

Enterprising Nation

RENEWING AUSTRALIA'S MANAGERS TO MEET
THE CHALLENGES OF THE ASIA-PACIFIC CENTURY

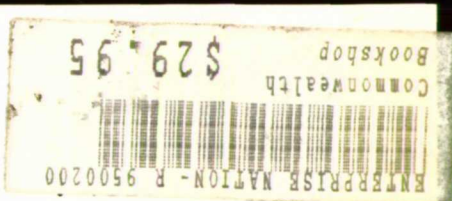


REPORT OF THE INDUSTRY TASK FORCE ON
LEADERSHIP AND MANAGEMENT SKILLS

APRIL 1995

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REPORT



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the Challenges of the Asia-Pacific Century**

**Report of the Industry Task Force on
Leadership and Management Skills**

April 1995

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INDUSTRY TASK FORCE
ON LEADERSHIP AND MANAGEMENT SKILLS

13th February 1995

The Hon. Simon Crean MP,
Minister for Employment, Education
and Training,
Parliament House,
Canberra ACT 2600

Dear Minister,

I am pleased to submit to you this report of the Industry Task Force on Leadership and Management Skills. This report was commissioned by Cabinet in 1991 with the Task Force being established by the Government in 1992.

Following almost three years of consultations, research, study missions and analysis the Task Force has prepared a report which provides the most comprehensive insight ever into the way Australia prepares its managers for work and leadership. It also presents policy recommendations and options based on Task Force findings.

The improvement in the performance of Australia's managers is an important complement to the Government's wide ranging micro-economic reform, export enhancement and workforce training initiatives. Better educated and trained managers will increase the speed by which these initiatives secure significant economic benefit through work place restructuring, improved business processes and increases in the productivity of Australia's human and capital resources.

Special attention has been afforded to the need for an 'enterprise culture', small business, globalisation, diversity, life long learning and enterprise and education institution best practice.

The general philosophy of the Task Force has been to find pathways to lasting change and improvement through seeking enterprise and individual-driven solutions to the problems and challenges facing Australia's business leaders, managers, educators, trainers and government policy makers. This will require some 'seed funding' by Government.



Permanency of reform and constructive change will depend on recognition that excellent leaders and managers require well structured, systematic education and continual development so that they can add maximum value to the national economy through their performance within their enterprises.

The Task Force's report has been based on a comprehensive set of research projects and consultations. The twenty-seven reports will be of great value to policy makers, enterprise managers, academics and trainers.

As well as submitting this report to you, the Task Force has also met its terms of reference by raising awareness of the importance of management education, training and development in the Australian community. It has sponsored numerous industry and national seminars and conferences on its work; liaised closely with the media to promote the importance of management education and training; and prepared a number of discussion papers on its deliberations and policy options. It has seen these activities as a most important part of the change agenda.

In the course of our work the Task Force has received invaluable assistance and support from our Secretariat and research staff. Without their commitment and endeavour the worth of our report would have been greatly diminished. They have been a pleasure to work with.

I also wish to thank my colleagues for their enthusiasm and efforts without which our work could not have been achieved.

For me this job has been enjoyable and rewarding and I am pleased to have had the opportunity to contribute.

Yours sincerely,

A handwritten signature in black ink, reading "David S. Karpin". The signature is written in a cursive style with a large initial "D".

David S. Karpin

Table of Contents

Executive summary	vii
Section I: The work of the Task Force	1
1. Cornerstone for management reform	3
2. A new paradigm of management	15
Section II: The case for change	51
3. Australia's position in the global economy	53
4. Jobs and why they depend on better management skills	87
5. Five key challenges for Australia	105
Section III: A template for change	163
6. Australia 2010 – the new enterprise culture	165
7. Developing a positive enterprise culture through education and training	181
8. An agenda for change in vocational education and training and business support	207
9. Finding the balance: capitalising on the talents of diversity	231
10. Achieving best practice management development	259
11. World class management education	297
12. Australian Council For Management Development	350
Appendices	359
<i>Appendix One: Task Force Recommendations</i>	361
<i>Appendix Two: Australian Council for Management Development</i>	385
<i>Appendix Three: List of Consultations</i>	391
Glossary	401
Bibliography	403

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Front Row: Russell Hunt (Secretariat), Professor Danny Samson, Barbara McLure,
David Karpin (Chair), Therese Charles (Executive Secretary).

Task Force Members Not Present for Group Photograph



Colin Griss



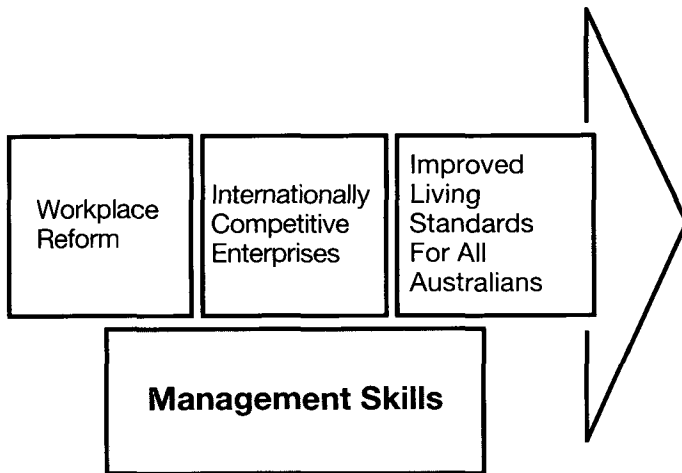
Margaret Jackson



Tim Sims

Executive Summary

Executive summary



A new paradigm of management

Good managers are the key to a more competitive economy and higher performing enterprises

Job creation depends on better management skills

Meeting the challenges of the Asia-Pacific century

Lever for change : five key challenges for Australia

Challenge one: developing a positive enterprise culture through education and training

Challenge two: upgrading vocational education and training and business support

Challenge three: capitalising on the talents of diversity

Challenge four: achieving best practice management development

Challenge five: reforming management education

Implementation mechanisms

A new paradigm of management

Scholars of management and leading chief executives agree that the shape of world markets and the nature of the enterprises that compete in them are being remade by three forces (Rand 1995). Increasing globalisation, widespread technological innovation and pressure on business to customise products and services have created an international business environment that would be unrecognisable to the manager of fifteen years ago. As the business environment changes, so do the skills and characteristics required of those employees who are best positioned to interpret and influence future changes; namely managers.

All enterprises are experiencing change as we move towards the Twenty-First century. Most developments mark a move away from a structural model of organisations towards one that emphasises more behavioural and interpersonal aspects of strategy, especially in the case of larger organisations. A new type of small-to-medium sized enterprise has developed, which has proved to be more agile and creative than many large companies. These new enterprises compete by using flexibility, speed and innovation, and their managers require excellent technical expertise as well as all-round management ability. Task Force research and consultations demonstrate that in response to these shifts the whole paradigm of management has already dramatically changed, bringing with it a new set of organisational requirements.

‘Old’ and ‘new’ paradigms of management

New Paradigm	Old Paradigm
organisation learning	organisation discipline
virtuous circles	vicious circles
flexible organisations	inflexible organisations
management leaders	management administrators
open communication	distorted communication
markets	hierarchies
product development driven by core competencies	product development driven by strategic business units
strategic learning capacities are widespread	strategic learning occurs at the apex of the organisation
assumption that most employees are trustworthy	assumption that most employees are untrustworthy
most employees are empowered	most employees are disempowered
local knowledge of all employees is critical to success and creativity creates its own prerogative	local knowledge of all employees must be disciplined by managerial prerogative

Task Force Research: University of Western Sydney 1995.

All of these shifts will change the role of managers markedly in the future. The Boston Consulting Group suggested to the Task Force that at senior levels, the typical manager of the Twenty-First century will need to become the 'Leader/Enabler', as follows:

The emerging senior manager profile.

1970

The Autocrat
• Male.
• Anglo-Celt, British or Australian citizenship.
• Started as message boy, rose through ranks. All management training on-the-job.
• Very local focus, possibly one Australian state. Has travelled once, to England.
• Established competitors, cartels.
• Paternal view of workforce.
• Stable environment. Relatively low stress, home to see kids most nights, long term position.

Today

The Communicator
• Male.
• Anglo-Celt, Australian citizenship.
• Graduate, possibly postgraduate qualification. Career in corporate centre. Product of internal management development program.
• Expanding focus, travels regularly to Asia, United States of America, Europe.
• Recently deregulated marketplace, rapidly changing competitors.
• Sees workforce as stakeholder in business, working hard on communication and information sharing.
• Turbulent environment. High stress, long hours, fears burnout.

2010

The Leader/Enabler
• Male or female.
• Wide range of ethnicities, citizenships.
• Graduate, probably MBA or AMP as well. Wide ranging career, many placements. Product of major development program including placements.
• Global focus, travels regularly. Has lived in two or more countries.
• Manages in both regulated and deregulated economies.
• Manages workforces in several countries. Shares information and delegates heavily.
• Environment typified by rapid change. Limited term appointment, high pressure, results driven.

Task Force Research: Boston Consulting Group 1995.

Moreover, if the senior manager of 2010 is to have such a profile then the seeds of change, and the imperatives of the new paradigm, have to be inculcated in the generation of managers who are undertaking postgraduate education and/or holding junior management positions in 1995. Many of these managers will reach senior levels by 2010 and their knowledge and skills will determine the competitiveness of the enterprises they work for in that year.

Enterprises, training providers and educational institutions around the world have begun implementing a wide range of innovations which aim to develop managers with the new skills. Investigating management development in Australia, however, has led the Task Force to a disturbing conclusion.

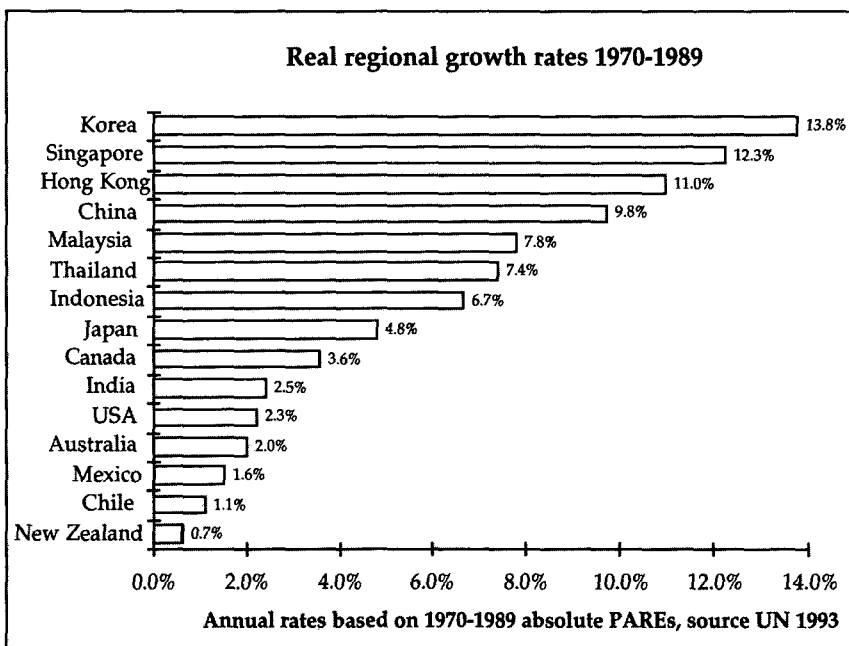
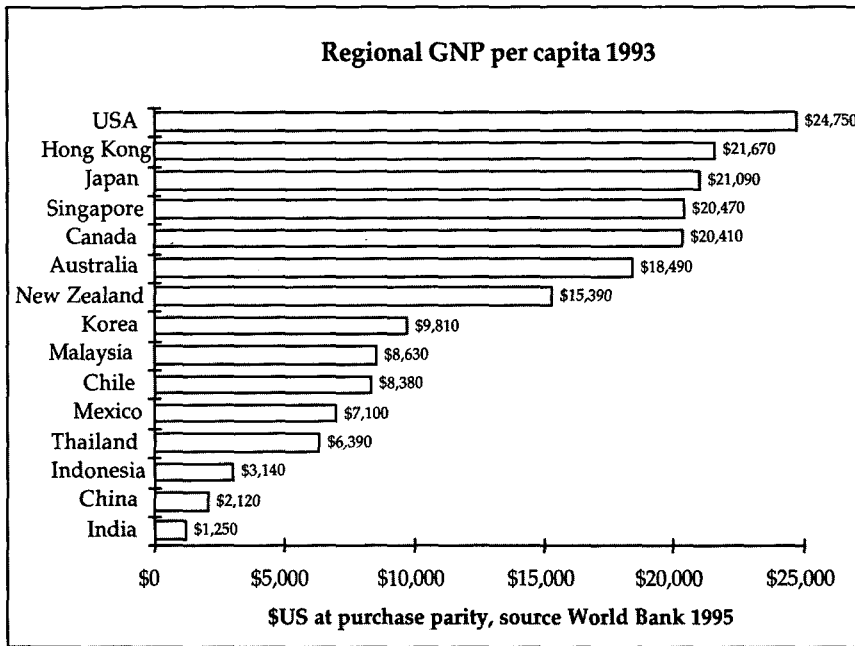
It appears incontrovertible that Australian enterprises, training providers and educational institutions are not moving quickly enough to address the new paradigm of management. Many of their counterparts overseas, and especially the leaders in various fields of industry and education, are changing more rapidly and more extensively, and will be better prepared for the next century.

Good managers are the key to a more competitive economy and higher performing enterprises

Although Australians still have a relatively high standard of living, commentators and policy makers have become increasingly concerned that the nation's economy is not growing as fast as those of many of our neighbours. As a result Australia is sliding down the league table of economic performance, most recently being overtaken by Singapore and Hong Kong.

Economic growth derives from a number of sources, including: rising employment; improved productivity; increased exports; import substitution; and overseas investments. Since 1983, the Federal Government has opened up the economy to the world by reducing tariffs and deregulating the financial sector, and has paid considerable attention to reforming workplace practices. However, while some sectors of Australia's economy have improved their performance in recent years, in general both productivity and international trade remain areas of concern. Many areas of the economy are not yet globally competitive nor have their enterprise work practices and management skills attained world best standards.

Sustainable competitiveness, both internationally and in defence of our domestic economy, depends at the bottom line on customers choosing the products and services created by Australian enterprises. Australian enterprises can deliver world competitive products and services, but only through the enhanced productivity of their people and technology and through their ability to innovate creatively and quickly.



Enhanced productivity and innovative capacity in any enterprise depend on two groups of people – employees and managers. Attention and effort applied to improving the skills and productivity of the Australian workforce over the last decade have begun to impact on the performance of the Australian economy. Yet managers – whose skills can determine enterprise and economic performance – have received scant attention from analysts and policy-makers. If we have already seen significant gains from workplace reform it could well be that management reform will drive our competitiveness in the future.

The OECD recently stated that:

“In the past, ‘business’ may not have attracted the best talent. Indeed, a world-class management culture may have been slow to develop in Australia, due to the slow opening up of the economy to world competition. Hence, while the move to decentralised bargaining provides new opportunities to raise work-place productivity, much still depends on management’s human resources and bargaining skills to exploit these opportunities”.

OECD 1994.

Job creation depends on better management skills

The adaptive capacity of the economy depends on managers. Seizing opportunities offered in the changing global economy is a formidable challenge because accompanying shifts in skills and labour demands are difficult to predict. The economy must be able to continually adapt to meet these demands. The adaptive capacity of our economy therefore depends on the flexibility of our managers and on adequate investment in management development, which is critical in shaping Australian managers’ responsiveness to change.

The ability of managers to manage enterprises flexibly and to achieve world best practice standards impacts directly on unemployment because it affects the ability of the macro economy to absorb economic shocks and adjust employment levels accordingly.

Without appropriately skilled managers who can adapt themselves and their organisations to change, it will continue to be difficult for Australian enterprises to maintain their competitiveness. Nor is the current restructuring of global industry likely to be a temporary phenomenon. More likely, future waves of technological innovation and new competitive challenges will require our enterprises to recreate themselves on a more or less continuous basis. To do so they will need multi-skilled managers with great capacity to learn and relearn both their own roles and the bases of their enterprises’ competitive advantages.

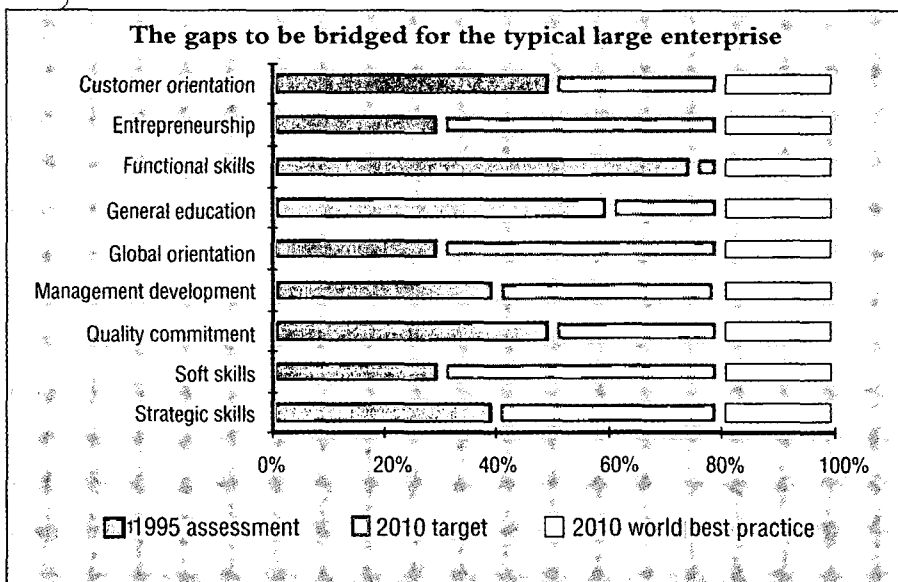
Meeting the challenges of the Asia-Pacific century

Australian management must improve significantly in the next decade if enterprises expect to even meet today’s world best practice standards. There are a few enterprises meeting these standards, and the best Australian managers are equal to the best in the world. However, the evidence of Task Force consultations and research clearly indicates

that the majority of Australia's managers do not have the education or skill levels of those of the major trading nations, nor are most of our educational and training institutions providing world class services.

The following exhibits symbolically illustrate the gaps between the current and desired position on each of the major dimensions the Task Force considers relevant to the economic future of Australia. The three exhibits are for each of the three major sectors of interest, namely large enterprises, small to medium enterprises and education and training providers.

The target is set at 80 percent of world best practice in the year 2010 for the typical manager, enterprise and education and training provider. Lest this seem unambitious, it should be remembered that, in the Task Force's opinion, most Australian managers, enterprises, educators and training providers are currently a long way from world best practice. It should also be noted that world best practice is not a static measure. Indeed many of our competitors are currently placing more emphasis on improving management skills than ever before. Hence, 80 percent is an ambitious target, but one which is necessary if Australia is to build a more competitive and dynamic economy.



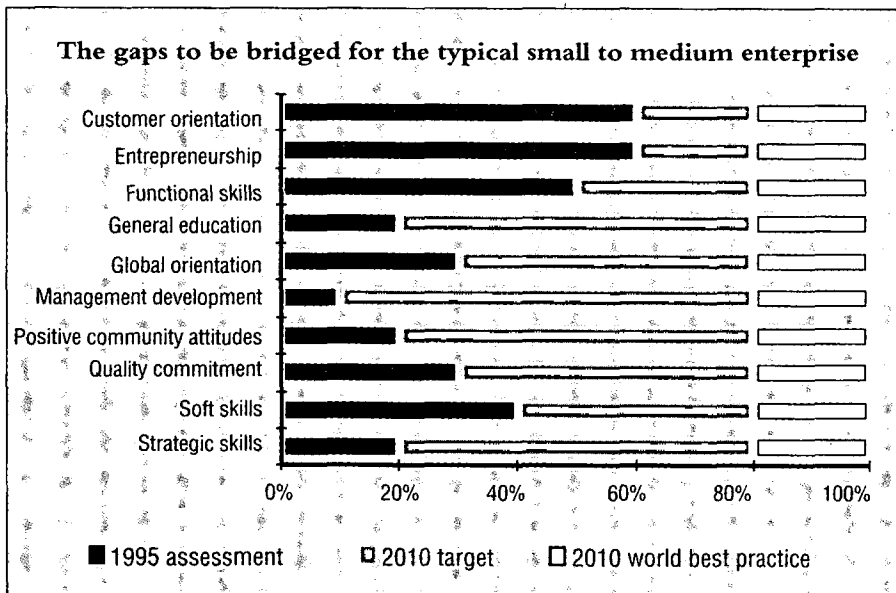
Task Force Research Director's assessment.

The functional skills of managers in large enterprises are well developed and their general education levels adequate. Many large Australian enterprises have also made significant improvements to their customer orientation and commitment to quality in recent times. The significant gaps are in the areas of entrepreneurship, global orientation, soft skills, strategic skills and management development. Australian managers in large enterprises need to be more pro-active in creating opportunities and more outwardly focused in their thinking. This global orientation is not only necessary for those who wish to build an international business, but also in assisting all managers to recognise how world best practice

Executive Summary

can help their organisations defend local markets and increase productivity. Australian managers also need to improve their teamwork skills, including co-operating with a more diverse workforce and being more prepared to take responsibility for team outcomes.

While the nature of large enterprises tends to familiarise managers with strategic planning concepts, in the main Australian enterprises and their managers have too short-term a focus. Furthermore, while the levels of management development in many large Australian enterprises are probably adequate by international standards, much of this development lacks a strategic focus. Hence, although this is not the largest gap, it may be the most difficult to bridge – involving as it does a profound change in top management thinking.



