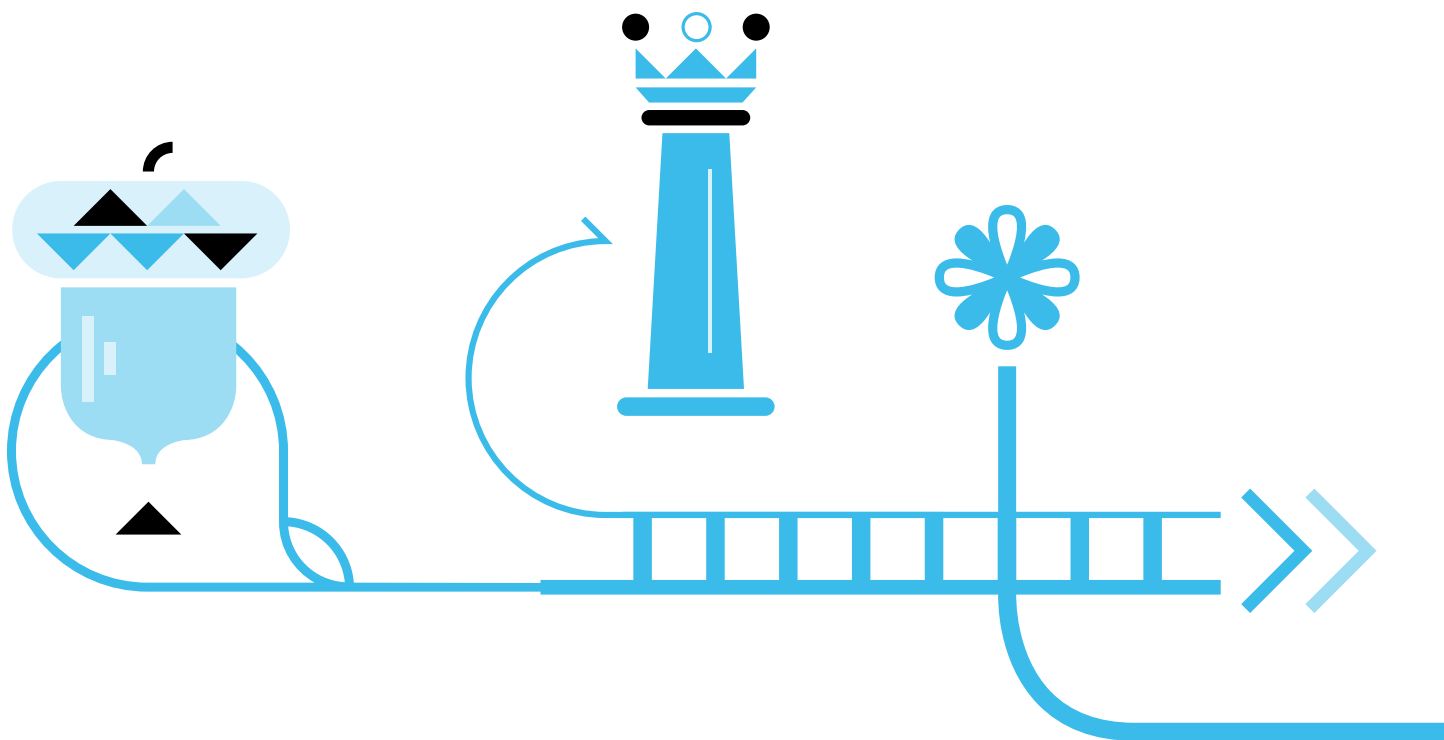


# The leadership and management talent pipeline

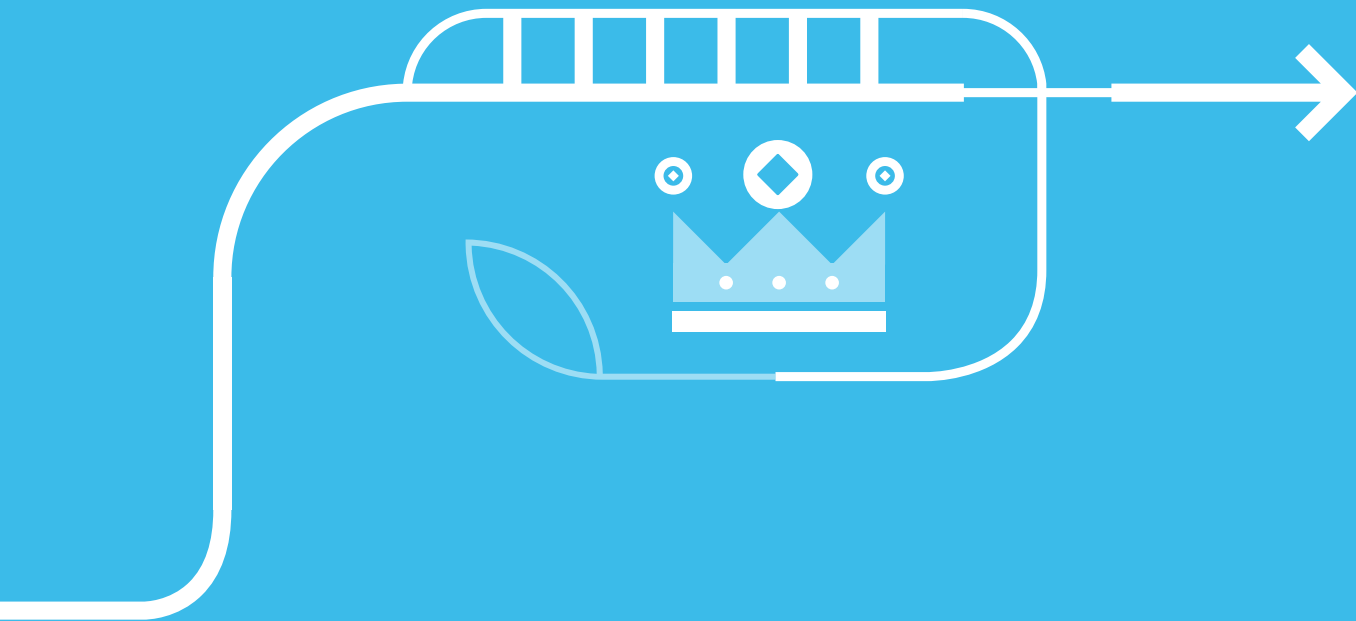


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## Introduction

The world we live in today is very different to the world we inhabited just a few decades ago. A rapidly changing workforce, globalisation, the rise of the knowledge economy and technological advances, together with the global economic downturn, pose a whole new set of challenges for 21st century leaders and managers.

