is at issue. It is that a significant proportion of the billions invested in management is misdirected and wasted. This misdirected investment is costing an estimated £29 billion in lost productivity.

We wanted to find out the skills that managers perceive to be the most important to their own development and to their business and which ones they would personally most like to develop.

We have compiled this report by canvassing the opinions of 1,500 UK-based managers. Their responses provided us with a final research sample which included two chairmen, eight managing directors, 39 board level directors and a further 80 senior managers. The results provide a fascinating insight into the key skills that business managers think they need to succeed today.

SCQuARE International

Q. What's the best business advice you've been given?

"The biggest risk we'll take is never to take a risk."

David Revell, COMMERCIAL DIRECTOR



Key findings *A story of wasted time and money*

Business is wasting £29 billion

- British business is losing an estimated £12.3 billion a year on managerial time spent on ideas which are going nowhere and failed business pitches; £10.8 billion on time lost through unproductive meetings; and £6.2 billion on the time-wasting effects of office politics.
- 66% of managers polled in our survey say they could save 10% or more of their time if they could avoid unproductive meetings (equivalent to 24 working days a year).
- Similarly, 48% waste the same amount of time on ideas which go nowhere, 38% waste it on office politics, and 27% on failed business pitches.

Leadership is the Holy Grail of management training

- Leadership was identified by 44% of managers as the single most important skill they need for their business. Creative thinking (17%) and the ability to create and sell ideas (10%) outstripped both financial management (6%) and selling skills (4%) as the next most important management skill.
- When asked to rank the importance of various business skills on a scale of one to five, leadership (ranked 4.4) was followed by the ability to create and sell ideas and people management (both ranked 4.2).
- Leadership and the ability to sell and create ideas were also identified as the skills that most managers would most like to improve personally.

Poor planning is the main cause of frustration for managers

- Slow decision making, poor execution and unproductive meetings – all consequences of poor planning - were identified as the top three barriers to success.
- 36% of those polled said that they spend too much of their time on annual business plans and 26% said they spend too much time on internal presentations and proposals made to management.

Failure by schools and universities to teach basic business skills is being compounded in the workplace

- 88% of those polled think that basic business management skills should be taught in schools and universities.
- In addition, 57% of the managers interviewed said that the range of business skills currently taught in the UK is insufficient for their needs.
- Of the MDs and chief executives interviewed, only one of the eight thought that there was a sufficient range of business skills taught in the UK today.

Leadership and the ability to create and sell ideas are the most crucial management skills

To the accounts department!



Level five leaders are diligent, they are not show horses but plough horses.

From GOOD TO GREAT
by Jim Collins

The crystal clear message is that key skills such as leadership, critical thinking, innovation and the ability to manage people effectively are the lifeblood of any management team. This survey shows both that managers clearly recognise this and that these needs are not being fulfilled.

The skills gap starts at the top

Echoing the widely publicised fact that one in ten workers lacks the skills they require for their job (as revealed in a recent Learning and Skills Council study), our survey shows that, in many cases, it is also the managers themselves who feel that they lack the appropriate skills needed for their business to succeed. Clearly, the problem starts at the top.

This is what we believe is creating 'the leadership void'. In those businesses that are experiencing difficulties, this is undoubtedly the underlying cause of many of the main issues: business without clear leadership – which is already shown to be linked to management's frustration with poor planning – leads to lack of vision; continuous re-organisation and restructuring; a poor record on successful innovation; a lack of real productivity starting at the very top; corporate waste; and slow decision-making.

Beyond Harvard - Leadership is actually the sum of many practical skills that don't get enough attention

Whilst leadership was perceived to be by far and away the most important skill for a manager to have, it is interesting to see that the ability to create and sell ideas and creative thinking were ranked as more important than financial management and selling skills.

This suggests that, while not demoting the need for financial management and selling skills, more emphasis should be placed upon creating and selling ideas and creative thinking.

Perhaps leadership is too often defined only in terms of high-level strategy or soft skills. More likely, it is the sum of other skills. Effective leadership simply cannot take place without the very practical skills that are revealed in this survey, such as: building a well thought-out plan with genuine participation and commitment; finding creative solutions that are relevant to the problem at hand; persuasive communication; making clear decisions; and the ability get things done at the speed the market now demands.

Q. What's the best business advice you've been given?

"Don't try to solve the problem before you've understood the real issues."

