

Engagement with, and Impact of, Management and Leadership Training in NI SMEs

Overview Report

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Executive Summary

Rationale

- Deficient management and leadership (M&L) skills are an ongoing constraint for UK businesses due to managers being less qualified and undertrained compared to international peers. NI also suffers from the same constraints thereby reducing the benefits gained from strong M&L skills including enhanced firm survival rates, productivity improvements and employee retention.
- Evidence suggests room for improvement in the skills of NI managers but the small and family-run nature of the majority of NI's business population, along with a poor culture of lifelong learning, acts as a barrier to engagement with M&L training. Larger firms are more likely to partake in such training due to greater financial, time, and employee resources.
- The gaps in manager skill levels combined with the recognised benefits of enhanced management skills would suggest that the development of M&L skills should be a priority in terms of the strategic growth and development of a business but to date little is known about the extent of M&L training among NI's business population, or the impact of such skills on businesses.
- This report seeks to help close this gap by providing a pre-COVID baseline analysis focusing on the M&L skills of small and medium-sized enterprise (SME) managers. The report analyses managerial skills requirements and gaps, and also managers engagement with M&L training. Using secondary data, the analysis seeks to identify the characteristics of businesses that are more likely to engage with M&L training and also examine the impact of such training on business performance.

Management and Leadership Skills

- M&L are often considered one in the same, reflecting competencies required to add value to a business or organisation. But the two concepts are quite distinct; management is a process orientated function involving strategy, budgeting and evaluation whereas leadership can be related to the role of motivating a team to coach and build trust.
- M&L skills have been associated with improved firm performance, including enhanced productivity, profitability, growth and survival but weak M&L skills have been highlighted as an issue across the UK, and one of the main constraints on SME business performance. M&L skills have further been found to be uneven across the UK SME population,

with a long tail of businesses with poorly developed M&L skills and lack of management best practice.

- This underperformance in M&L capabilities has also been identified in NI. A lack of professional management within firms has been observed with managerial skill levels also noted to be lower than OECD averages, particularly in terms of numerical skills. The M&L skills of locally-owned firms are considered to be particularly poor in comparison to multinationals based in NI, as well as domestic firms in other countries.

Benefits of Management and Leadership Training

- Successful M&L development can result in a range of positive impacts on businesses. Evidence highlights productivity improvements, years following such training, along with efficiency gains, increased levels of process innovation and positive impacts on exporting. Improved management practices also have positive impacts on output with research showing that a one-point increase in a firm's management practice score leads to an increase in output equivalent to that produced by a 25 percent increase in the labour force or a 65 percent increase in invested capital.
- M&L training is also considered essential for the adoption of high-performance working practices which enables flexibility and autonomy, career progression and performance management, boosting the potential of a business. Positive links between management training and job quality and enjoyment, and personal wellbeing have also been observed. Effective M&L also positively impacts employee satisfaction.

Barriers to Training

- The main barriers to engagement with M&L training have been identified as firm size, financial means, time resources, lack of awareness of benefits, public funding and culture of learning.
- Small and micro firms are at a particular disadvantage as there may be few employees within the business. The personal time commitment required to attend training potentially takes the manager away from the daily business needs, further reducing capacity. As a result, experiential learning on-the-job is thought to be the main way in which such firms gain the managerial knowledge and skills they use to operate their business.
- Limited financial resources are another hurdle. It is estimated that only 30% of business in NI have a dedicated training budget. Compared to the UK, a higher share of NI employers also identified the lack of funds or the cost of training as a barrier to providing more. Lack of awareness

of the benefits of management training is also thought to be an issue for small firms in particular.

- During periods of financial constraint public funding of skills programmes are often the first area to face funding cuts. Firms themselves also tend to cut back training, particularly off-the-job training and in terms of training intensity, during such periods of financial difficulty. This is exacerbated in NI by a lack of lifelong learning, whereby there is a social perception that learning ends with formal education. This has contributed to low participation of adults in education compared to elsewhere.

Best Practice for Management and Leadership Training

- Drawing on best practice to achieve and sustain competitive advantage, through M&L training, it is suggested that such training and development should comprise four elements:
 - Plan – in which training and development is tied to strategic business plans.
 - Do – involves selecting appropriate training programmes according to need, based on content and how it is delivered.
 - Check – in which evaluation of the training is undertaken to assess whether it had the intended effect.
 - Act – in which the training is sustained, and continuous learning is supported.

Manager Skills Gaps

- The Employer Skills Survey (ESS) reinforces NI's weak M&L development, with managers, directors and senior officials being most in need of new and refreshed skills across all occupations. This also holds across sectors, although the accommodation and financial sectors are most affected by the need for new skills.
- The ESS reveals that the main cause of skills gaps for managers in NI and across the UK is that individuals are new to the role. This supports wider evidence suggesting individuals are often placed in management roles without prior training and subsequently rely on on-the-job or learn-as-you-go styles to overcome knowledge gaps.
- Managers require both technical and soft skills development. The ESS results indicate that specialist job-specific skills and knowledge, and managing or motivating other staff, are the priority needs within each area respectively. Overall, complex analytical skills are most in need of improvement for managers across the UK, followed by basic skills for managers in NI.

Participation in Management and Leadership Training

Business characteristics

- Analysis of the Longitudinal Small Business Survey (LSBS) finds that across the 2015-19 period 68% of NI's SME managers received some form of training in the previous 12 months. Of those SMEs that engaged in management training/development the majority, around 9 in 10, received training in technical, practical or job specific skills. Training specifically for the development of M&L skills was undertaken by less than half of all SMEs across the UK, and just 45% in NI.
- LSBS findings reinforce the notion of barriers to training for small firms, with just 45% of SMEs and 24% of micro firms taking part in specific M&L skills development compared to 60% of larger firms. Likewise, suggestions that the family nature of businesses impacts training participation are supported with just 25% of family-owned firms, compared to 38% of non-family-owned firms, taking part in specific M&L training.
- There is more variation observed in training uptake by firm age. Younger firms are less likely to participate in training in NI with 42% of those less than 5 years old undertaking no management training. M&L training was highest for those firms aged between 11-20 years old.
- In NI women-led firms did more management training in general but the shares undertaking specific M&L training were broadly similar across ownership types, at 25% of women-led firms and 28% for non-women led firms.
- Across the broad sectors, 39% of those in business services and 37% in other services took part in specific M&L training, the highest uptake out of the sectors included. Meanwhile, 36% and 35% of the production and transport sectors in NI did not undergo any management training in the previous 12 months, with this trend also apparent in England.
- In terms of business status, 38% of charities had taken part in specific M&L training in the previous 12 months compared to 27% of businesses, with the same trend visible in England.

Engagement with wider business activities

- Firms involved in product and process innovation had a higher participation rate in M&L training compared to non-innovators. In NI, equal shares of 37% of product and process innovators underwent management training compared to around 25% of non-innovators. This was also the case for service innovators. But there was no difference in the M&L training rates of exporters and non-exporters.

- Business plans were a predominant factor in training engagement across the UK. For NI specifically, 44% of firms with an up-to-date plan took part in M&L training in the previous 12 months, this is in comparison to 24% where the business plan was not up-to-date and 14% with no business plan.
- A higher share of those who sought business advice also undertook M&L training in the previous 12 months, at 36% compared to 25% of those who hadn't sought business advice. Those with future growth expectations also engaged more with training, with 34% of those who said their turnover would increase in the next 12 months engaging with M&L training, compared to just 14% of those expecting turnover decreases.
- In NI 40% of those planning further development of leadership capabilities had already undertaken M&L training. The results point to a relatively small cohort of firms that are engaged in continuous M&L development.

Management and Leadership Training and its Impact

- Regression analysis was undertaken to assess those business characteristics and activities most associated with M&L training. Those with a business plan had a 16-percentage point higher probability of undertaking M&L training compared to those without a business plan. This was followed by firms that had sought formal external advice, who had an 8-percentage point higher probability of engaging with M&L training compared to those who had not sought advice.
- Other results indicated that those businesses engaged in process and service innovation, those who are expecting to grow, and those expecting to start, or to increase, exporting all have a higher probability of engaging with M&L training. Of the business characteristics, women-led firms were found to have a higher probability of engaging with such training compared to men-led or mixed-led businesses.
- Conversely, micro firms had the lowest probability of taking part in M&L training with a 23-percentage point lower probability than other SMEs. This was followed by family-owned firms (with a 4-percentage point lower probability) and goods exporters at 2 percentage points lower. The latter perhaps pointing to such skills being developed through 'learning-by-exporting' rather than formal training.
- Separately, modelling the impact of M&L training on turnover growth, employment growth and productivity growth showed positive and statistically significant impacts. Specifically, M&L training led to (upper estimates) of a 10% increase in employment growth, an 11% impact on

turnover growth, and a 4% increase on productivity growth in the year following M&L training.

Policy considerations

- Development of a strategy to promote and strengthen M&L capabilities with specific targets to raise engagement in businesses identified as least likely to engage with training, particularly micro and family-owned firms.
- A greater understanding of the barriers to the uptake of M&L training amongst NI SMEs to ensure that training provision meets their needs and addresses existing barriers.
- In response to the current economic climate there may be greater need to subsidise training places for managers, particularly amongst smaller firms with constrained resources. A wider evaluation of the impact of current M&L training schemes to assess their economic benefit could potentially help prioritise training amongst other business supports.
- Greater promotion of the benefits and positive impacts of training should be communicated to SMEs to encourage participation, potentially in conjunction with a lifelong learning strategy. A centralised resource on available programmes and information could further help to improve uptake.
- A mentoring scheme, pairing an FDI/multinational with an SME within the same sector or supply chain would enhance managerial skills and knowledge sharing through a practical approach, and provide an additional return to NI's economy from public FDI investment.

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1 Introduction

1. **Management and leadership (M&L) skills have been associated with improved firm performance, including enhanced productivity, profitability, growth and survival** (IES, 2016)¹. Strong M&L capabilities are also associated with the adoption of high-performance working practices and optimising the skills and retention of employees (OECD, 2020)².
2. **It is recognised that in NI there is weak adoption of management practices and evidence of low-quality management skills, with skill levels lower than OECD averages for managers** (OECD, 2020). Partly, it is thought that this is due to the higher number of SMEs in the NI economy and also of family-owned firms, both of which tend to have weaker management skills than larger firms, or those with dispersed shareholders. Family-owned firms are also reported to be more risk-averse and resistant to change³.
3. **These weaker management capabilities can be thought to be partly responsible for NI's poor productivity levels.** Indeed, strengthening the M&L capabilities of business owners have been highlighted recently by the Economic Policy Centre (2021)⁴ as a means of addressing NI's competitiveness challenges. Proposals for investment in M&L training are also cited in the 10X Skills Strategy (DfE, 2021)⁵. Furthermore, in recognition of the importance of such skills the UK Government launched the Help to Grow scheme in 2021 to help small business owners develop their M&L capabilities. The aim was to help them recover from the impact of COVID-19 and also support their growth and, more widely, the Government's Plan for Jobs⁶.
4. Despite the importance of such skills both to businesses and wider economic performance, to date **little is known about the extent of M&L training among NI SMEs, or the impact of such skills on businesses.** This report seeks to help close this gap by providing a pre-COVID baseline analysis focusing on the skills of SME managers, in

¹ IES (2016) The Relationship between UK Management and Leadership and productivity: Strategic Labour Market Intelligence Report.

² OECD (2020) OECD Skills Strategy Northern Ireland (United Kingdom): Assessment and Recommendations. Available at: <https://www.oecd.org/oecd-skills-strategy-northern-ireland>

³ Hiebl, M.R.W. (2013), "Risk aversion in family firms: what do we really know?", *Journal of Risk Finance*, Vol. 14 No. 1, pp. 49-70. <https://doi.org/10.1108/15265941311288103>

⁴ UUEPC (2021) Addressing NI's Competitiveness Challenges. Available at: <https://www.ulster.ac.uk/epc/publications>

⁵ DfE (2021) Skills strategy for Northern Ireland A Consultation. Available at: <https://www.economy-ni.gov.uk/consultations/skills-strategy-northern-ireland-skills>.

⁶ HM Treasury (2020) Policy paper A plan for jobs 2020. Available at: <https://www.gov.uk/government/publications/a-plan-for-jobs-documents/a-plan-for-jobs-2020>

particular skill requirements and gaps, and also their engagement with training. Using secondary data, the analysis seeks to identify the characteristics of businesses that are more likely to engage with M&L training and also examine the impact of such training on business performance.

5. The report is the first of a two-stage project. With the baseline analysis completed, a second related study will be undertaken based on primary data collection. The aim of that will be to understand the motivations for, and barriers to, accessing M&L training, particularly in the current economic context. Taken together this information should help identify any gaps in training provision, indicate good practice, and provide potential policy solutions to reduce barriers and improve uptake amongst NI SMEs.

2 Literature Review

Management and Leadership Definition

1. Management and leadership are often considered one in the same, reflecting competencies required to add value to a business or organisation. Although there is no one specific definition of either facet, the two are distinct. **The Management Development Council (MDC) in Ireland refer to management as "the organisation and co-ordination of the activities of an enterprise in accordance with certain policies and in the achievement of clearly defined objectives"**⁷. Suggesting that management development is *"any form of training, formal or informal, accredited or non-accredited, which enhances the ability of an SME manager to provide direction, facilitate change, use resources, work with people, achieve results, or manage self and personal skills."*
2. The recruitment website Indeed also emphasise the co-ordination aspect, explaining management as *"...the co-ordination and administration of tasks to achieve a goal. Such administration activities include setting the organisation's strategy and co-ordinating the efforts of staff to accomplish these objectives through the application of available resources"*⁸.
3. **Meanwhile leadership is considered more people-focused.** Prentice, in the Harvard Business Review, defines leadership as *"...the accomplishment of a goal through the direction of human assistants—a human and social achievement that stems from the leader's understanding of his or her fellow workers and the relationship of their individual goals to the group's aim"*⁹.
4. A further definition includes Bennis and Nanus¹⁰ who suggests leadership is *"...the process of influencing people- getting them to do their best to achieve a desired result...developing and communicating a vision for the future, motivating people and securing their engagement."*
5. These definitions present common themes and support MDC's suggestion that **management is a process orientated function involving strategy, budgeting and evaluation whereas**

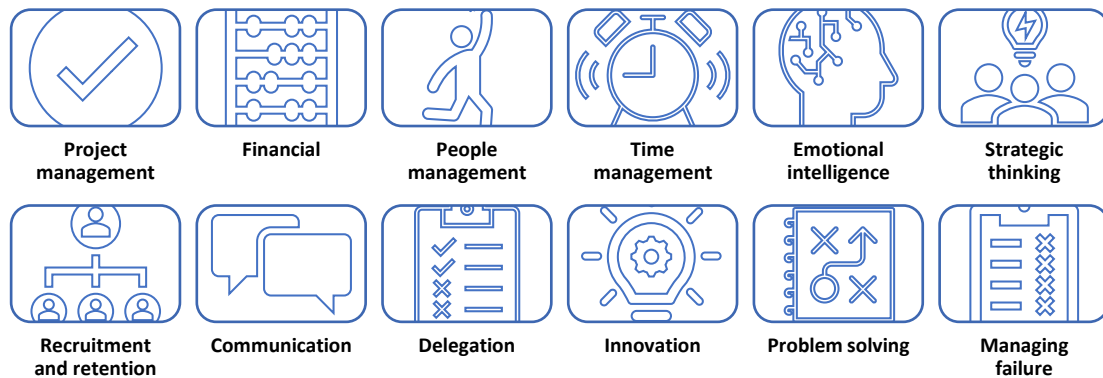
⁷ The Management Development Council (2010). Management Development in Ireland. Available at: <https://enterprise.gov.ie/en>

⁸ Indeed Editorial Team (2022). What is management? Definitions, functions and styles. Available at: <https://indeed.com/what-is-managementindeed.com/what-is-management>

⁹ Prentice, W.C.H. (2004). Understanding Leadership. Available at: <https://hbr.org/2004/01/understanding-leadership>

¹⁰ Bennis and Nanus (1985) in Armstrong, M. (2012). Armstrong's Handbook of Management and Leadership (3rd Edition).

leadership can be related to the role of motivating a team to coach and build trust¹¹. Overall, the role of management and leadership may be performed by one or multiple people within an organisation. Skills demanded of these individuals therefore include:



6. As happens with the M&L concept, so too are training and development typically conflated. It is acknowledged, however, that the two are significantly different¹². **Training is thought to be transactional** and typically rote, used to establish expectations around existing company norms, processes, and systems. Conversely, **development is transformational and is a process which focuses on people** rather than technique or content. It is suggested that transformational leadership development programs should be collaborative, ongoing, iterative, and available for leaders at all levels focusing on the unique strengths of each individual. High performing organisations are known to take such a development approach, developing their leaders to enhance their ability, which not only helps to define strategy, but enables them to better anticipate and respond to change¹³.

Management and Leadership Skills

7. **Weak M&L skills have been highlighted as an issue in the UK, and one of the main constraints on SME business performance.** The Department for Business, Innovation and Skills estimated that poor management and leadership costs the UK £19billion annually due to lost productivity while over half of all corporate failures can be attributed to incompetence or bad management of company directors¹⁴. **M&L skills have further been found to be uneven across the UK SME population, with a long tail of businesses with poorly developed**

¹¹ Maccoby (2000) in IES (2016) The Relationship between UK Management and Leadership and productivity: Strategic Labour Market Intelligence Report. Available at: www.employment-studies.co.uk/

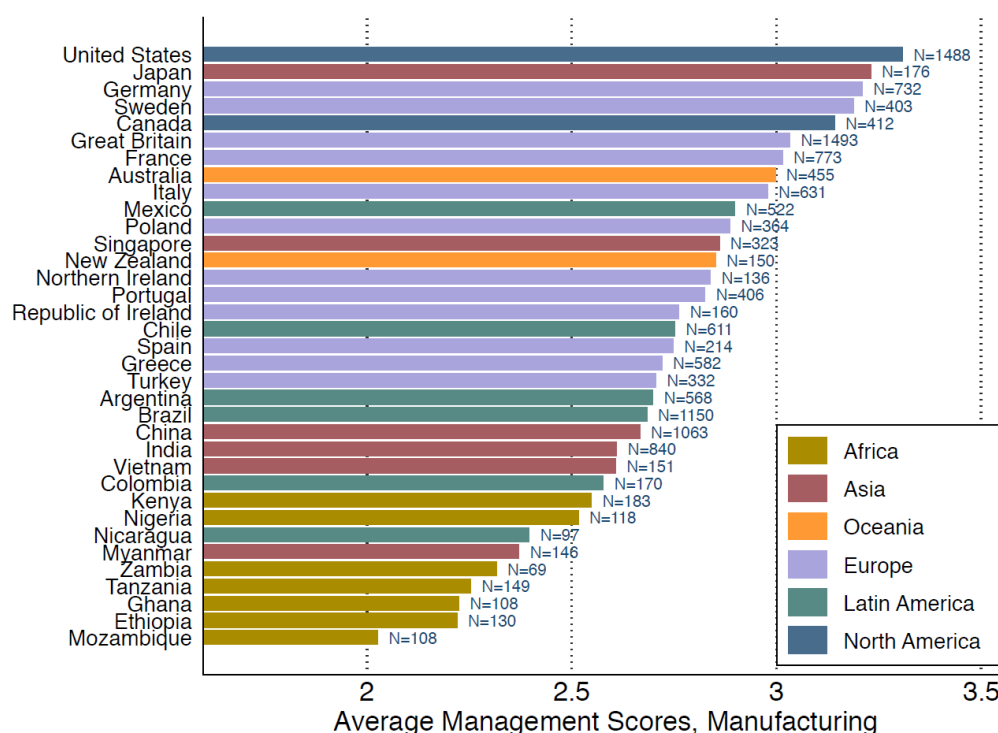
¹² <https://www.vistage.com/research-center/business-leadership/the-trouble-with-leadership-training/>

¹³ Human Capital Institute (2019) Drive Transformational Change Through Learning and Development

¹⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/32327/12-923-leadership-management-key-to-sustainable-growth-evidence.pdf

M&L skills and lack of management best practice¹⁵. Indeed, in an international comparison of management practices in manufacturing firms¹⁶ Great Britain was found to rank 6th and lag competitor nations such as the US, Japan, Germany, Sweden and Canada. NI ranked further down the league table in 14th place, amongst the lowest of the European countries (Figure 1).

