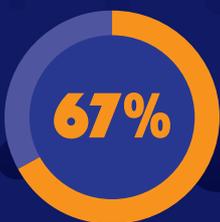




LEADERSHIP AND MANAGEMENT SKILLS

INTRODUCTION

Greater investment in leadership and management skills is a clear and consistent priority for manufacturers as they consider their current and future skills gaps, as well as the big challenges the sector faces.



**OF MANUFACTURERS
SAID THERE IS A SHORTAGE
OF MANAGEMENT SKILLS
IN THE MANUFACTURING
SECTOR**

Good leaders and managers have a clear vision, can communicate that to their staff, and can navigate the choppy waters to drive change.

And the water has never been choppier.

With short-term challenges including the energy crisis, on-going labour shortages and economic

difficulties, it is now more crucial than ever for leaders in the manufacturing sector to step up to steer their businesses through these challenges. And this doesn't take away from the longer-term challenges, and opportunities, of transitioning to a net-zero future as well as adopting greater technology and digitalisation in their businesses.

But good leaders and managers recognise that taking their employees with them on that journey is crucial for their collective success.

This paper explores what makes a good leader and manager, what skills they need to succeed, and how those skills are currently being developed in the sector.

SECTION ONE: LEADERS DRIVE CHANGE

From people to profits to productivity, leaders have a key role to play in driving change.

Our research shows that the majority of manufacturers (81%) believe leaders are very important for hiring the right staff and a further 6% said hiring the right staff cannot be achieved without the right leader. Given the manufacturing sector is facing a chronic labour and skills shortage, with 91,000 live vacancies, this is absolutely crucial.¹ The on-going labour challenge means manufacturers are continuing to prioritise recruitment and retention, with leaders and managers having a key role in ensuring that the right employees for their business are both recruited and retained.

WE ESTIMATE THE COST OF LOST PRODUCTIVITY DUE TO VACANCIES IN MANUFACTURING BEING LEFT UNFULFILLED IN 2022 AMOUNT TO BETWEEN £7.7 AND £8.3 BILLION, OR APPROXIMATELY £21 MILLION A DAY IN LOST OUTPUT FOR UK GDP

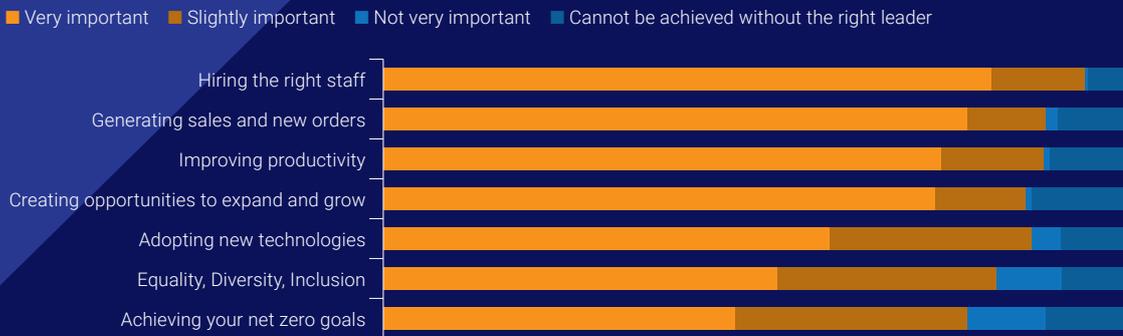
Leaders are also important for the generation of sales and orders, as well as improving productivity.

In fact, 78% of manufacturers told us that leaders were important for generating sales and new orders. In an increasingly competitive and globalised environment, manufacturers need to be looking for new opportunities to exploit and leaders with an overview of their businesses are best placed to do that.

Furthermore, three-quarters of manufacturers said leaders are important for improving productivity. Boosting productivity is a key element of driving up economic growth, however the UK lags in its level of productivity compared to G7 counterparts. Leaders are therefore best placed to take the necessary steps to driving up productivity across their businesses through digitalisation and the adoption of new technologies.

¹ONS, Manufacturing Vacancies, October 2022

Chart 1: How important are leaders in your business in driving change in the below areas?