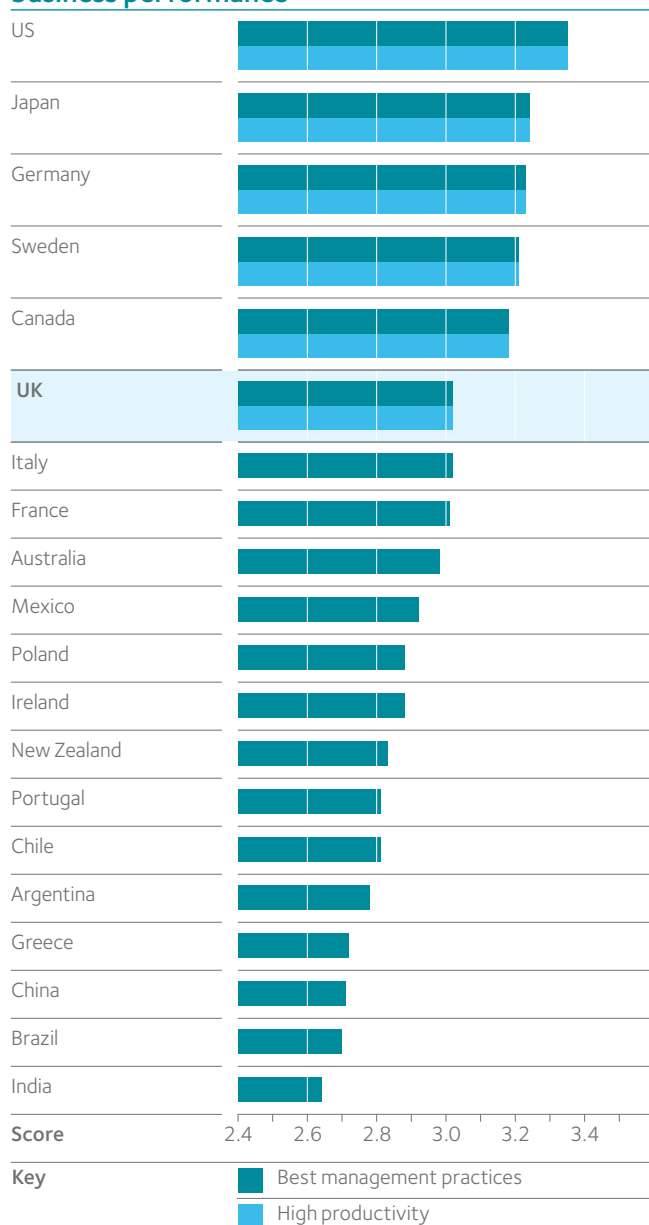
Management practices and development models need to keep up with the pace of change, or we risk having a working population that is ill-equipped to meet the leadership challenges ahead.

According to a report from the UK Commission for Employment and Skills (UKCES)<sup>1</sup>, UK employers will need to have identified, recruited and developed an additional 2.2 million new managers between 2007 and 2017. They predict that over 1.3 million managers are needed to replace those retiring from the workplace, while more than 0.8 million will be required to manage the increasing number of people being employed nationally. This presents both a challenge and an opportunity for UK business.

Our research shows there is an urgent need to improve skills and training to ensure a strong supply of new leadership and managerial talent. The Department for Business, Innovation & Skills (BIS) has highlighted the relatively weak performance of UK management as a critical issue that impacts directly on our national competitiveness, and argues that addressing this weakness will be vital in delivering a sustainable economic recovery.

There is a clear and compelling link between best practice leadership and management and overall business performance. As figure 1 illustrates, the top six countries in the world for modern management practices are identical in order to those listed for high productivity<sup>2</sup>. If UK plc is to compete successfully and deliver the economic growth required to create a healthy and prosperous society, it needs to improve the supply of world-class leaders and managers.

**Figure 1: Relationship between best practice in leadership and management and international business performance**



1 Skills for Jobs: Today and Tomorrow (UKCES: 2010)

2 Nicholas Bloom, Renata Lemos, Mingxuan Qi, Raffaella Sadun & John Van Reenen (Centre for Economic Performance, LSE), Constraints on Developing UK Management Practices, BIS Research Paper 58: 2011

## Executive summary

To compete successfully on the global stage, UK plc needs a steady stream of management talent capable of delivering strong economic growth. Creating these leaders and managers should be the top priority for UK business and requires a fully functioning management talent pipeline.

### Introduction

In March 2012, ILM set out to understand the state of the UK's management talent pipeline and where it could be improved. We commissioned independent research with 750 UK organisations across the public and private sectors to identify the challenges they face in recruiting and developing skilled leaders and managers.

By 'talent pipeline', we mean a joined-up approach to leadership development that enables a flow of skilled and capable individuals through an organisation. A 'talent plan', meanwhile, is the means by which a talent pipeline is implemented, and involves defining, tracking and developing the leadership and management skills and knowledge required to ensure the future needs of a business are met.

### Key findings

#### Pipeline deficiencies

Most organisations lack a functional talent pipeline, with many having no talent plan at all. In their current state, talent pipelines are failing to enable the development and flow of management skills throughout an organisation, and management capability and succession planning are a major worry for UK employers. 93% of respondents expressed concern that low levels of management skills are having a direct impact on their business achieving its goals.

#### Reliance on external recruitment

UK organisations are heavily reliant on external recruitment for management vacancies, especially at senior levels. This is driven in large part by shortcomings in internal leadership and management development. Only 55% of managerial vacancies are filled internally, with the proportion of these appointments decreasing the higher up you look, going from 61% at front-line management level down to 58% for middle management and to just 50% for senior management. At upper management levels in particular, employers are struggling to find suitable internal candidates.

At the same time, almost half (47%) of employers cite the lack of internal staff capability as the single biggest barrier to ensuring an effective pipeline of leaders and managers. And without the necessary skills and capabilities available internally, the cycle of external recruitment can impact upon UK businesses seeking to build their future operations.