Louise Ordish, PROPOSITIONS MANAGER,
VODAFONE



Management training is *not* fulfilling business needs

The benefits from the billions spent on training evaporates within a year

We have to ask, with around £2 billion being spent on management training annually, if the money is being spent wisely. Are we developing the leadership and creative skills managers believe they need and want to enhance their own careers and businesses?

According to the Chartered Institute of Personnel and Development, the percentage of trainees using skills gained from a two to three day training program one year after completion is just seven per cent. *(In contrast, SCQuARE International's surveys of former participants reveal that 50% use the skills even three years later.)*

It is clear, as the Institute's survey confirms, that training needs to be taken more seriously by senior and line managers who want to see it geared more towards meeting the strategic objectives of the organisation.

Three obvious questions must be asked: Is the training relevant? Is the programme well-taught? Are the proposed participants capable of, or interested enough in, absorbing the lessons offered?

Management see leadership as the most important skill:

Q i) How important do you think it is in your job to have the following management skills for the development of your company?

Mark between 1 and 5, where 1 = not at all important, and 5 = very important.

Managers want to improve their leadership skills:

Q ii) Which of your management skills would you most like to improve?

Mark between 1 and 5, where 1 = do not need to improve at all, and 5 = need to improve the most.



Doris was enjoying her training on 'Target Attainment' but wasn't convinced it would have a significant effect on sales.



- Leadership was identified by 44% of managers polled as the single most important business skill they need for their business. Creative thinking (17%) and the ability to create and sell ideas (10%) outstripped both financial management (6%) and selling skills (4%) as the most important management skill for business
- When asked to rank the importance of various business skills on a scale of one to five, leadership (ranked 4.4) was followed by the ability to create and sell ideas and people management (both ranked 4.2)
- However, the MDs and chief executives polled ranked creativity, problem-solving and the ability to create and sell ideas ahead of leadership
- Leadership and the ability to sell and create ideas were also identified as the skills that most managers would most like to improve personally.

Slow decision-making is the major frustration

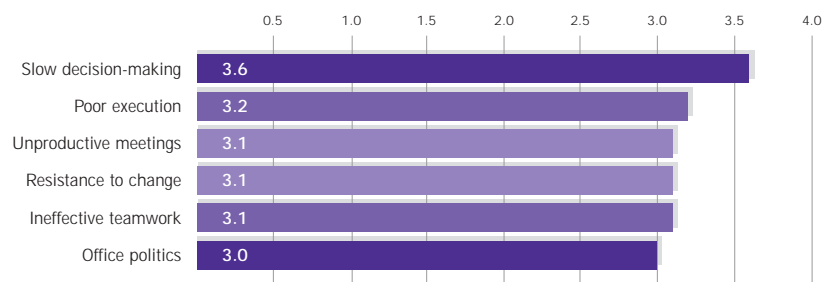
Slow decision-making is the highest hurdle:

The barriers

Q Which of the following do you think are the greatest barriers to success in your company

Mark between 1 and 5, where 1 = not a barrier to success and 5 = a very great barrier to success.

Few will be surprised at this finding – we have all been there. There is a ‘chicken and egg’ dependency here, because also mentioned are poor execution (the consequence of bad decisions?), unproductive meetings (e.g., couldn’t get a decision?), resistance to change (no decision?), ineffective teamwork (no leadership? OK, let’s do our own thing!), and, finally, office politics (“can’t make a decision to save their life!”).



Unproductive meetings: the black-hole of business

British businesses could save £29 billion a year:

The lack of key management skills is a massive cost to British business

Q During the last 12 months, what percentage of your working hours do you think you could have saved by avoiding the following?

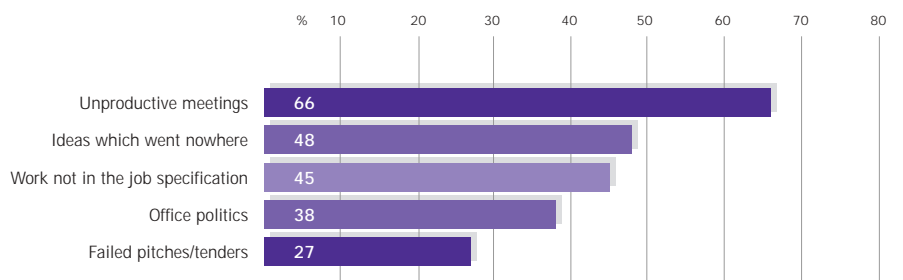
So, first on the agenda, what's the meeting about?



66% of respondents identified unproductive meetings as the cause of wasting 10% **or more** of their time, and just under half the respondents identified ideas that went nowhere, closely followed by work that was not in the job-specification.