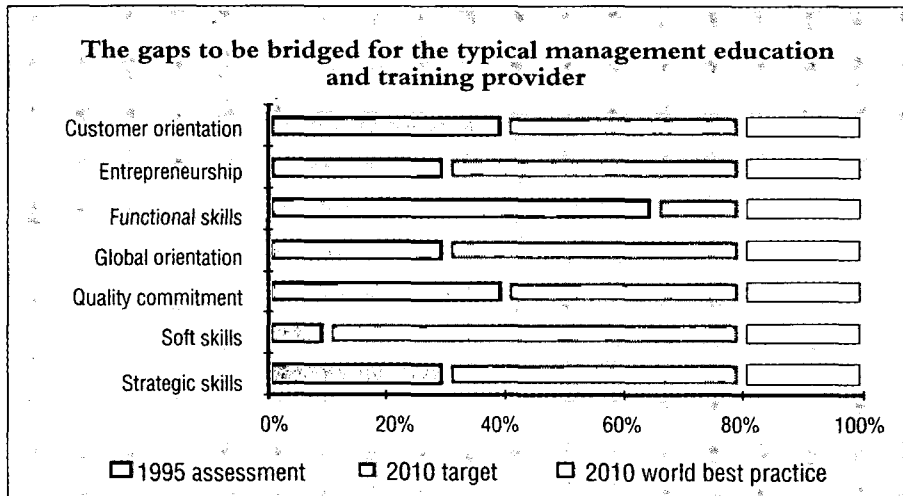
Task Force Research Director's assessment.

For small to medium enterprises, bridging the gap to world best practice will be an even more challenging exercise. The nature of small businesses tends to make their managers more entrepreneurial and customer oriented than those of their larger counterparts, and also to engender functional and soft or people skills.

However, in the other areas there are significant gaps to be bridged and major constraints of size to be overcome by leveraging mechanisms. In the main, small to medium enterprise managers are not tertiary qualified and do not undertake management development to any significant extent. While there are many who are globally oriented, the vast majority are not. The small scale of these enterprises also makes a commitment to quality, and the development of longer-term strategic skills, difficult.

One dimension in the exhibit – positive community attitudes – is not directly related to managers. Nonetheless it is there because, without a supportive community, the flow of talented individuals into this sector will be restricted, and without a vibrant small to

medium enterprise sector, the employment opportunities for many Australians will also be curtailed. Indeed this issue is broader than simply encouraging individuals to create small businesses. Many more of our citizens, be they employees or managers, working for small or large organisations, need to be 'enterprising' in the broadest sense of the word, not only in business but also in social and community organisations and in terms of their own personal lives in a changing world.



Task Force Research Director's assessment.

There are equally large gaps to be bridged by Australia's providers of management education, training and development. Like large enterprises, this sector has succeeded at providing functional skills. However, an over-emphasis on the more analytical areas of business has precluded the development of integrative ('strategic') skills and also the soft or people skills necessary to succeed in modern business. Indeed, student surveys indicate that the individualistic and grade competitive ethos of many tertiary institutions acts as a barrier to building better teamwork skills (Reark 1995b). While some providers have begun to pay adequate attention to entrepreneurship and a global orientation, many have not.

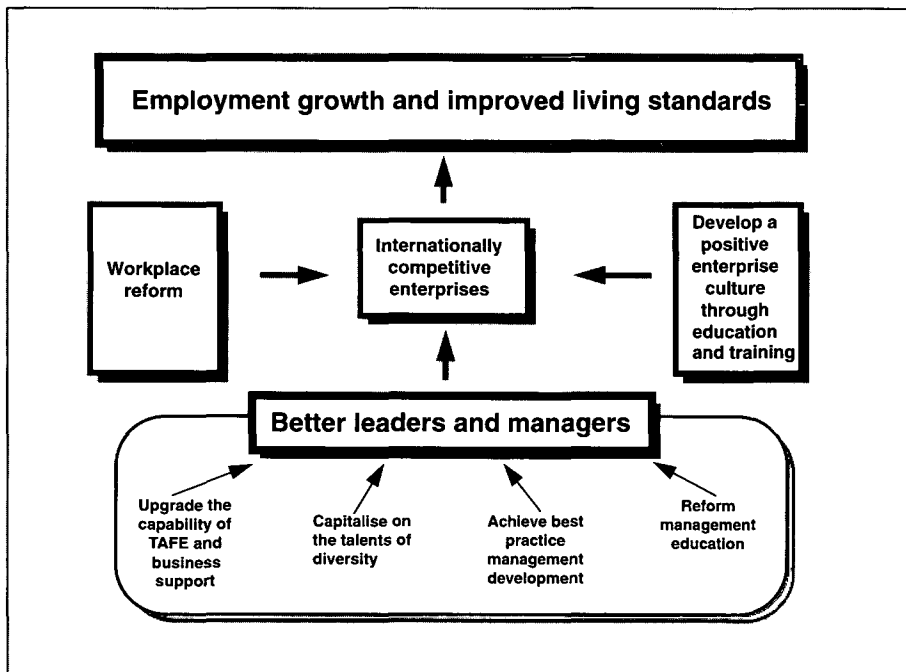
In terms of the responsiveness of providers to their clients, while there have been improvements, the customer orientation of many providers still lags world best practice in both education and enterprise sectors. Equally, while the recent Federal Government initiatives on the quality of education have raised the profile of continuous improvement, many universities are still to implement effective processes and the vocational education and training sector is as yet relatively untouched by these concerns.

In all three of these sectors there are beacons of light – Australian enterprises and institutions that approach or meet international standards. The issue for Australia is this: a far greater proportion of our enterprises, managers and institutions need to reach world best practice levels.

Levers for change : five key challenges for Australia

In response to these indicators of management and enterprise performance, the Task Force has formulated the model of management renewal shown below. This model sets out the Task Force's view that management skills underpin the living standards and employment prospects of all Australians, and thereby demonstrates the urgency of management reform. Good managers build internationally competitive enterprises and are integral to the success of the Federal Government's workplace reforms, industry productivity and international trade goals. If Australia is to address the opportunities of the Asia-Pacific Century, better leaders and managers must be available.

The second element of the model is the set of areas which the Task Force has identified as the key levers for improving management skills. There are five of these key levers, four directly impacting upon management skills (upgrade vocational education and training and business support, capitalise on the talents of diversity, achieve enterprise best practice management development and reform management education) and one which relates to the creation of positive community attitudes towards enterprising behaviour and small business creation (positive enterprise culture).



The Task Force is convinced that profound change is required not only in the way Australian enterprises and institutions approach the development of managers, but also in the way many of our citizens value the creation of wealth. For the latter reason, the Task Force sees the creation of a positive enterprise culture as a challenge which underpins all the other levers for change. Managers and employees, in small, medium and large enterprises, need to be more enterprising in seizing the opportunities presented to us by the Asia-Pacific Century. Creating a positive enterprise culture is also by far the biggest challenge faced by our nation – involving as it does a change in the values inculcated in the education system, in the workforce and in firms.

The other four challenges are presented in the order of their potential impact on the community and managers.

Thus, **upgrading vocational education and training and business support** impacts upon the largest sector of managers and potentially on improved employment prospects for many Australians.

Capitalising on the talents of diversity involves half our population – women – and we must also utilise the skills of our multicultural society. Major improvements in management skills can be effected simply by opening up equal opportunities for these under-utilised groups to attain the senior levels of corporate management.

Another challenge for larger companies is to **achieve best practice management development** and to ensure that the skills they develop support their enterprise strategies. This can have a significant impact on economic performance, and also some impact on employment prospects.

Lastly, there is a need to **reform management education** institutions so that they are clearly focused on developing skills for the future rather than reflecting obsolete models of management and organisations.

A template for change

The Task Force believes that the effectiveness of management education, training and development is critical to improving management skills and performance in Australia. The integrated set of initiatives proposed by the Task Force is designed to redress existing weaknesses in Australian management education, training and development and pave the way for improved national prosperity in the future. The Task Force has a vision of what will be necessary in this regard if Australia is to improve its standard of living and employment prospects for its citizens, and is mindful of the magnitude of the challenges ahead. Its recommendations are therefore born of lengthy deliberations and a desire to maximise the impact of any investment the nation might make in better management skills.

The Task Force's Vision:

Is that by 2010 the following will be true of Australian enterprises and their managers

- **Knowledge, the ability to learn, to change and to innovate in this new marketplace, will be accepted as the more relevant criteria for selecting managers than gender, ethnicity or even prior experience.**
- **The 'learning organisation' will be the standard philosophy for many Australian enterprises and a major way they cope with change and turbulence.**
- **Managers will create conditions conducive to learning for both individuals and the enterprise as a whole, within and between groups, across individual business units and between enterprises and their external environments. Employees will be more motivated and skilled.**
- **Quality will act as a guiding light within all organisations with a customer first mentality being all pervasive. This focus will help improve productivity and profitability in enterprises through a concerted commitment to continual improvement.**
- **Most Australian enterprises will earn higher rates of return on investment than in 1995 and successfully defend and expand their position in the global marketplace.**
- **Many Australian enterprises will be benchmarked as achieving world best practice in their operations, some will be acknowledged as setting world best practice standards.**

The targets of the Task Force's recommendations include individual managers, enterprises, government policy-makers, training providers and educational institutions. The mechanisms for implementation include allowing markets to operate, promoting best practice, providing incentives and seed funding, and, in one area, the possibility of future regulatory sanctions.

The Task Force also recommends the establishment of a new body, the Australian Council for Management Development, which will both assist in the implementation of the various initiatives and seek further improvements in management skills and development strategies. This Council is described later in the text.

The Task Force has divided its recommendations into Band I and Band II initiatives. Band I recommendations are seen as exerting maximum leverage on improving the skills of Australian managers. Band II recommendations are initiatives which the Task Force considers it would also be valuable to implement to support and enhance their Band I recommendations. Within each Band all recommendations have equal priority. For the sake of brevity this Executive Summary focuses on the Band I recommendations and simply lists Band II initiatives at the end of each section. The reader is referred to the text

of the full report for greater justification and detail on all recommendations. The complete set of recommendations in full is found in Appendix 1.

Finally, some of the recommendations build on existing initiatives of Federal and State governments. This is also discussed in the text of the full report, but it should be noted that the scope and scale of Task Force recommendations generally exceeds that of any existing initiative. Australia has close to one million managers and an urgent need to improve their skills. This cannot be achieved by small-scale measures.

Challenge one: developing a positive enterprise culture through education and training

The nature of the challenge

The Task Force believes a positive enterprise culture has two elements:

- community attitudes that support the creation of wealth (both economic and social); and
- managers with a high level of entrepreneurial skills.

An improvement in enterprise culture would impact on Australians in many ways. Broad based enterprise programs would have benefits to the community beyond business and industry, for example in employment generation, workplace relations, social and community organisations. Enterprise and entrepreneurship provides all types of organisations – government, private and non-profit – with the ability and opportunity to adapt and survive in conditions of rapid economic and environmental change.

In the business area, while there are significant pockets of entrepreneurial excellence in Australia, the Task Force does not believe that the Australian community at large supports an enterprise culture. The Institute for Research into International Competitiveness (1995) reported that its survey of Australia's customers in the Asian region (Japan, Singapore, Taiwan, Malaysia and Indonesia) rated Australian managers a long way behind the other five nations identified as our 'competitor countries', particularly active within the region on six key measures of entrepreneurial skill:

Entrepreneurial expertise of managers*						
Entrepreneurial expertise	Australia	Germany	Japan	Taiwan	UK	USA
Entrepreneurial skills	4.8	3.7	2.3	3.4	4.1	2.6
Taking advantage of new business	4.9	3.8	2.0	3.3	4.3	2.7
Willingness to take financial risks	4.6	3.8	2.7	3.6	3.9	2.5
Willingness to take initiatives in making friends with business people from another country	4.2	4.0	2.9	3.8	3.8	2.3
Creativity in generating new business ventures	4.9	3.7	2.0	3.6	4.2	2.5
Ability to explore business opportunities	4.8	3.8	2.1	3.4	4.2	2.5

* The mean responses are on a six point scale (1) best to (6) worst.
Institute for Research into International Competitiveness 1995.

From evidence such as this and from its consultations, the Task Force has concluded that Australians need a better developed entrepreneurial spirit, and that the word entrepreneurship is, too often, equated with the business failures of the 1980s. Task Force consultations also reveal that Australia does not support or nurture a strong small business culture, and that community attitudes to small enterprises are, on the whole, ambivalent. This view needs to be countered by the positive and potentially vital role that entrepreneurship, within small, medium and large enterprises, plays in creating jobs and improving living standards.

The Task Force is of the view that this generally ambivalent to negative attitude toward business enterprise in Australia is culturally-based. It has concluded, for example, that the lack of enterprise and entrepreneurial studies at school, in vocational education and training and in higher education, forms part of the reason why there is not a strong small business culture in Australia. Enterprise education is the main arena whereby enterprise and entrepreneurship can be encouraged across an entire society and the range of business organisations.

Further, in relation to business, the Task Force decided that the primary focus of enterprise education should be on those in the education system, particularly the young – potential employees and managers – rather than existing managers. This conclusion is partly based on the difficulties of accessing existing managers and convincing them of the benefits of entrepreneurial studies, but also because the Task Force believes that broadly based enterprise values are developed in early life rather than as one matures.

Recommendations on a positive enterprise culture

The Task Force has designed two major initiatives to develop a more positive enterprise culture in Australia to support business and industry (such programs would also have broader impact as outlined above).

The first initiative is the introduction of enterprise and entrepreneurship units into school, vocational and tertiary education. The primary aim of these units is to promote the need for individuals to proactively take charge of their own future, including their own economic future. These units not only aim to promote the wealth and job creation potential of small business but, in addition, to provide some exposure to the skills needed to be a small business manager.

Recommendation One

Development of an Enterprising Culture – within formal education and training (Band I)

It is recommended that the formal education system be used to:

- **Expose students at primary, secondary, vocational and tertiary levels of education to the value of enterprising and entrepreneurial behaviour; and**
- **Provide units in entrepreneurship and small business formation and management in vocational and professional courses.**

Implementation Strategy

Implementation details would include:

- **Curriculum designers, business educators and teacher training specialists to work with industry representatives to develop the material: content of the program to reflect best practice in enterprise;**
- **Support from both Commonwealth and state systems responsible for education and training: also TAFE and universities;**
- **Review of primary, secondary, vocational and higher educational curricula to identify new units of study to be developed and existing units that could be adapted;**
- **Staff development of teachers at all levels of the education system; and**
- **Monitoring of outcomes to maintain program currency.**

The second initiative is a program of community education aimed at raising the profile of enterprising and entrepreneurial behaviour in the community particularly in the small business area, as well as the broader development of an enterprise culture. This initiative uses the medium of television to reach the broadest audience in a manner which is accessible to the younger generation. It is designed to overcome some of the negativity towards small business apparent in the current environment and to promote small business as a viable career option for more individuals in the future.

Recommendation Two

Development of an Enterprising Culture – through community education (Band I)

It is recommended that there be a major community education program designed to promote the value of enterprise and entrepreneurial behaviour.

Implementation Strategy

Implementation details would include:

- **Separate strategies targeted at:**
 - **Regional development pilot projects;**
 - **Strategic events; and**
 - **Mainstream media programs on TV and radio with supporting telephone contacts, fact sheets, and relevant materials for distribution to viewers and listeners.**
- **Development of networks, both of people and organisations, willing to advise on and contribute to this change process;**
- **Partnership arrangements with industry, professional associations, state and local governments to assist in the operation and funding of the program;**
- **Development by consortium of industry representatives, small to medium enterprise developers, and media specialists; and**
- **Research into effective community education techniques used in other parts of the world, or in Australia.**

Both these initiatives are longer-term ones primarily aimed at the young. While both are also aimed at small business it is intended that exposure to the relevant information, particularly within the educational system, will also raise interest in entrepreneurship and broader skill sets amongst those intending to make their careers in larger enterprises.

Supporting recommendations

One initiative supports the creation of a positive enterprise culture, and is designed to raise the status of leadership in the community as well as imparting leadership skills to its participants. This recommendation envisages a national leadership program modelled on successful community leadership programs in North America and Australia.

Supporting recommendation (Band II)

Recommendation Three Leadership Initiative

It is recommended that a program be put in place to develop, disseminate and promote relevant competencies in leadership to complement management development and also for use in the general community.

Implementation Strategy

Details of the program are as follows:

- **A leadership program in each state modelled on the Williamson Foundation Leadership Program, which is in turn modelled on Leadership Chicago, which is:**
 - linked to identified leadership competencies to ensure an appropriate level of rigour and effectiveness; and
 - consists of core state based programs with participants assembling in Canberra for a combined annual national element of the Leadership Program.
- **An annual national leadership program which:**
 - involves selected participants from each state program;
 - is of approximately 5 days duration;
 - is staged at a key locality to give maximum public exposure; and
 - is run in close association with, and with increasing levels of sponsorship from, prominent industry and community organisations.
- **The Williamson Foundation could act as an agent to establish state and national leadership programs. This would include:**
 - research into and use of world's best practice techniques for developing leadership abilities;
 - development of program and resource material;
 - building network of presenters, advisers, supporters, promoters and possible financial sponsors;
 - development, maintenance and linking of alumni with the wider community;
 - promotion development and operation of performance measurement mechanism; and
 - maintenance of accountability.
- **The program would be evaluated to gather information on competencies gained and outcomes delivered.**

Challenge two: upgrading vocational education and training and business support

The nature of the challenge

Small to medium enterprises have attracted increasing amounts of attention from policy-makers because of shifts in the business environment and because of a new recognition of their potential in fostering economic growth.

Despite this recognition of the important role small to medium enterprises play in job and wealth creation, the Task Force has found some evidence that the skills of their owners and managers are not all being developed to make use of this advantage. Research conducted for the Task Force support a number of previous findings that the proportion of small business employees who receive formal development is significantly lower than for large enterprises. The Task Force considers the lack of progress in this area disturbing in the light of well established and longstanding studies which show that management skills and training have a direct relationship to small business success and failure rates. Moreover, best practice in developing small business managers centres on:

- linking management development to the business problems of particular enterprise;
- targeting formal training programs to the needs of defined segments;
- mentoring or one-to-one contact between small business managers and advisers;
- better use of business networks; and
- use of new computer and communications technologies to deliver management development to small enterprise owner/managers, and the evolution of more flexible education and development systems, such as open learning.

Task Force research suggests that only a minority of small business training programs currently match best practice. This conclusion is supported by Task Force consultations.

An example illustrates this point:

Actual practice compared to best practice across three selected TAFE programs	
Best practice	Actual content – 3 programs studied
Short, sharp and focused	Program 1 – does not emphasise specific business skills but provides broad overview of points for consideration by small business intenders
Not too general	Program 2 – is not problem specific or industry specific, comprised of broad topic areas
Relate to specific problems and opportunities	Program 3 – is practically oriented and covers topics specific to the participant's perspective and experience
Emphasise solutions and analysis of issues relating to actual experiences	

Task Force Research: Coopers & Lybrand, 1995c.

While many small business advisers are able to offer their clients advice on particular financial, legal or business-related issues, they often lack the skills and knowledge to offer counsel in relation to management or leadership issues, especially as these issues relate to management development. The Task Force has identified particular examples of best practice in preparing small business advisers for management development and training, but performance across the board remains patchy.

In comparing existing training with that known to be preferred by small business owners and managers, Coopers & Lybrand (1995b) have called for a significant shift in the programs offered by public providers. In particular they argue that the TAFE system requires, "... market oriented evaluation and remuneration" and "... more focused and selective training delivery".

The TAFE system is also important to the development of Australian managers in all sectors of the economy, not just the small to medium enterprise sector. TAFE is the largest provider of management education and training, particularly at the supervisory or frontline manager level and also, potentially, through the medium of technical and vocational training in other course areas. The Task Force is concerned that although TAFE is developing specific management courses, a need exists to extend the reach of these into other course areas as well. From a national perspective, the TAFE system must perform effectively as the major provider of consultancy services and programs aimed at raising the management skills of Australia's frontline managers, as well as small to medium enterprise managers, especially as it is the only system available throughout the entire nation.

Recommendations on vocational education and training and business support

In the vocational education and training sector, the Task Force has focused its attention on the TAFE system, and its recommendations reflect this focus.

The Task Force has two major initiatives to meet this challenge.

The first initiative concerns upgrading TAFE's capacity to deliver management development courses and is composed of four separate programs or stages. The first of these programs aims to develop senior TAFE managers so that they can lead a reform process within their colleges. The second program will be targeted to selected TAFE colleges and aims to develop the relationships within these colleges so that the necessary reforms can be implemented. The third program aims to develop the management and functional skills of those TAFE personnel working with enterprises and the fourth program envisages a quality assurance process similar to that recently introduced in the higher education sector. Overall the initiative aims to make TAFE more responsive to enterprise needs and TAFE instructors better skilled to deliver effective management development courses. As such this initiative also supports the frontline manager initiative discussed as Recommendation Eleven under 'Achieving best practice management development'.

Recommendation Four

Upgrading of TAFE's capacity to deliver management development courses and incentives to improve quality (Band I)

It is recommended that the National Management Development Scheme for the Vocational Education and Training sector be expanded to assist the organisation reform of TAFE colleges so they become examples of best practice in the way they manage their own organisation and to improve the capacity of staff to deliver best practice management development programs and services.

Implementation strategy

Initiatives would include:

- Professional development of senior TAFE managers, focusing on the rationale for organisational reform, and their responsibility for leading the reform and skills development processes required in their college;
- A program targeted at selected TAFE colleges which develops relationships between senior and other managers as a way of driving organisational reform and achieving strategic objectives within that college. These examples would then be used as best practice case studies for use throughout the TAFE system to promote wider organisational reform and for application to other enterprises;
- Incentives for the improvement of quality in TAFE institutions implemented via a process similar to that of the quality assurance process in higher education with funds allocated by way of an annual review and selection process; and
- Professional development of TAFE personnel, to provide them with the skills required to create and deliver management development programs and services used by private sector enterprises to assist in their own reform processes. The skills of TAFE personnel delivering these programs must reflect world best practice in relation to management development, due to the wide spread impact they will have on management reforms at the enterprise level. This is particularly important in relation to the support of the frontline manager initiative.

The second initiative envisages the accreditation of small business trainers, educators, counsellors and advisers. This is a leveraged initiative aimed at upgrading the quality of the advice and training small business owner managers receive by allowing them to identify suitably skilled individuals. Accreditation would be voluntary and of a high standard but include the requirement that accredited individuals be aware of, and linked in to, the full range of State and Federal business improvement services. This would overcome the accessibility problem which currently constrains small business owner managers from identifying relevant information and assistance.

Recommendation Five

Accreditation of Small Business Trainers, Educators, Counsellors and Advisers (Band I)

It is recommended that a comprehensive accreditation process be established for small business trainers, educators, counsellors and advisers so as to upgrade the quality of small business advice.