#### Recruiting the wrong skills?

Beyond a core set of skills, the criteria for recruitment vary hugely between junior and senior management levels. Often, first line managers are recruited on the basis of technical skill and knowledge, but while these skills are deemed useful for junior managers, they become less important in senior management, when strategic and financial skills become crucial. Employers recruiting in this way are likely to end up with teams led by 'expert novices' – technical experts with low awareness and poor leadership and management skills, who struggle to satisfy the immediate requirements of first line management and are ill-equipped to progress into senior positions.

In fact, our research found that first line managers receive very little training. Only 18% of employers expect candidates to have received management training prior to being appointed to a management position. This means the vast majority of first line managers are expected to learn on the job with no support, creating a 'sink or swim' scenario.

A shortage of 'softer' leadership and management skills also presents a particular challenge to UK employers. Organisations consistently struggle to find managers at every level who are emotionally intelligent, inspirational and creative – attributes which are considered critical for 21st century management as businesses adapt to diversity, complexity and change.

### **Poor talent planning**

Despite these deficits and deficiencies, only 57% of employers have a plan in place to ensure they have a pool of leaders and managers that are suitably skilled to fill future vacancies.

Most of those organisations that do have a talent plan also have a graduate recruitment programme; and a graduate recruitment programme means a higher proportion of managers being recruited internally at every management level. Therefore, a joined-up approach to graduate recruitment is a reliable indicator that an organisation is focused on talent, and adheres to good practice when it comes to leadership and management development.

### **Recommendations**

Regardless of an organisation's size and sector, a talent plan is critical to helping employers match skills development with internal needs. They enable the introduction of skills and knowledge before people take up the responsibility for supervising others, and is the first step to implementing a functioning talent pipeline.

Developing the core skills of communication, people management, organisation and planning will prepare employees for management and assist them in their day-to-day work. For senior leaders, financial acumen and strategic thinking suddenly become more important. Smart organisations will develop these skills in their managers as they progress, negating the over-reliance on external recruitment at senior levels. They should also look beyond their immediate needs and select people for management roles who have the potential to develop in the longer term.

## Key research findings

Our research shows there is real cause for concern at the current state of the UK's leadership talent pool and management development pipeline.

### Stagnating pools and leaky pipelines

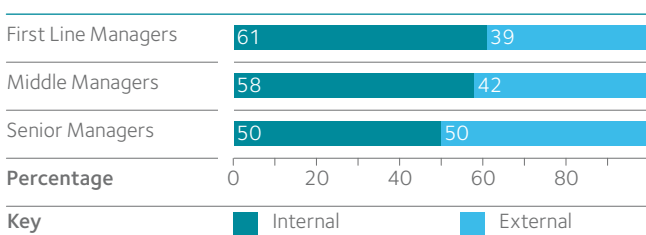
We found that most organisations lack a functional talent pipeline, with many having no talent plan at all, and that management capability and succession planning are a major worry for UK employers. An overwhelming 93% of respondents expressed concern that low levels of management skills are having a direct impact on their business achieving its goals.

When we dig deeper, we see this deficit is the result of a lack of talent strategy and badly constructed and maintained talent pipelines, which are currently failing to enable the development and flow of management and leadership skills throughout an organisation.

### Lack of internal talent

Our research reveals that overall only 55% of managerial vacancies are filled internally. Furthermore, the proportion of these appointments decreases the higher up you look in terms of recruitment needs, going from 61% at first line management level, down to 58% for middle management, to 50% for senior management. This trend suggests that, at upper management levels, organisations are struggling to identify suitable internal candidates with the right mix of skills and attributes, causing them to look externally to meet their own workforce requirements.

Figure 2: Source of recruitment by manager level



Overall, just 55% of managers are recruited internally, with just half of senior managers coming from within the organisation

When a pipeline is working well, leadership skills filter up through a business via training and investment from first line management onwards. This process should give employers confidence in the talent coming through the ranks and enable them to make the majority of managerial appointments internally. However, the 2011 UKCES Employer Skills Survey identifies management as a particularly hard-to-fill occupation, with 19% of all vacancies attributed to skills shortages.

The fact that half of all senior managers and two out of five front-line managers are recruited externally highlights that the talent pipeline is not working as well as it should. Indeed, our research underscores the shortage of high-calibre internal candidates across most UK organisations. The scale of organisations' reliance on external recruitment is a concern given the increased cost<sup>3</sup>, risk and upheaval that this entails.

### Crucial qualities and skills gaps

Our research identifies a core set of essential management skills which employers consistently rank as the most important at every management level.

These are:

- ▶ Communication
- ▶ People management
- ▶ Planning and organisation

Whatever the level of management, these skills are seen to be critical to a manager's effectiveness and become increasingly important as they move up the management hierarchy.

3 A CIPD survey in 2007 put the average cost of recruitment at £7,750, while for middle and senior managers it is likely to be two or three times this figure.

# 93%

of respondents say low levels of management skills are impacting on their business

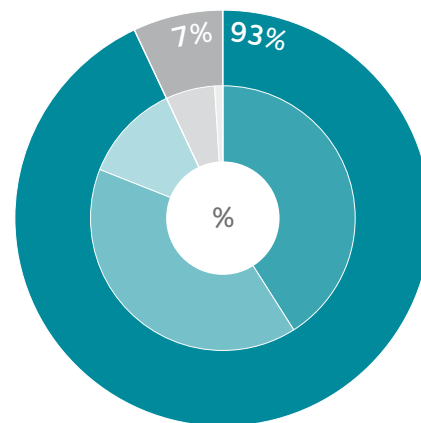
Beyond this core set, however, the skills criteria for recruitment vary hugely between junior and senior management levels. For example, strategic acumen is considered relatively unimportant at first line management<sup>4</sup> level (10th of 11) and middle management level (11th), but suddenly becomes the single most important skill for senior managers. Similarly, financial skills rise in importance from low importance at first line and middle management levels (11th and 10th respectively), to significantly more important, rising to 6th place for senior managers.