Figure 1: Average Management Scores by Country, 2004-14



Source: World Management Survey

8. Explanations for the underperformance in management capabilities in the UK have been linked to the fact the UK managers are less qualified than their international peers; that they are under trained; that they lack key skills; that their skills are not applied strategically and that they believe training provision does not meet their needs¹⁷.

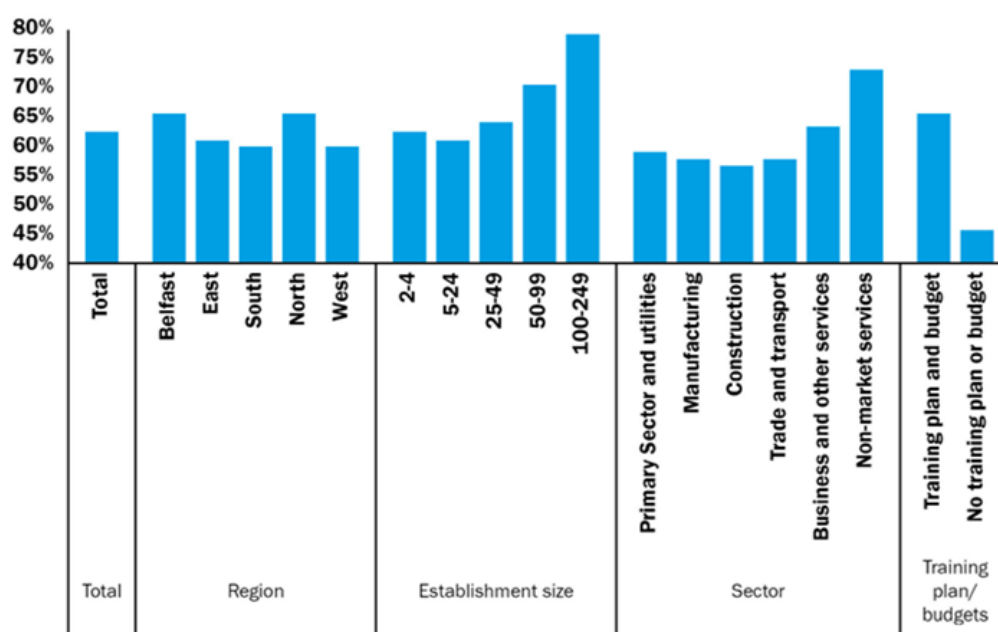
¹⁵Department for Business Innovation & Skills (2015) Leadership and Management Skills in SMEs: Measuring Associations with Management Practices and Performance. Available at: <https://assets.publishing.service.gov.uk/leadership-and-management-skills-in-sme.pdf>

¹⁶ PEDL Policy Insight Series (2016) Management and Productivity in the Private Sector. Available at: <https://worldmanagementsurvey.org//PEDL-Policy-Insights-Series-No.-1.pdf>

¹⁷Department for Business Innovation & Skills (2012). Leadership & Management in the UK - The Key To Sustainable Growth. A summary of the evidence for the value of investing in leadership and management development. Available at: <https://assets.publishing.service.gov.uk/go-leadership-management-key-to-sustainable-growth-evidence.pdf>

9. **In NI underperformance in M&L capabilities has also been identified.** The OECD¹⁸ report that managers' skills are below OECD averages, with particular weaknesses in numeracy skills. The underperformance in M&L is further linked to the fact that a high share of firms in NI do not rely on professional management, with NI ranked 44th out of 145 countries on this metric.
10. **The higher share of SMEs in the population is thought to partly contribute to NI's weaker performance. Indeed, both the training of managers and a recognition of the value of training is found to be lower in smaller firms.** For example, 49% of businesses with 20-49 staff view leadership and management skills as important to growth, however this reduces to 37% for firms with 10-19 staff¹⁹.
11. Research from the Skills Strategy for Northern Ireland reinforces the link between firm size and training as it states *"...employees in larger, service-based, businesses are more likely to participate in management and leadership training."* Figure 2 highlights that in 2017 nearly 80% of NI firms with 100 to 249 employees participated in management and training, compared to 60% of businesses with 2 to 4 employees.

Figure 2: Participation in management and leadership training in NI, 2017



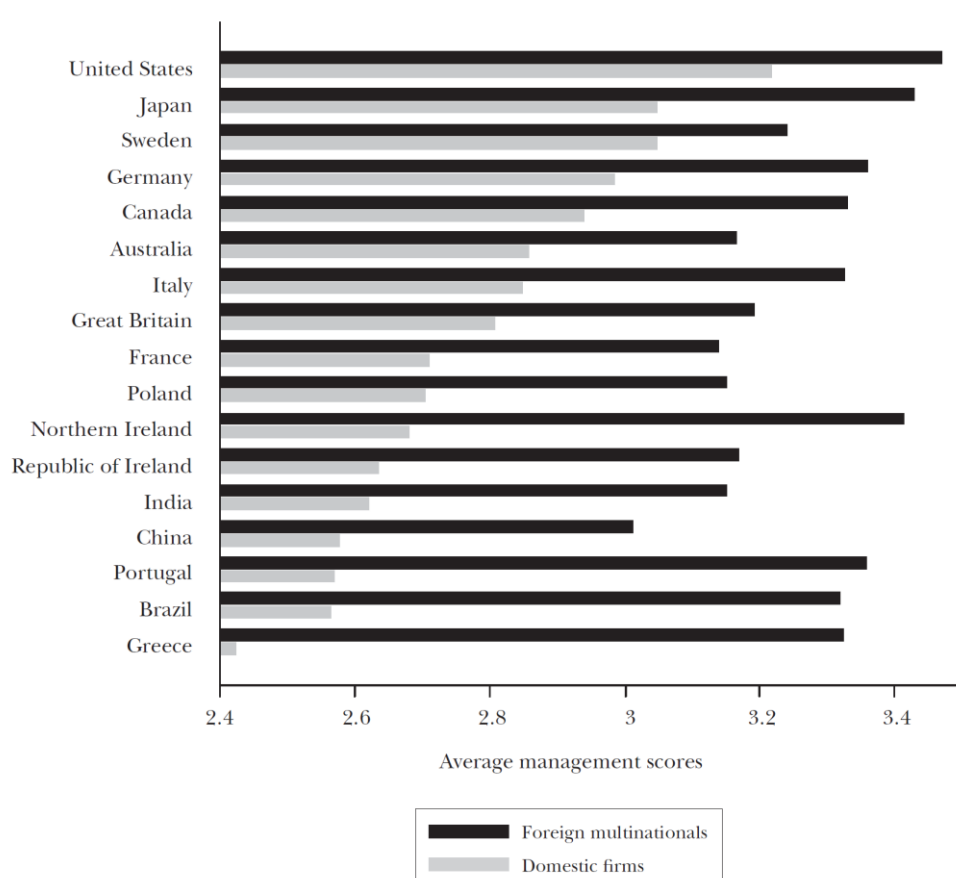
Source: Skills Strategy for Northern Ireland

¹⁸ OECD (2020) OECD Skills Strategy Northern Ireland (United Kingdom): Assessment and Recommendations. Available at: <https://www.oecd.org/oecd-skills-strategy-northern-ireland>

¹⁹ FSB (2017) Learning the ropes. Available at: <https://www.fsb.org.uk/skills-and-training-report-pdf.html>

12. **M&L skills are also found to be weaker in general among domestic firms.** In NI the skills of locally-owned firms were reported to be particularly poor in comparison to multinationals based in NI, as well as domestic firms in other countries²⁰ (Figure 3).
13. Firms engaged in Foreign Direct Investment (FDI) and exportation in general are also more likely have well developed M&L skills. Analysis of the World Management Survey indicates that market exposure and competition lead to the '*transplantation of better management through the affiliates of multinationals*' with the idea of '*learning-by-exporting*'²¹ enabling businesses to pick up skills.

Figure 3: Average Management Scores in Multinational and domestic firms, 2009



Source: Bloom and Van Reenen (2010)

14. Family business ownership is furthermore considered to be associated with poor management skills. Again, **a long tail of badly managed firms is found amongst those businesses that are family-owned and also family-managed.** In comparison, family-owned business

²⁰ Bloom, N., and Van Reenen, J. (2010). Why Do Management Practices Differ across Firms and Countries? *Journal of Economic Perspectives*, 24 (1): 203-24.

²¹ Scur, D. et al. (2021). The World Management Survey at 18: lessons and the way forward. *Oxford Review of Economic Policy*, 37(2): 231-258.

which are managed by someone external to the family are found to perform more similarly to those owned by dispersed shareholders²². It is suggested that this poor performance amongst family-owned and managed businesses is in part due to the typical inheritance of the CEO role by the eldest child, regardless of talent. Family-owned businesses are also considered to be more risk averse²³ and therefore less flexible and more resistant to change, which may foster their reluctance to engage in training or other growth-oriented activities. Around 85% of all private sector businesses in NI are family businesses²⁴ which is further likely to contribute to NI's weak managerial skills overall and also its wider economic performance.

Motivations and Benefits of Management and Leadership Training

15. Motivations to attend training and to learn may be two similar, but separate entities²⁵. **For training to be most effective it is important that managers are motivated to learn and do not just see it as a requirement to attend.** Donaldson and Scannell²⁶ suggest that Maslow's hierarchy of needs theory can be applied to show what motivates individuals to take part in training and assess its effectiveness.
16. The theory is depicted as a 5-tier model (Figure 4) representing human needs, the lower tiers must be first met to fulfil the ones above²⁷. When this model is applied to training a sense of accomplishment and recognition are the initial requirements followed by group approval, a sense of security from the training (job retention) and then the physical conditions or online set-up of the training provided.

²² Bloom, N., and Van Reenen, J. (2010). Why Do Management Practices Differ across Firms and Countries? *Journal of Economic Perspectives*, 24 (1): 203-24.

²³ Hiebl, M.R.W. (2013). Risk aversion in family firms: what do we really know? *Journal of Risk Finance*, 14(1): 49-70. <https://doi.org/10.1108/15265941311288103>

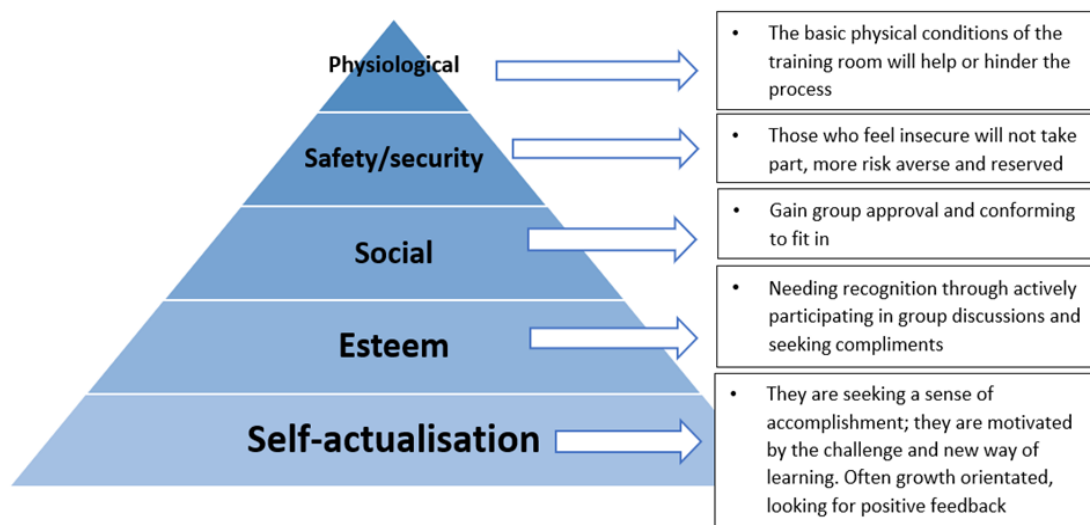
²⁴ <https://www.ifb.org.uk/media/4303/the-state-of-the-nation-2020-web.pdf>

²⁵ Monk, R. (1996). The motivation of managers for training, *Management Development Review*, 9(3): 26-32. <https://doi.org/10.1108/09622519610772148>

²⁶ Monk, R. (1996). The motivation of managers for training, *Management Development Review*, 9(3): 26-32. <https://doi.org/10.1108/09622519610772148>

²⁷ McLeod, S. (2022) Maslow's Hierarchy of Needs. Available at: <https://www.simplypsychology.org/maslow.html>

Figure 4: Maslow's Hierarchy of Needs applied to training



Source: Monk (1996)

17. **Individuals are therefore initially motivated to take part in training due to the perceived benefits²⁸. At the management level these benefits can be both personal and related to the success of the business.** For example, Invest NI's management programmes²⁹ are aimed at helping to lead more effectively, strategically plan for business growth, improve teamwork and grow the business through innovation³⁰. Indeed, just under half (46%) of NI SMEs aimed to increase the leadership capabilities of managers over the next three years as part of their growth-related activities (Figure 5). This is a higher share than the other UK nations³¹ but lower than the proportion who intend to increase the skills of the wider workforce to achieve growth.

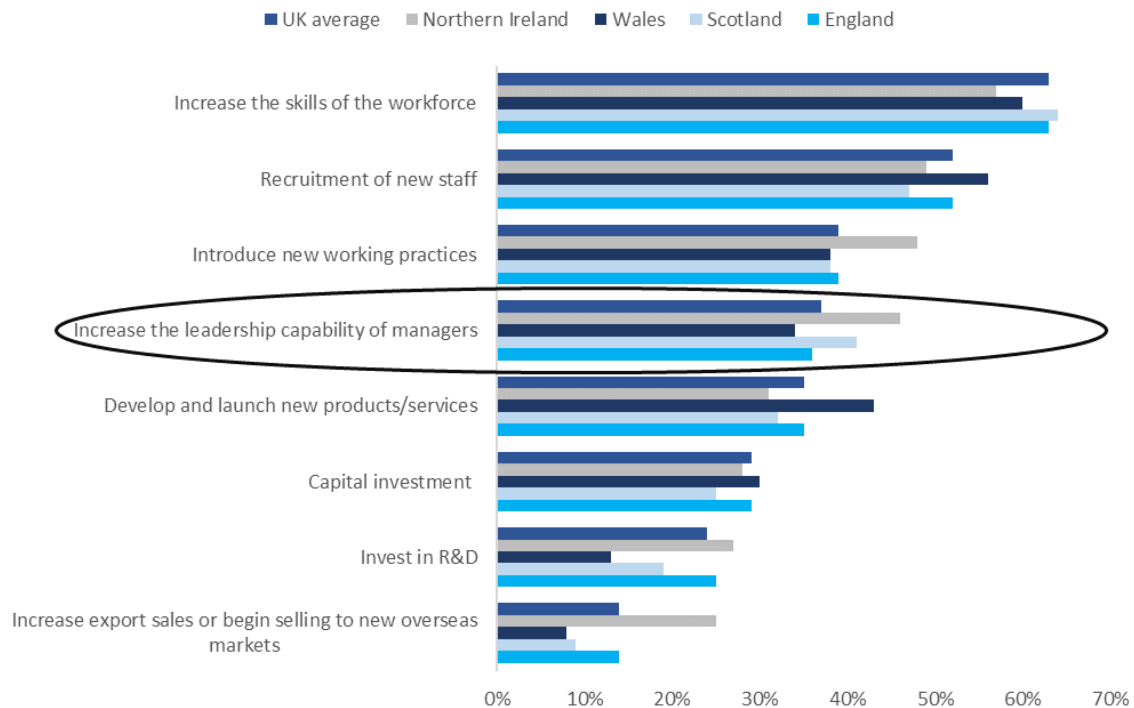
²⁸ Wexley, K.N. and Latham, G.P. (1981) Developing and Training Human Resources in Organisations.

²⁹ For instance, Leading Within a Group Programme, Leadership Team Programme and Leader Programme.

³⁰ Invest NI (nd). Leadership and capability development. Available at: <https://api.investni.com/leadership-and-capability-development>

³¹ Gov.uk (2022) Longitudinal Small Business Survey. Available at: <https://www.gov.uk/small-business-survey-reports>

Figure 5: Percentage of businesses undertaking growth related activities, UK, 2020



Source: Longitudinal Small Business Survey, 2020

18. M&L training is important across career stages,³² for example for new managers training will prepare them for their latest role and how to run an effective team. For mid-career managers training can help to add value to the company and improve business strategy, and for senior executives training can help to continue to drive innovation and lead an effective team. **Successful management and leadership development can therefore create a range of positive impacts on businesses which may include³³:**

Productivity	Wages and wage equality	Operating profit	R&D expenditure	Patents	Employee-employer relationships
Exit rates	Customer experience	Family friendly policies	Work-life balance	Energy efficiency	Recruitment and retention decisions
	Tax planning	FDI	Innovation	Turnover	

³² IMD (2021)– Why a Leadership skills program is key to your career. Available at: <https://www.imd.org/ileadership-skills-training/>

³³ List is not exhaustive. For more see for instance: Scur et al. (2021)/ CIPD (2021)/ Holt, S. (2011) / IES (2016)

19. Evidence supports these listed impacts, for instance analysis of Goldman Sachs' 10,000 Small Business (10KSB) UK programme, which aims to provide 'high-quality, practical education and business support to leaders of high-growth small businesses and social enterprises'³⁴ shows a range of positive impacts. The programme has a 4-month duration with a mix of online and in person teaching, delivered in partnership with Saïd Business School, University of Oxford and Aston University³⁵. **A post-training survey found that UK participants experienced a 22% increase in productivity four years after the programme.**
20. Additionally, **75% of 10KSB participants reported efficiency gains**, which has the potential to reduce wastage and improve business resilience. There were also **positive impacts for process innovation** with 81% of 10KSB participants introducing new or improved business procedures or structures compared to 36% of all UK businesses. The programme also had a **positive impact on exporting** as 44% of the 10KSB participants were likely to sell directly to overseas customers, compared to 22% of other UK small businesses³⁶. These impacts may be due to training enhancing project management where priorities can be aligned with the overall business goals³⁷.
21. The impact of improved management practice on productivity and output is further supported by research which shows that **a one-point increase in a firm's management practice score leads to an increase in output equivalent to that produced by a 25 percent increase in the labour force or a 65 percent increase in invested capital**³⁸.
22. Although generalised impacts can be ascertained **not all impacts are immediate**. In addition, there are also industry and sector specific impacts of M&L training. Scur et al. (2021) note that it may have a different impact between public and private organisations³⁹. For instance, in hospitals improved management practices were linked to

³⁴ Goldman Sachs (nd). 10,000 small businesses, Small Businesses in the UK. Available at: goldmansachs.com/10000-small-businesses/UK/index.html

³⁵ The programme runs in the USA, UK and France.