Accreditation would establish a high standard for the skills required by small business trainers, educators, counsellors and advisers. It would also provide small business owner managers with a consistent and easy method of identifying suitably skilled trainers, educators, counsellors and advisers.

Implementation strategy

Initiatives would include:

- **Accreditation to be voluntary but government related small business training would give preference to accredited providers;**
- **Accreditation to require providers to demonstrate knowledge and availability of the full range of the Government's business improvement services. This could also enable the providers to be accredited as agents of AusIndustry's business improvement services; and**
- **Accreditation process would build on and link with existing accreditation processes, eg, State Training Boards, professional associations, etc.**

Supporting recommendations

Four recommendations support efforts to upgrade vocational education and training and business support. These include an initiative to extend the availability of mentoring for small business managers; two initiatives to pilot networking between small business managers, and between advisers, using computer technology; and one initiative to develop articulated units in small business for TAFE and universities.

Supporting recommendations (Band II)

Recommendation Six

Small Business One-to-One Qualified Mentoring/Advising

It is recommended that a system of financial assistance be provided to small business owner managers by way of a certificate of entitlement to purchase accredited one-to-one mentoring/advising to complement, or as an alternative to, formal training assistance through the government's business improvement services.

Such assistance would address the reluctance or inability of many small business owner managers to seek advice for business problems as they arise and for long term management skills development. It would provide owner managers with an entitlement to consult with an expert and trusted source of support, over a substantial period, as an encouragement to longer term use of professional advisers in solving business problems and developing management skills.

Implementation Strategy

Implementation details would include:

- Accreditation of small business mentors/advisers. This compliments and relates to Recommendation 5, *Accreditation of Small Business Trainers, Educators, Counsellors and Advisers*;
- Development and publication of a list of accredited small business mentors/advisers;
- Selection and referral by appropriate bodies such as AusIndustry, of small business owner managers who would be likely to benefit most from mentoring/advising assistance;
- Small business owner managers would receive advice from an accredited mentor/adviser up to the value of the certificate of entitlement and over a defined time period; and

(continued)

- Such assistance would be paid for by the Commonwealth in a manner which allows the consumer to choose the provider, and would be time limited.

Recommendation Seven

Piloting the training and support of small business owner managers via the latest technologies

It is recommended that a pilot program be conducted to test the networking of up to 100 small business owner managers with a range of business trainers and advisers (assume 20), for a period of 6 months, via use of advanced computing and telecommunication technologies.

The objective is to test an alternative to traditional methods for supporting and training of small business owner managers.

Implementation Strategy

Implementation details would include:

- The pilot program could be managed, although not necessarily implemented by, a body such as the Open Learning Technology Corporation, Open Net, or an appropriate business support agency;
- The pilot program would utilise the full range of existing and emerging technologies such as desktop video conferencing, online information services, electronic bulletin boards, E-mail, etc;
- Maximum use would be made of linkages with other information resources such as AusIndustry's BizHelp service; and
- Technical advice would be available to pilot participants.

Recommendation Eight

Piloting the networking of small business support agencies and training providers via the latest technologies

It is recommended that a pilot be conducted to link up to 30 small business support agencies, training providers and counsellors, for a period of 6 months, via use of advanced computing and telecommunication technologies.

(continued)

The objective is to test the effectiveness of a range of technologies in their ability to increase co-ordination and information exchange between small business support agencies.

Implementation Strategy

- The pilot could be managed, although not necessarily implemented by, a body such as the Open Learning Technology Corporation, Open Net, or an appropriate business support agency;
- The pilot would utilise the full range of existing and emerging technologies such as desktop video conferencing, online information services, electronic bulletin boards, E-mail etc;
- Maximum use would be made of linkages with other information resources such as AusIndustry's BizHelp service;
- Communication between support agencies would be promoted by a small network of facilitators; and
- Technical advice would be available to the pilot participants.

Recommendation Nine

Development of articulated TAFE/University undergraduate courses in small business formation and management

It is recommended that articulated TAFE/university courses in small business formation and management be available to students throughout Australia.

TAFE in NSW has developed an associate diploma qualification in small business which articulates with a number of business courses in NSW universities.

The intention of this recommendation is to promote the availability of such an articulated study program to students wishing to study small business formation and management at TAFE and eventually at university level, in all states in Australia.

This would mean the development of new, or modification of existing TAFE/university courses along the lines of the NSW model, in states where no appropriate articulated course structure currently exists, and the development of appropriate credit transfer arrangements in states where they do.

Challenge three: capitalising on the talents of diversity

The nature of the challenge

The Task Force concludes that while Australian managers show a growing awareness of diversity issues, our managers still do not make managing a diverse workforce a priority.

Not enough appears to be happening across the board, and what is happening is not happening quickly enough to significantly improve Australian management performance in the next decade. This conclusion is supported by the extensive compilation and review of Task Force research and other studies conducted by Burton et al (1995).

The Task Force is convinced that there is an explicit challenge and presently an excellent opportunity to influence circumstances so that women have genuinely equal access to management positions.

Areas in which women's participation should be encouraged:

- The glass ceiling appears to be thickening, in that the percentage of women at senior management level in the private sector in Australia remains very low or may have decreased. More women at senior levels will benefit enterprises and Australia economically, and research for the Task Force argues that women appear more favourably placed to instigate better management styles.
- The Task Force believes that adjustments to training and development systems in organisations to better accommodate the family interests of both male and female staff need to be better supported.
- According to the Employment and Skills Formation Council (1994), women are establishing small businesses, especially in the area of self and home employment, as much as three to four times faster than men. Task Force consultations, and anecdotal evidence from numbers of highly successful business women who left corporations, indicate that many women are joining the ranks of small business owners and operators because they have hit the glass ceiling in larger organisations. Women are clearly a vibrant force in small business, and would benefit from more attention than they have received from public and private business support programs.
- Greater numbers of women on boards of directors is a very important objective. The appointment of women to boards will improve management quality and breadth, and sends a strong signal to senior enterprise management and the community that enterprises take the issue of women in management seriously. In the course of the Task Force's enquiries, many energetic and high quality women were encountered, able to contribute significantly to boards.

The Task Force believes strongly that the breadth of Australia's cultural diversity can be used to enhance economic performance, especially in relation to Asia, where better understanding of diverse markets is intrinsically linked to Australia's ability to increase exports.

The Task Force believes that multicultural impacts should be a key consideration in all approaches to management development, because:

- there is considerable competitive advantage to be gained; and
- there is no economic sense in limiting the productive capacity of employees simply because little effort has been made to understand their backgrounds and talents.

Recommendations on diversity

The Task Force is recommending three major initiatives in this area. The first is a recommendation for greater priority for management for diversity in general in the private sector.

Recommendation Ten (a) (Band 1)

Management for Diversity

It is recommended that private sector and government give higher priority to strategies to improve utilisation and management of Australia's diverse population in Australian business and industry.

Details include:

- **Management for diversity in general should be the focus of improved strategies;**
- **Women should be a particular target group, and the multicultural workforce;**
- **The primary emphasis should be on action by the private sector; and**
- **Task Force discussion material outlines a range of specific strategies related to management for diversity for implementation by the private sector including best practice and improved human resource development models.**

The second overarching initiative is a national strategy to be developed by the private sector which sets targets for the increased participation of women in private sector management, corporate boards and academia.

The national strategy should primarily consist of the identifying of targets for the number of women in middle and senior levels of management, boards of directors and academia to be achieved by the year 2000. Targets are not quotas – they are realistic numbers for which to aim and not imposed requirements which must be met. In line with the Task Force's philosophy that the private sector works best without major interventions, it recommends that these targets be developed and determined by the private sector itself.

The process of setting targets should be led by the peak industry bodies with their particular constituencies – the Business Council of Australia, Australian Chamber of Commerce and Industry and the Australian Institute of Company Directors. It is hoped the involvement of industry will result in targets which are achievable given the presence of women as employees, managers and customers in each industry sector. Individual enterprises should be encouraged to set their own targets in a manner consistent with national targets but appropriate to their situation.

A further initiative supports the national strategy for women and seeks to establish a database of women who are qualified to sit on enterprise boards of directors. This initiative aims to correct the current low number of women who influence the direction and development of Australian enterprises. It is in direct response to misconceptions encountered by the Task Force that suitable women are not available.

Another initiative also supports the national strategy for women and provides targeted management development for women with the aim of assisting more of them to break through the glass ceiling. The Task Force recognises the need for pro-active change in this area, and intends that this initiative encourage the proper application of the merit principle as well as better development and advancement opportunities for women, as part of meeting these five year targets.

Perhaps of equal importance to these initiatives is the Task Force's conclusion that unless enterprises act more vigorously to promote women to senior levels then in the near future the Federal Government may need to contemplate more stringent, regulatory measures over a limited period to promote change.

Recommendation Ten (b) (Band 1)

National Strategy for Women: Women in Private Sector Management, Corporate Boards and Academia

- **In the case of gender, and given the poor level of success to date in opening up management and corporate boards to women, a National Strategy should be developed by the private sector in conjunction with government, within a systematic national framework.**

(continued)

Implementation Strategy

- Such a strategy should include broad targets over five years, to be developed and promoted by business and industry sector bodies such as the Business Council of Australia, the Australian Chamber of Commerce and Industry, the Australian Chamber of Manufacturers, the Chamber of Manufacturers, and the Australian Institute of Company Directors. Enterprises themselves should be encouraged to set specific targets in line with the thrust of national targets.
- At the end of five years, significant progress should have been achieved. However to highlight the need for firm action in this matter, if at the end of five years significant progress has not been demonstrated, more stringent measures should be considered by Government, including quotas (developed according to the particular circumstances of industries or enterprises, ie not 50 per cent across the board) and exclusion of underperforming companies from tendering for government contracts; and
- To support this initiative a similar strategy should be developed for the faculty profiles of tertiary management education institutions.

National Strategy for Women: Women on Boards of Management (Band I)

- The Australian Institute of Company Directors should be resourced to:
- Establish benchmark data on women on boards in Australia, as well as longitudinal data to be annually updated and published widely; and
- Develop a data base of women suitable for board appointment for use by any private sector organisations.

(continued)

National Strategy for Women: Targeted Management Development for Women in Management Courses, Training and Business Support Programs

- Management training and development programs and agencies should target women for development. In particular, management school courses not currently graduating a minimum of 40% women should be upgraded through national targeting of scholarship schemes, with priority given to postgraduate professional courses: a fees arrangement for five years whereby government and/or universities subsidise the system to enable industry to support two female employees for every male, might be considered; and
- Government training and business support processes and programs where numbers do not reach a minimum of 40% should also recognise women as a target group for enhanced development.

The third initiative increases funding to those agencies promoting the benefits of a diverse workforce and management in increasing opportunities for international business and encouraging creativity and innovation in business practices, products and services.

Recommendation Ten (c) (Band 1)

Improved Agency Support for Promoting Diversity (Band I)

Implementation of diversity strategies in the private sector should involve upgraded assistance and advice from government agencies:

- The Affirmative Action Agency education and support role should be upgraded, appropriate resources put into disseminating information and tools to assist enterprises, and monitoring of progress for women in management carried out through adaptation of existing Agency statistical systems;
- The educational support role and resources of the Productive Diversity program of the Office of Multicultural Affairs should be upgraded so as to make multicultural management strategies more broadly known and accessible by the private sector;
- The Best Practice Program should specifically target best practice in management for diversity; and

(continued)

- **Government services operated through Austrade and AusIndustry, should develop specific strategies to use Australia's cultural and linguistic diversity effectively in trade and industry development programs, and to target companies operated by women and those from Australia's culturally diverse community for export and business service support.**

Challenge four: achieving best practice management development

The nature of the challenge

There are two elements to the challenge of achieving best practice management development. Firstly, setting out the broad areas of leadership and management competence which the Task Force has identified as needing improvement in Australia. Secondly, the need for management development to be clearly driven by industry and the enterprise itself according to their needs rather than by development providers or government.

The Task Force favours a very broad definition of leadership that includes influencing task objectives and strategies, group identification and maintenance, and influencing the culture of an organisation (Yukl 1989). From consultations and research, the Task Force has concluded in particular that the distinction between managers and leaders is increasingly irrelevant in the context of downsizing and flattening organisational structures. In the future all managers, irrespective of level, and indeed many employees, will need some leadership skills.

The more pertinent questions centre around the broad areas of competence that managers in the new structures require, including those competencies which relate to motivating their employees to achieve enterprise goals. The Task Force therefore conducted extensive research into the ideal and existing skills of Australian managers.

From this research, the Task Force has identified the broad areas in which many Australian managers need to improve their skills:

The eight main areas are:

- **soft or people skills;**
- **leadership skills;**
- **strategic skills;**
- **international orientation;**
- **entrepreneurship;**
- **broadening beyond technical specialisations;**
- **relationship building skills across organisations; and**
- **utilisation of diverse human resources.**

However, the Task Force does not think it appropriate to be more prescriptive as to what form these competencies might take in specific industries and enterprises, nor to suggest where an enterprise's priorities might be placed. Enterprises differ markedly in their skill needs and while some competencies may be generic to a wide range of situations many are not.

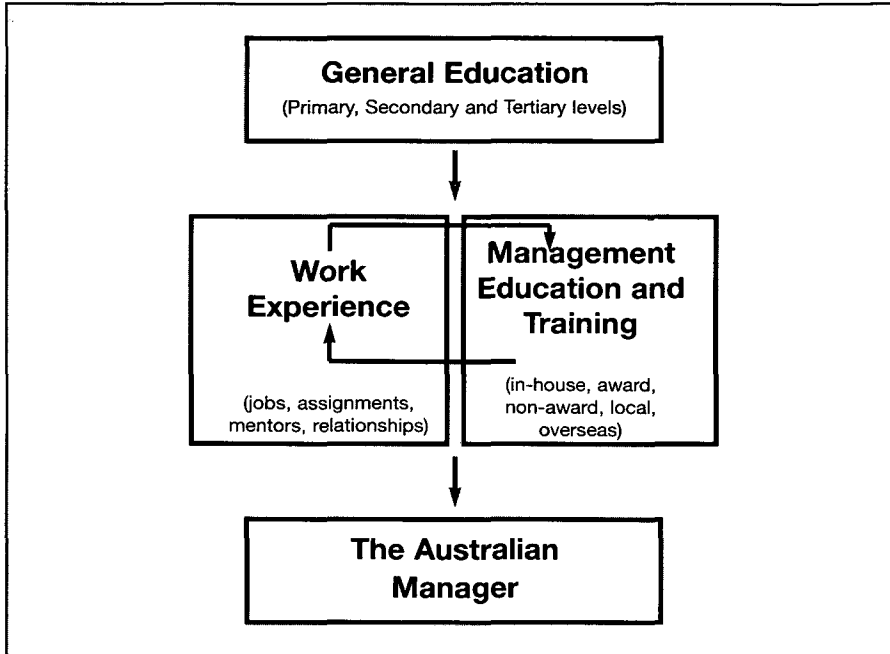
Above all, the challenge for enterprises is to develop better leaders and managers through a clearer focus on the competencies their business strategies require. Specifying competencies is therefore not a role for government but should be driven by the enterprises themselves.

Best practice management development is enterprise driven management development.

The Task Force has concluded that managers learn best and fastest through being exposed to a variety of management development strategies. But in particular, managers learn best at work. Ivanoff and Prentice (1994) have constructed a definition of best practice management development which has been elaborated by the Task Force as follows:

“Enterprise best practice management development is a comprehensive, systemic and co-operative enterprise approach to the continuous improvement of all managers. It recognises the importance of equity and diversity in the selection and promotion of managers. It is the way best practice enterprises plan and organise their management training, education and development practices to provide a rich source of learning opportunities for all managers. Using the best practice approach, managers acquire the leadership and management skills needed to deliver world class standards of enterprise performance in quality, customer service, flexibility, timeliness, innovation, cost and competitiveness.”

The Management Development System



Task Force Research: Barraclough & Co, 1995.

Task Force consultations, analysis and research findings indicate that while there are examples of best practice management development in Australia, overall performance is weak across large, medium and smaller enterprises. Indeed, the Task Force's research program provides ample evidence that the development of Australian managers is failing in six critical areas, namely:

- low levels of education and training undertaken;
- over-reliance on short courses;
- over-emphasis on current rather than future skills;
- failure to handle the transition from specialist to manager;
- failure to link management development to strategic business direction; and
- failing to evaluate the effectiveness of management development activities.

The Task Force has identified frontline managers and supervisors as its major concern.

Frontline managers are numerically the largest category of managers, they have the most immediate impact on the productivity and quality output of the workforce, and evidence would suggest that the majority of them are not being prepared for the challenges of the Asia-Pacific Century. The major recommendations of the Task Force on achieving best practice management development relate to the frontline manager.

Recommendations on best practice management development

Three major initiatives are recommended to meet the challenge of best practice management development, one to improve skills at the frontline of management, one to increase the international exposure of Australian managers and one to promote best practice in a variety of areas.

Frontline managers have been identified by the Task Force as central to improved productivity and innovation in the workplace. Task Force research and consultations also indicate that as a group their skills are least likely to be developed in a systematic manner. The first initiative aims to redress this situation by making a nationally accredited, high quality National Certificate in Workplace Leadership available via the vocational education and training sector. It is intended that a significant proportion of Australia's frontline managers attain this certificate in the first stage of its operation.

Recommendation Eleven

Frontline Manager Program (Band I)

It is recommended that there be a national training program for frontline managers.

Implementation Strategy

Details include:

- **Participants will not have had any formal management training and will be working in enterprises which are able to demonstrate the application of quality principles in their operations and their human resource development processes;**
- **An estimated total number of 180,000 frontline managers in Australia are without formal management training. It is estimated that approximately 80,000 to 100,000 of these will qualify by working in quality committed enterprises. Target is to provide access to management training for 80,000 over a five year time frame or in an early stage of its operation;**
- **Participants to be released, at cost of employer, for up to 20 days structured training spread over a 20 to 40 week period. Approximately 10 curriculum units would be involved in course;**

(continued)

- **Training to be funded by the Commonwealth in a manner which allows the enterprise to select the provider which most suits its requirements;**
- **Delivery, preferably on site, via a variety of mechanisms. Open and distance learning course materials to be provided;**
- **Course materials to be based on work already undertaken by the Australian Committee for Training Curriculum and to be competency based. Initially the materials will be print based but with funding proposed to make them available on electronic and CD Rom format;**
- **TAFE will be a major deliverer of the program and will be supplemented by industry associations and private providers. Implementation of Recommendation 4, Upgrading of TAFE's capacity to deliver management development courses, is critical to the success of this proposal;**
- **The program is to be called the "National Certificate in Workplace Leadership" and would be integrated into the national qualifications framework to ensure articulation with other programs; and**
- **Proposed funding includes provision for the deliverer to customise their program to meet enterprise requirements and to undertake assessment of competence.**

The second initiative is for structured industry-based study tours to be undertaken overseas by 7,500 managers in the first stage of operation. These study tours would be of two to three weeks duration and aim to give managers an appreciation of how business operates in another country.

Recommendation Twelve

Structured Industry Based Study Tours (Band I)

It is recommended that there be an industry based program to provide opportunities for up to 1,500 Australian managers to undertake structured international study tours each year.

Implementation Strategy

Details include:

- **To be administered by a body such as Austrade, in close association with industry representatives and associations, with annual reporting to the new management body;**

(continued)

- **Primarily focused on the Asia Pacific area. It would involve collaboration with APEC countries with the possibility of exchange programs that would assist Austrade's role by further developing international contacts for Australian businesses so as to improve international business opportunities;**
- **Actual delivery of the program would be through accredited industry and professional associations and other organisations/sources approved by Austrade. These bodies, in association with intended participating companies, would apply to Austrade for funding. Proposals would be evaluated on the basis of the intended learning outcomes for the industry, the enterprise and the individual manager;**
- **The sponsoring body would tailor a program of two to three weeks duration, to meet the needs of the particular industry and would promote it within that industry;**
- **The market for the program would be potential and existing exporters and companies involved in international trade with a particular emphasis on small to medium sized enterprises (SMEs);**
- **Program participants would be drawn from different levels of management within the participating companies, either on the same or different study tours, but no individual could go on more than one such tour; and**
- **Participants would be expected to comprehensively report on the findings and learning outcomes of their study tour. These reports would be made available, via the sponsoring body, for other companies in the industry so as to maximise the benefits of the Government investment in the program.**

The third major initiative in this area is to provide a range of best practice materials for small, medium and large enterprises. These materials cover financial performance benchmarks for small enterprises, case studies of best practice management and case studies of best practice management development policies and methods.

Recommendation Thirteen

Benchmarking and Best Practice Materials (Band I)

It is recommended that, as a part of the government's business improvement services, a data base be developed containing: industry specific financial benchmark information relating to small and medium sized enterprises; best practice case studies in business management, and management development relevant to small, medium and large businesses.

Implementation Strategy

The data base would include:

(a) Industry Specific Financial Benchmark Information

- For use by small business advisers and support agencies to assist small and medium sized enterprises with advice relating to expenditure, income, debt levels, etc;
- The benchmark data would be used as a diagnostic tool to identify areas of an enterprise's financial performance which differ substantially from their industry's norms, which indicate the need for further investigation;
- The Canadian Government has recently implemented a similar system using taxation data to provide business information, such as size, turnover, stock-in-hand etc, on a wide range of different industries;
- Initial investigations have indicated that the Australian Taxation Office (ATO) does collect a wide range of information relating to the required benchmarks, and that the information is classified to the required level of detail to enable analysis of specific industry sectors. The ATO has confirmed that this information could be extracted for use by another Government agency; and
- It is proposed that the ATO data would be passed to the Department of Industry, Science and Technology for output in a format useable by small business advisers and delivered through AusIndustry's BizLink system.