Source: Make UK survey, September 2022

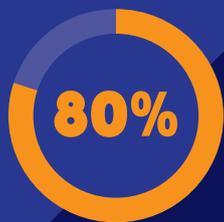


Good leaders are the backbone for driving future ambitions including the transition to net zero and the adoption of new technologies.

8 IN 10 MANUFACTURERS AGREED WITH THE STATEMENT THAT "EFFECTIVE LEADERS ARE CRITICAL TO ADOPTING NEW TECHNOLOGIES OR GREEN PRACTICES"

This is consistent with the chart above, with 6 in 10 manufacturers saying the right leaders are very important to adopting new technologies and a further 8% saying it cannot be achieved without the right leaders in place. Previous Make UK research shows that manufacturers are pressing ahead on their digital journey.

Some 45% of business have made concrete plans to invest in automation, artificial intelligence (AI), additive manufacturing or other forms of digital technologies over the next year. Another 20% of firms plan to do so if not next year, and the following year.² To ensure these ambitions become reality it will be crucial for companies to have good leaders in place to drive this increased digitalisation forward and reap the benefits associated with doing so.



80% OF MANUFACTURERS BELIEVE EFFECTIVE LEADERS ARE CRITICAL TO ADOPTING NEW TECHNOLOGY OR GREEN PRACTICES

Environmental Social Governance (ESG) is of growing importance to all businesses.

Investors are increasingly considering the green credentials of a business before investing in a company. As a result, ESG priorities have accelerated across all industries since the UK set a target to be net zero by 2050. Whilst the growing focus on transitioning to a net-zero future is welcome, given the need for the sector to reduce its carbon emissions, we would expect this to be of greater importance for leaders, and an area where they could really drive change.

But larger manufacturers see a greater importance of leaders in driving change in the area of equality, diversity, and inclusivity, compared to SMEs.

Deeper analysis suggests whilst business leaders have an important role to play in driving change within diversity, inclusion, and equality – 83% see it as either slight or very important - this is more important within larger manufacturing companies than smaller ones. Our research shows 71% of larger manufacturers believe leaders are 'very important' in driving change within equality, diversity, and inclusivity, compared to only 56% of SMEs.

²Make UK / Infor, Digital Adoption: The missing link to productivity growth, November 2022



SECTION TWO: THE SKILLS NEEDED TO BE AN EFFECTIVE LEADER

Chart 2: What are the most important leadership and management qualities needed to achieve your business's goals?



Source: Make UK survey, September 2022

A clear ambition and vision for the business.

Our research shows that 56% of manufacturers believe the most important quality needed for leaders and managers to achieve a business' goals is having a clear ambition and vision for the business. Having a 'north star' that everyone in the business can coalesce around is viewed as an important quality for leaders to have. And this quality has never been so important as it is today. Manufacturers face profound change driven by digitalisation and transition to a net-zero economy, requiring business leaders to inspire, lead and deliver a management strategy.

Being adaptable and successfully motivating employees.

In addition to a clear vision and ambition, almost half (48%) of manufacturers said keeping productivity levels and staff motivation high was a key quality to achieving business goals. Good leaders will need to reorientate their businesses to adapt and take advantage of this, as well as motivate and take their employees with them on this journey. This is again, particularly poignant given the manufacturing sector faces big change driven by digitalisation and transition to a net-zero economy.

Preserving the heritage and tradition of a business.

Manufacturers also see the importance of training future leaders to carry on the legacy of the business. In fact,

over a quarter of manufacturers saw this as the most important quality a leader should have. But often this can take time, with almost seven in 10 manufacturers saying future leaders are developed within the business overtime. It is therefore critical to the success of any leader or manager in the sector to understand how a company or business was built, before growing it further or changing the business.

But too many leaders are missing a trick between improving employee wellbeing and improving productivity.

LESS THAN 1 IN 5 BELIEVE BEING AN EFFECTIVE LEADER REQUIRES AN ABILITY TO ENGAGE WITH WORKERS TO ENSURE WELLBEING

This suggests there may be some degree of unawareness of the link between employee wellbeing and improving productivity. One of the trends driving a greater focus on employee wellbeing is flexible working. 56% of manufacturers said that flexible working was a key trend driving changes to jobs and skills between now and 2030. Whilst flexible working is generally common in the manufacturing sector, there is often a difference between what is available for production and non-production staff.