³⁶ Goldman Sachs (2018). Rethinking Productivity A 2018 Survey of 10,000 Small Businesses UK graduates. Available at: 10000-small-businesses/rethinking-productivity.html

³⁷ Additionally, evidence from the World Management Score suggests that as the management score increases so too does productivity.

³⁸ World Management Survey in Department of Enterprise, Trade and Investment et al. (2009). Management Matters in Northern Ireland and Republic of Ireland. Available at: economy-ni.gov.uk/management-matters

³⁹ Scur, D. et al. (2021). The World Management Survey at 18: lessons and the way forward. *Oxford Review of Economic Policy*, 37(2): 231-258.

better patient outcomes, whilst in schools the impact was linked to student grades.

23. M&L training is also essential for the adoption of **high-performance working practices** (HPWP) with training “crucial to unlocking the potential” of a business⁴⁰. The OECD define HPWP as flexibility and autonomy, teamwork and information sharing, career progression and performance management⁴¹, NI’s reliance on family, compared to professional management, is thought to weaken HPWP. The Department for the Economy suggest that **adoption of HPWP can be achieved through enhanced M&L training provision** and requires businesses to embrace non-traditional pro-active working practices, invest in technology development, and empower staff along with investing in employee development⁴².
24. A Digits’ survey also observed a **positive link between management training, job quality and enjoyment, and personal wellbeing** as 77% of managers that received regular management training stated they liked or loved their job, compared to 54% of untrained managers⁴³. **Effective M&L also impacts employee satisfaction**, according to research by Development Dimensions International (DDI)⁴⁴ 57% of surveyed employees left a job because of their manager.
25. Additionally, CIPD⁴⁵ reports that 26% found ‘management style’ to be a common cause of workplace stress. Furthermore, only 44% of managers are deemed to receive training to support staff with a mental health issue⁴⁶. CIPD suggest that there has been a recent decline in management training for health and wellbeing. To combat these skills gaps, leadership development can be utilised to positively impact the bottom line through improved practice which can motivate and inspire a team, creating greater employee engagement⁴⁷.

⁴⁰ UK Commission for Employment and Skills in DfE (2021) Skills Strategy for Northern Ireland Skills for a 10x Economy. Available at: [NI Skills 10x Economy](#)

⁴¹ OECD in DfE (2021) Skills Strategy for Northern Ireland Skills for a 10x Economy. Available at: [NI Skills 10x Economy](#)

⁴² DfE (2021) Skills Strategy for Northern Ireland Skills for a 10x Economy. Available at: [NI Skills 10x Economy](#)

⁴³ Digitis (2021) Untrained managers more likely to change jobs in 2022. Available at: <https://www.digits.co.uk/news/untrained-managers-more-likely-to-change-jobs/>

⁴⁴ Global management consulting firm. DDI (2019) The Frontline Leader Project. Available at: <https://lp.ddiworld.com/eg/flp>

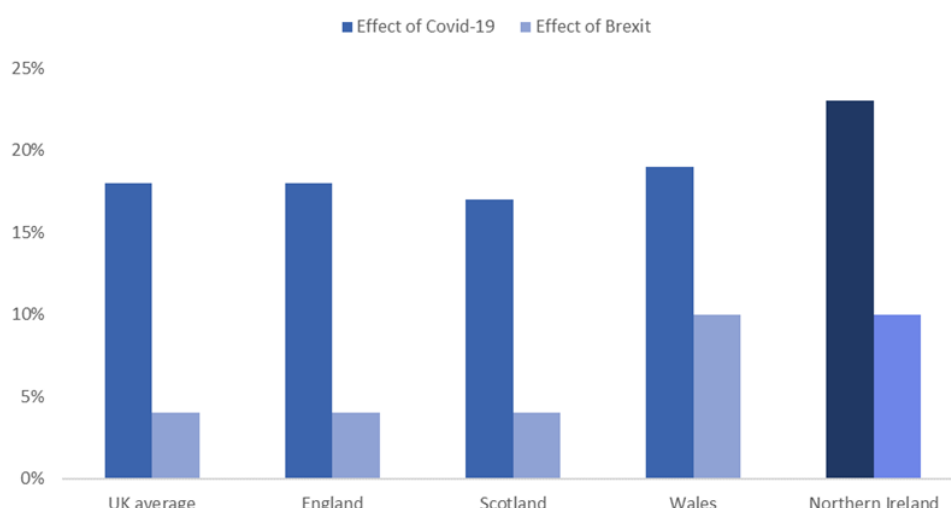
⁴⁵ CIPD (2021). Working Lives Northern Ireland. Available at: <https://www.cipd.co.uk/>

⁴⁶ CIPD (2022). Health and wellbeing at work. Available at: <https://www.cipd.co.uk/well-being>

⁴⁷ Co-Active Training Institute. (2022). What is the impact of leadership development for organizations? Available at: <https://coactive.com/>.

26. **Training also enables managers and leaders to be more adaptable to change.** Recent evidence⁴⁸ suggests that COVID-19 had a bigger impact than Brexit in terms of increasing the leadership capabilities of managers, with 23% of SMEs in NI increasing leadership capabilities in response to COVID compared to 10% in response to Brexit (Figure 6).

Figure 6: The effect of COVID-19 and Brexit on increasing the leadership capabilities of SME managers, UK, 2020



Source: Longitudinal Small Business Survey (2020)

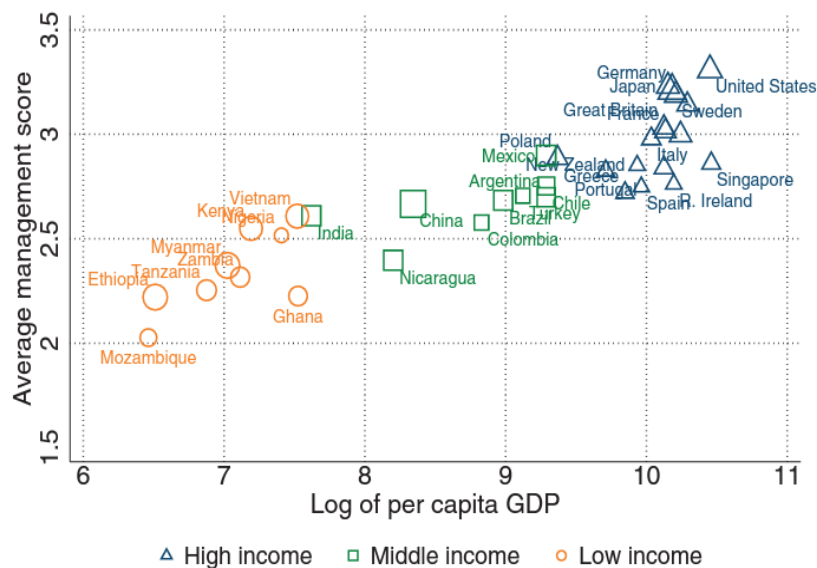
27. **The success of M&L training also develops human capital which in turn has positive impacts at the macroeconomic level⁴⁹.** Analysis⁵⁰ of the manufacturing sector as part of The World Management Survey (WMS) suggests a positive correlation between a high management score and GDP per capita (Figure 7).

⁴⁸ Longitudinal Small Business Survey (2020).

⁴⁹ Research on the impact of management training in developing countries suggests that business training impacts profits by 12.1% equating to USD\$5-10 per month for a firm earning a profit of USD\$50-100. Mckenzie, D. (2020). Small Business Training to Improve Management Practices in Developing Countries. World Bank Available at: [Small-Business-Training-to-Improve-Management-Practices-in-Developing-Countries-Reassessing-the-Evidence-for-Training-Doesn-t-Work.pdf](#)

⁵⁰ The World Management Survey provides a systematic measure of management practices used in organisations providing knowledge on managerial structure, impact, and business performance. It includes data from 13,000 firms, 4,000 schools and hospitals across 35 countries. More information available at: Scur, D. et al. (2021). The World Management Survey at 18: lessons and the way forward. *Oxford Review of Economic Policy*. 37(2): 231-258.

Figure 7: World Management Survey management score (2004-2014) and average GDP per capita (2003-2013), manufacturing sector



Source: The World Management Survey

Barriers to Training

28. Deficiencies in management and leadership skills have been apparent within UK SMEs for some time which is *"...damaging their productivity and ability to grow"*⁵¹. In NI, adoption of effective management practices falls behind many advanced economies in Europe and below that of other OECD countries⁵² resulting in these skills being in short supply in the labour market. **The main barriers to training, are due to:**

- **Firm size**
- **Financial means**
- **Time resources**
- **Lack of awareness of benefits**
- **Public funding**
- **Culture of learning**

29. In 2021, 99.6% of NI businesses were SMEs of which 90% are micro businesses⁵³ with fewer than 10 employees. There is typically a single layer of management within such small businesses and often a single manager. Management within these organisations may therefore wear

⁵¹ Parliament UK, (2018). Small businesses and productivity, https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/807/80707.htm#_idTextAnchor036

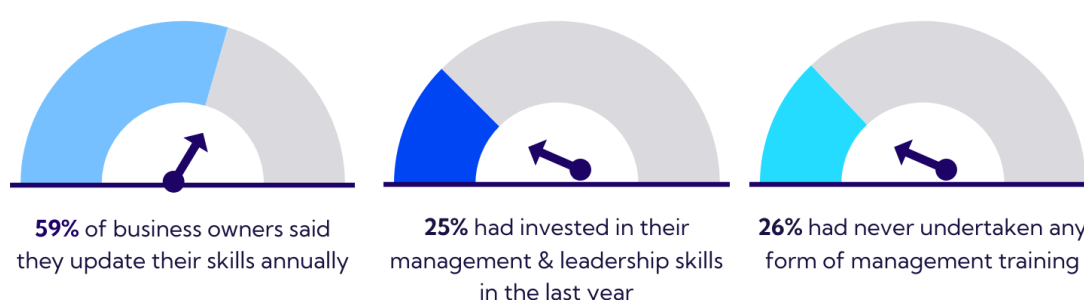
⁵² DfE (2021) Skills Strategy for Northern Ireland Skills for a 10x Economy. Available at: [NI Skills 10x Economy](#)

⁵³ NISRA (2021) IDBR tables.

many hats from entrepreneur and owner, to HR, marketer, logistics, procurement etc. As a result, the need, or ability, to undergo M&L training may not be prioritised. Instead, **experiential learning on-the-job is thought to be the main way in which they gain the managerial knowledge and skills they use to operate their businesses**⁵⁴. The small number of employees is an added barrier as McKenzie notes that microenterprises taking part in training may have none, or just one additional employee to the owner⁵⁵. Therefore, **the personal time commitment required to attend training potentially takes the owner and/or manager away from the daily business needs**.

30. This is supported by research, for instance, a 2017 Federation of Small Business (FSB) survey found that 91% of UK small businesses recognised the value of training⁵⁶. But **M&L skills did not appear in the top 3 skills considered to be most important to growth for sole traders or businesses with 1 to 9 employees**. Additionally, only 25% of owners had invested in their M&L skills, with 26% having never undertaken any management training⁵⁷ (Figure 8).

Figure 8: Responses to SME access to training, UK, 2017



Source: FSB in Accounts and Legal

31. **It is estimated that only 30% of business in NI have a dedicated training budget**, whilst the figure also remains low at a UK level (37%)⁵⁸. Limited **financial resources** are therefore another hurdle facing businesses. With the average cost of training in the UK £1,530

⁵⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/414390/Anchor_institutions_and_small_firms.pdf

⁵⁵ McKenzie, D. (2021). Don't count on business training to generate a lot of jobs and what else we learned in a dynamic literature review update. World Bank Blogs. Available at: <https://blogs.worldbank.org>

⁵⁶ FSB in Accounts and Legal (2017). 57% of British SMEs don't offer staff training and development. Available at: <https://www.accountsandlegal.co.uk/small-business-advice>

⁵⁷ Ibid.

⁵⁸ Chartered Management Institute (2012) in DfE (2021) Skills Strategy for Northern Ireland Skills for a 10x Economy. Available at: [NI Skills 10x Economy](#)

per employee⁵⁹, these costs combined with the **fear that staff will leave or be poached by other organisations once their skills are developed**, may further deter businesses from training staff. When compared with the costs of recruiting a new member of staff, however, training is a good investment. The average cost of hiring a new member of staff is £3,000 and takes 27.5 days, which is almost double the cost of training⁶⁰.

32. In terms of wider training **a higher share of NI employers (57%) identified the lack of funds or the cost of training as a barrier to providing further training**, compared to 51% in the UK. In fact, the top three regions citing cost as a barrier were all in NI⁶¹. **Difficulties in sparing staff time for training** was also cited as a barrier by half of all employers in NI, which was identical to the UK.
33. **Lack of awareness of the benefits of management training** is also thought to be an issue for small firms in particular⁶². Research within the medical field in NI however also notes a lack of awareness about the benefits of M&L training which can prevent its uptake⁶³. As an alternative to this 'ignorance' argument, there is thought to be a 'market' argument whereby rather than a lack of awareness, the small business owner is considered informed and aware of the higher costs and lower benefits to training than accrue to the managers of larger firms, which provides an alternative rationale as to why small firms undertake less training as a result⁶⁴.
34. To support access to training in NI a mixture of government supported, and privately available courses exist. However, a common issue for global policy makers is that when there are financial constraints **skills are 'often the first area to face funding cuts'**⁶⁵. Firms themselves also tend to cut back training, particularly off-the-job training and in

⁵⁹ Hardcastle, F. (2021). Cost of training staff: How Much Does it Cost to Train Your Employees? Available at: <https://www.balticapprenticeships.com/blog/employers/cost-to-train-staff>
The Department for Business, Innovation and Skills found that the price of poor management and leadership in the UK is £19bn due to lost productivity a year

⁶⁰ Hardcastle, F. (2021). Cost of training staff: How Much Does it Cost to Train Your Employees? Available at: <https://www.balticapprenticeships.com/blog/employers/cost-to-train-staff>

⁶¹ OECD (2020) OECD Skills Strategy Northern Ireland (United Kingdom): Assessment and Recommendations. Available at: <https://www.oecd.org/oecd-skills-strategy-northern-ireland>

⁶² Storey, D.J. and Westhead, P. (1997) Management Training in Small Firms: A Case of Market Failure?, *Human Resource Management Journal*, 7(2): 61–71

⁶³ Doherty, R. et al. (2018). Developing leadership as a trainee – opportunities, barriers and potential improvements. *The Ulster Medical Journal*, 87(2): 117-120.

⁶⁴ Storey, D.J. (2004). Exploring the link, among small firms, between management training and firm performance: a comparison between the UK and other OECD countries, *The International Journal of Human Resource Management*, 15(1): 112-130, DOI: 10.1080/0958519032000157375

⁶⁵ DfE (2021) Skills Strategy for Northern Ireland Skills for a 10x Economy. Available at: [NI Skills 10x Economy](#)

terms of training intensity, during periods of recession^{66,67}. Cutbacks, combined with reduced availability to publicly funded programmes, may cause further disparity amongst large and small firms due to access to funds.

35. **Cultural factors** also impact an organisation's willingness to participate in training. **In NI there is a social perception that learning ends with formal education**⁶⁸. This has contributed to low participation of adults in education compared to the UK, Ireland and the OECD, resulting in the average skill level of managers being well below the OECD average⁶⁹.
36. Lastly, whilst the above barriers exist as a deterrent for training, they may result in **individuals being placed in M&L roles without training**. A UK survey from Digits^{70,71} found that 26% of those who manage or supervise others had not received formal training and 39% only received training when they first became a manager. Meanwhile globally, DDI research found that individuals are on average 40 years old when they receive leadership development, 4 years after the average age (36) of when a person becomes a leader⁷². This may result in negative implications for the individual, business, and wider economy as leaders play catch up in training for a role they may have already assumed.

Best Practices in Management and Leadership Training

37. Drawing on best practice to achieve and sustain competitive advantage, through M&L training, it is suggested that such training and development should comprise four elements⁷³:
 - a. Plan – in which training and development is tied to strategic business plans.

⁶⁶ <https://orca.cardiff.ac.uk/id/eprint/67948/1/evidence-report-72-training-in-recession.pdf>

⁶⁷ Mason, G. and Bishop, K. (2015). The Impact of Recession on Adult Training. *British Journal of Industrial Relations*, 53: 736-759. <https://doi.org/10.1111/bjir.12057>

⁶⁸ DfE (2021) Skills Strategy for Northern Ireland Skills for a 10x Economy. Available at: [NI Skills 10x Economy](#)

⁶⁹ DfE (2021) Skills Strategy for Northern Ireland Skills for a 10x Economy. Available at: [NI Skills 10x Economy](#)

⁷⁰ Digits (2021). Management training- survey results. Available at: <https://www.digits.management-training-survey-results/>

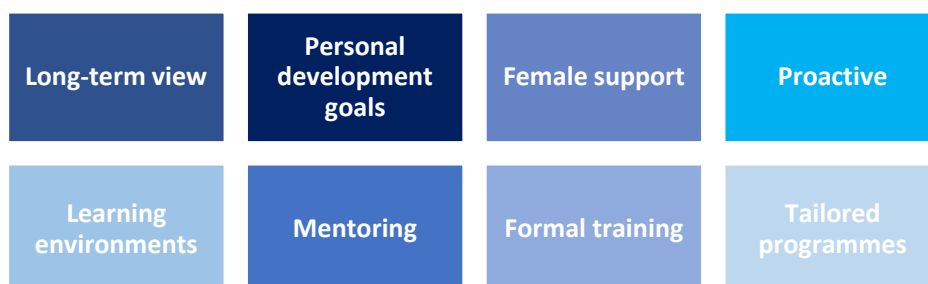
⁷¹ Survey conducted October-November 2021, 1,031 responses were provided of which 39% worked in SMEs. More available at: <https://www.digits.management-training-survey-results/>

⁷² DDI (ND) The Frontline Leader Project. Available at <https://lp.ddiworld.com/eq/flfp>

⁷³ Olisan, J. D., Durham, C. C., Kristof, A. L., Brown, K. G., Pierce, R. M., & Kunder, L. (1998). Designing Management Training and Development for Competitive Advantage: Lessons from the Best. *Human Resource Planning*, 21(1).