(b) Case Studies of Best Practice in Business Management

- The case studies would be prepared according to the same industry classifications as the financial benchmark data;

(continued)

- **Problems diagnosed by reference to the financial benchmark data could be referred for possible solutions to the case studies;**
- **Case studies would be developed under the auspices of, but not necessarily by, Industry Training Advisory Boards; and**
- **Case studies would also be available for use in management school curriculum development.**

(c) Case Studies of Best Practice in Management Development

- **The case studies would include best practice examples of management development in small, medium and large business;**
- **They would be concise and written in a manner accessible to the general public;**
- **They would be drawn from a wide range of industries;**
- **Where possible, they would be sourced from relevant industry and professional associations;**
- **They would also be available through the Australian Best Practice Program and AusIndustry;**
- **They would also be used in the Australian Best Practice Demonstration Program to upgrade the emphasis on management and management development within the Best Practice model itself and via promotional programs and industry seminars; and**
- **They would also be available for use in management school curriculum development.**

Supporting recommendations

In addition to the major recommendations outlined above, the Task Force also believes that two other areas which are crucial to enterprise performance need to be addressed. The first area is management competencies and the second is the need for enterprises to commit to a goal of continuous improvement and quality performance.

Supporting Recommendations (Band II)

Recommendation Fourteen

Management Competencies Framework

It is recommended that there be a definition, development, maintenance and promotion of flexible management competencies for use in all industries, including small business, by managers operating at all levels.

This would build upon the following existing work:

- National/State Training Boards' and ITABs' development of industry based management competencies; and
- Competencies developed by the Small Business Management Competencies Standards Body (SBMCSB).

Implementation Strategy

Details of this proposal include:

- Core generic competencies to be built on the work undertaken by ANTA/ACTRAC bodies;
- Strong industry influence via industry bodies and ITABs;
- Ongoing research/development process to ensure the competencies reflect world best practice;
- Coordination of management competency development between industries to minimise unnecessary duplication;
- Incorporation of existing small business management competencies into the wider competency framework and include development of relevant qualitative competencies such as entrepreneurial skills in small business; and
- Preparation of a flexible software package containing generic competency material and enabling the identification and merging of industry and enterprise specific management competencies.

Recommendation Fifteen

People and Quality

It is recommended that programs that promote quality in human resource development be adopted to complement the existing quality standards.

Implementation Strategy

Details of this recommendation are as follows:

- Organisations such as the Australian Manufacturing Council have identified the need to develop more comprehensive national and international quality standards to link together quality certification and human resource development. International bodies such as the Confederation of British Industry are also supporting moves to provide a stronger link between quality and human resource development;
- Examples of such programs include the "*Investor in People*" concept operating in the UK, and the "*Quality Committed Enterprise*" initiative currently being developed by the Australian Quality Council (AQC), which is based on the human resource development criteria used in the existing Australian Quality Awards;
- At a Commonwealth level, criteria relating to quality human resource development should be included in the Purchasing Australia's *Endorsed Supplier Arrangements* due for review in the latter part of 1995; and
- The following initiatives should be implemented to promote its adoption:
 - adaptation of Commonwealth and State Government purchasing policies to include criteria relating to quality human resource development; and
 - requirement for recipients of Government funded management development programs to comply with criteria relating to quality human resource development.

Challenge five: reforming management education

The nature of the challenge

The Task Force has concluded that, while formal education has a good foundation which is meeting the needs of many parts of the community, more needs to be done to make a better contribution to developing the nation's managers and business leaders. Of particular concern to the Task Force is whether the management education sector is adequately addressing:

- educating for the new paradigm of management, involving:
 - the increasing importance of the leadership and people skills required of the new manager; and
 - internationalisation;
- diversity;
- links to industry and enterprises; and
- delivering world class programs.

The Task Force defines the management education sector to include all the postgraduate, undergraduate and TAFE programs which are solely concerned with the topic of management or which have a significant component of management within them. As TAFE is the primary focus of challenge two, most comments in this section relate to university level management education.

Universities and their undergraduate and postgraduate schools of business, commerce and management offer a wide variety of programs delivered in many different ways. Degrees in management can be specialised (eg, Bachelor of Commerce in Accounting) or generalist (eg, MBA). The MBA itself now comes in more than one form – with the recent growth of Executive MBA programs for practising managers. Both undergraduate and postgraduate management degrees can be studied part-time or full-time and either in the classroom or by various forms of distance and open learning. Lastly, but of significance are the large number and variety of short, non-award seminars and programs targeted at executives and of one day to a few weeks duration.

The diversity of the sector is one of its strengths, and one which the Task Force wishes to preserve and foster.

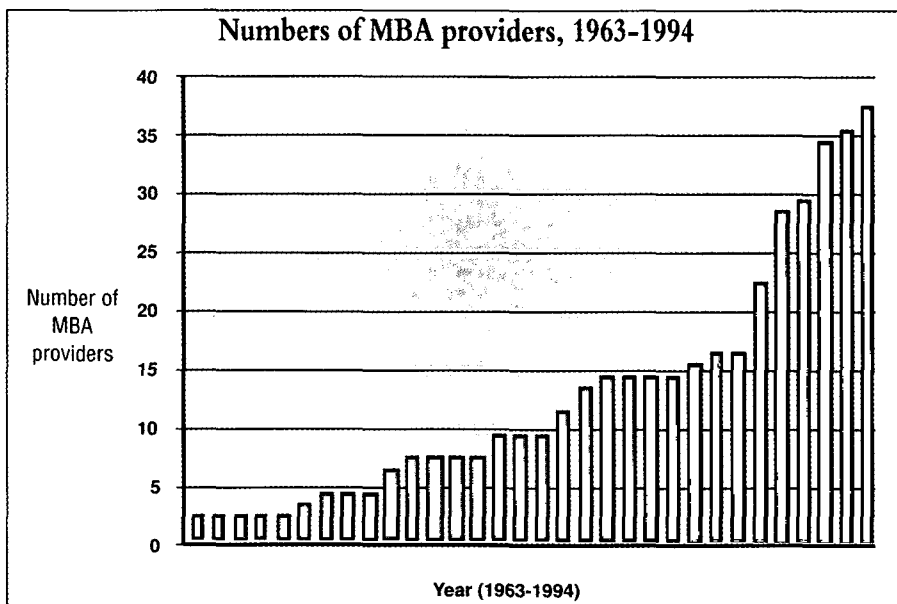
The Task Force commissioned two research projects to investigate the state of the management education market in Australia and report on the quality of MBA programs. The striking finding of research into customer attitudes to management schools is the extremely localised nature of the market. As the researchers state, "... most graduates and business people know almost nothing of courses beyond their own city." (AFMD and

Reark, 1995). They argue that this results from the fact that most students are part-time and choose their management school as much on convenient location as any other criterion.

The Task Force considers this to be a significant problem, exacerbated by the relative lack of comparative information in the market about the quality of offerings. For these reasons the Task Force initiated the *Good Universities Guide to Management Education* as a means of placing more information into the MBA marketplace. More needs to be done however, to allow MBA students the opportunity to exercise choice as consumers of management education, by way of generating and distributing comparative information about different schools.

One of the key criticisms of Australian management schools noted by the Task Force is that, while individual academics and departments within some schools are world class, it is unlikely that there is a world class management school in Australia. The principal issue is one of scale, in that none of Australia's leading schools approaches the size the Task Force considers necessary to provide the infrastructure most likely to support world class quality in teaching and research. A world class school is vital to provide leadership to the rest of the postgraduate management education sector and to assist Australian enterprises by promoting the latest management thinking. Given Australia's growing involvement in the Asia-Pacific region there would be strong benefits to having a world class school, not only in terms of training the Asian students who would become leaders in the region, but also in terms of forming stronger links with Asian management schools and in establishing an Australian centre of excellence in the region for education services in the management and business field.

Of further concern to the Task Force is the recent growth in the numbers of institutions offering management related courses, prompting questions as to whether the proliferation of offerings to such a small market produces quality education.



Task Force Research: Ashenden and Milligan 1995.

Executive Summary

This growth in the number of providers is at least partially fuelled by the growth in demand for higher degrees in management and economics (of which masters by coursework are the predominant component). In 1993 there were approximately 13,000 such students but this number is projected to rise to 23,000 by 1998.

Forecasts of higher degree student numbers (in thousands).			
Year	Forecasts	95% Forecast Interval	
		Lower Limit	Upper Limit
94	14.55	13.76	15.33
95	16.55	15.10	18.00
96	18.54	16.25	20.83
97	20.54	17.30	23.80
98	22.53	18.21	26.86

Task Force Research: Monash University, 1995.

In the view of the Task Force, an important reason for the proliferation of MBA programs, the relatively uninformed and uncritical perceptions of their customers, and the slow response of Australian schools to updating and improving their course content, relates to the funding mechanism for Australian management schools. Australians are not alone in questioning the wisdom of extensive state subsidies to management education particularly postgraduate education. As Rand (1995) report in their study of the management education systems of five countries, this is a global concern.

Recommendations on management education

The Task Force recommends that this challenge is met by four major initiatives which are all aimed at the postgraduate or management school sector. The Task Force has targeted its initiatives towards this sector because, while the numbers of students involved are relatively small, the sector plays a leading and influential role in the Australian management development system, and was the focus of most concern from stakeholders in Task Force consultations. Management schools provide MBA graduates for leading corporate and professional enterprises, have a significant role in the continuing education of practising managers through executive and in-company training, train the management academics of the future, and through research and scholarship, serve to advance our understanding of management.

The first initiative in this area concerns the funding of management schools. In essence the Task Force would like to accelerate the trend to full fees for postgraduate courses and programs already evident in the sector by channelling government funding to scholarship holders rather than the providers themselves. This, it believes, would have a significant impact on the customer responsiveness of management schools and the quality of the

education they provide. There is little economic justification for directly subsidising management education and customers who are paying full fees are far more likely to demand better and more relevant performance from management schools.

Recommendation Sixteen

Fees and Funding Mechanisms for Management Schools (Band I)

It is recommended that the Government funding mechanism be refocussed and redesigned for business and management postgraduate education in order to more closely align supply and demand.

- **To sharpen and focus the market, the funding which presently is provided to universities for graduate management education, including MBAs, should be converted from a block funding approach focused around EFTSUs to a set of earmarked scholarships which would be of exactly equivalent value;**
- **In the case of management education, these scholarships would be earmarked for use in management schools and tied to universities;**
- **The management schools would at first assign these scholarships to meritorious students of their choice for use in the payment of course fees;**
- **After two years, the extent to which these scholarships are tied to each university would be reduced and they would be progressively untied;**
- **A schedule of the reduction of the extent to which these scholarships were tied to management schools would reflect a reduction of 20 percent per annum from 100 percent to 0 percent over a five year period. Untied scholarships would be awarded to students not by management schools but by an independent agency to which students would apply. These scholarships would be tenable by students at any management school; and**
- **A proportion of scholarships would be awarded on the basis of access and equity criteria.**

The rationale behind this recommendation is to make management education demand driven with a market focussed graduate management education system acceptable to all of the major stakeholders. Task Force consultations with management school deans and Vice Chancellors indicate that some management schools will not take advantage of legislative change which enables universities to charge fees for post-graduate courses.

Ultimately, the Task Force believes this model should apply in all areas of postgraduate course work programs.

The second initiative supports the first and seeks to provide information on the quality of postgraduate management education to both prospective students and employers. This initiative envisages that detailed consumer information such as provided in the Task Force sponsored trial of the *Good Universities Guide to Management Education* will continue into the future. It recommends that management schools be professionally accredited as a quality assurance indicator available to both the international and domestic market. Most other professional courses already undergo accreditation from their professional/industry body, and this proposal brings management courses in line with the norm.

Recommendation Seventeen

Information and Quality Control for Management Schools (Band I)

(a) Accreditation of Management schools

It is recommended that a professional accreditation system be established in order to give Australian higher education management suppliers a quality assurance indicator which will assist their export efforts and be generally informative to the domestic and export markets.

Implementation Strategy

Details of the system include:

- The accreditation system would be a mission-based system modelled on the United States' AACSB system;**
- Australian-based courses only would be accredited;**
- The accreditation body would be a council of the new management body (Australian Council for Management Development);**
- The accreditation body would be independent and drawn from management schools, industry and government; membership of the board would revolve over three years;**
- The accreditation body would draw up guidelines to appoint groups responsible for individual accreditation processes; and**
- The accreditation system would be reviewed within five years of its establishment to determine its effectiveness.**

The proposal is designed to encourage Australian management schools to achieve minimum professional standards in their course offerings.

(continued)

(b) Market Information

It is recommended that information on the supply of higher education management courses, routinely collected in aggregated form as part of the operations of the accreditation body, be publicly available for consumer information purposes through the use of the information base on management education which will be developed by the new management body (Australian Council for Management Development).

The third initiative has two elements to it, the first element relating to the creation of a National Management School and the second relating to the quality of the education provided by other management schools. While two national schools have been established in Sydney and Melbourne, the Task Force is concerned that neither can, as yet, be regarded as world class institutions, primarily because they are below world scale in numbers of faculty and students. For these and other reasons the Task Force recommends the creation of a National School which will have both the requisite scale and operations in more than one capital city. This National School would be put out to competitive tender. Those management schools that were unsuccessful in their bids would be eligible to quality assurance funding under the second element of the initiative (the National School would not be eligible for these funds).

Recommendation Eighteen

The Drive for Improved Quality for Management Schools (Band I)

(a) National Management School

It is recommended that the Commonwealth develop a National Management School with satellite centres in at least two capital cities:

- The objective of this proposal is to support quality research, curriculum development and delivery and attract world class academics and students. These elements are needed to underpin a substantial improvement in the quality of management education in management schools across the board. In addition, within a few years there will be one or more top class regional schools in Asia which will draw off both the international students which Australia now attracts, as well as the better Australian students.**

(continued)

Implementation Strategy

- **A process of Commonwealth tendering should be used to select the appropriate consortia of schools;**
- **The National School would offer executive programs, customised programs, short courses and MBAs;**
- **Open learning, satellite communications and the information superhighway should be evaluated as possible delivery methods; and**
- **A critical long term strategy for such a school would be the development of collaborative or closer links with the top regional schools in Asia, in keeping with the current long term developmental directions of APEC.**

(b) Quality Incentives for Management Schools

Incentives for the improvement of quality in Australian management schools, other than the National Management School, should be put in place by DEET via a process similar to that of the quality assurance process in higher education.

- **The National Management School would not be eligible for these funds; and**
- **Funds would be allocated by way of an annual review and selection process based on guidelines to be developed in consultation with stakeholders.**

The fourth and final major initiative in this area is to improve the funding for applied research into management topics and to make this funding open to a broader range of researchers and research organisations than in the past. By this means, Australian enterprises and managers would be more assured of a local stream of high quality and relevant research rather than relying on the efforts of overseas researchers who may operate in quite different economic and cultural environments. A heavy emphasis on joint funding with industry is envisaged.

Recommendation Nineteen

Research Funding and the Supply of Quality Academics (Band I)

It is recommended that a new applied management research program be set up and administered by the new management body (Australian Council for Management Development) to significantly increase the amount of knowledge generated through applied research in management.

- **More funding needs to be allocated to applied management and leadership research within higher education;**
- **This initiative would include an applied research program and joint university/industry projects devoted to specific fields of management research;**
- **The initiative would also include schemes to increase the quantity and quality of management development professionals who work in this field, for example through a series of earmarked PhD scholarships at the National Management School and elsewhere; and**
- **Existing research funds would continue to be allocated as per current process through the Australian Research Council.**

Supporting recommendations

The Task Force and its Sub-Committees identified a number of additional recommendations which would strengthen the drive to achieve world class management education. These can be categorised into three groups, namely as initiatives to: (i) improve the linkages between business schools and their environment; (ii) improve the relevance of curricula to the business needs of the next century; and (iii) improve the development of academics.

Supporting recommendations (Band II)

Recommendation Twenty

Industry Linkages for Management Schools

It is recommended to management schools and to the private sector that industry linkages between the two be upgraded to address the need for committed and regular interaction between management schools and the business community.

- Whilst there is a range of mechanisms employed in fostering interaction, a persistent problem has been the lack of interest at senior executive levels in medium and large enterprises in regular and systematic involvement on boards and advisory committees;
- Universities need to ensure that such roles for business people are meaningful and influential in improving curricula, delivery mechanisms and university administration in order to maintain the commitment of effort and time from the business sector; and
- Major business organisations and their constituents need to support interaction between business and universities by ensuring that an adequate supply of senior executives fill important roles in university decision-making, such as positions on advisory committees and boards and by facilitating transfers for periods of work of both academic staff and business people.

Recommendation Twenty-one

International Links for Management Schools

It is recommended that management schools, the higher education system and TAFE speedily upgrade the quality and quantity of international links and information exchange.

Implementation Strategy

Implementation details would include:

- Support for initiatives of the Australian International Education Foundation to rationalise and streamline sales of education services;
- Placement of academics in export companies/multinationals;
- The offering of management education courses which provide opportunities to students to work in export companies on specific projects;
- The provision of curricula management courses emphasising the links between cross cultural development/ diversity/ trade issues;

(continued)

- The establishment of mechanisms for voluntary audits of curricula on cross cultural management/diversity/trade issues by overseas practitioners within the new management body;
- Encouragement of the use of course offerings emphasising cross cultural management, diversity and trade as a criteria for ratings;
- Provision of scholarships for management students to study overseas which include return to Australia upon completion as a condition;
- Establishment of a program similar to that operating in the United States whereby recent MBA graduates are placed in recently established or privatised companies in developing countries (eg, Vietnam, Laos, Malaysia, Indonesia and China);
- Upgrading the University Mobility in Asia and the Pacific (UMAP) Program; and
- The routine distribution of informational material on management school offerings to the Asia Pacific Region. An example of such material is the *Good Universities Guide to Management Education* developed by the Task Force and Ashenden Milligan in 1994.

Recommendation Twenty-two

Curricula in Postgraduate and Undergraduate Management Education

It is recommended that state-of-the-art management and leadership educational curricula be developed and disseminated to management education providers and other interested parties.

Implementation Strategy

- There are economies of scale to be achieved by developing and disseminating curricula centrally through the new management body (the Australian Council for Management Development);
- The Task Force has already commissioned some curricula which can be integrated into the new body of work;
- Newly developing fields of management, particularly in fields related to international business and emerging integrative disciplines, would have priority for development;
- Curricula would comply with best practice models of curriculum development emphasising business needs of the 21st century including :
 - functional requirements (eg finance, economics, human resources management);

(continued)

- greater emphasis on SMEs and frontline managers including case studies/project work in companies;
 - greater emphasis on communications/ team building/ IT/ languages/ leadership/ diversity/ international perspective;
 - on-the-job experience and assignments; and
 - international assignments.
- Curricula would be developed from an Australian perspective; and
 - Curricula would include undergraduate and post-graduate business management and leadership studies. Universities would be encouraged to upgrade both the quantity and quality of undergraduate offerings particularly, but not restricted, to professional undergraduate programs.

Recommendation Twenty-three

International Business Skills Program

It is recommended that there be a program to increase knowledge of export related matters amongst students with potential as exporters in relevant professional and advanced vocational courses.

Implementation Strategy

Details of the program include:

- Development of curricula and course materials, which could be delivered through an Open Learning approach, at three levels:
 - *basic*; one unit of study for inclusion in existing appropriate TAFE Certificate courses;
 - *intermediate*; one unit of study for inclusion in existing appropriate University undergraduate courses; and
 - *advanced*; one unit of study for inclusion in existing advanced post-graduate management courses.
- These course materials would then be available for any organisation, including TAFE colleges, private providers and universities, which wishes to offer the Exporter Education Unit as part of its program; and
- The process would be overseen by representatives of Austrade, senior managers from successful exporting companies, export educators and curriculum development experts.

(continued)

Supporting Recommendations (Band II)

Recommendation Twenty-four

MBA students consulting with small business owner managers

It is recommended that the Commonwealth provide seed funding to encourage universities to place MBA students with small business owner/managers, for specific management-related project work associated with the small business, as a standard subject offering.

The objective of the proposal is to provide structured experience for MBA students in small businesses whilst exposing small business managers to free business advice and support. The experience would give students practical skills and the small business owner/managers access to management expertise to improve the performance of their business.

Implementation Strategy

Implementation details would include:

- Activities being overviewed by experienced university management educators to ensure quality control;
- Requiring the cooperation of stakeholders, including universities, small business and professional association representatives, curricula developers and Government; and
- Universities being encouraged to introduce such programs via limited Government assistance targeted at establishment costs over a two year period, followed by an evaluation of effectiveness.

Recommendation Twenty-five

Articulation for Management Schools

It is recommended that management schools continue to be encouraged to systematically and quickly improve articulation.

- From diploma and certificate level into undergraduate business studies and ultimately into graduate business studies, principally MBAs;
- Between private management education providers and the unified system at an undergraduate and post-graduate level; and

(continued)

Supporting Recommendations (Band II)

- Between management schools within the unified system.

It is also recommended that management schools better and more routinely incorporate Recognition of Prior Learning (RPL) into selection processes.

Recommendation Twenty-six

Communication/Teaching Technologies for Management Schools

It is recommended that the Commonwealth provide seed funding to establish an open learning network for the delivery of management education to professional small to medium enterprises such as legal, accounting and health care firms:

- There should be an emphasis on the continual updating of existing skills through the provision of information packages to network subscribers; and
- To be coordinated between the Open Learning Agency of Australia and management school providers.

Recommendation Twenty-seven

Human Resource Management of Academics

It is recommended that priority be given in management schools and universities to the improvement of human resource management process.

Implementation Strategy

Implementation details would include:

- Utilisation of best practice approaches to tenure.
Recommended approach to incorporate a choice between a contract with the incentive of added remuneration and tenure with award rates;
- Utilisation of best practice recruitment procedures incorporating the following elements:
 - recruiting committees to be composed of no more than three people;
 - interviews to be structured against pre-determined criteria;
 - full process reviews to be undertaken by HRM experts;
 - training in selection interviewing to be a prerequisite for recruits;

(continued)

Supporting Recommendations (Band II)

- teaching/research to be differentiated in terms of remuneration and contracts;
- total package flexibility including salary;
- more private sector oriented search techniques; and
- masters accepted for positions currently reserved only for PhDs;
- Development and publication of benchmark indicators for human resource management;
- More emphasis on the value of continuing education for academics incorporating:
 - facilitation of placements in enterprises;
 - public and private sector placement in management schools; and
 - recognition of difference between teaching and research positions.
- Greater consideration to the introduction of DBAs (Doctor of Business Administration); and
- Encourage the Committee for the Advancement of University Teaching (CAUT) to seek further applications for grants for projects area related to the teaching of management.