Production roles can rarely be carried out at home as they involve the use of equipment that is only available at the employer's premises. In addition, offering flexibility in terms of working hours can be challenging in production roles as it is often the case that all members of a production line need to be present for a full shift in order for all tasks to be completed. It is for that reason that leaders and managers are now seeking alternative forms of flexibility including shift working,

banked hours and compressed hours.

With many competing industries able to offer greater levels of flexible working, manufacturing leaders will need to go above and beyond to show they are offering an alternative to attract and retain employees. We are seeing this with shift and overtime premiums increasingly becoming the norm as well as going above and beyond on parental leave and pay.

WHAT IS THE SKILLSET THAT MANUFACTURERS LOOK FOR WHEN PROMOTING MANAGERS?

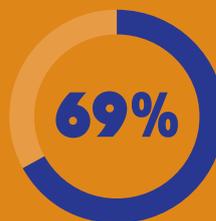
Developing talent in-house can be challenging, but with almost 7 in 10 manufacturers saying there is a shortage of management skills in the manufacturing sector, it may be the only option manufacturers have. When promoting a manager, manufacturers look foremostly for effective people skills. This includes clear communication skills, as well as the ability to connect with employees.

Other important skills cited by manufacturers include ambition and attitude, as well as the understanding of the wider business. A theme that emerged in qualitative data from manufacturers is the need to for leaders and managers to have a holistic view of the business, which then enables them to make the right decisions for the company.

Conversely, an employee's technical skills (52%)

and professional qualifications (19%) rank much lower as priorities when deciding who to promote to manager. Furthermore, length of service was ranked even lower, with just 14% saying it is very important. This highlights that manufacturers are looking beyond what has always been done. Instead, they are focusing on the talents and qualities that can make a manager more motivational, a better team player, and more human.

THAT SAID,



OF MANUFACTURERS AGREED THAT FUTURE LEADERS ARE DEVELOPED WITHIN THE BUSINESS OVER TIME - IT IS CRITICAL TO SEE HOW A COMPANY IS BUILT BEFORE GROWING IT

Chart 3: To what extent are the following factors important in deciding which employees are promoted to managers in your company?



Source: Make UK survey, September 2022

SECTION THREE: TRAINING THE NEXT GENERATION OF LEADERS



This concerning figure underlines the need to train both the current and next generation of leaders and managers within manufacturing businesses to ensure that firms remain productive and profitable with the right managers in place. Training has a key role to play.

Manufacturers predominately use external consultants to train the next generation of leaders.

Our evidence shows that 43% of manufacturers are using external consultants to train the next generation of leaders. While this option can be more expensive than other formal channels, it does offer some benefits in terms of providing training faster, whether via 1-to-1 delivery or more tailored, bespoke or manufacturing-specific training.

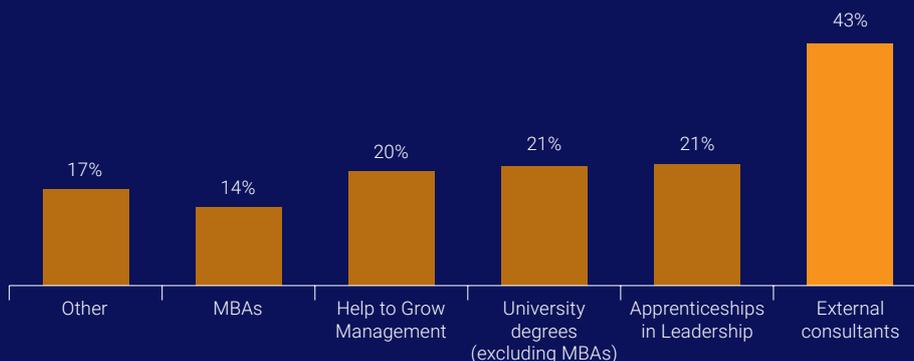
**6 IN 10
MANUFACTURERS AGREE
THAT THE NUMBER OF DAYS
TRAINING MANAGERS UNDERTAKE
IS ADEQUATE**

Other channels used by manufacturers include university degrees like MBAs, with over one in five choosing this option. A similar proportion are using the Government's new Help to Grow: Management scheme. Given these schemes are more generic in approach, this may appeal to some manufacturers who are seeking to develop leaders with a more holistic approach to leadership and management.