This significant shift in the need for strategic and financial acumen helps explain why such a high proportion of senior managers are recruited externally. With no focus on recruiting or developing these skills at more junior levels, employees are finding themselves insufficiently equipped to take on senior management roles. Conversely, the technical skills that are considered important at first line management level are almost redundant among senior managers – falling from 4th most important to 11th.

Organisations will therefore benefit from taking a longer-term view of leadership and management development. Short-term, quick-fix solutions (such as only recruiting or developing skills on an immediate-needs basis) lead to a managerial skills deficit over the long term, and so a broader, more strategic approach is required.

**Figure 3: Businesses feeling the impact of low levels of management skill**

To what extent would you say that problems with skill levels amongst your managers are holding back your business achieving its goals?



**Key**

Has an impact 93%	Has no impact 7%
A little 41%	No impact at all 6%
Has quite an impact 40%	Don't know/can't say 1%
Has a significant impact 12%	

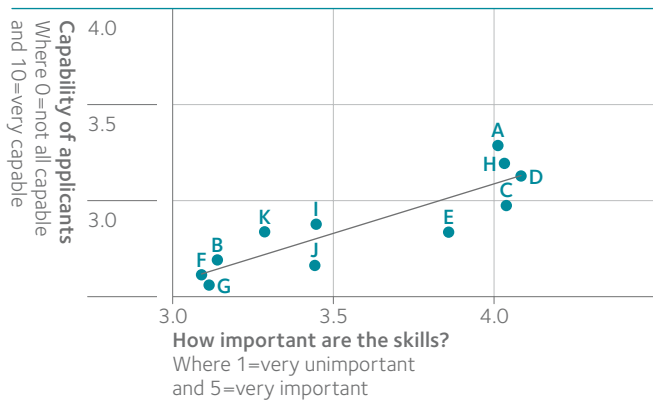
Poorly skilled managers are having a negative impact on 93% of UK businesses

<sup>4</sup> 'First line managers' refers to supervisors or team leaders with limited operational decision-making authority who directly supervise front-line staff.

**Figure 4: Management skills ranked by importance and current capability of applicants**

Key	
A	Technical or functional skills
B	Commercial & negotiating skills
C	People management & development skills
D	Communication/written & oral skills
E	Coaching & feedback skills
F	Financial skills
G	Strategic skills
H	Planning & work organisation skills
I	Project management skills
J	Change leadership skills
K	Networking skills

**First Line Managers**



First line managers are capable in the important areas of technical skills, communication, planning and, to a lesser extent, people management

**Technical specialists and expert novices**

**First line management**

As we would expect, first line managers are seen by employers as the least capable managerial level. However, we were surprised to see just how little training these managers are receiving. Only 18% of employers expect candidates to have received any management training prior to being appointed to a management position. This is a particularly worrying statistic, as it highlights that the vast majority of first line managers are expected to learn on the job with no support, creating a ‘sink or swim’ scenario.

Without training, the onus falls on new managers to promptly develop the required leadership and management skills and knowledge they need to be effective. In many cases this will be through trial and error, which can impede team performance and a manager’s own longer-term career prospects.

First line managers perform particularly well on technical/functional skills, which the survey identifies as the main factor determining their appointment. From an employer’s perspective, there is a high level of correlation between the importance of technical/functional skills and the capability of applicants. However, these technical skills become less and less important the further up the organisation an employee progresses, while the skills they are least likely to possess, such as strategic and financial skills, become more and more important.

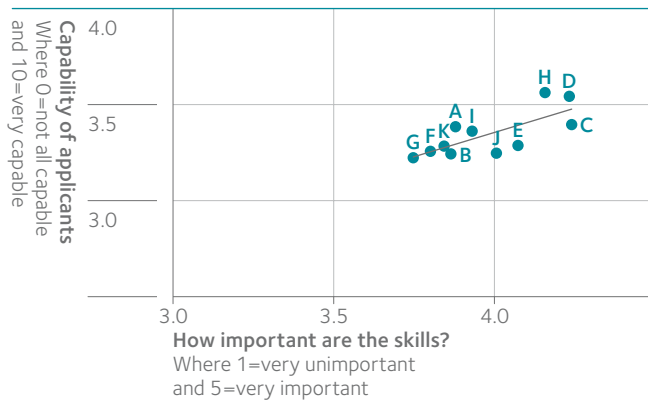
The worry here is that technical capability alone is not a good indicator of management capability or leadership potential, and first line managers recruited primarily for technical skills can often prove to be ill-prepared for the demands of more senior managerial roles.

This lack of training and skills development, and general lack of preparedness for more senior positions, has major implications. First line managers often have the greatest interface with customers and clients. They also represent the future of the organisation into which they are recruited.

Employers recruiting on the basis of technical ability alone run the risk of failing to ensure the sustainability of their business. Specifically, they are likely to end up with teams led by ‘expert novices’ – technical experts with low awareness and poor leadership and management skills, who struggle to satisfy the immediate requirements of first line management and are ill-equipped to progress into senior positions. In professions where technical knowledge is the single most important factor for promotion, such as law, medicine and engineering, this is often at the expense of the leadership and management capability needed to flourish at that level. This can mean people are routinely promoted without the required skills and characteristics to perform as a leader.



## Middle Managers



All skills become more important at middle management level, particularly people management and communication

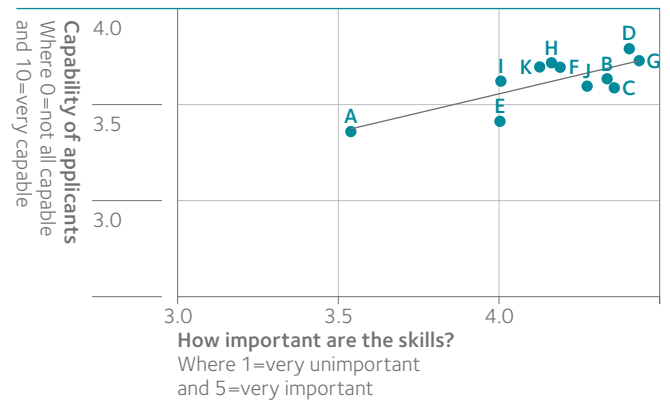
### Middle management

At middle management level, our research reveals a significant shift in the relative importance of different skill areas. While technical/functional skills recede in importance, planning and work organisation remain at the same level, but with improved capability. This is a crucial transitional level for staff as they progress within an organisation, with those skills required for senior management coming into sharper focus. Communication and people management remain important, while coaching becomes more important and middle management level applicants become more capable of fulfilling this need. Project management drives the shift up both scales, and middle managers are expected to have capability across all skills areas to a greater or lesser extent.