Implementation mechanisms

The Task Force's basic philosophy is that markets are the best mechanisms to achieve optimum allocation of resources and quality outcomes. However, the Task Force also recognises that markets are sometimes imperfect or fail. Several of these market failures have been highlighted by the Task Force's research and consultations. Hence, the Task Force considers that there are circumstances where interventions by the Commonwealth Government can have beneficial effects. The Task Force believes that any such interventions in the management development area should be highly targeted (because industries and enterprises are diverse in nature) and of limited duration (so that markets can develop and relieve the public purse).

As a consequence of these views the Task Force has, in the main, not only chosen to focus very specifically on key areas of leverage but also to promote industry and enterprise input into the details of implementation. The Task Force suggests a time horizon of five years for all of its recommendations – by which time they are either to be reviewed by the Federal Government or the private sector will have taken over responsibility for ongoing operations of processes and programs resulting from its recommendations.

Executive Summary

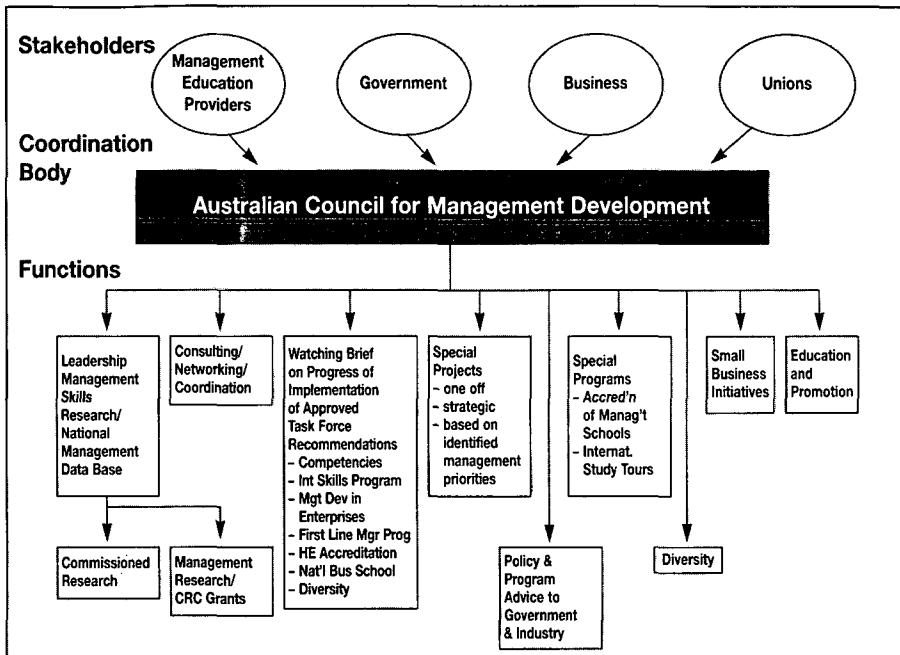
In general, the Task Force recommends that the Commonwealth Government adopts a philosophy of continuous improvement towards the skills of Australian managers. While the Task Force considers that it has gone some way towards identifying the management skill requirements of the next decade, these requirements will continue to evolve, possibly in directions which are as yet unknown in 1995. The Task Force therefore considers that it is necessary for Australia to have an organisation which can continually monitor progress towards agreed targets and refocus these targets, and the strategies for achieving them, as developments unfold. For these reasons, the Task Force has recommended the establishment of the Australian Council for Management Development to fulfil this vital role.

The Australian Council for Management Development

The Task Force intends that the Council would be an overarching body assisting in the implementation of many of its initiatives and acting as a source of ideas for the continuous improvement of Australian management skills and management development practices. Its role would encompass:

- promoting best practice management development more widely in the business community;
- allocating funding under several initiatives in a publicly accountable but industry driven manner;
- developing and monitoring appropriate accreditation standards and other management related standards;
- continually monitoring and reassessing the directions of management skills programs and development priorities; and
- benchmarking the improvement of Australian management skills against those of our major competitors.

Structure of the Australian Council for Management Development

**Recommendation Twenty-eight****Australian Council for Management Development (Band I)**

It is recommended that a high profile national focus on excellence in leadership, management performance and management development is developed and maintained through the establishment of an Australian Council for Management Development.

Implementation Strategy

The Council should:

- Comprise high profile leaders from a range of key stakeholder groups, and individuals able to contribute to innovative initiatives for improving leadership, management performance, and management development;
- Be strongly supported by government and industry at the highest levels, to oversee and promote the development of Australia's management performance and improved management quality;

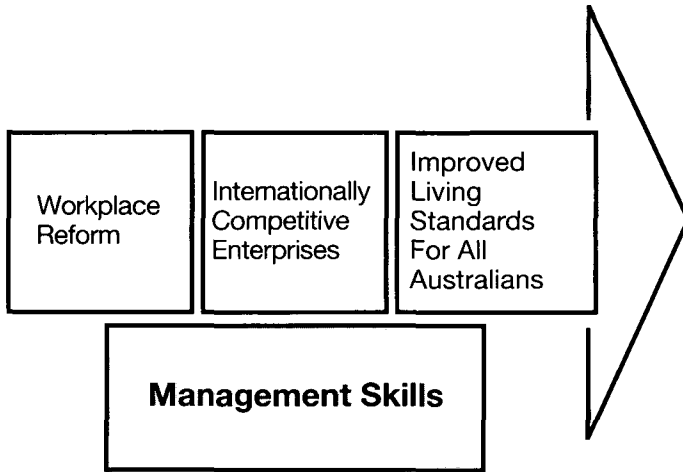
(continued)

- **Work with major stakeholders including government and industry, but be independent of government;**
- **Be an independent, not-for-profit body established by the Commonwealth Government;**
- **Provide a national focus for improving management development and performance in Australia;**
- **Act as the major policy advisory body to government, private enterprise and providers on management performance and development in industry and enterprise;**
- **Promote Australia's international competitiveness by encouraging Australian industries and enterprises to enhance the skills and performance of their managers;**
- **Encourage best practice management development in industry and among enterprises, including small/medium enterprises;**
- **Allocate funds in accordance with priorities for improving management performance and development in Australia, developed in consultation with critical industry players, within the context of macroeconomic policy;**
- **Support major initiatives and practices with a view to promoting world best practice in management in Australian industry and enterprises;**
- **Work and network with key stakeholders and implementation agencies - industry and enterprises; industry providers; government bodies and unions; and**
- **Build on the findings and recommendations, and the significant work of consultation and research of the Industry Task Force on Leadership and Management Skills, and of other relevant government and industry bodies as appropriate.**

As Australia moves into the 21st century, what will be noticeable will not be the direct effects of the application of these recommendations, but the effects if they are not implemented. The Task Force considers that these initiatives are necessary to sustaining and improving economic activity and living standards for all Australians in the face of profound changes in the global business environment. The manager of the twenty-first century is fashioned now and without comprehensive shifts in the manner of this fashioning, she or he will be found unprepared.

Section I: The work of the Task Force

Chapter One



1. Cornerstone for management reform

- 1.1. Purpose of the chapter
- 1.2. Origin of the Task Force
- 1.3. Terms of Reference
- 1.4. Membership of the Task Force
- 1.5. Operation of the Task Force
- 1.6. Report and associated material
- 1.7. Acknowledgment
- 1.8. Structure of this report

1.1. Purpose of the chapter

The purpose of this chapter is to describe the origins of the Task Force, set out its terms of reference, and detail all the activities the Task Force has undertaken between 1992 and 1995 to discharge its responsibilities.

1.2. Origin of the Task Force

There have been a number of reports over recent years on the ability of Australian managers to respond effectively to the new challenges of the domestic and global business environment.

In its 1988 report, *Industry Training in Australia: The Need for Change*, the Employment and Skills Formation Council (ESFC) argued the need to strengthen the skills of Australia's managers and recommended an overseas mission to examine best practice in management development. The ESFC and the Department of Employment, Education and Training (DEET) subsequently sponsored *The Australian Mission on Management Skills* which visited a number of European countries, the United States and Japan in November-December 1990. The Mission's Report was tabled in Parliament in June 1991. The Mission made a number of recommendations for improving management skills.

The National Board of Employment, Education and Training (NBEET) also commissioned a study of management education, training and development among larger, private sector enterprises. The study was undertaken by Professor David Midgley of the Australian Graduate School of Management. This was the *Interim Report on the Benchmark Study of Management Development in Australian Private Enterprise* published by NBEET in September 1990.

As a consequence of these reports and other deliberations, and on advice from the then Minister for Employment, Education and Training, the Hon John Dawkins, the former Prime Minister, the Hon Bob Hawke, announced the development of a management skills strategy for Australia as part of the March 1991 Economic Statement. Arising out of this strategy, the Industry Task Force on Leadership and Management Skills was established. The former Minister for Employment, Education and Training, the Hon Kim Beazley, MP commissioned the Task Force in mid-1992. The current Minister, the Hon Simon Crean, MP, received this final report of the Task Force in February 1995.

1.3. Terms of Reference

The Task Force's charter was to advise on measures to strengthen management development and business leadership within Australian enterprises. It was asked to identify effective management practices in a range of areas, to raise awareness of the need for improved leadership and management skills and to foster enterprise commitment to management development. The full Terms of Reference are found at Exhibit 1.1.

Exhibit 1.1 Terms of Reference

1. **Examine and provide information to business and government on world-wide enterprise trends and best practice in the development of managers, including supervisors or firstline managers.**
2. **Promote and encourage awareness of the importance of leadership and management skills to enterprise productivity, innovation and international competitiveness, and recommend measures for fostering enterprise commitment to the continual development of managers.**
3. **Examine and report on the management training and advisory needs of small and medium sized businesses and advise on strategies to meet those needs.**
4. **Initiate and oversee a review of higher education award and non-award management programs, the inclusion of management content in other programs at graduate and undergraduate levels and the administration, resourcing and delivery of management programs in higher education.**
- 5 (a). **Identify and advise on measures to improve management and supervisory curriculum and delivery by TAFE and other training providers.**
- 5 (b). **Identify and advise on measures to strengthen curriculum and to improve the provision of relevant training in small business skills by TAFE and other training providers.**
- 5 (c). **Advise on the implications of such measures to improve the quality and effectiveness of leadership and management skills in Australia.**
6. **Provide advice on other measures to improve the quality and effectiveness of leadership and management skills in Australia.**

The Task Force brief included consultation with:

- The National Board of Employment, Education and Training and its Councils;
- The Department of Industry, Technology and Commerce;
- employers;
- unions;
- public and private management education and training providers;
- industry and professional bodies;
- Commonwealth agencies;
- States and Territories; and
- State training and business advisory bodies.

The brief also specifically required the Task Force to commission research to address information and data deficiencies, and to identify world best practice in the development of leadership and management skills as a basis for further policy advice.

1.4. Membership of the Task Force

There are twelve Task Force members, drawn from major corporations, small business, higher education, the human resource, consulting and advisory sectors. The Chairman of the Task Force is David Karpin, Group Executive – Economic Resources for CRA Ltd. A complete list of membership appears at Exhibit 1.2.

Exhibit 1.2 Task Force members

Member	Position	Expertise
David Karpin (Chair)	Group Executive, Economic Resources, CRA Limited (formerly Managing Director, Argyle Diamond Mines Pty Ltd)	Corporate management, strategic and financial management, economics, commerce, accounting
John Vines (Deputy Chair)	Executive Director, Association of Professional Engineers, Scientists and Managers, Australia	Engineering, economics, science and technology policy, management education, industrial relations
Dr John Bailey	Director, Clark Hummerston Bailey Pty Ltd	Senior management development, international business development, engineering commerce education, management
Barbara Cail	Director, Rala Information Services Pty Ltd	Environment management, small business development, women in business
Geoffrey De Lacy	Executive Search Consultant, John Peebles Associates Pty Ltd (formerly Division Human Resource Manager, Coca Cola South Pacific Pty Ltd)	Human resource management, strategic management, public administration, industrial relations, management development, international human resource management
Colin Griss	Director, Barton College of TAFE (formerly Moorabbin TAFE)	TAFE programs and services in management and business, public administration
Peter Ivanoff	Director, Best Practice Management Development Centre, Monash Mt Eliza Business School	Strategic human resource management, management development at enterprise level, best practice management development

(continued)

Exhibit 1.2 Task Force members – continued

Member	Position	Expertise
Margaret Jackson	Chairman, Transport Accident Commission	Economics, business administration, accounting
Barbara McLure	Business Banking Manager, Westpac Banking Corporation (formerly Regional Manager, Northern and Western Metropolitan Region, Small Business Victoria)	Small business development, TAFE business and management studies, human resource management
Ern Prentice	Manager, Human Resource Management, General Motors-Holden's Automotive Ltd	Human resource management, public administration, business education, training management
Professor Danny Samson	Leslie Froggatt Professor of Manufacturing Management, Melbourne Business School, University of Melbourne	Manufacturing and operations management, quality management and management/executive education
Tim Sims	Managing Partner, Bain International (formerly Managing Partner, The LEK Partnership)	International strategic management, public administration

Originally Lesley Hodsden 'of the State Rail Authority of NSW was a member of the Task Force but regrettably resigned as a result of her transfer to a role with a British company based in London.

Across its 12 members the Task Force had a considerable breadth and depth of expertise and experience available for its deliberations. This expertise and experience also spans a number of industry sectors and professions.

1.5. Operation of the Task Force

In approaching its brief, the Task Force made a number of decisions on focusing its review, for resource and efficiency reasons.

It has concentrated on private sector rather than public sector management as per its Terms of Reference (although the Task Force believes that many of the findings and recommendations are applicable to both sectors).

In the higher education area, it has focused mainly on postgraduate courses as the primary professional courses in the management area, with some attention to executive courses and undergraduate matters.

In vocational education and training, the Task Force has focused on the ability of TAFE staff to deliver excellent management skills training to managers of small enterprises,

Section I: The work of the Task Force

frontline managers and its standing as a competent and credible management developer in the community.

The Task Force has understood its role to be primarily one of identifying and recommending policy directions and expansions. It has also considered and outlined implementation steps for consideration. Where implementation is not detailed, it is left to the Commonwealth to determine appropriate mechanisms.

In general, the Task Force has chosen to focus on a small number of recommendations which reflect the major directions of its findings, rather than a large number of highly detailed outcomes. For example, in the TAFE area, a range of specific comments could be made on the need for more business oriented and student centered curriculum and delivery by TAFE. However, a generic recommendation aimed at improving management and professional skills of TAFE teachers and general responsiveness of institutions was considered an effective path by which, if successfully implemented, specific quality issues of curriculum and delivery would in the longer term be dealt with.

Given its brief, the Task Force has seen economic improvement and efficiency as its major applied foci, and arguments are couched primarily in these terms. However, as evident from the chapter logos used throughout this Report, economic improvement cannot be separated from social development, nor efficiency from equity. Increased employment, effective diversity management and cultural change are about people and community. Team skills, communication and employee development are about better working lives and satisfaction for individuals. The Task Force has focussed directly on a more competitive economy and more efficient enterprises. But these economic goals are about wealth creation for Australia in its broadest terms, and an improved standard of living for Australians. At heart, they are about the long term social agenda of our nation.

The Task Force operated as one body but also comprised four Sub-Committees which analysed specific issues and areas of interest.

These were:

- the Small Business Sub-Committee (SBSC) chaired by John Bailey;
- the Management Skills in Australian Industry Sub-Committee (MSAI) chaired by John Vines;
- the Higher Education Sub-Committee (HESC) chaired by David Karpin; and
- the Diversity Sub-Committee (DSC) chaired by David Karpin.

The Sub-Committees met with representatives and practitioners within their respective sectors as part of an extensive program of consultations with enterprises, industry groups, peak associations, individuals and relevant organisations and institutions. Many consultations with international persons and organisations took place. The Task Force also organised and developed its own consultative forums, including conferences and seminars. Consultations were based on a series of issues papers which were developed at various stages of Task Force deliberations to guide discussion and test the reaction of interested groups. The Task Force was assisted by the Task Force Secretariat in both the organisation of its activities and policy analysis .

Exhibit 1.3 Statistics on consultations

	Australia	Overseas Countries
Professional bodies, associations	56	25
Private Enterprises	60	18
Private providers	24	8
Universities	40	8
TAFE	17	-
Federal Government	32	19
State Government	21	-
Unions	3	-
Ministers	6	-

Members of the Task Force also made individual presentations to a wide variety of forums to communicate findings and seek feedback on directions.

The findings and recommendations of the Task Force have also been underpinned by an extensive formal research program, designed and managed by the Task Force's Research Director, Dr David Midgley of Midgley & Co with the assistance of Ms Susan Mozell of the same company.

The Research Program comprises 27 research projects covering all areas of the Task Force's charter. Projects have extended from analysis of management skills needed for international operations to the challenges of management in the twenty-first Century. In addition, there has been research on particular issues of interest arising separately from the formal program. The research reports are to be published as a supporting volume to this report.

Exhibit 1.4 Research Reports

Project	Project Title	Organisation	Lead consultants
1.	Work-based learning for managers	Telechy Consulting	Guy Gattegno
2.	Stock-take of management development practices in medium and large companies	Reark Research	Jane Rothman & Martin Stewart-Weekes
3.	Career transitions: the transition from specialist to manager	Callan Consulting	Dr Victor Callan
4.	Management competencies: a survey of their usage and value in Australian organisations	Midgley & Company	Paul Nesbit & Dr David Midgley
5.	Small business: a review of training needs	Coopers & Lybrand	Dr Scott Holmes & Gary Butler (continued)

Exhibit 1.4 Research Reports – continued

Project	Project Title	Organisation	Lead consultants
6.	Small business: a review of training evaluation and effectiveness	Coopers & Lybrand	Dr Scott Holmes & Gary Butler
7.	Community attitudes to small business	Midgley & Company	Susan Mozell & Dr David Midgley
8.	Objective profiles of business schools	Ashenden & Milligan (the Good Universities Guide)	Dean Ashenden & Sandra Milligan
9.	Management training and higher education: an economic perspective	Australian Nationaly University	Dr Mark Harrison
10.	Trends in numbers of management students and managers, 1970s-1990s	Monash University	Dr Philip McCloud
11.	Experienced insights: opinions of Australian managers, ideals, strengths and weaknesses	Barracrough & Company	Tim Wawn & Josefa Green
12.	Customers' views of Australian management: Asian-Pacific viewpoints	IRIC, Curtin University	Dr Lawson Savery & Dr Peter
13.	Evaluation of the effectiveness of management development	Competitive Impact	Grahame Firth, Bruce Scott & Scott Ruhfus
14.	Students' attitudes towards management as a career	Reark Research	Jane Rothman & Martin Stewart-Weekes
15.	Evaluating business schools: review of alternative methods	Australian Graduate School of Management	Dr John Roberts
16.	A pilot rating system for business schools	AFMD & Reark Research	Richard Howson & Dr Paul Gaskin
17.	The effectiveness of small business training programs	Coopers & Lybrand	Janet Campbell
18.	Evaluation of network approaches to small business training and development	Coopers & Lybrand	Jodie Lennon
19.	International models of management development: lessons for Australia	Rand Corporation	Dr David Finegold & Susan Schecter
20.	Regional centres of excellence: links between Australian business schools and the Asia-Pacific region	AFMD	Richard Howson

(continued)

Exhibit 1.4 Research Reports – continued

Project	Project Title	Organisation	Lead consultants
21.	Leadership theory, trends and training: a summary review of leadership research	Australian Graduate School of Management	Jane Craig & Dr Philip Yetton
22.	The Australian manager of the twenty-first century	Boston Consulting Group	Colin Carter, Jon Nicholson & Mary Barlow
23.	Embryonic industries: Leadership and management needs	University of Western Sydney	Dr Stewart Clegg, Jane Marceau, Larry Dwyer, John Gray, Sharon Kemp and Eddie O'Mara
24.	Skills for international operations: a uniquely Australian perspective	CORDS	Dr Philip Yetton & Jane Craig

The Task Force also commissioned an independent research report entitled *Change and the First Line Manager* from the Australian Institute of Management and the Monash Mt Eliza Business School and a paper entitled *Managing Diversity* from Dr Clare Burton and Ms Carolyn Ryall with the assistance of Ms Christine Tod. These reports will be published alongside those from the Research Program in the supporting volume.

The Research Program has been complemented by a report on an international study tour by the Management Skills in Australian Industry (MSAI) Sub-Committee titled *The Report of the Study Tour on International Best Practice in Leadership and Management Development*. The study tour visited Germany, Ireland, the United Kingdom, the United States of America, Canada, Japan, Korea and Singapore. The study tour gathered information on management development overseas and provided valuable insights to the Task Force on international best practice and its relevance to developing managers and business leaders in Australia. This report will also be published in the supporting volume.

The Chairman of the Small Business Sub-Committee also compiled an international study report and analysis of best practice in small business management development in Europe, North America and Asia. Dr John Bailey's report, *Management Development Practices for Small Business Owners/Managers*, and the Leadership and Management Best Practice Study Tour, will be published separately.

In formulating its recommendations the Task Force and its Sub-Committees have held numerous meetings and three major strategic retreats.

1.6. Report and associated material

This report to the Hon Simon Crean MP has been written to communicate the major findings and recommendations of the Task Force. A supporting volume summarises the Research Program of the Task Force undertaken by its Research Director, as well as findings from the overseas study tour of the Management Skills Sub-Committee. Many of the references in this volume are drawn from the Research Director's report and references are listed in the bibliography at the end of the volume. The Task Force will also publish six sets of management curricula for management schools and industry trainers, in important areas for management development. These areas are *Leadership, Creating the Learning Enterprise, Cross-Cultural Management, International Human-Resource Management, Women in Management and Managing Innovation*.

1.7. Acknowledgements

A number of people have assisted the Task Force in the development of this Report.

Task Force Secretariat. Therese Charles (Director), Elizabeth Blanco, Russell Hunt, Kathy Iverach, Stephen Kendal and Maxine Sells.

Editorial. David Midgley (Report Writer), Wayne Burns, Damian Lucas, Nicole Moore and Margot Tohn.

Adviser to David Karpin. Dana Hlavacek.