- b. Do – involves selecting appropriate training programmes according to need, based on content and how it is delivered.
- c. Check – in which evaluation of the training is undertaken to assess whether it had the intended effect.
- d. Act – in which the training is sustained, and continuous learning is supported.

38. For training to be effective best practice therefore includes:



39. A successful manager and/or leader cannot be developed during a one day training course, learning and development therefore needs to be a routine part of the business demanding a long-term outlook⁷⁴. Part of this will be to **ensure managers have evaluations and personal development goals** to work towards, just like those they manage, which will help **managers be committed in seeking out, as well as taking ownership**, for their learning.
40. It is also vital that businesses are **proactive** in developing potential managers and equipping them with the skills needed in their career. However, this should not be at the expense of those who aren't predicted to be future leaders. DDI notes that those labelled with high potential get twice as much funding and 25% more development hours annually⁷⁵ and so a fair balance of access to different types of training is required.
41. **Support for females** is also vital to ensure that they are encouraged and prepared to seek management and leadership roles. In 2020, there were reported to be 68,000 directors, managers and senior officials in NI of which females made up 37%, or 25,000 roles⁷⁶. A Knowledge Exchange Seminar Series found that after opportunities to act up in management roles, the second and third largest enabler for females to

⁷⁴ InStride (2022). Manager training: Benefits, challenges and best practices. Available at: <https://www.instride.com/insights/manager-training-and-development/>

⁷⁵ DDI (2019) The Frontline Leader Project. Available at: <https://lp.ddiworld.com/eq/flfp>

⁷⁶ NISRA (2021) Labour Force Survey Annual Tables.

access a management role was external and internal leadership training and development⁷⁷.

42. **A mixture of learning environments is required to support different learning styles** for instance onsite, offsite, online or in a classroom-based setting as this can help support engagement and equal access. These formats may offer a range of different learning outcomes for instance InStride suggest that in-house training can set specific expectations for managers, whereas external resources may support certified skills development in a range of areas⁷⁸. Training should also be a positive experience with appealing content with relevant examples and an interactive nature to engage learners⁷⁹.
43. Training may require a training provider or senior leadership to undertake a **diagnostic assessment to understand what the problems are** before they can be solved. There is also a need for **knowledgeable training providers to understand the organisation** they are being employed to support so that they can tailor training to that sector and business⁸⁰.
44. DDI mention that employees, including managers want **coaching** from their manager to support their development. Coaching may alternatively come in the form of a **mentor**. For this to be effective **a mentoring programme is required, which would formalise and align mentoring with overall business goals**⁸¹. This also requires **collaboration** across an organisation with managers and leaders from differing departments able to work collectively to achieve goals.
45. **Post-intervention evaluations** should also be a core component post-training to help measure its success⁸². This is a complex task to undertake as effective post-training evaluation typically requires several elements including reaction and self-reflection about the training; assessing the resulting increased knowledge or understanding and the resulting change in behaviour; and measuring the impact on the bottom

⁷⁷ Northern Ireland Assembly (nd) Gender Equality at the Executive Level of the Northern Ireland Public Sector. Available at:

www.niassembly.gov.uk/raise/knowledge_exchange/presentations/series4/presentation-ballantine-et-al.pdf

⁷⁸ InStride (2022). Manager training: Benefits, challenges and best practices. Available at: <https://www.instride.com/insights/manager-training-and-development/>

⁷⁹ Kaszycki, A. et al. (nd) 10 Best Practices for Leading a Great Training Organisation. Available at: <https://trainingindustry.com>

⁸⁰ Kaszycki, A. et al. (nd) 10 Best Practices for Leading a Great Training Organisation. Available at: <https://trainingindustry.com>

⁸¹ InStride (2022). Manager training: Benefits, challenges and best practices. Available at: <https://www.instride.com/insights/manager-training-and-development/>

⁸² Hurix (2022). Benefits of Post Training Evaluation. Available at: <https://www.hurix.com/benefits-of-post-training-evaluation>.

line and the return on investment. It is thought that despite the various tools available to evaluate the effectiveness of such training programmes **few businesses have an evaluation system in place**. Indeed, many only assess the reaction element of the training rather than measuring the other elements⁸³.

⁸³ <https://www.managementstudyguide.com/training-evaluation.html>

3 Methodology

1. The aim of this report is to analyse existing data sources to provide a baseline understanding of both the skills needs and training undertaken by managers. We specifically analyse skills gaps among managers; the degree of uptake of M&L training among SMEs; the characteristics and other business activities of those most likely to be engaged in M&L training; and the impact of such training on growth.
2. Firstly, to analyse skill needs and gaps among managers we draw our analysis from the published 2019 Employers Skills Survey (ESS). The survey, which has been run since 2011 by the UK Department of Education, provides information from 81,000 businesses with 2 or more employees across the UK (excluding Scotland)⁸⁴. In 2019 the ESS was merged with the Employer Perspectives Survey to provide both an inward and outward perspective from business⁸⁵.
3. To analyse M&L training we draw on the micro-data from the Longitudinal Small Business Survey (LSBS) 2015-20⁸⁶. This is a large-scale telephone survey of small business owners and managers across the UK, commissioned by the Department for Business, Energy and Industrial Strategy (BEIS).
4. The LSBS survey is conducted with the owner/proprietor/managing director or other senior decision maker in the business and asks them about a range of issues including recruitment and training aspects; financial issues and the use of business support; obstacles to business success, and business performance and ambition. The data is made available for analysis to Accredited Researchers and is accessed through the UK Data Service.
5. The survey is undertaken annually amongst UK private sector SMES, with an annual sample size ranging from approximately 7,000-15,000 firms between 2015-20. The NI sample within the survey contains approximately 500 firms per annum. The survey uses stratified sampling and is weighted so that results are representative. For the purposes of the analysis undertaken here the dataset is restricted to 2015-2019 for two reasons, a) to provide a pre-Covid baseline assessment of M&L training and b) the 2020 survey dropped some standard questions to allow for Covid-related questions to be added. For consistency, the

⁸⁴ Scotland's results are published by the Scottish Government.

⁸⁵ Gov.uk. (2020). Employer skills survey 2019. Available at: <https://www.gov.uk/employer-skills-survey-2019>

⁸⁶ Department for Business, Energy and Industrial Strategy. (2022). Longitudinal Small Business Survey, 2015-2020. [data collection]. 6th Edition. UK Data Service. SN: 7973, DOI: [10.5255/UKDA-SN-7973-6](https://doi.org/10.5255/UKDA-SN-7973-6)

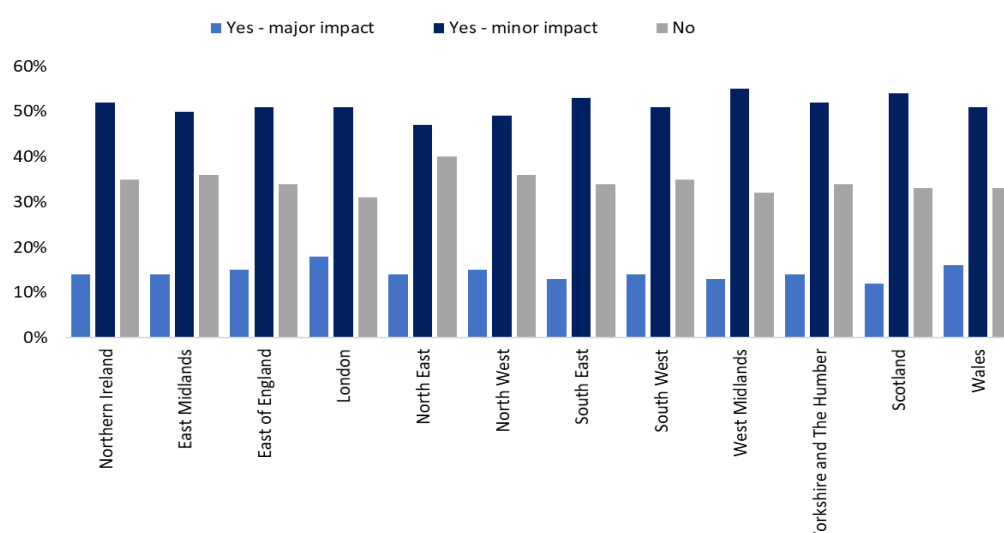
2015-19 survey data therefore provides the most consistent set of questions.

6. There are three elements to the analysis, the first is a descriptive analysis of the skills gaps and requirements among NI managers; the second characterises the extent of M&L training and the degree to which firms engage with M&L training and other strategic behaviours. The third approach uses regression analysis to understand a) the factors most associated with M&L training, and b) how M&L training impacts on employment, turnover and productivity growth. Throughout the analysis the data is pooled over the 2015-19 period in order to enlarge the sample size. Results are produced for those years combined, rather than as individual annual responses.

4 Managerial Skills Gaps and Requirements

1. The Employer Skills Survey (ESS) helps to identify the skills, recruitment and strategy needs for businesses across the UK⁸⁷. The 2019 results suggest that in NI 10% of all establishments have an incidence of a skills gap, which compares to 13% in the UK. **Across occupations, 7% of NI managers and 9% of UK managers are reported to not be fully competent in their role⁸⁸**. Further analysis of the results suggests that **these managerial skills gaps are more acute for smaller businesses**, in NI 20% of those with 2-4 employees stated that managers are not competent compared to only 6% of businesses with 250 or more employees. The UK follows a similar trend at 19% and 8% respectively.
2. These skills gaps impact business performance with 14% of businesses in NI stating it has a major impact, 51% say it has a minor impact and 35% no impact. This is in line with other UK regions where the majority identified that skills gaps cause a minor impact (Figure 9). Although two-fifths of businesses in NI indicate that there are no particular problems arising from the skills gaps (Figure 10). The wider impacts, from those who do report problems, include an increased workload (53%), difficulties introducing new work practices (26%) and higher operating costs (26%). These are similar shares to the UK.

Figure 9: Impact of skills gaps on establishment performance, UK regions 2019

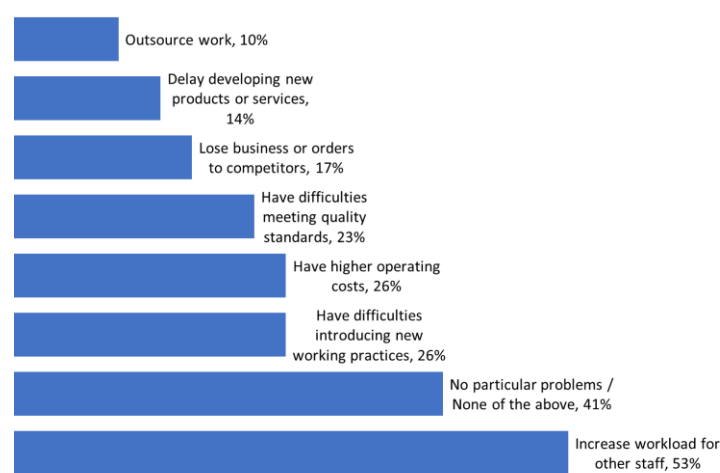


Source: Employer Skills Survey

⁸⁷ UK figures exclude Scotland, where Scotland has been included is taken from the Scottish Employer Skills Survey.

⁸⁸ The study reports the experiences of employers at establishment level, with interviews conducted with the most senior person at each site with responsibility for human resources and workplace skills. Responses regarding managerial skills gaps may therefore be self-assessed.

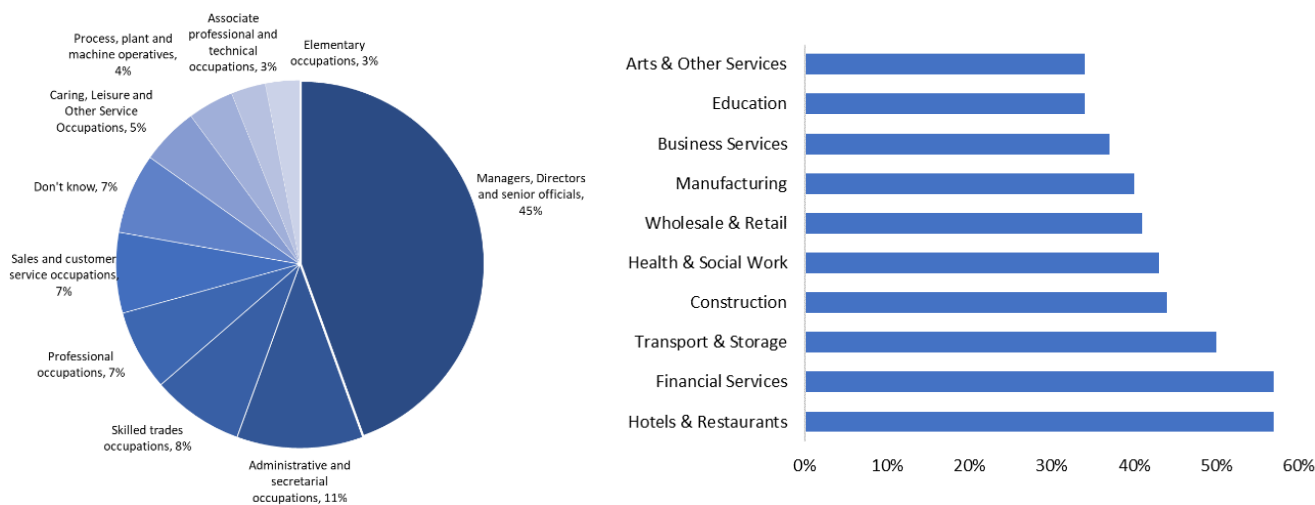
Figure 10: Implications of skills gaps on business, NI 2019



Source: Employer Skills Survey

3. According to the ESS, in NI the occupations identified as most in need of new skills are managers, directors and senior officials (44%), followed by administrative and secretarial occupations (11%) and skilled trade occupations (8%) (Figure 11). This trend is replicated across all areas in the UK. When these results are broken down by sector the findings suggest that 57% of managers in both Hotels and Restaurants and in Financial Services require new skills, followed by managers in Transport & Storage (50%). However, **across all sectors managers, directors and senior officials are identified as having the highest need for new skills, emphasising the importance of training for this cohort.**

Figure 11: Occupations (left) and sectors (right) most affected by the need for new skills, NI, 2019



Source: Employer Skills Survey

Note: base is all establishments who anticipate a need for new skills in next 12 months

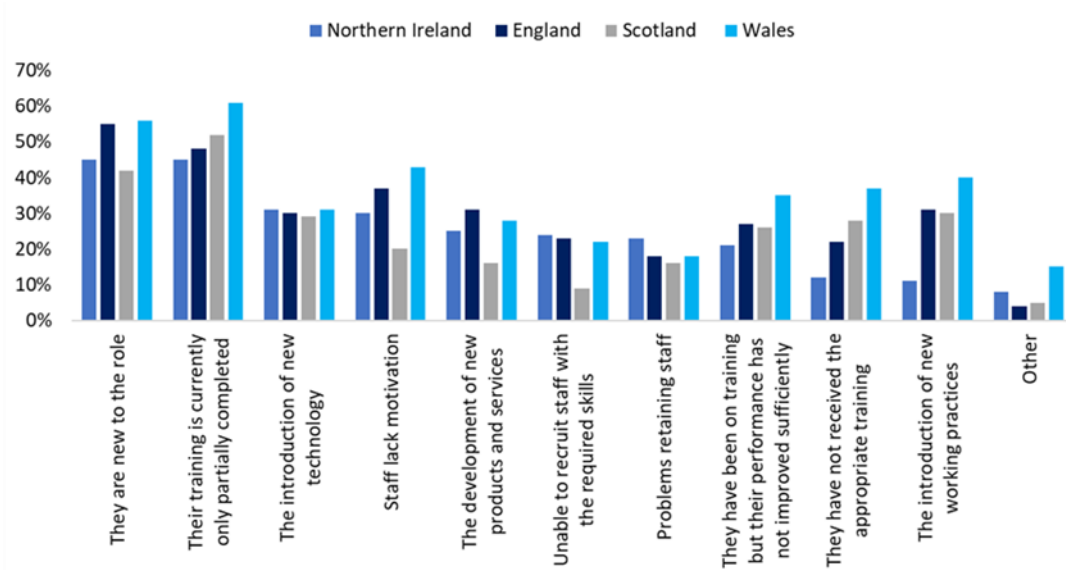
4. When businesses (with a skills gap) in NI were asked about the **causes** of skills gaps for managers, equal shares of 45% stated that it was due to **individuals being new to the role, or that their training was only partially completed** (Figure 12). This may imply that managers are often not fully prepared prior to taking on new responsibilities which may create an expectation of on-the-job or learn-as-you-go knowledge to be utilised to overcome lack of skills in the initial stages. These two main causes of skills gaps in managers in NI were also the top two for the other parts of the UK (Figure 13).

Figure 12: Causes of skills gaps in managers, NI 2019



Source: Employers Skill Survey

Figure 13: Causes of skills gaps in managers, UK nations 2019



Source: Employers Skill Survey

5. When compared to other occupations in NI, managers specifically require development in M&L skills (78%), followed by self-management skills (72%). Notably, across all other occupations self-management skills were also identified as an area requiring development, suggesting a wider need in NI for these skills (Figure 14).