Good old office politics reared its ugly head again for nearly half of those surveyed (“the trouble with this company is ...”) and just over a quarter of respondents identified failed sales pitches/tenders.

There is a cost to all this wasted time which we have tried to quantify using data published by the Chartered Management Institute. Without taking all the fun out of business, there is a massive £20+ billion to be saved.



The balance of priorities between the internal and external use of time is clearly wrong

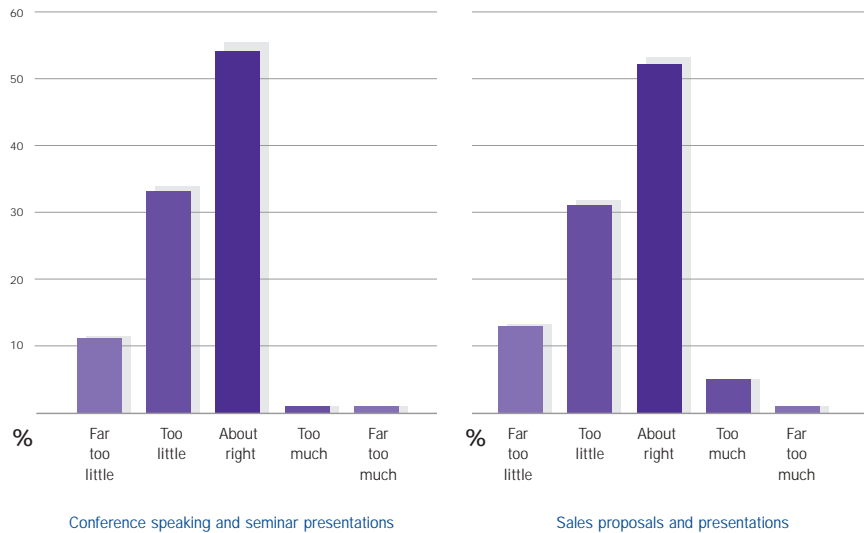
How managers use their time:

Q During the last year, how would you judge the amount of time that you have spent on undertaking the following:

The following graphs show a worrying contrast to the time spent in internal and external matters. Whilst most managers (52%) seem to spend 'the right amount of time' on sales proposals and presentations, 42% say they spend too little time on this.

In contrast, 36% of those polled say they spend too much of their time on annual business plans and 26% say they spend too much time on internal presentations and proposals made to management, implying that the balance is wrong with more time spent developing internal presentations than those for external purposes.

Externally on:



Forget the client. I've got an internal presentation to do!!

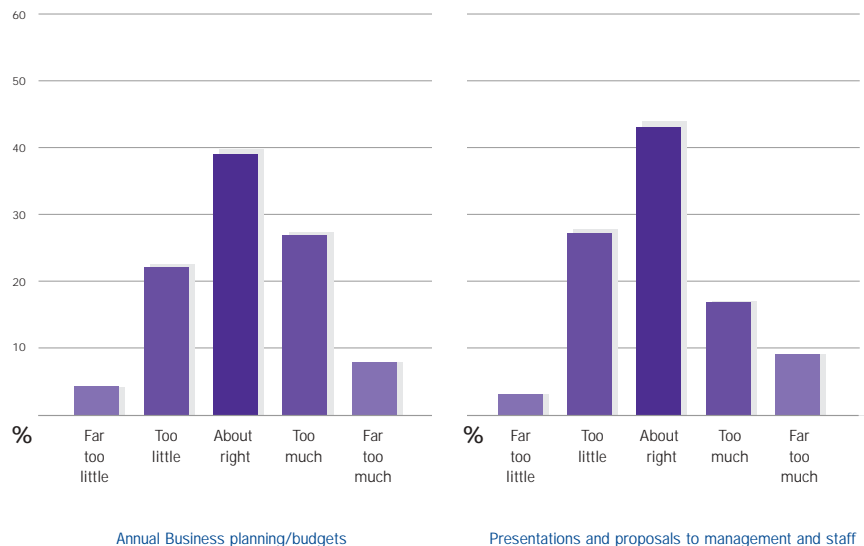


Q. What's the best business advice you've been given?

"Ban brainstorming meetings where the problem has not been defined!"

Julia Parmitter, CONSULTANT

Internally on:



R&D's new solution to leadership. clone the bosses.