The research demonstrates how the talent pipeline acts as a filter, allowing more able first line managers to progress to middle management, from which the best candidates move up to senior management.

This pathway suggests that the gaps between importance and availability at first line level are never sufficiently addressed. When front-line managers progress to middle management, they are still only ever performing at the threshold level needed to carry out their role adequately.

## Senior Managers



For senior managers, strategic skills suddenly become more important, while technical skills fall back in both importance and the capability of applicants

### Senior management

For senior managers, those technical and functional skills once deemed crucial for first line management are no longer seen as important. Strategic, commercial and negotiating skills become critical, while the core skills of communication and people management remain constant.

Organisations that have a robust talent pipeline in place will look to begin identifying and developing these senior management skills in their future leadership talent. This forward planning will ensure the availability of capable staff – for example, it will ensure that middle managers are equipped to advance to more senior positions and are able to help drive the organisation forward from within. It will also help to tackle the over-reliance on external recruitment, as the requisite skills will be available internally.

# 47%

of employers cite lack of internal staff capability as the biggest barrier to an effective management pipeline

### Capability matters

Almost half (47%) of employers cite the lack of internal staff capability as the single biggest barrier to ensuring an effective pipeline of leaders and managers. Without the necessary skills and capabilities being developed internally, the cycle of external recruitment, with its additional costs and risks, can impact on the ability of UK businesses to build their future operations.

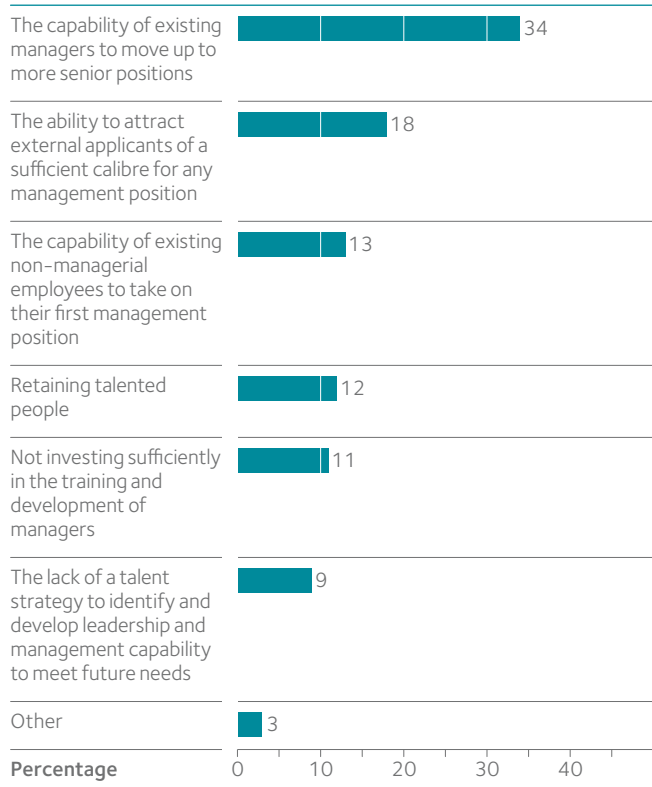
Our research also reveals that other barriers to a supply of effective managers include insufficient investment in the training and development of managers (11%) and lack of talent strategies to identify and develop leadership and management capability (9%). Without these core development components in place, employers will struggle to overturn the internal skills deficit.

### The soft skills gap

The research identified a shortage of 'softer' leadership and management skills as a particular challenge facing UK employers. We asked employers to rank the personal qualities that people bring to their leadership and management role by importance and availability at different management levels. The results show that organisations consistently struggle to find managers at every level who are emotionally intelligent, inspirational and creative.

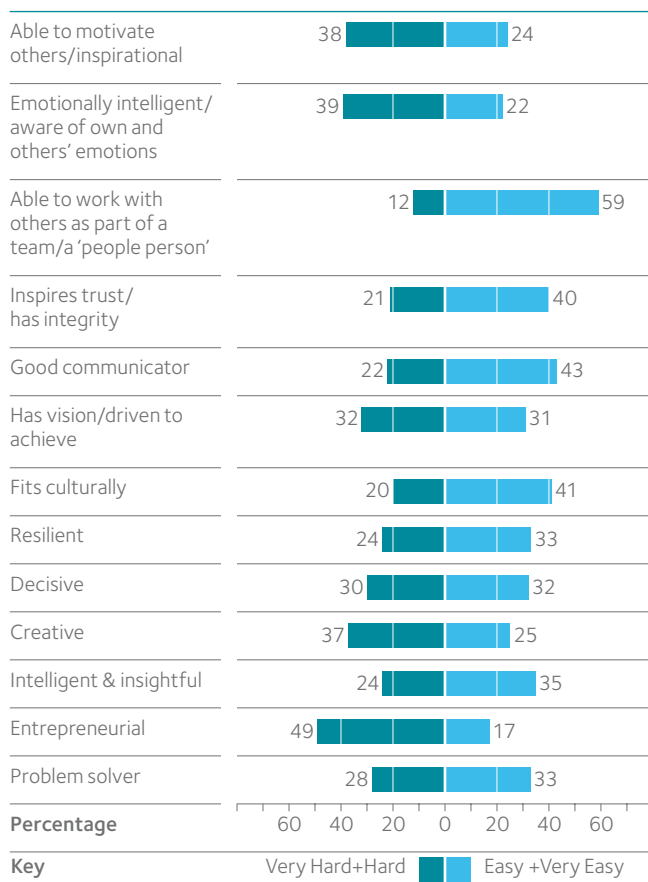
The shortfall in these areas is particularly pronounced at first line management level: 49% of respondents said it was hard to find first line managers who were entrepreneurial, and 39% said it was hard to find 'emotionally intelligent' managers at this same level.