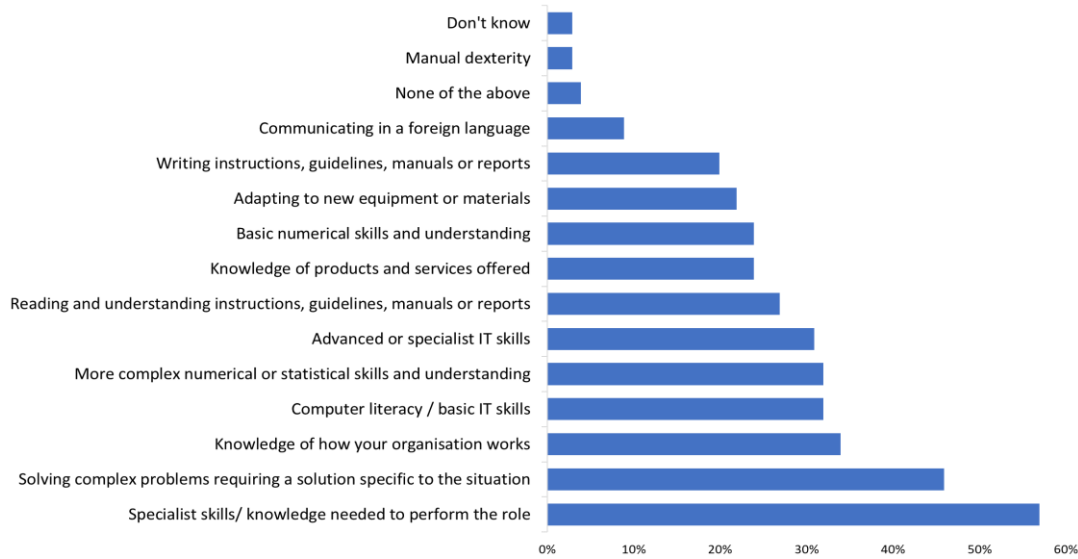
Figure 14: Types of skills needed by occupations, NI 2019



Source: Employers Skill Survey

6. To overcome the skills gap in NI, **57% of managers require specialist skills or knowledge to perform their role, 46% require problem solving skills** for specific situations and **34% require more knowledge of their organisation** (Figure 15). These results suggest that managers require tailored, technical management and leadership training to support specific industry needs. Around one third also require basic or advanced IT skills and more complex numerical/statistical skills.

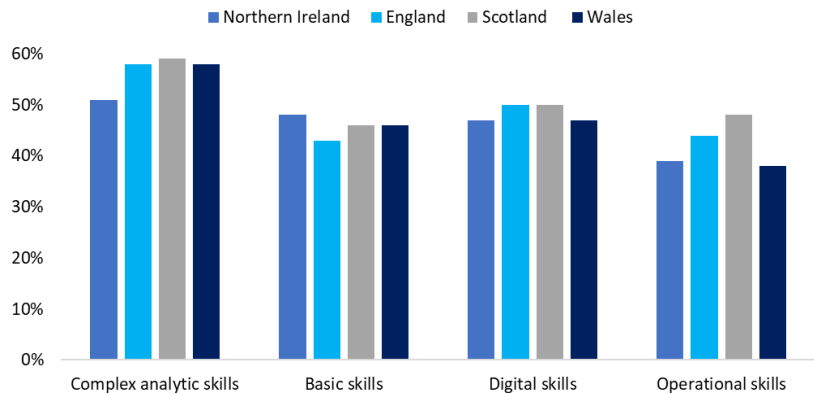
Figure 15: Technical / practical skills that need improving for managers with skills gaps, NI 2019



Source: Employers Skill Survey

- When the skills needed by managers are categorised in to four groups - complex and analytical; basic; digital; and operational - the results highlight that **managers across the UK and NI predominantly require development in complex analytic skills** (Figure 16). NI has a lower percentage of managers requiring operational and digital skills compared to other parts of the UK, however **NI does have a higher percentage that require basic skills**.

Figure 16: Technical / practical skills that need improving for managers with skills gaps, UK 2019

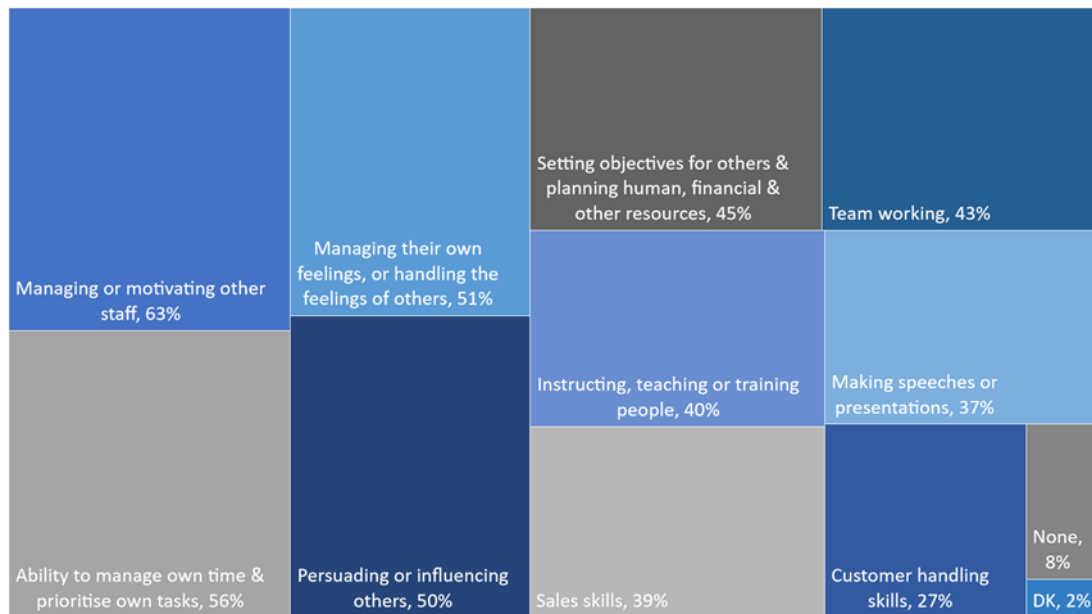


Source: Employers Skill Survey

- Soft, or people-based, skills contribute significantly to the managerial skills gap** with 63% in NI reporting the need to improve in the area of managing or motivating other staff, followed by the ability to manage their own time and prioritise tasks (56%). Around half also

identified managing their own or others' feelings and persuading and influencing others as areas for improvement (Figure 17). The UK figures are broadly similar although 70% reported the need to improve managing or motivating staff. These soft skills can be difficult to teach or learn and so evaluation of training effectiveness is required to understand best practices for various industries and style of learners.

Figure 17: Soft skills that need improving for managers, NI, 2019



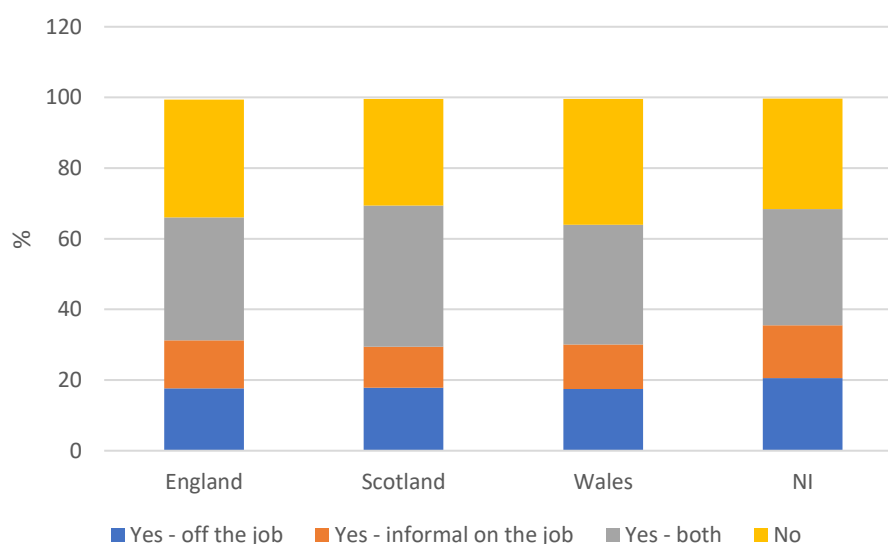
Source: Employers Skill Survey

Note: DK refers to Don't Know

5 Management and Leadership Training

1. The LSBS enables an analysis of the training undertaken by managers. Results indicate that during the combined 2015-19 period **the majority (68%) of SME managers in NI received some form of training or development in the previous 12 months** (Figure 18). This was similar to the other UK nations and also similar to the share of employees receiving training (69%)⁸⁹.
2. Of those managers receiving training across the UK **the most common method of being trained was via both off-the job and informal on-the job training**. In NI one third of managers received both types of training, 21% received off-the-job training only and 15% informal on-the job training only. Just under one third received no training at all in the previous 12 months (Figure 18).

Figure 18: Managers receiving training/development during the last 12 months (combined 2015-19)



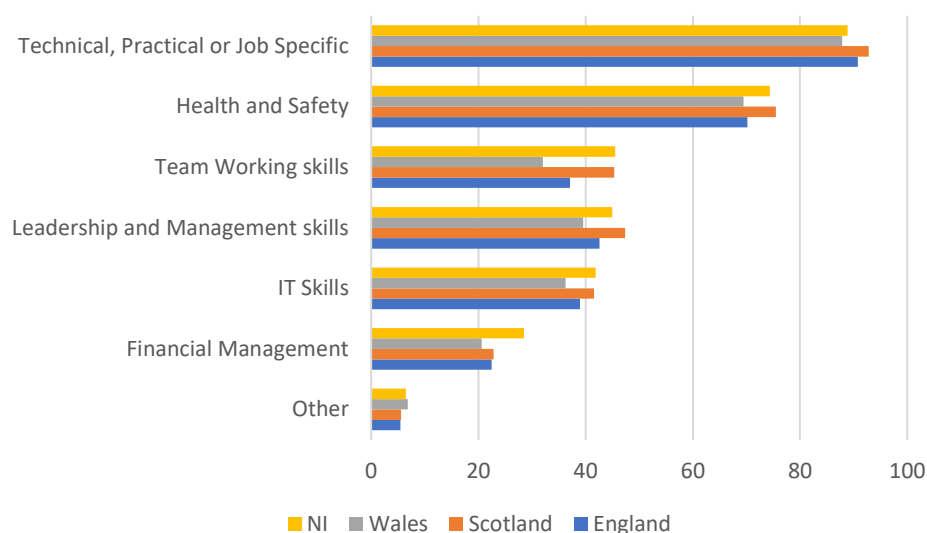
Source: ONS Longitudinal Small Business Survey

3. Of those SMEs that engaged in management training/development in the previous 12 months the majority, around 9 in 10, received training in technical, practical or job specific skills (Figure 19). This was followed by health and safety training, for around three quarters in NI and Scotland, and 70% of those in England and Wales. **Training for the development of leadership and management skills was undertaken by less than half of all SMEs across the UK, the share in NI was 45%.** Of the other specified categories, financial

⁸⁹ Results from 2015 indicate that just over half of training for all staff, including managers, led to a formal qualification.

management training was undertaken least, although at 29%, NI had the highest share of SMEs in receipt of this type of training.

Figure 19: Type of training/development managers received during the last 12 months (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

Background Characteristics

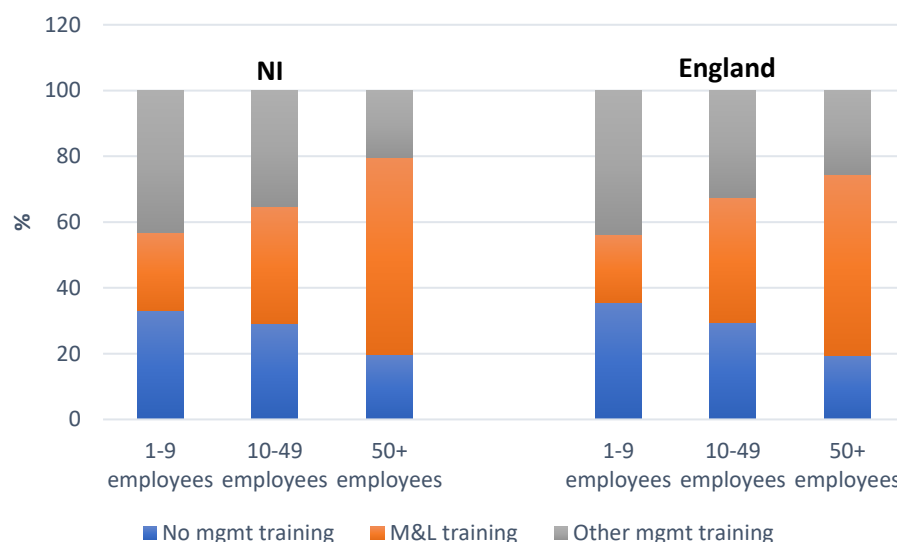
4. To assess whether there are any differences in the characteristics of firms that undertake management training versus those that do not we further split the SME manager categories into those receiving a) no management training at all, b) those specifically receiving training for management and leadership skills⁹⁰, and c) those receiving other types of training for managers but not management and leadership skills.
5. Analysing firms by size⁹¹ shows a linear increase in both wider management training, and training for M&L skills, by firm size (Figure 20). In NI one third of micro firms (1-9 employees) did not undertake any management training in the previous 12 months, compared to one fifth of the largest SMEs (50+ employees). **Just 24% of micro firms undertook M&L training compared to 60% of the largest firms.** Other types of management training (as identified in Figure 19 above) were most favoured by micro firms with 43% undertaking other management training which excludes M&L development. The trends

⁹⁰ Note that those receiving training for management and leadership largely also received other types of management training. There were too few observations receiving only management and leadership training to create this as a specific group.

⁹¹ Note that only those firms with employees were asked about training.

observed in NI are similar to those in the other UK nations, with England shown for comparison purposes.

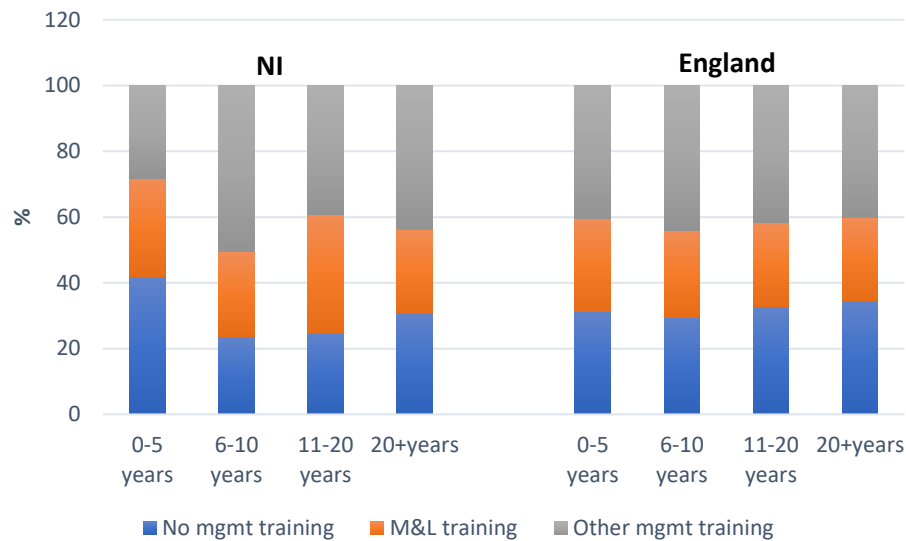
Figure 20: Uptake of management training by SME firm size during previous 12 months (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

6. The uptake of management training by age of the firm in NI varies across age groups but unlike size it is not linear (Figure 21). **In NI the youngest firms (less than 5 years old) had the highest share undertaking no management training at 42%.** But just under one third of the oldest firms (those aged 20+) and around one quarter of those aged between 6-20 years old also undertook no management training in the previous 12 months. **At 36% M&L training was highest for those firms aged between 11-20 years old** while, at just over half, those aged 6-10 had the highest share undertaking other forms of management training.
7. Notably, the uptake of training by age group in NI differs from that in England. There, the shares accessing the various management training, or not accessing it, was similar across the age groups. Around one third of all firm age groups in England did not access any management training in the previous 12 months, one quarter specifically accessed M&L training and the remaining 40% accessed other forms of management training. Scotland and Wales also differed, although as in NI, those aged 0-5 years old had highest shares accessing no management training.

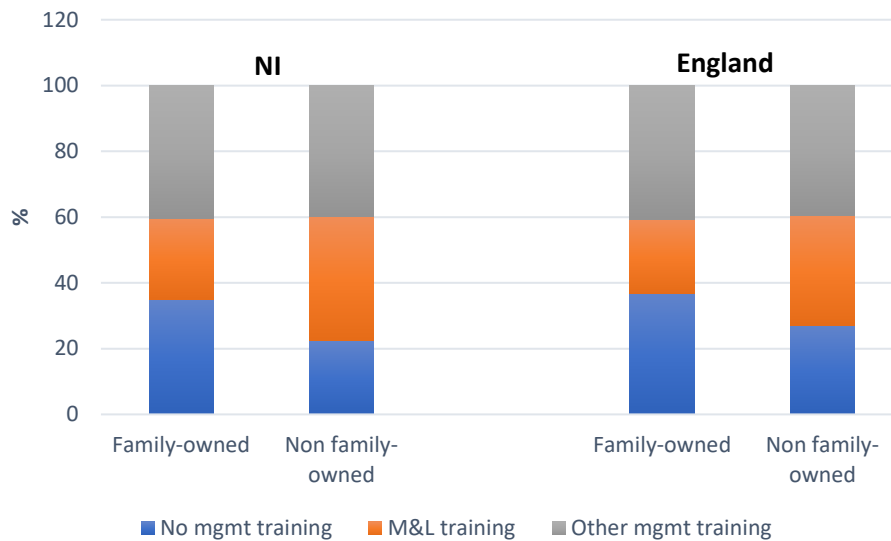
Figure 21: Uptake of management training by SME age during previous 12 months (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

8. As previously indicated **family-owned businesses were less likely to undertake management training in the previous 12 months** compared to their non-family-owned counterparts (Figure 22). In fact, 35% of family-owned firms in NI undertook no management training compared to 22% of other firms. **Only one quarter of family-owned businesses undertook specific M&L training which was much lower than the 38% of non-family owned firms.** An equal share of both, two fifths, did undertake other forms of management training.
9. The shares in NI were broadly comparable to those in England. Scotland also followed a similar pattern, with Wales the only nation in which there was little difference in the shares undertaking M&L training between family-owned (22%) and non-family-owned businesses (26%).