- British business is losing an estimated £12.3 billion a year on managerial time spent on ideas which are going nowhere and failed business pitches; £10.8 billion on time lost through unproductive meetings; and £6.2 billion on the time-wasting effects of office politics
- This is because 66% of managers polled in our survey say they could save 10% of more of their time if they could avoid unproductive meetings (equivalent to 24 working days a year) whilst 48% waste the same amount of time on ideas which go nowhere, 38% on office politics and 27% on failed business pitches
- Slow decision making (marked 3.6 out of five), poor execution (3.2) and unproductive meetings (3.2) were identified as the top three barriers to success
- "It has been tried before and doesn't work" (heard by 84% of those polled), "finance will never approve this" (75%) and "we haven't got the time" (71%) are the most commonly heard objections to new ideas.
- 11% said that they could save more than a quarter of their working hours (i.e. one week in every four) if they could avoid unproductive meetings and four per cent said the same about office politics.

How to calculate the management time-wasted cost to your organisation.

Our survey shows 66 per cent of managers waste 10 per cent or more of their working time on unproductive meetings, which is equivalent to wasting over 24 days a year (assuming 240 working days in the year or 48 weeks of five days).

According to The Labour Force Survey (LFS), there are currently around four million managers in the UK and according to the National Management Salary Survey, Chartered Management Institute/Remuneration Economics, April 2003, the average total earnings of managers in the UK are £41,369 (i.e. they earn around £172 per working day)

If 66% waste 10% or more of their time, then 2,640,000 managers waste 63,360,000 days a year which multiplied by £172 = £10,897,920,000 (i.e. £10.8 billion)

Likewise, 48% waste time on ideas going nowhere £7.9 billion is lost, if 27% waste time on failed pitches £4.4 billion is lost and if 38% waste time on office politics then 6.2 billion is lost.

To work out the cost if managers are wasting 10% or more of their time on these things in your organisation, simply divide their average salary by 240 and then multiply it by 24 and then the number of your managers. The final figure will make interesting reading.

Q. What's the best business advice you've been given?

"If you keep on doing what you have always done, you will keep on getting what you have always got."

Ian Hughes, LEADERSHIP DEVELOPMENT MANAGER, O2 UK LTD



Managers need the ability to create and sell ideas *Business is nothing without ideas*

Universities do not satisfy business needs:

Universities are places of learning – they do not teach you how to think.

Q i) Do you believe that the range of business skills taught in the UK is currently sufficient for your business needs?

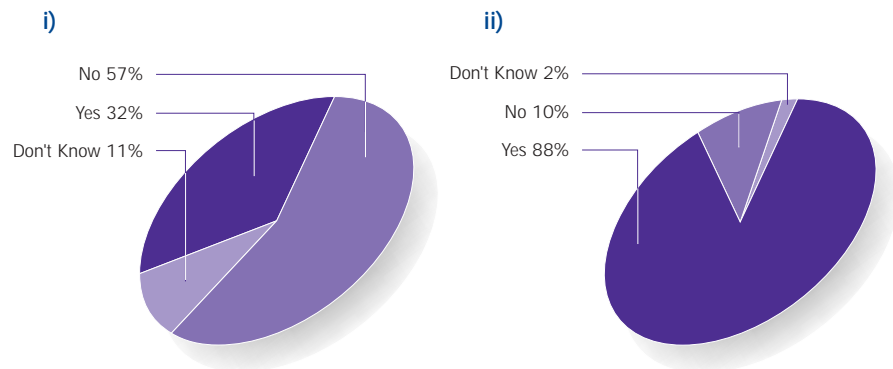
Without ideas and innovation a business cannot change. It will simply remain as it is, stagnate or die. Good management teams take a business forward through their ability to innovate and change. However, it is not enough simply to have a good idea. Any idea will need to be sold through the system. Senior management approval will need to be obtained before it can come to fruition.

Managers, whether they are graduates or not, will most probably start their careers with little understanding of how to develop ideas and present plans to senior management. Yet, converting ideas into successful business propositions is key to every function in all organisations regardless of industry sector, which is perhaps why creative skills scored so highly in this survey. It is self-evident that successful propositions will lead to a positive career development. Managers, therefore, need to learn a process which will help them realise ideas by selling them through the system.

Basic management skills should be taught before leaving school of university

Q ii) Do you think that some basic business management skills should be taught at school or university?

This learning requirement is not being satisfied, which may be because: schools and universities believe it to be innate; it's importance is being underestimated; or, worst of all, it has not even won recognition as a key business skill by these institutions. What ever the reason, it has to be addressed to prevent Britain's business becoming stagnant.