**Figure 5: Challenges to ensuring an effective supply of managers at all levels of an organisation**



The biggest challenge facing organisations is the lack of existing managers capable of proceeding into more senior roles, highlighting a weakness in the talent pipeline

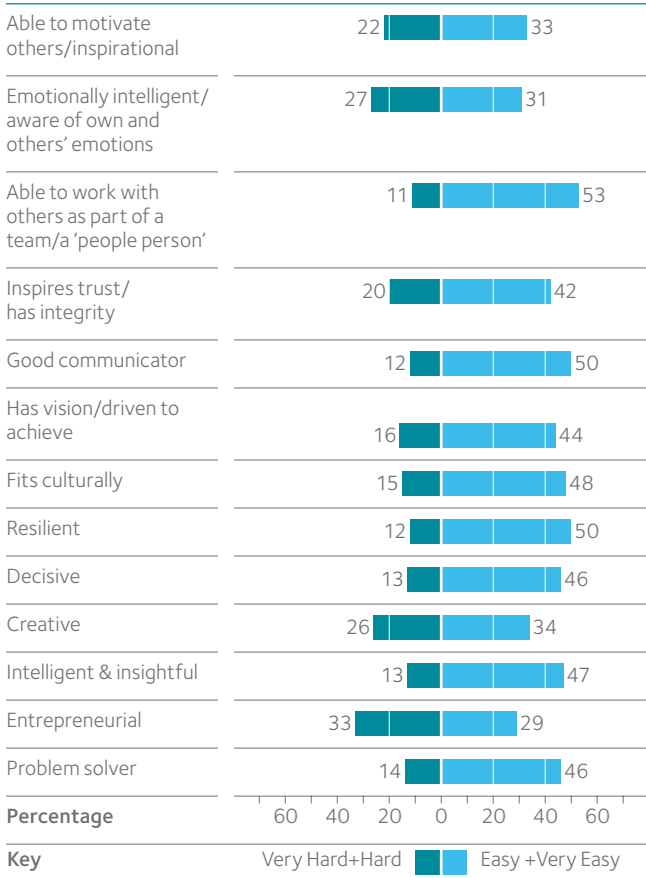
**Figure 6: Difficulty in finding the following personal qualities in management applicants First Line Managers**



Employers have clear difficulties recruiting managers with the right attributes at first line manager level, though applicants are deemed good at teamwork

**Figure 7: Difficulty in finding the following personal qualities in management applicants**

**Middle Managers**

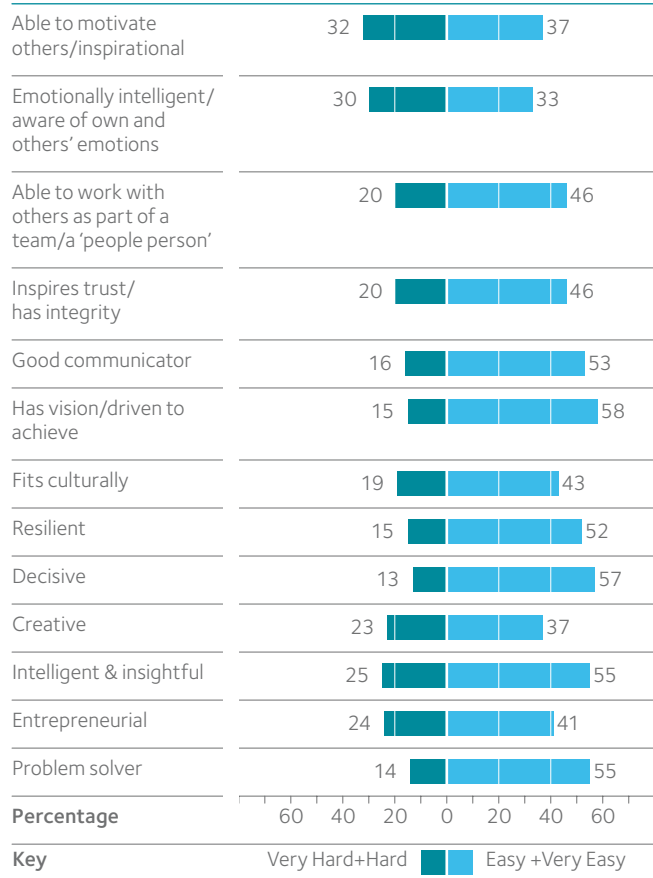


Applicants appear more capable at middle management level, though employers struggle to find recruits who are entrepreneurial, creative and inspirational

The qualities of emotional intelligence, creativity and the ability to inspire are key characteristics for 21st century management, and bridging this soft skills gap is crucial to developing a strong supply of capable leaders and improving our national competitiveness. As they seek to respond to the global recession, businesses need to display high levels of innovation and creativity. We need to deliver new and improved products and services and inspire and motivate staff. At the same time, businesses are in need of more 'emotionally intelligent' individuals – people who can handle diversity, complexity and change, and display a broad understanding of the global context in which businesses operate.

**Figure 8: Difficulty in finding the following personal qualities in management applicants**

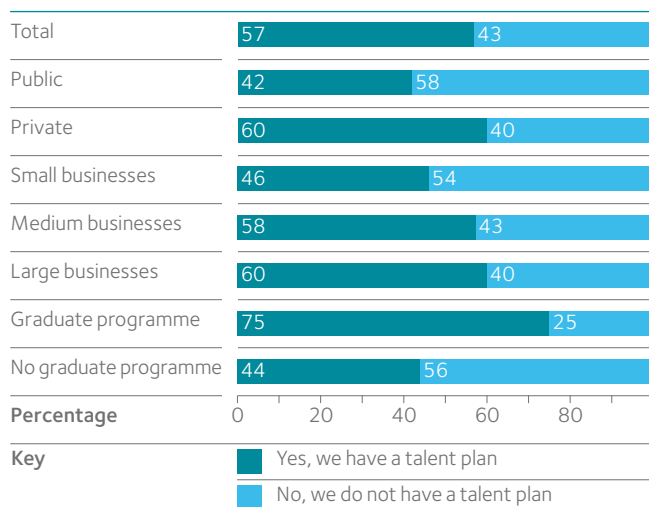
**Senior Managers**



Applicants to senior management posts are strategic, decisive and resilient, but lack emotional intelligence, creativity, the ability to inspire and entrepreneurialism

Elsewhere we see clear evidence of a correlation between the importance and the availability of skills – ie the most important skills are the most readily available to employers. This indicates that employers have an adequate, though not complete, supply of leadership and management talent. An adequate supply of talent, however, is not enough. On both an organisational and national level, we need to aim for excellence in our leadership and management development if we are to achieve a much-needed competitive edge.