1.8. Structure of this report

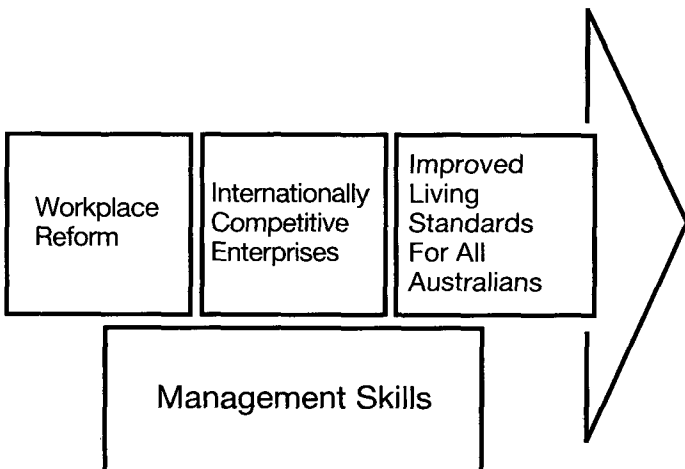
This report is divided into four major sections. In the next chapter of this first section we briefly outline the changing nature of global competition and the consequences this has for the practice of management. Chapter Two also sets out the Task Force's model of management reform for Australia. This model provides the framework for much of the rest of the report.

Section II establishes the case for reforming Australian management. In this section Chapter Three builds the case for management skills underpinning economic growth and workplace reform. It also compares the skills of Australian managers with those of other nations. Chapter Four illustrates the linkages between leadership and management skills, economic growth and full employment. Chapter Five ends the section by discussing the five challenges the Task Force has identified as facing Australia and its managers. These five challenges are:

- to develop a positive enterprise culture through education;
- to upgrade the capabilities of the vocational training and education sector;
- to capitalise on the talents of diversity;
- to achieve best practice management development; and
- to reform management education.

Section III sets out detailed arguments as to why the Task Force’s recommendations are both important and appropriate. Chapter Six sets the scene for the recommendations by articulating the Task Force’s vision for Australia and showing how the major recommendations can help us achieve this vision by answering the five challenges. *The Task Force regards answering these challenges as providing the key levers for renewing Australian management and management skills.* Chapter Six also demonstrates the value of investing in leadership and management skills. Chapters Seven through Eleven address each of the challenges in greater detail and put forward specific recommendations which answer those challenges. Finally, Chapter Twelve describes the organisational vehicle the Task Force recommends to implement its recommendations and to ensure that Australian management skills are continuously improved in the future.

In the report we use two symbols to assist the reader in understanding how the broad thrust of the Task Force’s thinking relates to the specific material at hand. The first symbol illustrates the economic and employment argument for improved management skills. Improved management skills *underpin* workplace reform, internationally competitive enterprises and improved living standards for all Australians.



The second symbol serves to remind the reader of the areas the Task Force has identified as key levers to improve management skills. It is used from Chapter Five onwards to identify the lever to which the specific material relates.

Better management skills			
Upgrade the capability of TAFE and business support	Harness the talents of diversity	Achieve best practice management development	Reform management education
Develop a positive enterprise culture through education and training			

We turn now to the findings of the Industry Task Force on Leadership and Management Skills.

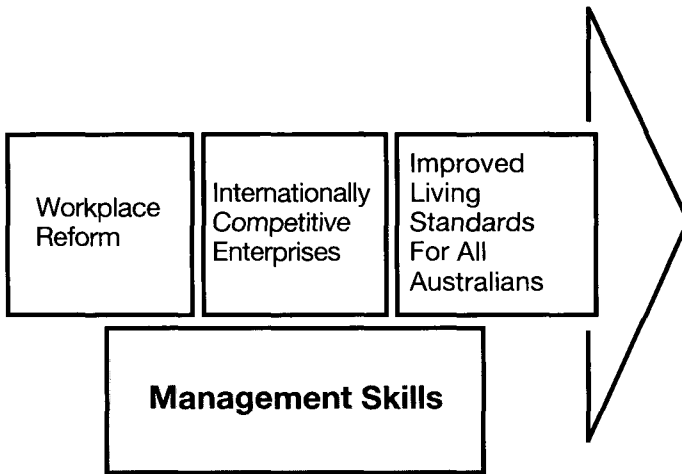
Definitions

A manager is an individual who achieves enterprise goals through the work of others.

At the senior executive level, a leader is a good steward of the enterprise's future.

At all other levels, a leader is an individual who achieves enterprise goals through the work of others without relying on her or his position or power.

Chapter Two



2. A new paradigm of management

- 2.1. Purpose of the chapter
- 2.2. Global drivers of change
- 2.3. A new paradigm of management
- 2.4. Seven themes from the Research Program
- 2.5. Major findings from Task Force consultations
- 2.6. Levers for change – the Task Force’s model of management reform
- 2.7. Implementation mechanisms

2.1. Purpose of the chapter

This chapter outlines the fundamental changes occurring within the global economy and the significance of these for the management of Australian enterprises in the future. The major findings from the Research Program and the Task Force's program of consultations and study tours are then presented to substantiate the need for improving the skills of Australian managers. The chapter also introduces the Task Force's basic model for reforming Australian management by focusing on the key leverage areas for improving important skills that the Task Force has identified. Finally, we discuss some of the options for implementing reforms within the Australian economy.

2.2. Global drivers of change

There is broad agreement amongst management thinkers and overseas executives that three forces are remaking the shape of world markets and the nature of the enterprises that compete in them (Rand 1995). These drivers of change are as follows.

2.2.1. Globalisation

As tariff barriers fall and many nations develop higher standards of living, greater opportunities arise for enterprises to obtain revenues outside their countries of origin. At some level it can be said that national markets are coalescing into global markets. But a consequence of greater opportunity is greater competition to secure that opportunity. Around the globe, levels of competition are increasing, not only for markets but also for sources of labour and capital. The world market for capital now has few barriers and manufacturing capacity is also becoming increasingly mobile. More and more enterprises are entering global markets as exporters, as multidomestics, as multinationals and as transnationals.

While they still form the majority of companies around the world, even those enterprises whose focus is entirely toward their domestic market now face more and more competition from overseas companies entering these markets. No Australian company, be it BHP operating in many countries around the globe, or a small services company operating solely in the western suburbs of Sydney, is now completely immune from the forces of global competition.

Globalisation has profound implications for the way Australian enterprises need to be managed.

2.2.2. Technological innovation

Since the Industrial Revolution there have been many profound changes to the way goods and services are made and delivered, and indeed to the variety of goods and services available to us. Since the last century mechanisation has given way to mass production, mass production has evolved into automation, and automation has led to shorter cycle times and smaller batches of more customised products. In services, the

clerical labour and the many service outlets typical of the beginning of this century have evolved into sophisticated information systems and 1-800 telephone numbers. Soon many services will readily be available via home multimedia terminals.

There are no signs that this rate of change is slowing. Indeed, there are some signs that it is increasing. In manufacturing, the number of robots working in factories around the globe is rising and some observers are predicting that intelligent systems will soon replace many workers in service industries. Whole new industries and companies have been created in the last 10 to 15 years including the personal computer industry, software, biotechnology and financial derivatives. In the year 2010, what Australians will be doing as consumers and employees will be at least as different from today as today is different from 1980.

Technological innovation has profound implications for the way Australian enterprises need to be managed.

2.2.3. Customisation

Customers are the lifeblood of enterprises. As customers become more educated and affluent, and as more and more choices are made available to them, they then can demand that companies tailor products and services more accurately and cost effectively to their needs. Increased competition also serves to fuel this trend as companies look to differentiate themselves from their competitors. As a consequence many mass markets around the world have become more segmented and many new niche markets have emerged.

Customisation has profound implications for the way Australian enterprises need to be managed.

How to get your company ready for the Global Century

BUILD FOR SPEED AND FLEXIBILITY

Flatten Hierarchies Fewer bureaucrats make for faster reaction times and freer flow of ideas. ABB has only one layer between the top ranks and the business units.

Be on the Lookout for Joint Ventures and Partnerships They conserve capital, bring you information and technology, and get powerful local players on your side. AT&T is trying to use Unisource, a consortium of European phone companies, to break into the highly protected European telecom market.

Use Teams to Chase New Opportunities and Ensure Cross-Fertilisation Unilever, GE Appliances, and Texas Instruments all use SWAT teams to set up new operations. LM Ericsson used teams to beat rivals by developing digital mobile-phone systems for Europe, the United States, and Japan.

BE GLOBAL AND LOCAL

Look for Global Products and Economies of Scale If you are serving global customers, they shouldn't have to cut dozens of separate country deals in separate countries. If you can standardise components, do it. Texas Instruments has a team that combs its operations for ideas with global potential. Ford is centralising its auto-design process to save money by standardising parts.

But Don't Overcentralise No market has a monopoly on the best ideas anymore. ABB designs its tilting trains in Sweden and its locomotives in Switzerland. Intel is doing cutting-edge research in Israel. Motorola designed a new generation of pagers in Singapore.

OPEN UP THE COMPANY

Stay Open-Minded It's up to the CEO to establish a corporate culture that nurtures innovation. Keep challenging assumptions. Don't get locked into dying businesses. Andy Grove has shifted Intel's focus from memories to microprocessors to systems.

Open Information Channels Install E-mail and financial-reporting systems that bring everyone into the loop.

Diversify Management You are unlikely to succeed in places such as India and China without Indian and Chinese executives. But be sure these managers feel that they belong to the company and share its goals. AT&T is launching a program that will bring young managers around the world to the United States for three-month to two-year stints.

2.3. A new paradigm of management

As a result of these three forces the nature of competition has changed and with it the ways in which organisations are structured and managed. According to the Boston Consulting Group there are four components to the new way of competing globally:

- “1. The building blocks of corporate strategy are not products and markets but business processes;**
- 2. Competitive success depends on transforming a company’s key processes into strategic capabilities that consistently provide superior value to the customer;**
- 3. Companies create these capabilities by making strategic investments in a support infrastructure that links together and transcends traditional strategic business units (SBUs) and functions; and**
- 4. Because capabilities necessarily cross functions, the champion of a capabilities-based strategy is the CEO.”**

Task Force Research: Boston Consulting Group 1995.

According to both the Boston Consulting Group and Rand (1995) these developments mark a move away from a structural model of organisations towards one which emphasises more behavioural aspects of strategy. In other words, competitive advantage comes less from the traditional managerial command and control structures of enterprises and more from the skills and working relationships of all employees.

Sony’s capacity to miniaturise Philips’ optical media expertise and Honda’s outstanding dealer management processes are leading examples of such behavioural advantages. These businesses see themselves as a portfolio of skills or capabilities rather than as a portfolio of individual business units. The specific capabilities in which they excel determine the markets and businesses in which they choose to compete, and in which they are successful. As Stalk, Evans and Shulman (1992) observe, capabilities may define the universal model for corporate strategy in the 1990s and beyond.

Task Force Research: Boston Consulting Group 1995.

To meet the challenges presented by the new form of competition, large enterprises around the globe have been striving to develop more effective structures and to develop different skills in their employees. Most of the structural changes have the goal of greater flexibility and innovation and include changes such as:

- Cross functional teams;
- Integrating processes across organisational boundaries;

- Organising around products **and** markets;
- Delegating authority to lower levels of the organisation; and
- Reducing the number of management layers.

The typical large organisation, such as a large business or a government agency, twenty years hence will have no more than half the levels of management of its counterpart today, and no more than a third the number of ‘managers’. In its structure, and in its management problems and concerns, it will bear little resemblance to the typical manufacturing company circa 1950, which our textbooks still consider the norm. Instead it is far more likely to resemble organisations to which neither the practising manager nor the student of management and administration pays much attention today: the hospital, the university, the symphony orchestra. For like them, the business, and increasingly the government agency as well, will be knowledge-based, and composed largely of specialists who direct and discipline their own performance through organised feedback from colleagues and customers. It will be an information-based organisation.

Peter Drucker 1989.

A parallel development has been the emergence of a new type of small-to-medium sized enterprise which has proved to be more agile and creative than some of the larger competitors. Indeed in some industries larger corporations have sought to restructure themselves into smaller units to emulate the success of these small to medium enterprises. These new small to medium enterprises compete by flexibility, speed and innovation, and often by forming temporary alliances and networks with other similar organisations to achieve defined business goals. Many of these small to medium enterprises compete in high value added areas and their managers have excellent technical expertise as well as all-round management ability.

Moldflow

Moldflow (annual sales \$18 million), earns 98% of its revenue offshore by selling its plastics analysis software, which has successfully changed the way plastic parts are designed and manufactured.

“We have created an entirely new industry by introducing technology that solves real world problems. We’ve continuously innovated new software and services to protect our position and dominate the world market.”

Hugh Henderson, Chief Executive Officer, Moldflow.

It may be said that the whole paradigm of management has dramatically changed, bringing with it a whole new set of organisational requirements, as set out in Exhibit 2.1. These requirements in turn suggest that the role of the managers will be markedly different in the future. Exhibit 2.2 shows how this role has evolved to the present time, as seen through the eyes of major scholars of management. The writings of Hill (1992) mark a shift in the language, emphasising working through and with other members of an organisational team.

Exhibit 2.1 'Old' and 'new' paradigms of management

New Paradigm	Old Paradigm
organisation learning	organisation discipline
virtuous circles	vicious circles
flexible organisations	inflexible organisations
management leaders	management administrators
open communication	distorted communication
markets	hierarchies
product development driven by core competencies	product development driven by strategic business units
strategic learning capacities are widespread	strategic learning occurs at the apex of the organisation
assumption that most employees are trustworthy	assumption that most employees are untrustworthy
most employees are empowered	most employees are disempowered
local knowledge of all employees is critical to success and creativity creates its own prerogative	local knowledge of all employees must be disciplined by managerial prerogative

Task Force Research: University of Western Sydney, 1995.

Exhibit 2.2 Historical perspectives on the role of managers

Fayol (1949)	Mintzberg (1975)	Kotter (1982)	Luthans et al. (1988)	Hill (1992)
Planning	Figurehead	Setting goals and strategies	Exchanging information	Team Leader
Organising	Leader	Allocating resources	Handling paperwork	Sales Leader
Command	Liaison	Monitoring activities	Planning	Boss
Coordination	Monitor	Getting information, cooperation and support from superiors	Decision-making	Supervisor
Control	Disseminator	Getting cooperation from other groups	Controlling	Organiser
	Spokesperson	Motivating, controlling and managing conflict	Interacting with outsiders	Liaison
	Entrepreneur		Socialising/ politicking	Politician
	Disturbance handler		People manager	
	Resource allocator		Motivate/reinforce	Negotiator
	Negotiator		Managing conflict	

Task Force Research: Callan Consulting 1995.

2.3.1. What will the manager of the future look like?

In common with all predictions, the profile of the manager of the next century is open to uncertainties – although some of the trends are already apparent. In work commissioned by the Task Force, the Boston Consulting Group suggested that at the senior levels, the Australian manager of the Twenty-First century would have the profile shown in the right hand column of Exhibit 2.4.

Exhibit 2.4 The emerging senior manager profile.

1970	Today	2010
<p>The Autocrat</p> <ul style="list-style-type: none"> • Male. • Anglo-Celt, British or Australian citizenship. • Started as message boy, rose through ranks. All management training on-the-job. • Very local focus, possibly one Australian state. Has travelled once, to England. • Established competitors, cartels. • Paternal view of workforce. • Stable environment. Relatively low stress, home to see kids most nights, long term position. 	<p>The Communicator</p> <ul style="list-style-type: none"> • Male. • Anglo-Celt, Australian citizenship. • Graduate, possibly post-graduate qualification. Career in corporate centre. Product of internal management development program. • Expanding focus, travels regularly to Asia, United States of America, Europe. • Recently deregulated marketplace, rapidly changing competitors. • Sees workforce as stakeholder in business, working hard on communication and information sharing. • Turbulent environment. High stress, long hours, fears burnout. 	<p>The Leader/Enabler</p> <ul style="list-style-type: none"> • Male or female. • Wide range of ethnicities, citizenships. • Graduate, probably MBA or AMP as well. Wide ranging career, many placements. Product of major company development program, including placements. • Global focus, travels regularly. Has lived in two or more countries. • Manages in both regulated and deregulated economies. • Manages workforces in several countries. Shares information and delegates heavily. • Environment typified by rapid change. Limited term appointment, high pressure, results driven.

Task Force Research: Boston Consulting Group 1995.

The frontline manager or supervisor has a critical role in working with employees to achieve greater productivity, innovation, quality and flexibility. The Task Force's Management Skills in Australian Industry Sub-Committee has therefore developed an equivalent picture of the future frontline manager.

Exhibit 2.5 The emerging frontline manager profile.

1970	Today	2010
The Supervisor	The Organiser	The Leader/Coach
<ul style="list-style-type: none"> • Male. • Supervisor from position of accepted authority. • Operates in a highly hierarchical organisational structure. • Values of role: control, organising, motivation by authority, technical expert. • Low pressure work environment. • Experienced in field, with trade qualification. • Little formal management training. 	<ul style="list-style-type: none"> • Male, possibly female in sales. • Conflict in role between management's need for supervision and groups' need for leadership. • Major changes in organisation structure (elimination of middle management). • Values of role: control, organising, motivation by promoting teamwork. • Stressful environment due to organisational restructuring. • Experienced in field, with trade qualification. • 50% have formal management training for the position, but little support from management for further learning. 	<ul style="list-style-type: none"> • Male or female. • Clear role as leader and coach. Responsible for developing employee skills. • Flat organisational structure. Team leader reports to senior management. • Values of role: Performance management, facilitator, participative, empowers other team members. • Environment emphasises best practice, benchmarking, quality and customer service. • Most have TAFE level qualification or degree. • 100% have formal training for the position. Regular in-company training for further learning.

Task Force Research: Boston Consulting Group 1995.

2.3.2. How will managers be developed to meet these future requirements?

As noted by Rand (1995) the net effect of all these organisational changes is "to create several clear, new demands while also generating some unresolved tensions in how managers acquire their skills." Rand's list of demands and tensions includes:

- **Combining 'hard' and 'soft' skills;**
- **Lifelong learning;**
- **Blurring of manager's and worker's skill needs;**
- **Foreign experience;**
- **Should managers be generalists or specialists?**
- **Is management development the responsibility of the firm or of the individual?**
- **Does management development meet changing organisational needs?**

Task Force Research: Rand 1995.

Issues such as these have led to enterprises, training providers and educational institutions around the world experimenting with a wide range of innovations in developing managers with the new skills. Many aspects of these innovations will be discussed in later chapters.

After an extensive series of consultations, overseas study tours and commissioning a substantial program of research, the Task Force reached a disturbing conclusion. To the Task Force it appears incontrovertible that Australian enterprises, training providers and educational institutions are not moving quickly enough to address the new paradigm of management. Many of their counterparts overseas, and especially the leaders in various fields of industry and education, are changing more rapidly and more extensively and will be better prepared for the next century.

To add weight to this conclusion, we now briefly summarise the themes which emerged from the research program, consultations and overseas study tours undertaken by the Task Force.

2.4. Seven themes from the Research Program

As outlined previously, the Task Force commissioned a significant research program. Most of the information was collected between October 1993 and March 1994. The two lead projects were conducted by the Boston Consulting Group, Sydney, NSW (*Australian Managers of the Twenty-First Century*) and Rand, Santa Monica, California (*International Models of Management Development: Lessons for Australia*). The program sought to answer five broad questions.

- (I) How does Australia currently develop managers?
- (II) How good is Australia at developing managers?
- (III) How do other countries develop managers?
- (IV) What does the future demand?
- (V) How can Australia improve?

The answers to these questions, in the form of an edited volume of research reports, will be published separately. The sheer volume of information contained in these reports is challenging to summarise. However, Midgley & Co has identified seven broad themes which run through much of the material. The following is based on the final chapter of the Research Director's Report.

SEVEN THEMES FROM THE RESEARCH

The need for enhanced ‘people’ skills;

Better strategies for knowledge-based competition;

The need for a world-orientation;

Decreasing the role of the state in management education and training;

Greater ‘connectedness’ within the Australian economy;

Addressing gender issues; and

The need for targeted interventions.

Task Force Research: Midgley & Co 1995d.

2.4.1. The need for enhanced ‘people’ skills

A consistent theme running through many of the research projects is that Australian managers need much better ‘people’ skills. One reason these skills are needed is so that managers can organise and motivate teams of increasingly skilled workers and professionals to work towards common goals in an effective manner. Another reason is that managers will increasingly negotiate and work with managers in other companies and strategic partners, and with professionals in government and other organisations. These so-called ‘soft’ skills include the ability to communicate, the ability to motivate, the ability to lead and delegate, and the ability to negotiate. Finally, they have strong elements of self-knowledge, self-discipline and self-management in them. It should be stressed that some of these ‘soft’ skills are actually quite deep and sophisticated abilities.

Soft skills are hard to master

“In a capabilities-based organisation, a senior manager will require an additional range of ‘soft’ skills (a misnomer, surely, since ‘soft’ skills are typically much harder to master than the so called ‘hard’ skills) involved in motivating staff, creating co-operation, redefining organisational values and beliefs, and re-aligning management focus. These skills will place a premium on the leadership qualities of a senior manager.”

Task Force Research: Boston Consulting Group 1995

2.4.2. Better strategies for knowledge-based competition

This theme has two strands to it, the first being the need for life-long learning and the second being the need for organisations to develop coherent approaches to management development which support their corporate strategies.

If competitive success will increasingly be based on specialised knowledge, then as a consequence both individuals and companies will need to undertake life-long learning. This is because knowledge and skills quickly become out-dated in many fields of human endeavor. Both individuals and organisations will need to move beyond the 'one shot inoculation' model of knowledge transfer and develop learning skills and strategies for maintaining leading-edge knowledge bases.

The fact that there are only weak links between the overall strategies of Australian companies and their strategies toward management development is a major concern for a number of the Task Force researchers and the Task Force. The senior managers of Australian companies need to seriously address the future skills they will need in their workers and managers in their industry, as well as the cultures and systems they will need to develop these skills.