- It appears that managers think that the skills shortage begins at graduate level, with 88% saying that basic business management skills should be taught in schools and universities
- 57% of the managers interviewed said that the range of business skills currently taught in the UK is insufficient for their needs
- However, 20% think that a university degree gives managers no advantage in business life
- Of the MDs and chief executives interviewed, only one of the eight taking part in the survey thought that there was a sufficient range of business skills taught in the UK today.

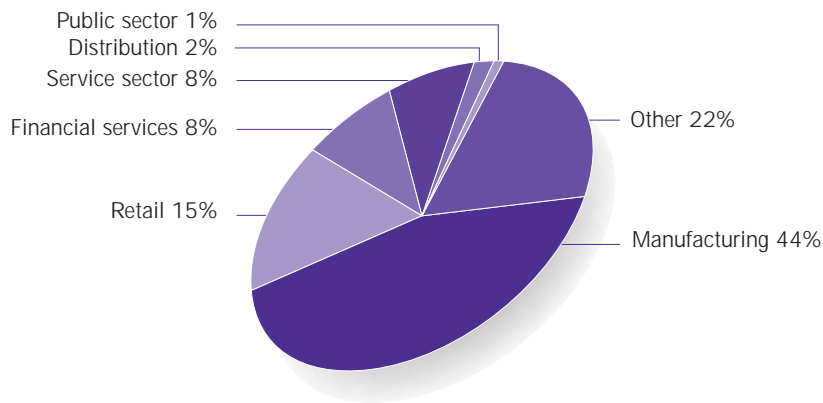
Q. What's the best business advice you've been given?

“Seek first to understand then make yourself understood.”

Stuart Fryers, RETAIL ANALYST

Research Methodology

The research was carried out in December 2003 by a postal questionnaire sent to 1,500 managers and directors of major companies and organisations throughout the UK. The sample was created by 131 respondents comprising two chairmen, eight managing directors/CEOs, 39 directors and 82 managers/executives.



SCQuARE International would like to thank all the managers who participated in this study. Listed below are just some of the companies and organisations that have kindly allowed us to acknowledge the help they provided with this research project.

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|--------------------------|-----------------------|----------------------------|
| AXA Insurance | Dunlop Slazenger | Sainsburys |
| British American Tobacco | FraserCRE | Timebank |
| Bridgethorne | FVRL | TCH Round Table |
| Britvic | Human Qualities | Unilever |
| Cereal Partners | Marks and Spencer | University of Huddersfield |
| Coors Brewers | MCI Logistics | Vodafone |
| Crown Agents | Mondi Europe | Zurich London |
| Diageo | O2 | |
| Dunhumby | PepsiCo International | |

Q. What's the best business advice you've been given?

“Being creative is useless if you are solving the wrong problem.”

Richard Cyphus, SENIOR MANAGER
RESEARCH, ANALYTICS IMPERIAL
INTERNATIONAL



Why this report is so important

As globalisation accelerates, with more and more industries being sourced in the third world, and developing nations allocating enormous proportions of their budgets to people development, it is imperative that British businesses define their needs and focus on meeting them more precisely.

We suggest that you ask yourselves the following questions:

- 1 Leadership has been identified as fundamental - but does your business have a clear definition of good leadership (i.e., not just a man or woman on a white charger singing the corporate hymn each day, but someone who is focused on clear targets that are aligned to the corporate aims and who is able to communicate these at every level) and the skills it must embrace?
- 2 Is every member of your management team – your future leaders – equipped with the skills necessary to align their plans, activities and projects behind the corporate aim?
- 3 Do you have a business methodology in place that enables creative thinking; aids business planning; and helps your managers focus on the key issues facing the organisation today?
- 4 Are your managers trained to create and sell ideas?
- 5 Do your management meetings use a common structure and business language focused on expected outcomes, or do people just simply turn up and make it up as they go along?
- 6 What process do you employ to ensure that training is used back at the workplace?
- 7 Do your business training and coaching programmes reflect the priorities identified in this report and do they help you address the questions outlined above?

It may look wasteful, but it's more time efficient than mis-placed training.



Q. What's the best business advice you've been given?

“Sell the problem as well as the solution.”

Stewart Honour, STRATEGY
DEVELOPMENT MANAGER, SAINSBURYS

If you wish to follow-up on anything in this report please contact:

Glencora Graham of SCQuARE International on 0845 0800 888.

SCQuARE provides a unique business framework that translates any aim or idea into market execution with precision and pace. SCQuARE is regularly used in over 300 companies in 60 countries.



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