"YOU INVEST IN PEOPLE BECAUSE IT'S THE RIGHT THING TO DO AND YOU WISH TO UNLOCK THEIR FULL POTENTIAL."

Finally, apprenticeships in leadership are only favoured by one in five manufacturers. Whilst apprenticeship training remains a traditional route for many young people to enter workforce in the manufacturing sector, the evidence suggests it is not yet being used by businesses to train the next generation of leaders. With a significant amount of Levy funds currently going unspent, there remains an opportunity lost here by not using these funds to support greater levels of leadership and management training.

Chart 4: If you do spend some of your training budget on developing leaders, what channels do you use to train these employees?



Source: Make UK survey, September 2022

Smaller businesses tend to use external consultants more than larger businesses.

Comparing the data by business size highlights that as a manufacturer grows, their reliance on external consultants decreases and these same businesses become more open to MBAs, University degrees and Help to Grow. In fact, 29% of large companies had a larger inclination to use MBAs to train employees than smaller companies (11%). Although MBAs are the preferred channel across all manufacturers, smaller companies do not have the money larger companies do to provide this training for employees.

In the essence of the relationship between time and cost, as a business grows it becomes easier for them to send existing or upcoming leaders to develop skills formally. This is difficult to do for a smaller business as they often cannot afford to lose valuable hours of productivity.

ALMOST 3 IN 10 MANUFACTURERS OPT TO HIRE LEADERS AND MANAGERS EXTERNALLY TO BRING IN FRESH NEW IDEAS FOR CHANGE

HOW MUCH TRAINING BUDGET GOES TOWARDS TRAINING LEADERS?

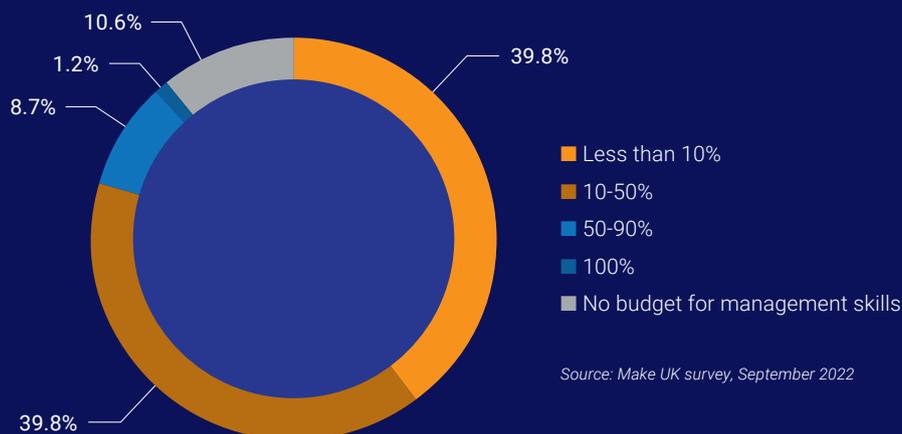
At a time of financial difficulty for many manufacturers, our evidence finds that 4 in 10 manufacturers are spending between 10-50% of their training budget on management training. The same proportion, however, are spending less than 10% on management training. Qualitative data suggests that manufacturers had previously prioritised spending on health and safety training, in light of the pandemic.

Unsurprisingly, it was micro and SMEs that were more likely to say they have no budget for management training, compared to larger manufacturers. Deeper analysis suggests these businesses may be lacking technical and engineering skills and therefore have prioritised investment in non-leadership skills.

SHOCKINGLY, 1 IN 10 MANUFACTURERS HAD NO BUDGET FOR DEVELOPING LEADERS AT ALL

ONLY HALF OF MANUFACTURERS ARE REVIEWING THEIR MANAGEMENT TRAINING AT LEAST EVERY SIX MONTHS AT BOARD LEVEL

Chart 5: What percentage of your annual training budget goes towards developing leaders?