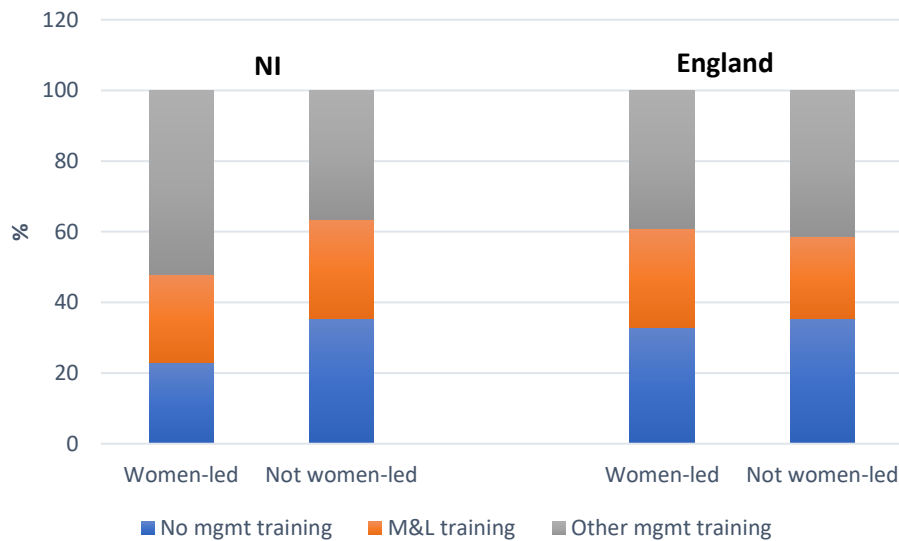
Figure 22: Uptake of management training by family business ownership during previous 12 months (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

10. Women-led firms are defined as those whereby 50%+ of the owners (partners or directors) are women. **In NI women-led firms did more management training in general** (Figure 23). Just under one quarter of women-led firms did no management training in the previous 12 months compared to 35% of firms under other ownership. **The shares undertaking M&L training were broadly similar at 25% of women-led firms and 28% for non-women led firms.** But just over half of women-led firms did other forms of management training compared to only 37% of those under other ownership.
11. In England there were fewer differences by ownership category. Around one third of each did no management training in the previous 12 months, around one quarter did M&L training, although this was slightly higher for women-led firms at 28% compared to 23% for others. Two fifths of each undertook other forms of management training. The results for Wales and Scotland were similar to those found in England, the main differences being that M&L training in Scotland was equally undertaken by women-led (28%) and non-women-led (29%) businesses while in Wales a higher share of women-led businesses (28%) than those under other ownership (21%) had undertaken M&L training.

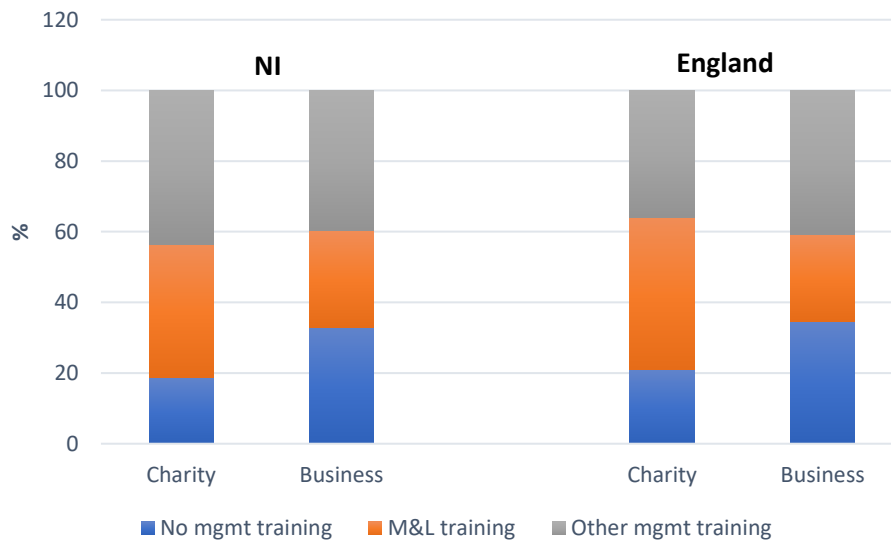
Figure 23: Uptake of management training during previous 12 months by gender of ownership (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

12. Ethnic ownership of firms was also covered by the survey but the question on ethnicity of the owner was only asked of those businesses with a single owner or director. As a result, the number of responses on training by ethnicity was too small to be disclosed for NI. In England, where the sample was most robust, the results showed that although around three fifths of businesses of any ownership undertook some form of management training, a higher share of those of non-white ethnicity (36%) undertook M&L training compared to those from a white ethnic background (21%). Consequently, a higher share of white business owners undertook other management training (41%) than their non-white counterparts (28%).
13. **In NI a higher share of registered charities than other businesses undertook management training** (Figure 24). This was the case for both M&L training and other management training, with just 19% of charities undertaking no management training at all in the previous 12 months compared to 33% of other businesses. **Almost two fifths of charities undertook M&L training compared to 27% of other businesses** while 44% undertook other management training compared to 40% of businesses.

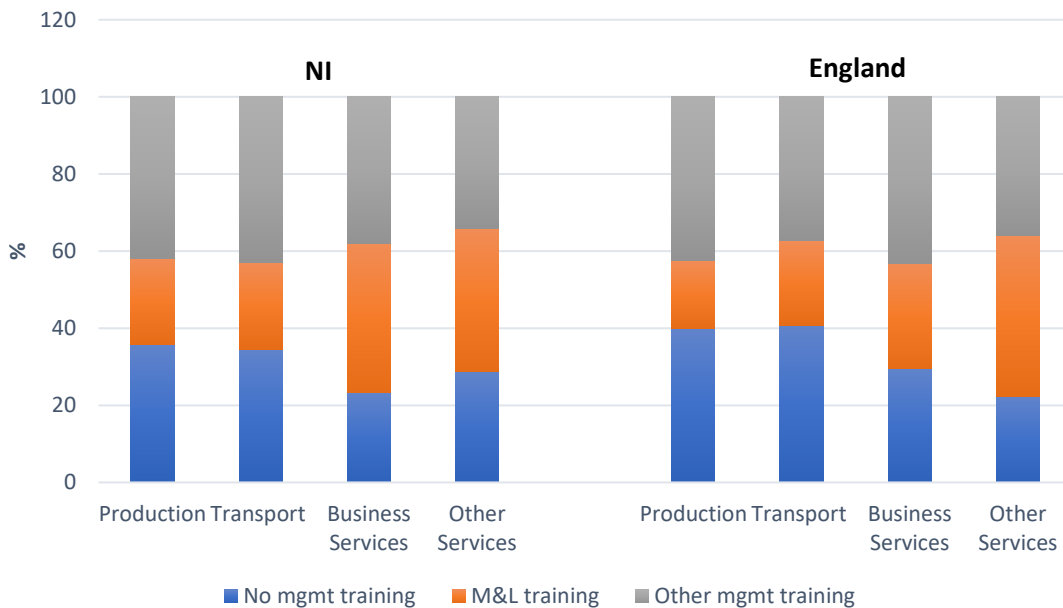
Figure 24: Uptake of management training by business status during previous 12 months (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

14. There were notable differences in the uptake of management training by sector. Higher shares of Production and Transport firms undertook no management training in the previous 12 months compared to service sector firms (Figure 25). They also had a lower share, around one fifth of firms, undertaking M&L training compared to around double that for the service sectors. **Around 4 in 10 Business Service and Other Service sector firms undertook M&L training;** a similar share undertook other forms of management training.
15. The uptake of management training by sector in NI was broadly similar to that in England, the main exception being that a much higher share of NI Business Services firms (39%) undertook M&L training compared to their English counterparts (27%). NI was unique in this aspect, in England, Scotland and Wales there were higher shares undertaking M&L training in Other Services than in Business Services.

Figure 25: Uptake of management training by sector during previous 12 months (combined 2015-19)

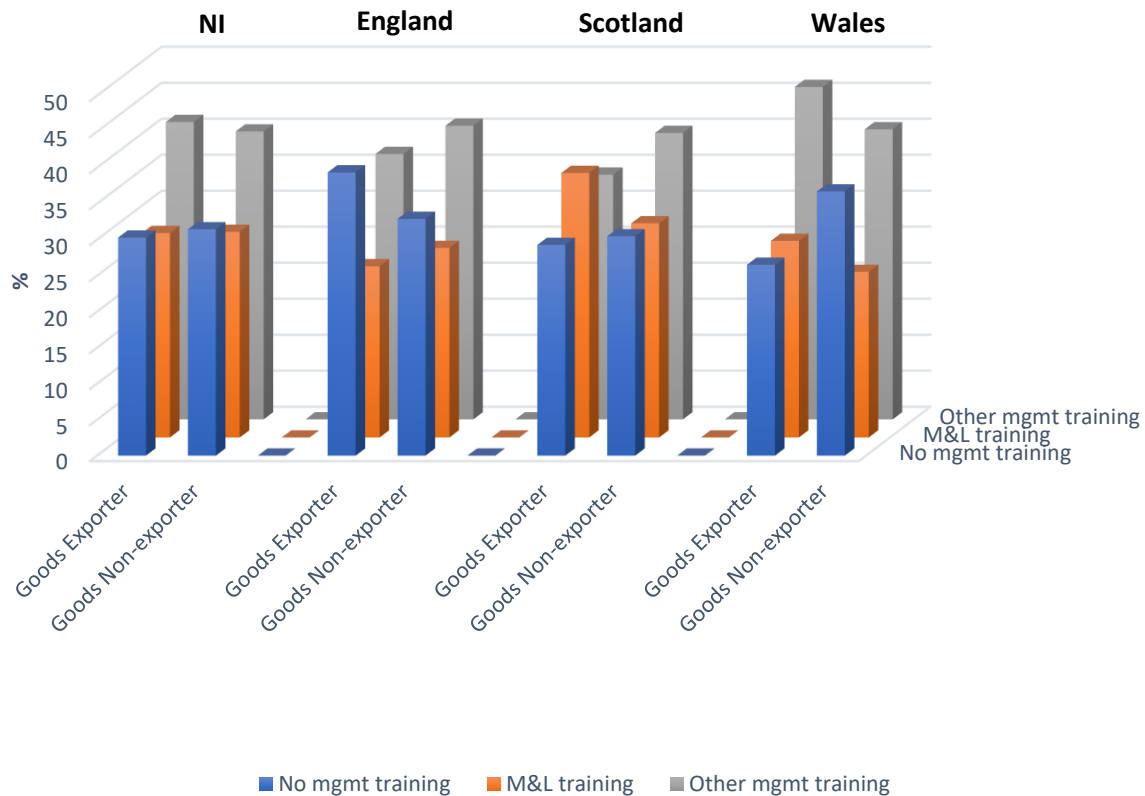


Source: ONS Longitudinal Small Business Survey

Engagement in Business Activities

16. To understand whether firms engaged in M&L training are also more inclined to engage in wider business activities, particularly those thought to be productivity-enhancing, cross-tabulation analysis is undertaken of management training against a range of strategic business activities.
17. In NI **there was virtually no difference in the training activities of goods exporters compared to those that don't export** (Figure 26). Around 30% of both undertook no management training in the previous 12 months; slightly less undertook M&L training and around two fifths undertook other forms of management training. Engagement with training amongst exporters varied across the other UK nations. In England a higher share of non-exporters than exporters were engaged in both M&L and other management training. In Scotland and Wales goods exporters engaged in more M&L training than non-exporters but the picture was mixed in terms of other management training. **Wales was the only nation whereby goods exporters undertook more management training than non-exporters for both M&L and wider management training.**

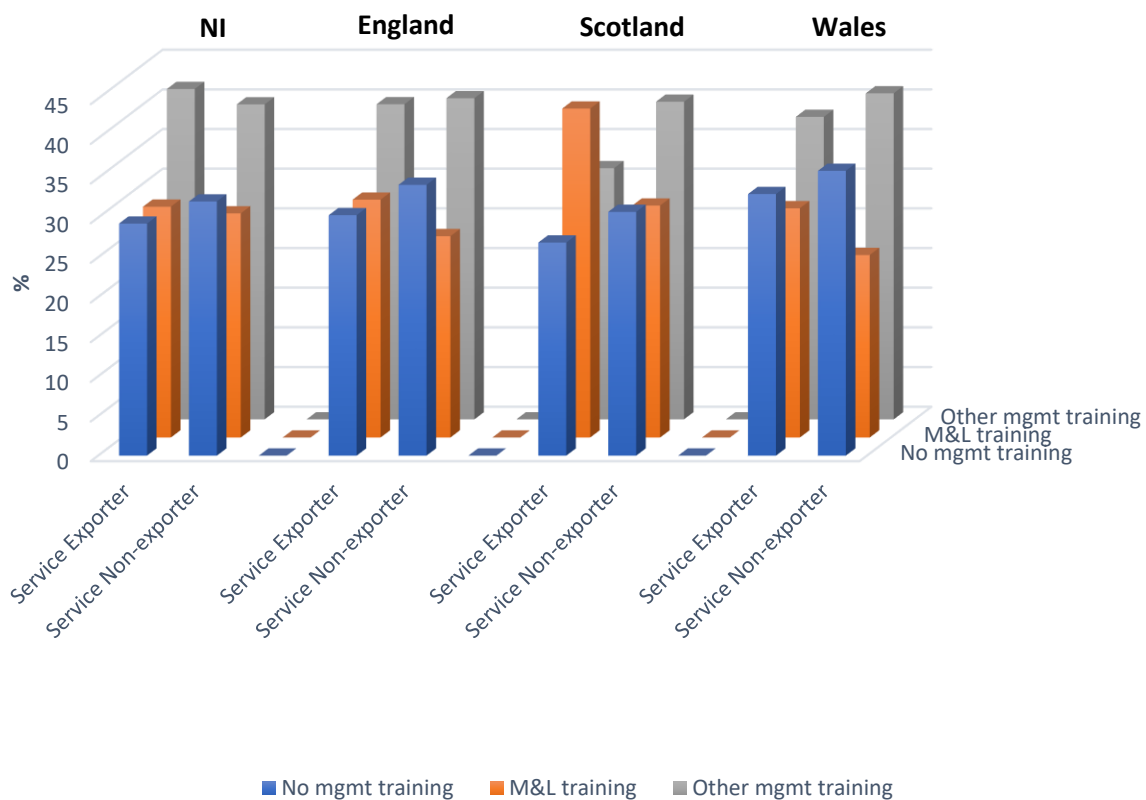
Figure 26: Uptake of management training during previous 12 months by goods exporter status (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

18. **As with goods exporters, there was little difference in the training activities of NI service exporters compared to non-exporters** (Figure 27). The share undertaking each training activity was also similar to those involved in exporting goods, with other forms of management training representing the most common type of training, undertaken by two fifths of service exporters and non-exporters. **Just under 30% of both engaged in M&L training** and a similar share undertook no management training.
19. NI was the only UK nation in which service exporters had similar levels of engagement with M&L training as non-exporters. **In the other UK nations service exporters had higher engagement with M&L training.** This was particularly the case for Scotland whereby 41% of service exporters undertook M&L training compared to 29% of non-exporters. In England and Wales, the gap between the two types of firm was narrower but engagement was higher for exporters.

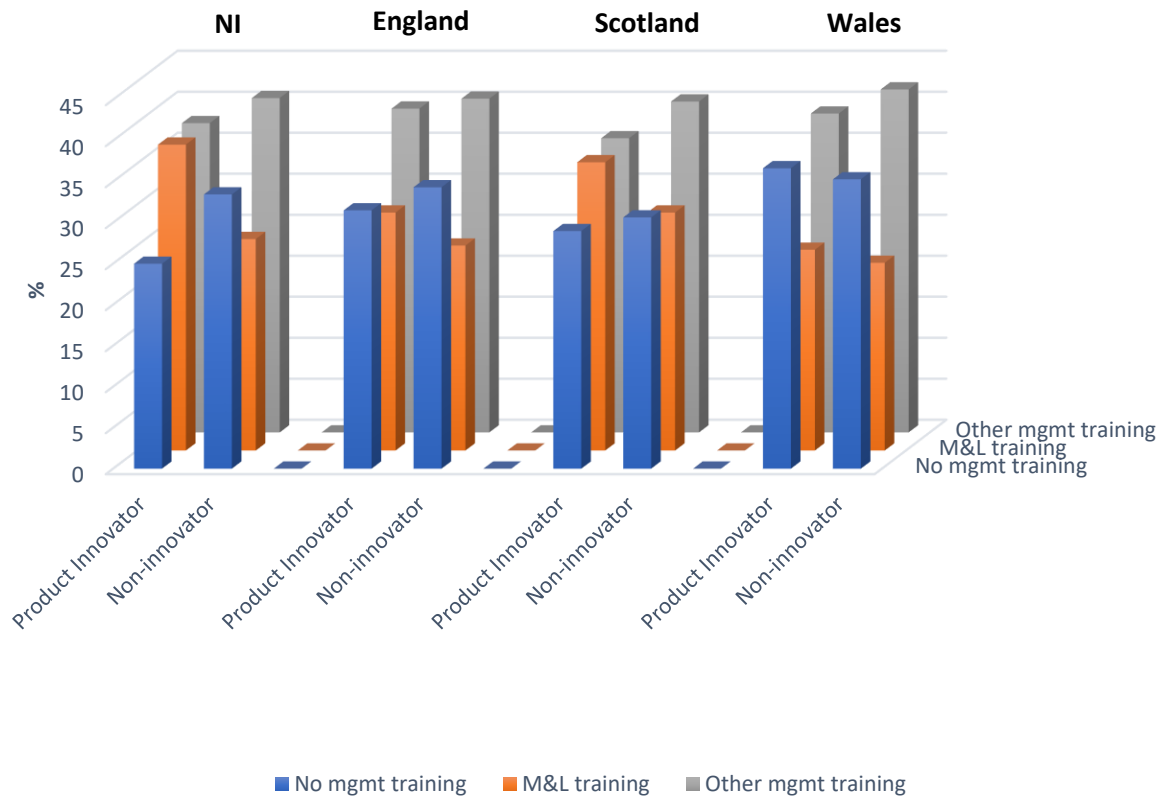
Figure 27: Uptake of management training during previous 12 months by service exporter status (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

20. **Across the UK, but in NI in particular, product innovators engaged in M&L training at a higher rate than non-innovators** (Figure 28). In NI 37% of product innovators engaged in M&L training in the previous 12 months compared to 26% of non-innovators. Scotland had a similar sized gap between the two while in England and Wales, although a higher share of innovators engaged in M&L training, the gap was narrower. In each nation, except Wales, a lower share of product innovators than non-innovators undertook no management training in the previous 12 months. This was particularly pronounced in NI, whereby one third of non-innovators undertook no management training compared to just one quarter of innovators.