**Figure 9: Organisations with a talent plan**



Organisations with a graduate programme are most likely to have a talent plan, followed by large and private sector businesses. Public sector organisations are least likely to have a talent plan in place

# 57%

of employers have a plan in place to ensure a pool of future leaders and managers

### Talent planning

An overwhelming 93% of respondents identified a lack of management skills as a key risk to their business. In spite of this, the research shows that only 57% of employers have a plan in place to ensure they have a pool of leaders and managers that are suitably skilled to fill future vacancies. The results also show that larger employers are more likely to have a talent plan, as are those in the private sector.

Our research reveals that one in six employers (and one in four large employers) lacks a coherent management development strategy. Smaller businesses are the least likely to have a coherent plan to train their managers, with one in four saying that they have no clear strategy or that it is managers' own responsibility to see to their own training and development.

Regardless of an organisation's size and sector, a talent plan is critical to helping employers match skills development with internal needs. Robust talent planning enables the smooth transfer of responsibilities and leadership roles to a succeeding generation of managers, and thereby helps to maintain a company's competitive advantage over the long term.

As one might expect, organisations with talent plans are more acutely aware of the limitations or potential stagnation of their management talent pool. This suggests that these organisations have developed plans in response to a known talent management issue, or that larger organisations benefit from more sophisticated HR functions with greater awareness of internal skills needs and gaps.

**Table 1: Proportion of managers recruited internally**

	Employers with graduate recruitment programme	Employers without graduate recruitment programme
First Line Managers	63.9%	59.1%
Middle Managers	60.2%	54.9%
Senior Managers	51.6%	48.4%
Overall	58.5%	54.1%

18%

of UK employers expect managers to have received any management training prior to appointment

### Training and graduate recruitment

Our research shows a strong correlation between talent planning and graduate recruitment. Overall, three-quarters of organisations with a talent plan also have a graduate programme. The research also found that organisations with a graduate recruitment programme recruit a higher proportion of managers internally at every management level, compared to those without. Those with a graduate recruitment programme also tend to adopt a more coherent strategy for internal management development. For example, 25% of employers with a graduate programme train managers before appointment compared to 18% that do not.

Therefore, a joined-up approach to graduate recruitment is a reliable indicator that an organisation is focused on talent, and adheres to good practice in leadership and management development.

We see from the research that small businesses, which are less likely to have talent management and graduate recruitment schemes, require a higher proportion of external recruitment to meet their leadership needs.

It is clear that the talent management pool is deepened and enriched by a systematic flow of graduates into an organisation, increasing the right blend of skills and characteristics. Organisations that manage this flow are less likely to need to look elsewhere, thereby reducing the costs of external recruitment. We calculate that, in total, UK organisations without graduate recruitment programmes spend an additional £40 million annually<sup>5</sup> on management recruitment, because they are forced to recruit externally more frequently.

Given that nearly half of all new entrants to the labour force are graduates, it is concerning that 42% of employers feel that graduates are not well prepared to progress into first line management positions. Indeed, our research shows that more than one in three employers believe universities could do more to prepare graduates for the workplace by developing the core skills and attributes required of new managers.

More concerning still is the fact that only 18% of employers expect someone to have received management training before appointing them to a management position. This suggests that four out of five companies regularly promote people to front-line management positions without any management training. Clearly, then, much remains to be done to promote awareness of the lasting value and cost efficiency of talent planning, development and succession management, and of ensuring a smooth flow of skills and capabilities through the talent pipeline.

<sup>5</sup> This figure is based on the CIPD's figure of an average cost of £7,750 per recruit, multiplied by the difference in the number of externally appointed managers between employers with and without graduate recruitment programmes, to meet the UKCES forecast.

# £40m

– the annual saving on management recruitment costs by UK employers with graduate training programmes

**Table 2: Approach to training people for management roles**

	Total	Public	Private	Small businesses	Medium businesses	Large businesses	Graduate programme	No graduate programme
<b>1</b> We expect people to have received training in preparation for a new management role before appointing them to a post	<b>18%</b>	8%	21%	12%	22%	18%	25%	13%
<b>2</b> We try to ensure that someone newly appointed to a managerial role has access to training and development very soon after	<b>43%</b>	51%	42%	41%	41%	46%	49%	40%
<b>3</b> We normally expect someone appointed to a managerial role to have access to training and development when its possible	<b>21%</b>	23%	20%	23%	22%	19%	16%	23%
<b>TOTAL Top three options</b>	<b>82%</b>	<b>82%</b>	<b>83%</b>	<b>76%</b>	<b>85%</b>	<b>83%</b>	<b>90%</b>	<b>76%</b>
<b>4</b> We have no clear strategy for the training and development of managers; it varies from person to person	<b>14%</b>	11%	15%	19%	15%	12%	7%	19%
<b>5</b> It is managers' own responsibility to see to their own training and development; it varies from person to person	<b>3%</b>	5%	3%	6%	1%	4%	3%	3%
<b>6</b> None of the above	<b>0%</b>	1%	0%	0%	0%	1%	1%	0%
<b>7</b> Don't know	<b>0%</b>	1%	0%	0%	0%	0%	0%	0%

## Conclusions and recommendations

We know that organisations with better skilled leaders and managers are more successful and countries with well-trained leaders and managers are more competitive. The UK currently falls down on both counts compared to our major trading rivals.

This is backed up in a new report by the Department for Business, Innovation & Skills, *Leadership & Management in the UK – The key to sustainable growth*, which shows a strong correlation between the skills of an organisation's leaders and managers and its performance in the marketplace. The evidence from our research demonstrates that there are some significant reasons for this skills shortfall, but also points towards the solution. First and foremost, those organisations that have a more coherent approach to building their leadership and management talent pipeline, with graduate recruitment strategies and talent plans in place, are more successful in selecting and promoting their managers from within the organisation. Although such strategies may look expensive, they don't need to be. More importantly, they should ultimately be seen as cost savers, providing employers with a supply of able managers who are well attuned to the organisation, its goals and values and its working methods and culture.