2.4.3. The need for a world-orientation and international business skills

The globalisation of the world economy, and its consequences for Australian companies, also receives considerable attention from Task Force researchers. There is little doubt globalisation presents both opportunities for Australia's more internationally minded companies and threats to those more domestically focused. The research program supports the concept that an orientation towards, and exposure to, international markets is critical to long-run competitiveness. However, Task Force researchers disagree as to which managerial skills should be given priority in development plans. Some consider all round business skills should be placed before the so-called international skills, others argue that cultural understanding and languages are equally important. It is useful to note that this is an international debate and one which is coloured by the organisational perspective being taken (multinational versus multidomestic versus exporter, large enterprise versus small). The Task Force's Research Director notes that many companies around the world are moving to employ host country nationals to provide the necessary local knowledge and skills.

“The best practitioners of the new management model have had the humbling experience of learning that they can't run a China operation from New York. But it's local nationals, not expatriates, whom companies now prefer. Locally hired managers better understand cultural no-no's and can help companies shed their imperialist image. But more important, they often are more in tune with subtle changes in consumer buying habits, customer complaints, and government regulations, all of which can affect operating profits. 'I may be head of international,' says Levi Strauss International President Peter A. Jacobi, 'but to think I can make decisions worth a damn in the Far East is ridiculous.' ”

Business Week, December 12 1994.

Many Australian enterprises may be better served to improve the basic business education and skills of managers so that the products and services of Australian companies are world class in terms of quality, delivery and value for money. That way, companies will be better placed to defend their domestic markets (which is where the majority of them operate) and those going overseas will be better placed to offer their customers products and services these customers say they need. In this philosophy a basic business education would include broad exposure to global opportunities and some exposure to other countries but not necessarily in-depth language or cultural skills.

2.4.4. Decreasing the role of the state in management education and training

Across the five countries that Rand (1995) surveyed there is an emerging view that the state should not be greatly involved in the provision of higher-level management education. This view also has echoes within some of the Australian projects. The first element of this argument is that the benefits of management education flow to the individual or company rather than society. The second element is that markets meet individual and corporate needs more effectively than public sector provision. Moreover, they nourish the innovation and diversity that is needed to match the high rate of change in the practice of management, whereas public sector provision is seen as slow and unresponsive. These opinions form a consensus for postgraduate management education, but there is less agreement about undergraduate management education and vocational training.

The vital role that individuals and companies do see for the state is the provision of an effective, broad general education which gives students wide knowledge, interpersonal skills and critical thinking abilities. Most importantly, such an education equips individuals well for a career in which they may radically change the nature and content of their job role several times during their working life.

The conclusion advanced in the Research Report was that the Task Force should carefully consider the appropriate mix of state and market provision it wished to recommend to the Minister. The mix that was appropriate in the 1980s is no longer relevant for the 1990s and beyond.

2.4.5. Greater 'connectedness' within the Australian economy

This theme has three expressions. First, the need to provide economies of scale and scope to small companies. Second, the need to improve the links between those public institutions – such as the CSIRO and universities – and private organisations involved in embryonic industries. Third, the need to improve the links between educational institutions and industry.

Most Australian companies are small by world standards and therefore lack the resources to collect and evaluate all the knowledge and management expertise they might need to become world class. This issue becomes acute for start-up companies in embryonic

industries that are learning the nature of the expertise they need. To do so they must consult with a broad set of organisations – who in turn also need to learn about the start-up in an effective manner.

Another global theme is the use of various types of networks to support small business in both existing and new industries. In Australia our experience with these networks is relatively recent – which suggests the need for caution in assessing their likely long-run success and impact. However, under the right conditions the participants seem to value them highly and this may eventually lead to improved business performance.

Improving the links between educational institutions and industry is a theme of our Australian projects and in the world literature (particularly that relating to management schools). It was also echoed time and again in the consultations with industry. These links would be strengthened by the greater use of market mechanisms for the provision of management education but there are other developments that need noting. Globally the most striking of these is the move of leading edge companies into the provision of customised in-house management training, often in partnership with management schools and other training providers. The Task Force expects this trend to continue and to grow in importance, partly because it is already happening, but also because it matches the move to knowledge-based competition.

2.4.6. Addressing gender issues

The research detects, if not a theme, then an under-current of dissatisfaction and change within some Australian organisations around the issue of gender. This under-current is likely to strengthen in the coming decade, perhaps to become, as one chief executive who was interviewed noted, the most important issue facing corporate leaders. Certainly a number of leading executives and experts consider that there is much more that could be done to bring women into senior management, and that there are significant benefits to doing so by way of improved managerial performance. The latter is really the key signal of impending change – for once respected companies start to believe in the benefits of opening up senior management to women their views will have significant impact on the system as a whole. This is not to say that such changes might not be speeded up by government intervention – clearly they would. Rather, what the Research Report notes is that the slow progress women have been making, coupled with the changing nature of competition towards knowledge and people skills, is beginning to alter the way senior decision-makers are chosen. The old style of management is dying and the new forms will be more conducive to equal female participation and the deployment of the best available human resource to its best use.

2.4.7. The need for targeted interventions

Some of the skills needed by a manager in a small company can be very different to the skills needed by a manager in a large company. Equally the skills needed by a manager in

a tourism business can be very different to those needed by a manager in a metal fabricator. If there are generic competencies in the practice of management these may lie in the soft skills area, but many other skills that an effective manager needs are industry and company specific. This issue is raised for two main reasons. First, the research report concludes that, given their importance to the economy as a whole, the service sectors may not receive the attention they warrant in policy considerations. Second, any intervention that the state considers for improving management skills must recognise the contingent nature of these skills. This requires the intervention to be targeted on the skill needs of particular sectors and, for the intervention to be effective, this in turn requires considerable input from the targeted sectors.

2.5. Major findings from Task Force consultations

Each of the Task Force's four Sub-Committees undertook a range of consultations and study tours. Details of these are as follows.

2.5.1. Sub-Committee on Diversity

This Sub-Committee was chaired by David Karpin and included Barbara Cail, Geoff De Lacy and Peter Ivanoff. The Sub-Committee of the Task Force undertook ten industry consultations, received written submissions from a number of organisations and commissioned specific research.

Evidence suggested that effective management of a diverse workforce is a source of competitive advantage through:

- *Improved efficiency*

Organisations will utilise their human resources better by seeking out and capitalising on the talents of all employees more effectively.

- *Creativity of ideas*

Australian management needs to think more creatively, to develop new business elements, and to combine old elements in new ways. The valuing of difference in organisations can uncover new perspectives, tap different knowledge and experience, and generate ideas, suggestions and methods not previously considered. Tapping diverse resources enhances the ability of organisations to respond more imaginatively to opportunity.

- *Marketing opportunities*

Australia is looking to tap international markets. The existing and potential networks of Australians from multicultural backgrounds can provide access to new markets, and ideas for development of internationally successful products. Women's networks are increasingly becoming visible in international trade, particularly in the small business area. The popularity and salability internationally of the products inspired by indigenous cultures is well known.

In general however, indications from research and consultations were that Australian managers do not recognise the value of capitalising on difference, or manage for it effectively. As a result there is significant underutilisation of human resources in Australian enterprises. Encouraging effective management for diversity is an important 'missing link' in improving the competitiveness of Australia's industry and upgrading the management performance of individual enterprises across the board.

2.5.1.1. A change to organisational culture

A change from a closed to a diverse management culture is the key. Opportunities must be open to all individuals in organisations if organisations are to capitalise on the range of talent available. A more diverse management culture will also generate a more open outlook in managers more generally – more open to new approaches and new ideas.

2.5.1.2. Specific strategies

It became clear that there was a need for specific strategies to improve utilisation and management of Australia's diverse population in Australian business and industry. Waiting for it to happen naturally had not worked to date to a sufficiently successful degree for meaningful change.

2.5.1.3. Two areas of immediate challenge

The bulk of evidence and discussion focussed on two areas of immediate challenge, capitalising on the talents of women, and of our multicultural workforce.

2.5.1.4. Women

A wealth of statistics and anecdotal evidence suggested only slow and marginal change to woman's contribution to management and enterprise performance at senior levels, despite many years of publicity about the issue and the existence of legislation. This was clearly the area of most urgent need, of highest leverage, and the focus for most urgent strategies. The expanding numbers of women in small business also deserved more targeted attention.

2.5.1.5. Multicultural workforce

Rapid growth of the multicultural workforce, and the need to focus more effectively on the international marketplace also made action to upgrade industry's focus on more effective management of the multicultural workforce necessary.

2.5.1.6. Implementation

It was clear from consultations that the private sector should be the primary implementation agent, with some facilitative support from government. A high level profile for activities would also assist in focussing the private sector more effectively on action in this area.

2.5.2. Sub-Committee on Higher Education

This Task Force Sub-Committee was chaired by David Karpin and included Geoff De Lacy, Margaret Jackson, Danny Samson and Tim Sims. The Sub-Committee consulted with thirty-seven universities and private providers operating in the field of management education at both the undergraduate and postgraduate level. It also consulted overseas and with industry and industry associations. The Sub-Committee's major findings from these consultations are as follows.

2.5.2.1. Need for world class management schools

University consultations cemented the views expressed to the Task Force by business and industry that, whilst a small number of management schools are approaching world class standard, no Australian management school has achieved top ten status world-wide. This is reflected in such factors as the quality of teaching and research, the range of subjects available, the appropriateness of course delivery mechanisms, the relevance of courses to the needs of modern business and industry and the relevance of courses to Australia's future needs in terms of international competitiveness. In the majority of cases, a substantial effort would be needed by Australian management schools and private providers to reach world class standards.

In general, management schools recognised that Australia does not have the resources or research funds to sustain many world class schools. However, there was some awareness that, without action, Australia is likely to play 'catch-up' as overseas universities continue to progress in terms of the provision of quality management education.

A number of management schools noted that, by the turn of the century, one or more top class regional schools will have been established in Asia which will draw off both the international students which Australia now attracts as well as the better Australian students.

Whilst management schools generally acknowledged that the market would shake out poor courses through such policies as the compulsory introduction of full fees for postgraduate management students or the introduction of an accreditation system, it was noted that these initiatives would not address the top end of the market.

2.5.2.2. Funding of management education

Since 1994, higher education institutions have been free to charge fees for both postgraduate coursework and research degrees with no regulation applying to the level of fees charged. University consultations indicated that, whilst many institutions are now charging full fees for such courses, some institutions are better positioned than others to take advantage of this option.

In general, the view was expressed to the Sub-Committee that those management schools which have not or do not intend to introduce fees for postgraduate courses are those which are less able to compete in a deregulated market for reasons of quality. This

Section I: The work of the Task Force

reflects a belief expressed by a number of management schools that the market for management education is price sensitive.

Consultations indicated that it is common for fees and other revenue generated by management schools to go to the university's general revenue to meet deficits elsewhere; ie, the management school acts as a cash cow. Although management schools can benefit from this through, for example, infrastructure developments, such policies act as a disincentive for management schools to generate their own revenue. In those cases where revenue is maintained within the management school, it is generally applied to improving teaching and research activities.

The Task Force found that, in general, better quality management schools do not rely exclusively on either fees or internal funding for their financial well-being. Common means of attracting finance includes consulting and the provision of executive, customised and short courses. The trend towards this is increasing and is presenting management schools with new challenges as well as a greater understanding of the modern requirements of the business sector. Such programs also provide increased opportunities for cross-subsidisation of degree and diploma courses within the management school.

Management schools pointed to the growing importance of scholarships in the current climate of user pays. Currently, the only substantial and widely available postgraduate scholarships are Commonwealth awards, primarily the Australian Postgraduate Award (APA), although scholarships awarded by industry are becoming increasingly important. Management schools expressed concern that those managers and potential managers who would gain the most from management education programs may be discouraged from undertaking full-fee postgraduate courses in a deregulated environment because of a shortfall in scholarships and the limited availability of low-interest loans schemes targeted at management students. Women would also be at a disadvantage.

2.5.2.3. Information and quality control: accreditation

Task Force consultations and research indicate wide disparities in the quality of management schools, both in terms of teaching and research. University consultations indicated widespread concern that poor quality schools have the potential to harm Australia's reputation as a quality provider of management education internationally. Accreditation is one means of overcoming this disparity. Whilst views on accreditation vary across the sector, there appears to be general support for such a mechanism provided it is voluntary, is administered independently by stakeholders (including representatives of the management schools themselves), takes the 'start-up' status of new management schools into account and is assessed on an institution's mission and its performance against that mission. There was a strong feeling that accreditation should not be used to force management schools to conform to the one model. The objective would be to supplement academic accreditation processes already in existence in universities with professional/industry accreditation.

A number of management schools noted that, to be effective, an accreditation system must have 'teeth' rather than act as a rubber stamp for those schools which do not deserve to be accredited. At best, it would be a positive process which would encourage continuous improvements in quality.

Some schools at the top end of the market expressed concerns that once schools have gained accreditation, they may attempt to market themselves as being of equal quality to those schools which, in reality, offer superior courses.

2.5.2.4. Information and quality control: market information

Task Force consultations and research have indicated there is a dearth of information readily available about the relative quality of management school offerings in Australia. This is unusual compared with the situation in the United States, United Kingdom and Europe where market information including rankings and ratings systems are commonplace. The ability of students and industry in making informed decisions based on quality is consequently hampered.

Whilst the need for increased market information is almost uniformly acknowledged, views differ on the means of presenting that information, particularly as it relates to comparisons between schools through rankings and ratings processes. In general, it was acknowledged that any information system which allows comparisons to be made should encourage rather than discourage diversity amongst management schools through the use of different criteria. Information must be relevant and helpful and not misrepresent the management schools or their courses.

Consultations also indicated that there is growing pressure within the Asian market for an international ranking system.

2.5.2.5. Business links

Whilst business and management schools both appear on the surface to pay considerable attention to this issue, university consultations indicate that in many cases a real commitment is lacking from both parties. Whilst business advisory committees are almost universally in place, these generally meet infrequently and exert little influence over the management schools either in overall policy terms or at a more micro level such as course design and content. A common observation was that advisory boards pay insufficient attention to the skills and processes that provide quality outcomes, focusing, instead, on the outcomes themselves.

Means of establishing linkages between the business community and management schools other than through advisory boards tend largely to be overlooked, although examples of best practice do exist. This includes exchanges between academic staff and the business community, secondment programs, the provision of work experience including project work for management students, the establishment of research partnerships with interested companies, formal and informal interaction between students and business representatives

Section I: The work of the Task Force

through lectures and dinners and the establishment of industry mentoring programs for management students.

Whilst some management schools employ business advisory boards for fund raising, the value of this remains underutilised in the majority of cases. Those management schools which have harnessed their advisory boards for this purpose reported valuable benefits.

The failure of many business and management schools to forge meaningful links is reflected in part by a lack of relevance of some courses to the current and future needs of Australian business and industry.

2.5.2.6. Curriculum and course delivery

Whilst some management schools offer courses with sufficient scope and breadth to meet the needs of modern business and industry, many fall short of the ideal. Frequently, management course offerings reflect the expertise entrenched within the university rather than meeting the current and emerging requirements of the modern businesses organisation.

Analysis of student and potential student requirements, whilst sometimes undertaken, is far from a universal practice. This is reflected, in part, by inadequate and inappropriate course offerings.

For example, in general, management curriculum pays scant attention to the emergence of small to medium enterprises as a key sector of the economy. Similarly, entrepreneurial skills are not seen as a critical component of management education.

Diversity issues are, in general, not seen as critical to modern management, with mainstream courses ignoring strategic issues related to women in management, cross cultural management and languages, the norm rather than the exception.

Course reviews, whilst commonly undertaken, tend to be inadequate in terms of their frequency and thoroughness, given the rapidly changing nature of management education and business needs. In all but a limited number of cases, international best practice models are not utilised for this purpose.

There is clear evidence of increased opportunities for undergraduates to take orientation courses in management as part of their degrees, although this is far from universal. In some cases, these courses are compulsory; in others they are not. Management schools may or may not be called upon to assist in the development and delivery of these courses and this appears to have some bearing on the quality of the courses. The considerable variability in the quality and availability of undergraduate management courses, particularly as part of professional degrees, indicates that many disciplines do not yet appreciate the importance of managerial competence in the professional world.

The utilisation of modern education technology and the 'information superhighway' by management schools is on the increase. However, a number of schools reported that funding issues prevented this being exploited to the fullest. Some schools see the harnessing

of state-of-the-art information technology as providing them with a competitive advantage. However, they also point to the slow recognition by most Australian management schools of the competitive importance of adopting state of the art technology for course delivery. This they see as indicative of a lack of understanding of the changing nature of management education and the impending competitive challenge being presented by overseas providers seeking market share in the Australian domestic market.

The Task Force noted the increasing trend towards the provision of short and customised courses and executive programs. Industry consultations indicate that the growing demand for such courses as an alternative to mainstream management school education is a direct response to industry reservations about the quality and relevance of degree programs offered by management schools.

2.5.2.7. International links

International links can take various forms, the most common being student and staff exchanges. University consultations provided considerable evidence that management schools recognise the value of such programs and are attempting to forge links with overseas institutions. In particular, the Task Force welcomes the growing trend towards forging links with management schools within the Asia-Pacific region and the establishment of international networks of management schools.

The Task Force is, however, concerned that the overseas institutions with which exchange agreements are made are not always of the highest quality or may not be in regions of relevance to Australia's trade relations. It is also concerned that, in a number of cases, efforts to forge international links are limited to student exchange programs. This in contrast to the more innovative schools which are delivering courses offshore possibly through the establishment of campuses within the Asia-Pacific region, undertaking regular staff exchanges, encouraging international consultancy projects involving both staff and students, establishing international advisory boards and establishing twinning arrangements with offshore management schools.

A number of management schools noted that international marketing efforts by Australian management schools are poor and require streamlining and increased coordination. Consultations also indicated that there is a need for management schools to establish rigorous quality control mechanisms covering those courses delivered overseas when they differ substantially in nature from those offered domestically or when they are delivered by different academic staff.

2.5.2.8. Collaboration between universities

Task Force consultations indicate that there is a growing awareness among universities of the benefits of collaborative arrangements between management schools.

Of particular note is CAMS (Consortium of Australian Management Schools), which was set up in 1993 as a means of meeting the increase in demand for management education

and to facilitate student transfers by increasing subject uniformity. This collaboration of institutions, promises to improve the quality of courses, increase efficiency through economies of scale and increase the number of course offerings from member schools. The Network of Australasian Management Educators (NAME) is another promising consortia of management schools currently in its embryonic stage of development.

Such initiatives are welcomed by the Task Force as a model of what can be achieved through strategic alliances and looser affiliations between management schools.

The Task Force also found evidence within some management schools of collaborative efforts with overseas universities. These efforts are designed to further boost export markets and improve the quality and range of offerings. However, these initiatives are not without their problems, as detailed elsewhere.

The Task Force also found that, in the past, insufficient attention has been paid to articulation of management courses between TAFE and universities, undergraduate and postgraduate levels, private providers and mainstream education and between like courses at different institutions; and recognition of prior learning. Whilst there is a growing acknowledgment of the importance of the issue, as evidenced by the establishment of the Australian Credit Transfer Agency and whilst quality concerns clearly need to be taken into account, the Task Force believes that the adoption of more appropriate practices and policies should be given a higher priority than is currently the case.

2.5.2.9. Research

To date, funding for research into management has been principally provided by the Australia Research Council (ARC), the nation's major funding body for higher education research. Funding from this source is limited to Australian academics to the exclusion of private bodies such as the Australian Institute of Management.

University consultations indicated widespread concern amongst management schools that funding for management research projects is insufficient to meet current demand and is disadvantaged by the fact that there is no discrete category for management under ARC guidelines. A number of schools also expressed concern that the ARC currently has no representative from the management discipline in its membership.

Management schools stressed that applied research into management is a critical means of investing in Australia's business and economic future. They also emphasised the applied, cross disciplinary nature of management research. Some schools cited examples of innovative means of teaching management which had developed as a direct result of the research activities of the management school. Others related their research activity directly to their ability to attract high quality staff and as a mechanism for maintaining the intellectual vitality of existing staff.

There was a strong feel that enhancements are necessary in the present research arrangements to provide the opportunity to identify and study international best practice in management and management education, from an applied point of view, and in close

coordination with industry. It was felt that more opportunities afforded to researchers will increase our local knowledge of management issues and assist Australia in strengthening its competitive position.

2.5.2.10. Quality, supply and development of academics

Whilst there is evidence of a growing trend towards the adoption of modern and less rigid recruitment and employment processes, the pace of change in many universities remains poor. This is reflected in such practices as a lack of flexibility in salary packaging, time lags in filling positions and inadequate training programs.

A substantial number of management schools reported facing chronic difficulties in attracting quality academic staff with industry experience as a direct result of the poor salary and benefits packages on offer relative to the private sector. This has been exacerbated by the rapid growth in management education which has had spinoff effects on demand for academic staff.

Top overseas management schools generally offer far superior employment and salary packages, making it extremely difficult for domestic schools to compete with them for quality staff, particularly academics with overseas experience.

The net result is that either substandard academic staff may be hired to fill critical positions or the positions remain unfilled. In one case, a delay of two years was reported in filling a key professorial position in a prominent management school.

Some management schools also complained that the policy of their parent institutions to fill senior positions only with academics who have achieved prescribed qualifications is overly restrictive. Best practice schools tend to have less rigid guidelines in this respect thereby allowing a balance to be struck between academic rigour and industry experience in the teaching mix of what is predominantly an applied field.

Despite considerable change in recent years, the recruitment practices of many management schools still reflect an overemphasis on bureaucratic processes, leading to considerable delays in filling positions. These delays adversely affect the quality of management education on offer during the intervening period.

Teaching reviews, whilst common, are frequently limited to student questionnaires and similar devices, although management schools acknowledged that this trend is changing. Whilst playing a significant role, the Task Force does not believe such approaches are adequate when used in isolation. Assessment procedures are also unlikely to be effective unless tied to salaries or to an incentive scheme. The Task Force welcomed evidence of such practices in some schools but notes that it is still far from widespread.

Whilst an increasing number of management schools are adopting contracts as an alternative to tenure, this practice is still far from widespread. Tenure, whilst arguably appropriate in some circumstances, removes many of the accountability mechanisms essential for quality control of teaching and research activities.

Insufficient attention also tends to be paid to training and the updating of skills of management academics. Whilst some management schools pay considerable attention to this function, other schools continue to rely on such mechanisms as conference attendance as a means of maintaining academic standards. Frequently, universities do not provide sufficient scope for their management academics to pursue doctoral studies, for example, through sabbaticals. The Task Force believes that this is not sustainable if management schools are to produce managers capable of meeting the business and industry needs of the 21st century.