Figure 28: Uptake of management training during previous 12 months by product innovator status (combined 2015-19)

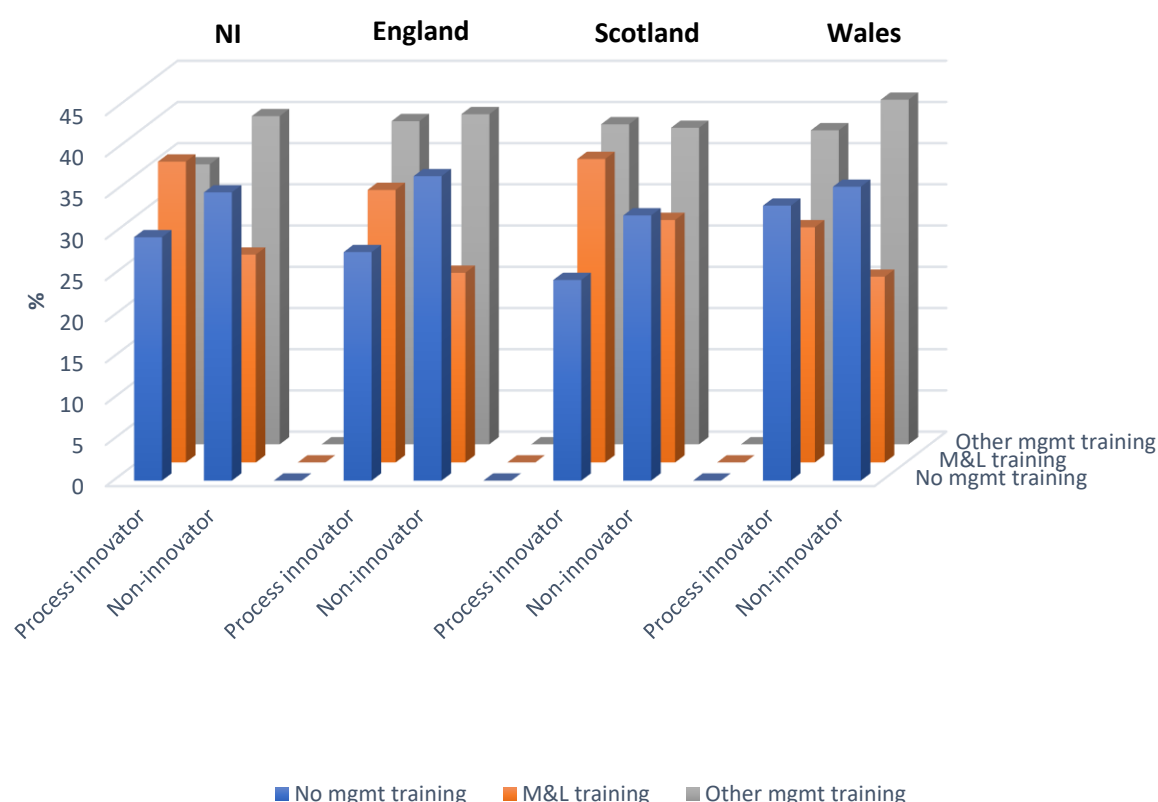


Source: ONS Longitudinal Small Business Survey

21. **Across the UK, process innovators also engaged in M&L training at a higher rate than non-innovators (Figure 29). In NI 37% of process innovators engaged in M&L training in the previous 12 months compared to 25% of non-innovators.** This was a similar gap to that between product innovators and non-innovators in NI. NI was the only nation in which the share of process innovators engaged in M&L training exceeded the share engaged in other management training. Of the other nations, England had the largest difference in take-up of M&L training between process innovators and non-innovators, with a 10-percentage point gap between the two.

22. In NI and England there was no difference in the take-up of M&L training according to the newness of the process innovation. Around one third of those with both new to the firm and new to the market process innovations engaged with M&L training. In Scotland and Wales M&L training was slightly higher for those with new to the firm process innovations than new to the market, although the sample size for the latter was relatively small in Wales.

Figure 29: Uptake of management training during previous 12 months by process innovator status (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

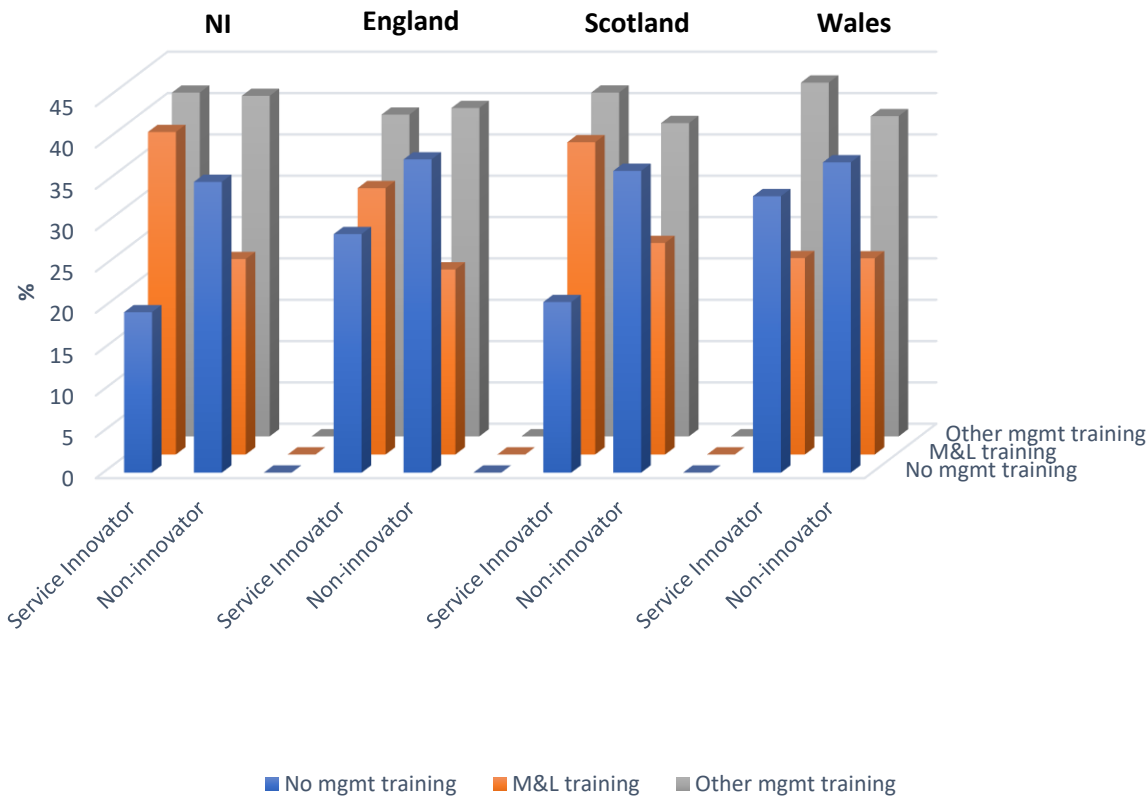
23. Amongst the innovator types, **service innovators in NI engaged in more management training than either product or process innovators**, with 81% undertaking some form of management training⁹² (Figure 30). Compared to non-innovators, this group also saw the largest difference in the share undertaking M&L training; **in NI 39% of service innovators engaged in M&L training in the previous 12 months compared to 24% of non-innovators**. The prevalence of

⁹² Note that the survey question on whether firms had introduced new service innovations in the previous 12 months was excluded from the 2018 survey so results here relate to 2015-17 and 2019 combined.

M&L training amongst service innovators compared to non-innovators was also seen in England and Scotland. Notably in Wales there was no difference between the two, with one quarter of both innovators and non-innovators engaged in M&L training.

24. When analysed by the newness of their good/service, **a higher share of those in NI with at least some new to the market innovations undertook M&L training compared to those with new to the firm innovations.** In fact, almost half (48%) of those with some new to the market innovations were engaged with M&L training compared to 35% of those with new to firm innovations. This was also the case for Scotland, and the percentage shares were also similar. In England around 30% of both types of innovators engaged in M&L training while in Wales the overall shares were lower, although those with new to the market innovation were slightly more engaged, at 26% compared to 22% of new to firm innovators.

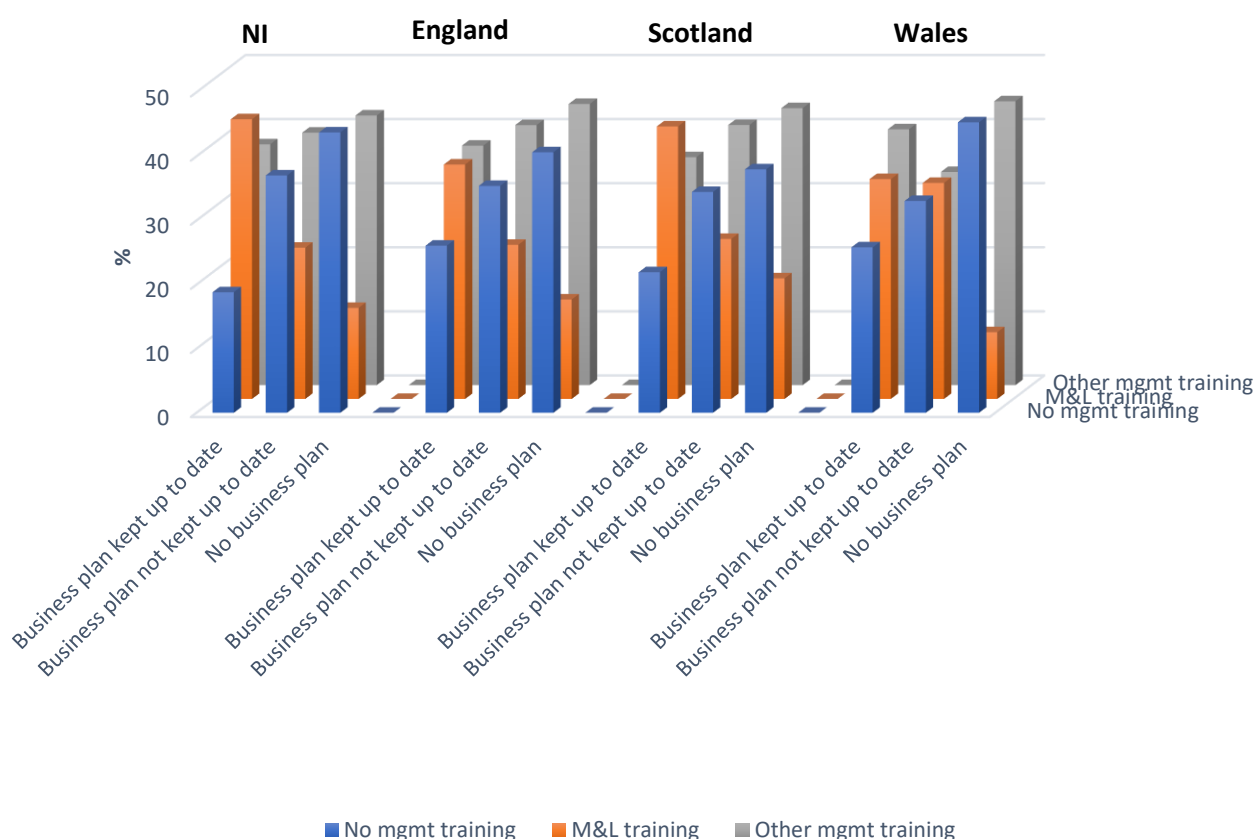
Figure 30: Uptake of management training during previous 12 months by service innovator status (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

25. **In NI M&L training is most strongly associated with those firms with an up-to-date business plan**, with 44% of such firms engaged in M&L training (Figure 31). The share then declines in a linear fashion with 24% of those with a business plan which is not kept up to date engaged in M&L training and the lowest engagement, at just 14%, found for those with no business plan. The reverse occurs for those not engaging in any management training, with 44% of those without a business plan undertaking no management training, falling to 19% of those with an up-to date business plan. These trends are similar in England and Scotland, while in Wales those with either an up-to-date or not up-to-date business plan are equally likely to have engaged in M&L training at 34% each.

Figure 31: Uptake of management training during previous 12 months by business plan status (combined 2015-19)

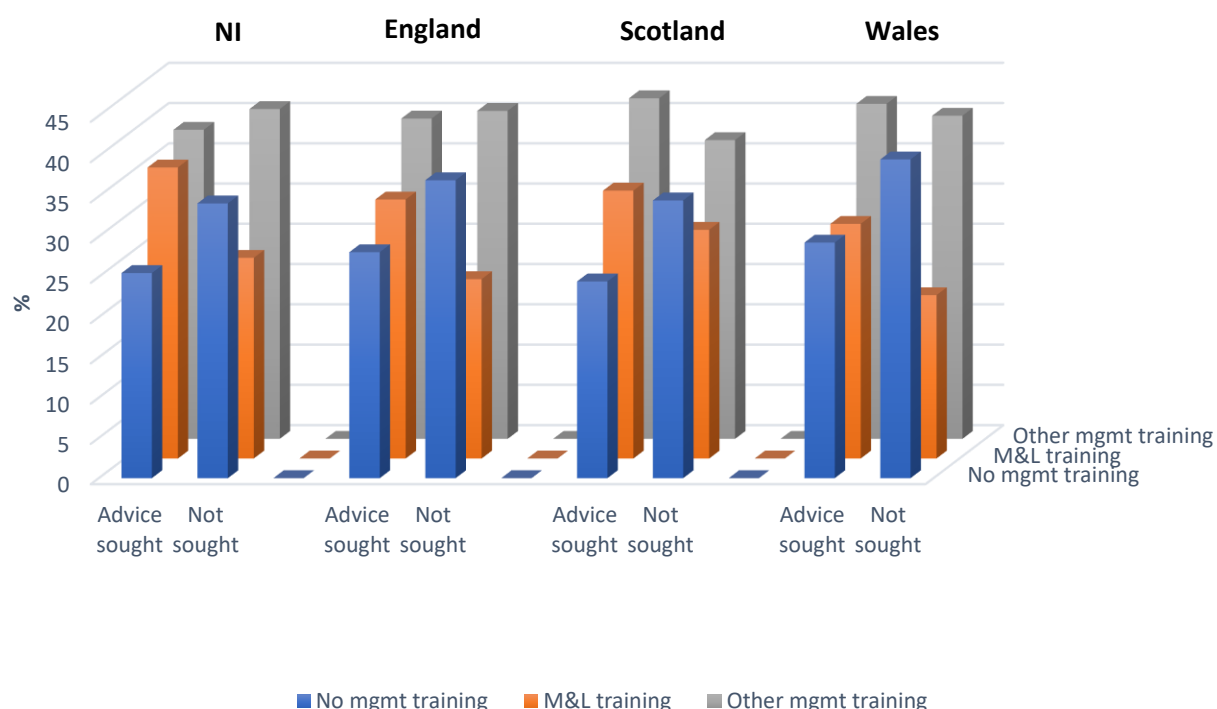


Source: ONS Longitudinal Small Business Survey

26. Firms were asked about the extent to which they sought external advice or information, which amounted to more than a casual conversation. Across all UK nations a higher share of those that had sought this type of formal advice had undertaken M&L training (Figure 32). In NI the gap

between the two was 11 percentage points, with **36% of those who sought business advice undertaking M&L training in the previous 12 months compared to 25% of those who hadn't sought business advice.** The shares undertaking other forms of management training were broadly similar across the two types of firms in all nations but higher shares of those who hadn't sought business advice undertook no management training at all in the previous 12 months. Around one third of those not seeking advice undertook no management training in all nations except Wales where the share was higher at 40%.

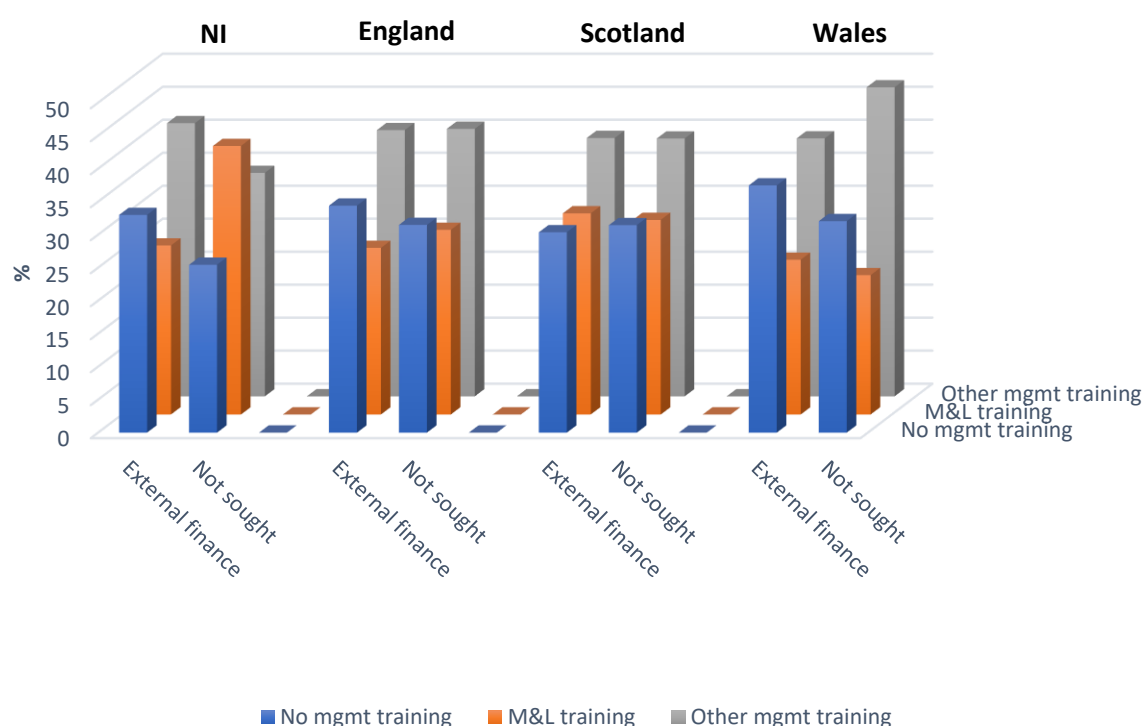
Figure 32: Uptake of management training during previous 12 months by whether sought external advice (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

27. Firms were asked whether they had tried to obtain external finance for their business in the past 12 months. **In NI and England M&L training was higher for those that had *not* tried to obtain external finance than those who had** (Figure 33). In NI 26% of those that had tried to obtain external finance undertook M&L training compared to 41% of those who hadn't sought finance. A higher share of those who had sought finance in NI and England also undertook no management training in the previous 12 months compared to those not seeking finance. Scotland was the only nation in which there were no differences in management training between the two groups of firms.