Source: Make UK survey, September 2022

HOW DO YOU DETERMINE THE RETURN ON INVESTMENT IN DEVELOPING LEADERS?

**EMPLOYEE RETENTION EFFICIENCY MEASURES
PROFITABILITY AND MARGIN IMPROVEMENTS
PRODUCTIVITY GAINS IDEAS IMPLEMENTATION
MEETING INDIVIDUAL AND TEAM OBJECTIVES AND TARGETS
ACHIEVING GOALS AND TARGETS
STAFF SATISFACTION SURVEYS**

With growing evidence showing that there is a close link between leadership skills and improving productivity, it is concerning that smaller manufacturers are less likely to prioritise investment in those skills.

This can be down to several reasons.

For example, leadership skills are less technical and often perceived to be developed naturally “on-the-job” which can lead to manufacturers believing such investments are unnecessary.

Second, this could be down to cost and an unawareness of the benefits of developing leaders which push smaller manufacturers to forgo such expenses.

Thirdly, the industry suffers from such a huge gap in technical skills that until these are solved for SMEs the impact of developing leaders may offer little benefit.

“THE FUTURE SUCCESS OF THE BUSINESS IS A GOOD INDICATOR ON ANY RETURN ON INVESTMENT WHEN DEVELOPING LEADERS AND MANAGERS; HOWEVER, THIS DOESN'T HAPPEN OVER TIME AND TIME NEEDS TO BE GIVEN FOR INDIVIDUALS TO GROW INTO THEIR NEW ROLES.”



POLICY RECOMMENDATIONS

As the evidence suggests, investing in leadership and management training can boost productivity, build workforces fit for the future, and most importantly, help manufacturers navigate and adapt to challenges. Yet too few manufacturers prioritise leadership and management training within their own businesses.

GOVERNMENT CAN SUPPORT MANUFACTURERS BY:

Introduce an Investment Training Allowance:

Tax-based measures are a popular choice for employers and fit within the recent focus from the Government on taxes and training. As Ministers consider how to spur greater employer investment in training using the tax system, existing mechanisms can be used to incentivise businesses to continue to upskill and retrain their workforce to meet current and future skills needs. The Government should expand the current tax exemption for work-related training into a Training Investment Allowance, providing a tax rebate on investment in training for existing employees.

Create an Employer Training Fund:

Reform to the apprenticeship levy is essential to make it work better for employers. The high level of unspent funds being returned to the Treasury indicates that the levy is not functioning as it should do, and employers want to ensure that they can use all avenues available to them to invest more in high-quality training. A portion of unspent levy funds should be formally ringfenced as part of a new Employer Training Fund, which could support the upskilling and retraining of existing employees in leadership and management skills.



MAKE UK IS SUPPORTING MANUFACTURERS:



The New Team Leader Training

This two-day programme develops and improves leadership skills to enhance effectiveness within the team and organisation, enabling new team leaders to step up to their new responsibilities. It is also relevant to existing team leaders wanting to update their skills and to aspiring individuals who have the potential for future development into a team leader role.

[Find out more](#)

Make UK's ILM Level 3 award in Leadership and Management,

six-day training programme is designed to equip manufacturing leaders and managers with the necessary knowledge, skills and behaviours to be effective in their roles and make a full contribution to implementing their organisation's business plans. Crucially, manufacturers will be able to gain knowledge of a range of tools and techniques to aid problem solving, personal leadership and creating an environment where teams and individuals 'give of their best'. Underpinning this will be the skills to build trust and respect across the team. A pre-requisite for any successful manufacturing business.

[Find out more](#)



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Make UK is backing manufacturing - helping our sector to engineer a digital, global, and green future. From the first industrial revolution to the emergence of the fourth, the manufacturing sector has been the UK's economic engine and the world's workshop. The 20,000 manufacturers we represent have created the new technologies of today and are designing the innovations of tomorrow. By investing in their people, they continue to compete on a global stage, providing the solutions to the world's biggest challenges. Together, manufacturing is changing, adapting and transforming to meet the future needs of the UK economy. A forward thinking, bold and versatile sector, manufacturers are engineering their own future.

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