These internally-promoted managers are also less expensive to recruit, less risky to appoint and offer an opportunity to recoup the investment made in their development.

### Create a talent plan

The number of organisations without a formalised talent management plan is concerning. For smaller businesses, a talent plan does not have to be a complex document – fewer people means less difficulty in assessing individuals' capabilities and career ambitions against organisational needs and goals.

Most importantly, it enables the introduction of essential skills development (especially leadership and management skills) before people take up the responsibility for supervising others.

This is the second significant finding from the research. Far too few organisations currently ensure that people have the basic skills needed to perform as leaders and managers before they are first appointed to a management role. Given the enormous harm that a poor-performing manager can cause, the risks associated with this strategy are high, and the effects are evidenced by the UK's second tier status in terms of productivity and growth.

### Develop the right skills

There are few other occupational areas where it would be considered normal to appoint someone to a role without any training before or immediately afterwards. The research suggests that the majority of managers receive no training before or immediately after their appointment, causing a skills gap as applicants step up to first line manager level. The research identified three key skills that were desired at all levels of management – communication, people management, and organisation and planning. Developing these skills in all employees will prepare them for management and assist them in their day-to-day work. It will improve communication with colleagues and management, help them manage suppliers and contractors, and help them organise their own workload.

For senior leaders, financial acumen and strategic thinking suddenly become more important, where at middle and first line manager level they were seen as unimportant. Smart organisations will develop these skills in their managers as they progress, negating the over-reliance on external recruitment at senior levels.



### **Consider personal qualities**

The research identified that managers who were inspirational, emotionally intelligent, creative and innovative were hard to find at all levels of management. We would define these as key characteristics for 21st century management, and crucial to driving growth and innovation, which makes this gap quite concerning.

First line managers have most interaction with other employees, customers and clients. So we need to invest in first line managers to help them become more innovative and entrepreneurial. We also need to prepare them for the demands of modern leadership through forward planning and training alignment.

### **Technical knowledge matters – but should not be over-valued**

While technical skills are a prerequisite for initial recruitment, they are not a good indicator of management capability or leadership potential. Skills that are identified as being important for managers at all levels, such as people management, are a good indicator. In fact, first line managers recruited for their technical prowess alone often prove to be ill-prepared for the demands of more senior managerial roles.

Employers recruiting on the basis of technical ability therefore run the risk of failing to ensure the sustainability of their business. Specifically, they are likely to end up with teams of ‘expert novices’ – technical experts with low awareness and poor leadership/management skills who are unable to satisfy the immediate requirements of first line management, and ill-equipped to meet the long-term needs and challenges of their organisation.

When looking to determine whether or not an employee is ready for a leadership role, employers should establish a clear threshold for technical skills without losing sight of the candidate’s aptitude in the core areas of communication, people management and planning.

### **Look to the future**

If organisations are going to build an effective management talent pipeline, they need to look beyond the immediate demands of the role to consider what their future needs are going to be. They also need to select people for management roles who have the potential to develop in the longer term. This does not mean ignoring functional expertise, but considering whether a candidate has key ingredients for future leadership and management capability.

The case for investing in leadership and management talent is strong. The need for employers to learn from the best performers is clear – they enjoy the benefits of lower recruitment costs and a more effective management team at all levels. ILM is committed to supporting the development of the UK’s leaders and managers, and encourages all employers, large, medium or small, public or private, to learn from the findings of this research and introduce strategies that will bring real benefits.

While our research suggests there is an adequate supply of leadership and management talent at most levels, adequate is no longer good enough. As the demand for management increases, employers will require greater access to highly-developed leaders and managers to drive business growth and compete in the international market. On both an organisational and national level, our future competitiveness involves the development of a managerial talent pipeline that will deliver the skills, capabilities and awareness needed at all levels.

## Methodology

This research was carried out for ILM by independent research agency Opinium during March 2012. 750 respondents were interviewed by telephone, with 600 private sector (150 small, 200 medium and 250 large) and 150 public sector (all large) organisations surveyed. This broadly reflects the employment structure in the UK.

The respondents were identified as having responsibility for the organisation's management talent pipeline; in larger organisations this was likely to be a senior HR professional, sometimes with an explicit talent management responsibility. In smaller organisations it was either the most senior HR manager or HR director, or the chief executive. All respondents were also asked to specify their industry and geographical location.

Given the complexity and length of the survey, not all respondents were asked about all three levels of manager (First Line, Middle and Senior Manager – see box). For this reason, the base for questions is 350 respondents. Similar quota ratios were applied to the sub-sample as for the full sample. However, the bulk of the questions were asked of all respondents, and the sample size for these is the full 750.

Where differences are identified in the report as 'significant', this is at the 95% confidence level – ie there is a 19 out of 20 chance that the difference is not a purely random variance.

The survey was carried out according to the Market Research Society's code of practice.

All respondents were told that, for the purposes of this research, managers should be classed into the following categories:

**First Line Managers** – supervisors or team leaders with limited operational decision-making authority, directly supervising more junior staff, none of whom has any managerial responsibility

**Middle Managers** – usually having at least one other level of managers reporting to them, sometimes heading up units or smaller divisions, with broad operational decision-making authority and a limited advisory role in strategic decisions

**Senior Managers (and business owners)** – may well have several other levels of managers reporting to them, heading up significant divisions of the organisation, with broad operational and strategic decision-making authority

## About ILM

The Institute of Leadership & Management (ILM) is the UK's largest management development organisation. We are passionate about good leadership and management, and its power to drive organisational performance and wider economic prosperity.

We are committed to raising awareness and understanding of good leadership and management practice through an intensive programme of independent research. This helps us to maintain a clear picture of what great leadership and management looks like, and how best to achieve it.

We offer a broad range of industry-leading qualifications, training and member services to develop and support leaders of all levels, from first line managers to CEOs. Last year, our network of over 2,500 expert learning providers helped more than 90,000 people to enhance their leadership and management capability with an ILM qualification. Currently, over 35,000 managers enjoy increased professional recognition and support through ILM membership.

As part of the City & Guilds group, we operate internationally, improving leadership and management capability and performance across all sectors.

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