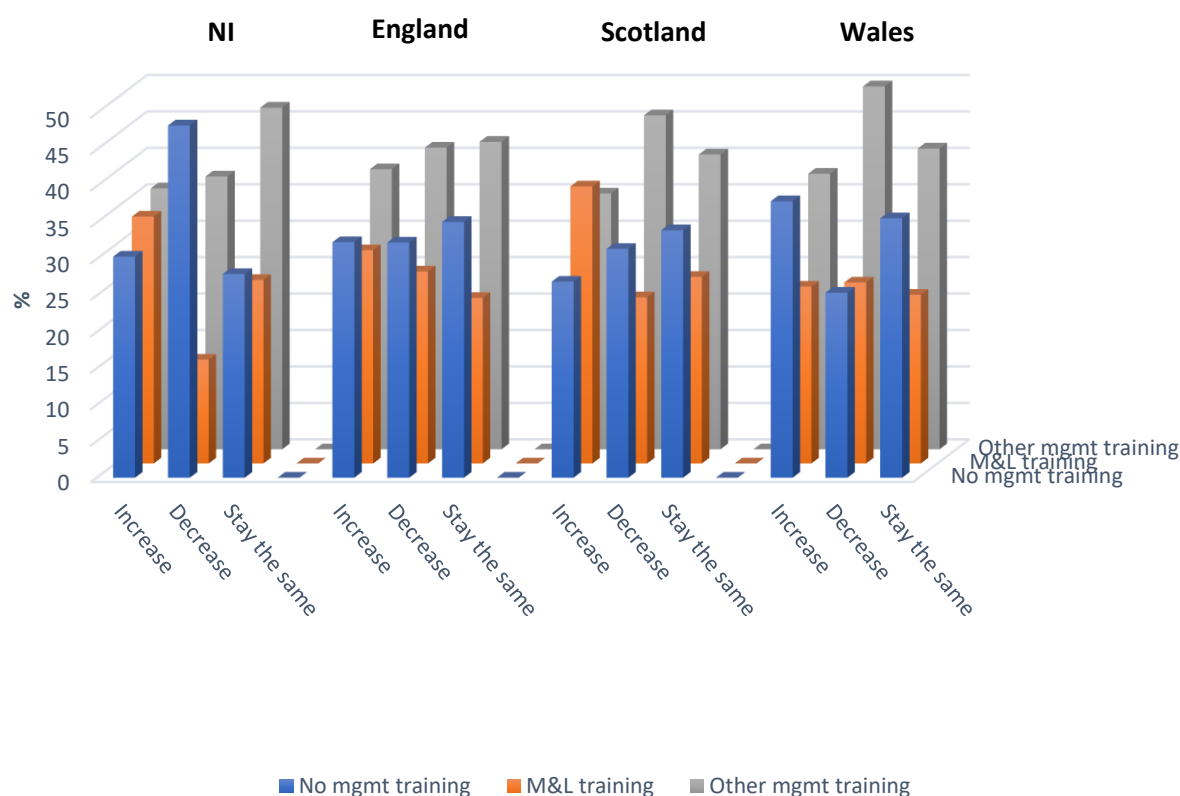
Figure 33: Uptake of management training during previous 12 months by whether sought external finance (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

28. Considering future growth expectations, firms were asked about turnover expectations for the next 12 months in terms of whether it would increase, decrease or stay the same. **In NI M&L training was highest for those who said their turnover would increase, with 34% of those firms engaged in M&L training** (Figure 34). This compares to 25% of those who indicated their turnover would stay the same and just 14% of those who said their turnover would decrease. Those in NI who expected turnover to decrease had the highest share that had not undertaken any management training in the previous 12 months.

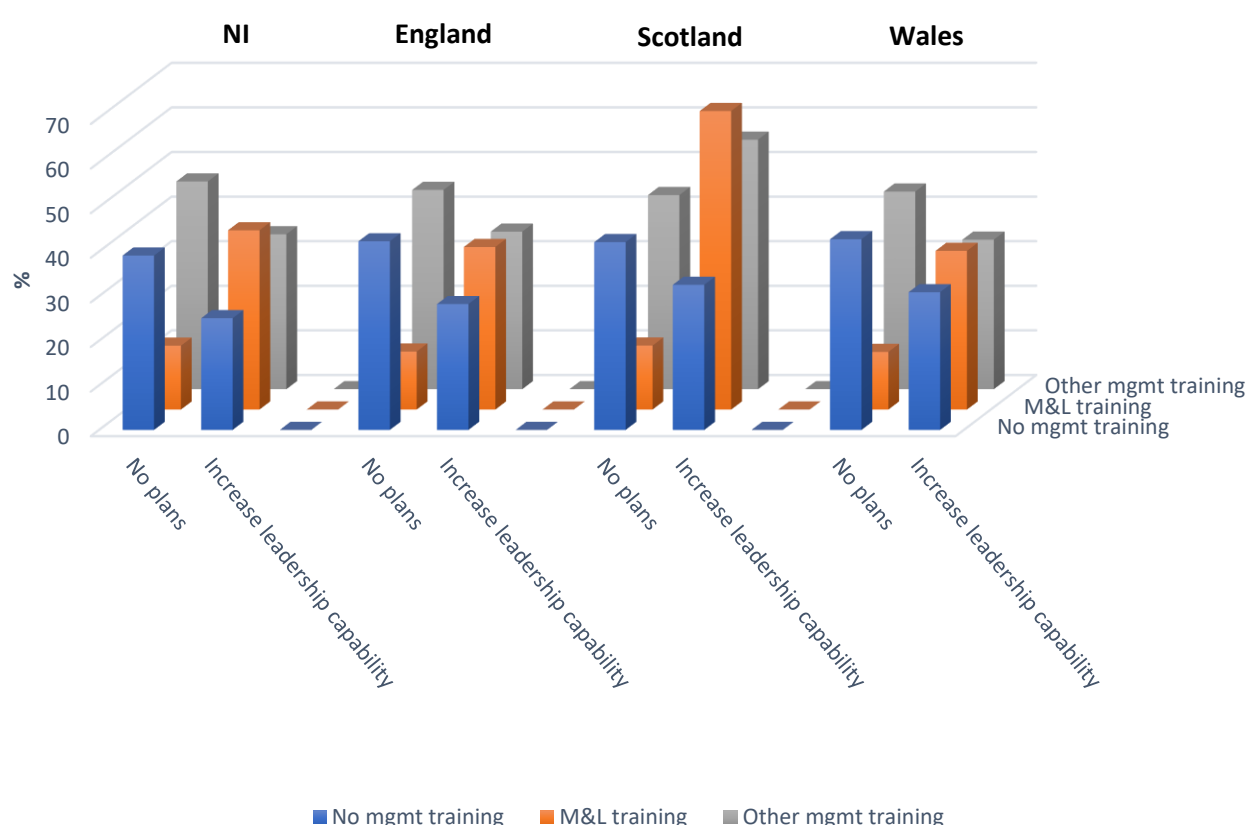
Figure 34: Uptake of management training during previous 12 months by turnover expectations for next 12 months (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

29. Firms were also asked about their plans for the development of leadership capabilities over the next 3 years. In all UK nations a higher share of those who planned to develop leadership capabilities had undertaken M&L training in the previous 12 months, than had undertaken other types of management training, or had undertaken no training (Figure 35). **In NI 40% of those planning further development of leadership capabilities had already undertaken M&L training.** Scotland had the highest share, with two thirds of those planning further leadership development already having engaged in M&L training in the previous 12 months. The results point to a relatively small cohort of firms that are engaged in continuous M&L development.

Figure 35: Uptake of management training during previous 12 months by future plans for leadership development (combined 2015-19)



Source: ONS Longitudinal Small Business Survey

6 Impact of Management and Leadership Training

1. In order to analyse whether certain business characteristics and strategic business activities are associated with a higher probability of undertaking M&L training, regression analysis was undertaken. We compute a binary variable to capture whether firms are engaged in specific M&L training or not (i.e., M&L=1 if specific M&L training is undertaken and M&L=0 if no specific M&L training is undertaken by the firm)⁹³. The M&L variable is the dependent variable. We use probit analysis as the regression technique due to the binary nature of the dependent variable⁹⁴.
2. In the regression analysis we include independent variables to capture the relationship between M&L training and the various types of strategic activities as discussed in chapter 5 above including goods and service exporting, product, service and process innovation, sourcing external finance and advice, whether they have a business plan and expectations of turnover growth. We also include characteristics of the firm such as size, age, whether charity or not, family-owned business, and woman-led business. Finally, we add sector, nation and year as control variables. To preserve the largest sample size possible, and hence aid robustness, the regression is run for the UK nations combined.
3. Figure 36 displays the results **showing only those variables that are statistically significant. Those in red have a lower probability of being engaged in M&L training, and those in green a higher probability**⁹⁵, than their base case. Regarding background characteristics, the results indicate that **micro firms are least likely to undertake such training**, with the probability of being engaged in M&L training 23 percentage points lower than other SMEs. **Similarly, family-owned firms are less likely to undertake M&L training than those under other ownership**, with the probability 4 percentage points lower⁹⁶. **Women-led businesses are more likely to engage in M&L training**, with the probability 2 percentage points higher than men-led or mixed-leadership businesses.
4. In terms of the wider strategic behaviours, **having a business plan is strongly associated with M&L training**. Firms with a business plan, whether updated or not, have a 16-percentage point higher probability

⁹³ The 0 category therefore includes both those firms that undertook no management training at all and also those who only undertook other forms of management training, such as health and safety etc.

⁹⁴ We use xtprobit to represent the cross-sectional and time-series nature of the dataset.

⁹⁵ Marginal effects are reported.

⁹⁶ Note that there is no statistically significant effect for businesses that are both micro and family-owned.

of undertaking M&L training than those without a plan. **Innovation is also strongly associated**, those engaged in process or service innovation having a 5-6 percentage point higher probability of undertaking M&L training than those that do not innovate⁹⁷. Notably, in the model, exporting goods is associated with a lower probability of undertaking M&L training although **those that plan to start exporting or increase export levels have a 3-percentage point higher probability of undertaking M&L training** than those that don't. The results may be expected when considered in the context of the descriptive results above, whereby good exporters were found to typically engage in other forms of management training rather than M&L training. It is conceivable that goods exporters may prioritise technical and health and safety training to meet standards as required by their export markets, than engage in M&L training. Exporters are also known to engage in 'learning-by-exporting' and therefore may develop M&L skills via that channel. Developing strong M&L skills may therefore be more of a requirement for those seeking to break into export markets, than for those who are existing exporters.

5. **Those that sought external advice have an 8-percentage point higher probability of undertaking M&L training** than those that do not. An expectation of **increased turnover is also associated with a 3-percentage point higher probability of engaging with M&L training**. Finally, of the sectoral controls, businesses in both **Business Services and the Other Service sector have a higher probability of engaging in M&L training than those in Production**.

⁹⁷ Note that the inclusion of the variable for service innovation results in a smaller sample size as this question was not asked on the 2018 survey. Dropping the service innovation variable in an alternative model results in similar outcomes, although with product innovation (+3pp), accessing external finance (+1pp) and businesses aged over 5(+2pp) also now statistically significant.

Figure 36: Regression results for business characteristics and activities associated with M&L training in the UK 2015-19



Source: UUEPC estimates based on ONS Longitudinal Small Business Survey

6. To understand the impact of M&L training on turnover growth, employment growth and productivity growth (measured as turnover per employee) we run a set of separate regressions where M&L training is now included as an independent variable⁹⁸. Here we analyse the impact of M&L training in the previous year (t-1) on employment growth between the previous and current year (t-1 and t). We repeat this analysis for both turnover and productivity growth. In all models, other independent background characteristic and strategic behaviour variables are also included, with the strategic behaviours lagged by one year. The inclusion of lagged variables reduces the sample size as firms must have taken part in two successive annual survey waves in order to be included. As a result, to preserve the largest sample size we again run the model for the fuller sample including the four UK nations, rather than just for NI.
7. The results for each model show a statistically significant impact from M&L training on growth. **Figure 37 indicates that M&L training increases employment growth in the following year by 10%. Turnover growth is increased by 11% and productivity growth by 4%,** although caution is urged with the specific point estimates due to the possibility of better performing firms engaging with M&L training⁹⁹. Figure 36 also identifies the other factors that are statistically significant and associated with higher growth, with a plus or minus sign indicating a statistically significant effect in either a positive or negative direction. It indicates that employment growth is higher for smaller

⁹⁸ We use xtreg to represent the cross-sectional and time-series nature of the dataset

⁹⁹ Note that these figures are likely to be an overestimate of the impacts as the self-selection of better performing firms in undertaking M&L training has not been explicitly controlled for within the model.

firms, those with higher productivity levels, and product innovators. In contrast, family-owned firms, goods exporters and service innovators all have lower employment growth. Innovation may result in labour-saving technologies and therefore could explain the negative result on employment growth, similarly goods exporting could be associated with economies of scale and hence also reduce employment growth.

8. With regards to the other impacts on turnover growth, smaller firms in terms of both employment and productivity levels, have higher turnover growth. Family-owned firms and charities have lower turnover growth. Of the strategic variables, those who sought external finance have higher turnover growth.
9. Finally, regarding the impact on productivity growth, larger firms, by employment size, have higher productivity growth, as do those with lower productivity levels. Charities have lower productivity growth than other business types while goods exporters and service innovators both have higher productivity growth.
10. Overall, while the specific percentage point estimates may be somewhat of an overestimate due to unobserved factors associated with better performance being correlated with the likelihood of engaging in M&L training, the results of the regressions do point to **positive and statistically significant benefits of undertaking M&L training**. These findings are in line with wider research which has also identified growth and productivity improvements as a result of such training^{100,101}.

Figure 37: Regression results for impact of M&L training on employment growth, turnover growth and productivity growth in the UK 2015-19

	M&L Training	Employment Level	Productivity Level	Family Owned	Charity	Goods Exporter	Product Innovator	Service Innovator	External Finance
Employment growth	10%	-	+	-		-	+	-	
Turnover growth	11%	-	-	-	-				+
Productivity growth	4%	+	-		-	+		+	

Source: UUEPC estimates based on ONS Longitudinal Small Business Survey

¹⁰⁰ IES (2016) The Relationship between UK Management and Leadership and productivity: Strategic Labour Market Intelligence Report.

¹⁰¹ Goldman Sachs (2018). Rethinking Productivity A 2018 Survey of 10,000 Small Businesses UK graduates. Available at: [10000-small-businesses/rethinking-productivity.html](https://www.goldmansachs.com/insights/documents/10000-small-businesses/rethinking-productivity.html)

7 Conclusion and Policy Considerations

1. **Managers in SMEs perform a number of number of activities to fulfil their strategic, operational and leadership roles.** They therefore require competence across a range of skills including project, financial and people management along with communication, emotional intelligence and problem-solving. High competence in such skills leads to multiple benefits including improved performance on a personal level, enhanced employee performance and satisfaction, and also in regard to the performance of the business. Indeed, **improved productivity, profitability, growth and survival have all been linked to strong management performance.**
2. In NI, however, **the skill levels of managers are below those of international comparators.** Furthermore, around 7% are considered not fully competent in their role. **Across all sectors, managers, directors and senior officials are identified as having the highest need for new skills amongst all occupations.** These include specialist technical skills associated with the role and also complex analytical and problem-solving skills. The requirement for leadership skills among managers is also high, with motivating, influencing, and handling others' feelings amongst the skills needing most improvement.
3. The gaps in manager skill levels combined with the recognised benefits of enhanced management skills would therefore suggest that the development of M&L skills should be a priority in terms of the strategic growth and development of a business. But the evidence shows that **specific M&L training is undertaken by a minority of SMEs in NI.** Indeed, of the 68% of SMEs that provide on- and/or off- the job training for managers, just two fifths specifically undertake M&L training, with even fewer, around 30%, undertaking financial management training.
4. Those **businesses that undertake wider strategic activities, such as innovation, seeking external advice and having a business plan are associated with a higher probability of M&L training,** which in turn has a positive impact on employment, turnover and productivity growth. But **micro-firms, which dominate the NI business population, are less likely to engage with M&L training, as are family-owned firms.**
5. The barriers to engagement with M&L training are seen to include resource issues in terms of firm size, financial means and time resources but there may also be a lack of awareness of benefits, lack of public funding and a poor culture of learning. For small and micro-firms these are particularly acute due to the resource constraints such businesses

typically face. The policy considerations therefore prioritise a focus on support for this group of firms.

Policy Considerations

- A. In line with the recommendations from the OCED Skills Strategy for NI, **a strategy to promote and strengthen the M&L capabilities of NI SMEs should be produced with specific targets to raise the number of businesses involved in accredited M&L training.** This should be focused on those business types least likely to be currently engaged in M&L training i.e., micro-firms and family-owned businesses. A targeted approach, with supporting measures to achieve higher engagement, will help to improve skills across the business base but also has the potential to formalise the managerial function within the smallest firms. Formally tracking managerial skill levels and practices via an annual survey would also allow for such progress to be monitored. This could be achieved, for example, via an enhanced version of the Management and Expectations Survey¹⁰²,
- B. **A greater understanding of the barriers to the uptake of M&L training amongst NI SMEs is required to ensure that training provision meets their needs**, whether that be in the form of online or offline provision and in terms of the costs and time that businesses are willing and able to commit. The provision of more training courses, or the expansion of existing ones, will be inefficient if the demand for such training remains low due to hidden or unknown barriers, or indeed if the significance of known barriers is underestimated. Take-up of the Help-to-Grow programme, a subsidised scheme which is currently being rolled out across the UK to help boost SME productivity through M&L training, has been slower than anticipated¹⁰³. Banks are currently being enlisted to help promote the programme amongst their clients but a wider understanding of such lack of engagement is required for any such similar schemes.
- C. Linked to the above, it has been shown that training, particularly off-the-job, is often scaled back when businesses are financially constrained. Given the increase in business input costs in recent months, particularly in terms of energy, there may be **an increased need to provide subsidised training places for managers, particularly amongst the smallest firms who are likely to be more resource constrained than normal.** This may be difficult given wider public finance constraints but a wider evaluation of the impact of

¹⁰² This is an annual survey of registered businesses with 10+ employees in Great Britain collecting information on management practices and business expectations.

¹⁰³ <https://www.ft.com/content/2b4ad381-c660-4769-8160-d93fc30bf4f6>

existing M&L training schemes in terms of broader performance and economic benefit may help prioritise M&L training amongst other forms of business support.

- D. **Awareness of the benefits of training, and the resulting positive impact of increased M&L skills, should be communicated broadly to help increase the motivation to participate in such training.** This could be undertaken in conjunction with a lifelong learning strategy. For leaders and managers this would highlight the importance and benefits of continuous learning. A centralised resource containing all the information on available programmes would also support the dissemination of this information, and may help to improve uptake.
- E. Other key players in the regional ecosystem could also be utilised more effectively to help either deliver training or to coach/mentor managers in smaller firms. It has been shown that larger firms are more likely to undertake M&L training, while the skill levels of managers in FDI/multinational firms, is known to be higher than that of domestic businesses. **A mentoring scheme, pairing an FDI/multinational with an SME within its sector or supply chain would offer a practical approach to the development of managerial skills within SMEs,** and provide an additional return to the economy from the public FDI investment.

Future Work

6. This project sought to provide a baseline analysis of the skill needs and training activities of SME managers in NI. The next phase of the project seeks to address recommendation B above, undertaking a bespoke survey amongst SMEs including both those who have, and have not, engaged in M&L training. A more detailed understanding of the types of training, its effectiveness and impact will be gleaned from those who have undertaken M&L training. For those who haven't, the aim of the survey will be to understand the barriers to training and potential incentives which would make them more likely to engage. Together, these should help to better inform policy about what works effectively and how more SMEs can be encouraged to engage with M&L training, both of which will have wider benefits for the economy.

About UUEPC

UUEPC is an independent research centre focused on producing evidence-based research to inform policy development and implementation. It engages with all organisations that have an interest in enhancing the Northern Ireland economy. The UUEPC's work is relevant to Government, business and the wider public with the aim of engaging those who may previously have been disengaged from economic debate.

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