2.5.2.11. Diversity in educational offerings

Whilst there appears to be wide recognition and stated commitment to diversity within management schools (frequently as part of the university's overall mission), this is not necessarily reflected in course composition, course delivery mechanisms, student and staff gender ratios or the provision of adequate support facilities.

This is particularly reflected in the low course content on changing demographic profiles in organisations, gender issues and cross-cultural management and in the disproportionately low number of females within the academic staff compared to the more equal gender composition of the student population. Whilst some examples of best practice do exist, it remains common practice within management schools to tack issues related to women in management and material relating to discrimination in employment on the end of course material rather than giving them a prominence reflecting their importance in modern organisations, or to integrate them into mainstream curricula.

Although this is slowly changing, there still appears to be a general lack of appreciation in many management schools of the competitive advantage which Australia's multicultural population presents to Australian business.

Of equal concern is the rigid nature of course delivery within many management schools, with this actively discriminating against women with family responsibilities. Many management schools still fail to recognise the special needs of women students in terms of course delivery. This includes the timing of classes and the provision of out-of-hours child-minding facilities. Such factors act as a barrier to many women aspiring to managerial positions or seeking management expertise. As small businesses and the community and recreation sectors are currently attracting many women into management roles, they are also disadvantaged by these barriers.

2.5.3. Sub-Committee on Management Skills in Australian Industry

This Task Force Sub-Committee was chaired by John Vines and included Colin Griss, Peter Ivanoff and Ern Prentice. The Sub-Committee undertook a major overseas study tour and an extensive series of industry visits and consultations within Australia.

2.5.3.1. Overseas study tour – international best practice in leadership and management development

The Sub-Committee on Management Skills in Australian Industry visited sixty-one government agencies, industry associations, enterprises and tertiary institutions in ten countries. The particular focus of its study was to establish the nature of best practice in developing leaders and managers. The major findings to emerge from the study tour are as follows.

• Productivity and competitiveness

In all countries visited there was strong evidence of the recognition of the relationship between skills development and the improved performance of the enterprise. Most governments have in place, or have initiated, strategies to enhance skills development in their own industries. A fundamental motivation for such reforms is the drive for increased productivity through the introduction of more efficient processes and procedures and more effective utilisation of human and physical resources.

Achieving such changes requires a significant cultural change within enterprises which will essentially depend on the workforce accepting the philosophy of continuous improvement, supported by an emphasis on customer focus. There is strong evidence to suggest that many enterprises are addressing these issues in the first instance through pursuing quality accreditation under the international ISO 9000 series. Whilst enterprises recognise that quality accreditation is only a first step on the total quality management journey, it was seen as an effective mechanism for raising the awareness of employees for putting into place improved processes and procedures that improve customer focus.

Organisations and enterprises were generally taking a similar approach with the introduction of flatter structures so as to eliminate previously inefficient hierarchical arrangements. In many cases very fluid organisational arrangements had emerged which allow a more effective utilisation of employees and encouraged multi-skilling of individuals. A fundamental principle underlying this restructuring is the empowerment of production and service responsibilities to work units at the operational level. Enterprise changes of such magnitudes have required a long term corporate vision, and this is usually outlined in a corporate or strategic plan which sets out the short and longer term outcomes and objectives, and related performance indicators for the enterprise.

The overseas study tour provided strong evidence that human resource development, when related to the organisational reforms that are occurring in best practice enterprises, is the critical aspect in improving enterprise competitiveness. In this context various views of the definition of leadership may be possible. The Sub-Committee accepts that leadership is the process of achieving business objectives through others while not relying on the authority of the management role. It is also apparent that the roles of managers at all levels are critical in effectively bringing about

the process of change. However within the wider spectrum of management development associated with necessary organisational reform is the new and critical role that team leaders and frontline managers must play. The changed role of the traditional supervisor into one of a team leader, mentor and coach, with the responsibility to develop team members and to encourage the required level of input and commitment from all team members to achieve team performance levels is seen as key to enterprise competitiveness.

- **Development of frontline managers**

There is a widespread view in Europe, North America and Asia that to maximise performance the role of the frontline supervisor/frontline manager must be one in which the emphasis is placed on coaching, mentoring and training skills, rather than the traditional role of controlling and directing. There are large numbers of examples of companies and organisations that have embraced the new role of frontline manager, as well as programs supported by industry and government which seek to promote the benefits of this new role and offer programs of training to deliver the skills required by new frontline managers eg:

- United Kingdom – MCI/NEBSM
- Japan – Nikkeiren
- Germany – Meister
- Canada – Compete to Win
- United States of America – Enterprise/Industry Programs
- Eire – IDA/FAS

- **Management competencies.**

Loosely defined as any underlying characteristics leading to successful performance, management competencies have been the focus of significant attention particularly in the United Kingdom and United States during the last decade and are often the basis for the development of a focus within enterprises to link management development to business strategy and direction. A considerable number of research studies have been undertaken at national industry and enterprise levels. During the last twenty years many expert books and articles have been written on this subject.

Professor John Burgoyne, Head of the Department of Management Learning at Lancaster University, supports the development and use of competencies but not in the way pursued by the Management Charter Initiative (MCI) approach which he sees as too mechanistic, particularly when promoted at a national level. He supports the use of tailor made management competencies to suit particular enterprises. An example of this is the approach taken by the Hong Kong Bank in Singapore. The bank's generic management competencies were put together at head office level and support for them varies throughout the organisation. A flexible approach has been

taken to their implementation however and divisions within the bank can tailor make them and adapt them to suit their own business requirements. This process is used to generate commitment and support for management competencies from local managements. The Bank's Singapore Training Centre meeting emphasised the need to ensure that any generic management competencies do not lock the enterprise into competencies and skills that are outdated. There are other examples.

Professor Linda Hill of the Harvard Business School, in her work on the transition of specialist into management, emphasises the importance of coaching skill and says that rewarding managers for coaching subordinates is essential in enterprises. She reports that the most challenging learning was learning about people, not learning about tasks. For example, the Sub-Committee was able to establish that at the GM Saturn Plant 'teaching' is seen to be a key area of skill for all leaders and managing people competencies are strongly emphasised.

There are clearly a number of management competencies that are generic to many enterprises including for example the cluster of competencies associated with managing people effectively; those associated with business acumen; and those relating to international management. Enterprises also have their own priorities for particular management competencies driven by their business and the level of manager involved. In this regard, considerable attention is being given to those competencies involved with empowering frontline managers, particularly in the area of developing people and helping employees to learn and to improve their performance.

Any national initiative to develop generic competencies must be industry driven with strong government support and must provide scope for enterprise specific competencies.

- **Skills for International Operations**

Until recently Australian exporters were largely confined to the large Australian commodity producers supplying raw materials for overseas manufacturers. In recent years increasing numbers of small or medium size Australian companies have developed export markets. Australia, however, is a very small exporter of manufactured goods and is facing increased competition in its export markets for commodities.

The visits to the overseas countries by members of the Task Force have reinforced the need for Australia to develop programs to enable Australian managers to acquire skills which will assist them to operate in the international arena, particularly in terms of identifying opportunities and then securing markets for Australian produced goods and services.

During the Study Tour, Task Force members came across numerous examples of programs offered by individual firms, industry associations and governments which are designed to provide skills to managers in those countries to equip them to operate

successfully within the international arena (particularly within Asia). Currently in Australia our programs are limited to a small number of overseas fellowships offered through the Department of Foreign Affairs and Trade, Austrade and a limited number of overseas study tours organised by industry associations.

In regard to the emphasis on international skills which is so evident in the Asian countries, it is clear that the Asian countries place significant emphasis on the cultural aspects of international trade. This is evidenced by the large number of international study tours which are conducted by organisations in Japan and Korea, and the general recognition of the importance of the managers in those countries having an understanding of the markets into which their goods and services are being or could be exported.

The Task Force Study Tour has highlighted the need for the establishment of programs in Australia which can equip Australian managers to take their place in the international business community whilst recognising that the business community increasingly will be focused in the Asian region. Accordingly there is an urgent need for programs to be developed which provide Australian managers with an understanding of Asian business practices, languages and cultures. Consequently the provision of study tours and exchanges and, perhaps just as importantly, opportunities for Australian university students, particularly at the postgraduate level, to be able to undertake some of their studies in another country, are seen as critical to Australia's success as an internationally competitive exporter.

- **Best practice management and leadership development**

Enterprises visited and experts and organisations consulted are all, in different ways, strongly committed to improving management quality. As the study tour progressed it became clear that one Government backed best practice initiative stood out. A major national initiative which impressed Study Tour members was the Investor in People (IIP) program in the United Kingdom. This initiative provides recognition to enterprises which have demonstrated a commitment to human resource development within the enterprise as part of its overall commitment to quality management principles. This initiative was originally promoted by the Confederation of British Industry and is supported by a range of employer organisations. Furthermore in the United Kingdom, Professor John Burgoyne suggested that one way of generating acceptance for the importance of management learning was to "highlight examples of good learning organisation practice".

Some of the key elements of best practice management development that were identified and recorded during the overseas study tour include:

- (i) an enterprise strategic plan drives the management development agenda;
- (ii) a management development strategy that provides a framework for all management development activities for up to five years;

- (iii) a management development model that emphasises learning from a rich variety of sources;
- (iv) management development linked to the entire human resource and management system;
- (v) responsibilities for management development shared between managers and their enterprise;
- (vi) management competencies that are identified for all management levels;
- (vii) priorities for management development that are agreed by the stakeholders;
- (viii) work experience is recognised as a primary development opportunity;
- (ix) an enterprise culture that encourages all managers to learn and pursue personal continuous improvement; and
- (x) management training and development programs that improve management performance.

These elements are discussed at more length in Chapter Ten.

2.5.3.2. Industry visits in Australia

The Task Force Sub-Committee on Management Skills in Australian Industry visited twenty-five leading Australian enterprises with publicly expressed commitments to training. The Sub-Committee's major findings from these visits are as follows.

- **Quality management**

There is a widespread understanding amongst these enterprises of the need to focus on quality as a means of improving the productivity and profitability of the enterprise. The focus on quality improvement in itself leads to a reconsideration of leadership and management styles within the enterprise, changes to organisational structure and a much greater commitment to teamwork at all levels within the enterprise.

- **Changing role of the frontline manager.**

There was a universally held view that there is a critical need for the role of frontline managers or supervisors to shift from its traditional definition to one of team leader, coach and mentor of the workforce. None of the companies visited thought they had achieved this goal to the extent necessary.

- **Training of frontline managers.**

The larger companies engage external providers to develop programs to meet the specific needs of their companies. The smaller companies either tend to send their employees to short external programs or provided no support.

- **Exposure to international operations.**

Larger multinational enterprises provide opportunities for middle and senior

management to gain international experience within the global structure of the enterprise. The smaller, Australian owned companies do not have such opportunities and their approach to gaining experience is confined to unstructured and sporadic marketing visits.

- **Transition from specialist to manager.**

There is concern in these enterprises that, while undergraduate degree programs equip our technical specialists to a satisfactory level, these individuals also need to be equipped to make the transition to manager more effectively.

2.5.4. The Sub-Committee on Small Business

This Task Force Sub-Committee was chaired by Dr John Bailey and included Barbara Cail and Barbara McLure. In addition to consultations with small business and industry, the Chair of the Small Business Sub-Committee visited twenty government agencies, tertiary institutions and enterprises in eight countries, and attended the major world conference on management development. The particular focus of his study was training programs for the development of better management skills amongst small business personnel, although other issues were also touched on. The Chair's major findings are as follows.

2.5.4.1. Findings from the European Foundation for Management Development's 'Global Forum on Management Development' in Sitges, Catalonia, Spain, June 1993

Key points include:

- management education curricula should be examined closely to ensure that they are not excessively weighted toward knowledge, without appropriate emphasis on action, experimentation and innovation practices and processes;
- management developers should assist managers and potential managers to think in a way that is appropriate for the future. Enterprise strategy is no longer entirely about fitting existing markets and resources together. Instead, the required strategies will be the need to innovate and to create new market structures and new resourcing options. Strategy will be 'action, experiment and reflection' oriented, rather than 'analysis and prediction' oriented;
- management school faculties should be encouraged to reexamine their roles in the processes of management development. They should work very closely with leading corporations to evaluate emerging needs and adopt their curricula and their educational processes to reflect corporate reality; and
- academics who wish to engage solely in research for research and publication's sake should not be responsible for developing managers unless they are prepared to assist students in the application of theoretical research into the reality of the business world.

2.5.4.2. Findings from consultations with 21 organisations involved in small businesses management development in Austria, Canada, Germany, Norway, Spain, Switzerland, United Kingdom, and United States of America.

• **Evaluation on the effectiveness of management development programs.**

Very few organisations engage in the evaluation of the effectiveness of their programs. When evaluation is undertaken, it is usually done at the conclusion of the course to ascertain reactions to the course content. Outcomes in terms of business development or managerial performance do not appear to be measured in most programs. It appears that most organisations, whether government, academic or private enterprise, proceed with expenditure on owner/manager development in the belief that it must make a positive contribution.

• **Effectiveness of programs for intending owner/managers**

Many colleges, universities, government agencies and community groups provide programs to assist intenders including:

- the United States Small Business Administration has been establishing Small Business Development Centres within corporations which are downsizing their workforces;
- the German Meister Certificate requires people to complete a range of examinations, some of which are trade related and some which are business related, before they can start a small business;
- Durham University Business School has a Small Business Centre which has programs designed to foster an entrepreneurial culture in the North East region of England; and
- the Toronto Small Business Development Centre provides personalised counselling, workshops in the development of new ventures and a small business incubator facility.

The United Nations Industry Development Organisation is engaged in an evaluation of all available literature on the effectiveness of programs for the development of intending owner/managers. Although the evidence is in short supply, there is a suggestion that the development of management skills, achievement motivation and some ongoing counselling support through university or counselling centres, are necessary for effective outcomes to be observed.

• **Effectiveness of programs for existing owner/managers.**

Evidence on effectiveness includes the following:

- there is evidence that programs of direct consulting assistance for small firms undertaken by the United Kingdom Department of Trade and Industry, the Norwegian Government and the Small Business Institute (SBI) in the United States of America have delivered positive outcomes;

- positive results have been achieved via networking techniques that ‘put people in touch’ with managers with similar needs to themselves, to connect them with mentors or to provide linkages with advisers when required. Networking initiatives are being applied in Canada and Denmark with the most effective example being in Italy which has developed sophisticated networks of industrial suppliers and subcontractors; and
- programs which have been shown to be effective in enhancing business performance are all involved with ongoing consulting/counselling activity. Programs in a classroom, without the addition of followup counselling, are not likely to have lasting effects. This type of activity is always expensive either in monetary terms or in terms of time. However, it does appear that if any worthwhile development is to be provided for owner/managers, it will involve one-to-one counselling over an extended period.

- **Effectiveness of programs for potential owner/managers (schools, colleges and university students).**

Such programs were quite limited but some of the examples viewed included:

- a Canadian program where students are able to obtain a loan of \$3000 from the Federal Business Development Bank for the establishment of a small business over the summer vacation;
- Junior Enterprise (Young Achievement) programs in the United States, which are widespread as an elective for Years 10 and 11 students;
- the Durham University Business School, which has a group of small business researchers who prepare small business curricula for high school students and primary school students;
- many universities around the world which include entrepreneurship as a unit or a sequence of units in their MBA and other management courses; and
- the Council for Entrepreneurship Education has been established in Ontario to encourage the whole of the educational community to engage in the promotion of entrepreneurial attitudes and behaviours.

In conclusion, it has been observed that while entrepreneurship and small business management has been encouraged in many university and college courses, it is still in a very early stage of development in secondary schools and particularly in primary schools.

- **Preparation of advisers/counsellors/trainers for small business.**

A very limited amount of preparation is conducted for advisers in the organisations visited. The major problem faced in the development of advisers/counsellors/trainers is the difficulty in assisting counsellors to move from an ‘expert’ mode of behaviour to a ‘facilitative’ mode of behaviour. The facilitative mode assumes that the learner has much to offer already and that the facilitator will draw these experiences out into the learning process. The expert, on the other hand, assumes that he/she has the

answers and that these answers need to be provided to the learner to enhance his/her knowledge. Training programs for counsellors must change some of those basic assumptions to be effective.

- **Government initiatives in small business development.**

It appears that governments are reassessing their roles in the small business development processes and are choosing to withdraw from direct service provision and concentrate on the creation of infrastructures for the support of owner/managers and their advisers.

2.6. Levers for change – the Task Force’s model of management reform

From all the information it has received and on the basis of deliberations amongst its members, the Task Force has formulated the model of management reform shown in Exhibit 2.6. This model sets out the Task Force’s view that management skills underpin the living standards and employment prospects of all Australians. They do so by building internationally competitive enterprises and by supporting the Federal Government’s workplace reforms, export initiatives and labour productivity goals. Better leaders and managers are essential if Australia is to benefit from the opportunities of the Asia-Pacific Century.

The second element of the model is the set of areas which the Task Force has identified as the key levers for improving management skills. There are five of these key levers, four directly impacting upon management skills (upgrade the capability of the vocational education and training sector, capitalise on the talents of diversity, achieve enterprise best practice in management development and reform management education) and one which relates to community attitudes toward business, particularly small business, and the creation of wealth (positive enterprise culture).

Exhibit 2.4 Levers for change



The arguments as to why management skills underpin economic performance and employment are set out in Chapters Three and Four. Chapter Three also assembles the evidence which compares Australian managers with others around the world. Chapter Five sets out the evidence and reasons why the Task Force has identified these five areas as critical challenges for Australia, Australian managers and enterprises.

2.7. Implementation mechanisms

The Task Force's major recommendations as to how each of the key leverage areas may be reformed are set out in Section III of this report. Detailed arguments as to why each recommendation is both important and appropriate are also set out in Section III (particularly Chapters Seven through Eleven). Here we touch on the Task Force's advice as to how its recommendations might best be implemented.

The Task Force's basic philosophy is that markets are the best mechanisms to achieve optimum allocation of resources and quality outcomes. However, the Task Force also recognises that markets are sometimes imperfect or fail, or have inequitable outcomes. Several of these market failures have been highlighted by the Task Force's research and consultations. Hence, the Task Force considers that there are circumstances where interventions by the Federal Government can have beneficial effects. The Task Force believes that any such interventions in the management development area should be highly targeted (because industries and enterprises are diverse in nature) and of limited duration (so that markets can develop and relieve the pressure on the public purse).

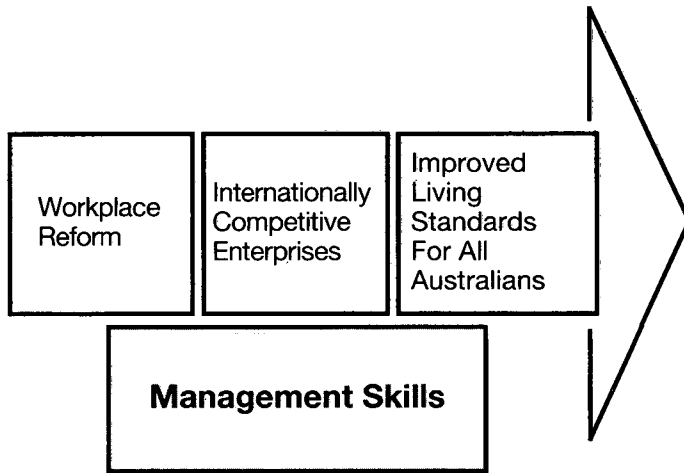
As a consequence of these views, the Task Force has, in the main, not only chosen to focus very specifically on key areas of leverage but also to promote industry and enterprise input into the details of implementation. The Task Force also suggests a time horizon of five years for progress towards substantial implementation of its recommendations – at the end of which time they are either to be reviewed by the Federal Government or the private sector will have taken over responsibility for ongoing activities.

The targets of these recommendations include individual managers, Australian enterprises, training providers and educational institutions. The mechanisms for implementation include promoting best practice, providing incentives and, in one area, the possibility of future sanctions.

There is one other strand to the Task Force's thinking that is worth mentioning at this point. The Task Force also recommends that the Federal Government adopts a philosophy of continuous improvement towards the skills of Australian managers. While the Task Force considers that it has gone some way towards identifying the management skill requirements of the next decade, these requirements will continue to evolve, possibly in directions which are as yet unknown in 1995. The Task Force therefore considers that it is necessary for Australia to have an organisation which can continually monitor progress towards agreed targets and question whether these targets, and the strategies for achieving them, are still the best ones. For these reasons, the Task Force has recommended the establishment of the Australian Council for Management Development to fulfil this vital role. This body is described in more detail in Chapter Twelve of this report.

Section II: The case for change

Chapter Three



3. Australia's position in the global economy

- 3.1. Purpose of the chapter
- 3.2. A decade of change and reform – 1984 to 1994
- 3.3. The results of reform – an outward orientation
- 3.4. The Australian economy in 1994 – moving towards world competitiveness?
- 3.5. Good managers are the key to a more competitive economy
- 3.6. Who are our managers and where do they work?
- 3.7. How do Australia's managers compare with others?
- 3.8. The economic imperatives of the next decade
- 3.9. Who are our competitors and what can they teach us?
- 3.10. Policy lessons from the experience of different countries

3.1. Purpose of the chapter

The purpose of this chapter is to demonstrate that improving management skills is a key area of leverage for sustaining higher rates of growth in the Australian economy. As our logo suggests, management skills are the foundation for workplace reform, international competitiveness and improved standards of living.

3.2. A decade of change and reform – 1984 to 1994

Although Australians are amongst the richest citizens of the Asia-Pacific region in terms of purchase parities, during the 1980s various commentators and analysts expressed concern over the nation's relatively low economic growth rates – particularly when measured against those of the newly industrialising countries. This concern should be set against the background of the long economic boom from 1960 to 1973 which Australia experienced in common with many other Organisation for Economic Co-operation and Development (OECD) nations. However, from 1973 growth rates in the developed world slowed dramatically and many nations began to question their economic policies. From 1973 to 1983 Australia averaged a 2.6 percent annual real growth in GDP, a performance which was consistent with the OECD average and behind the OECD leader, Japan.

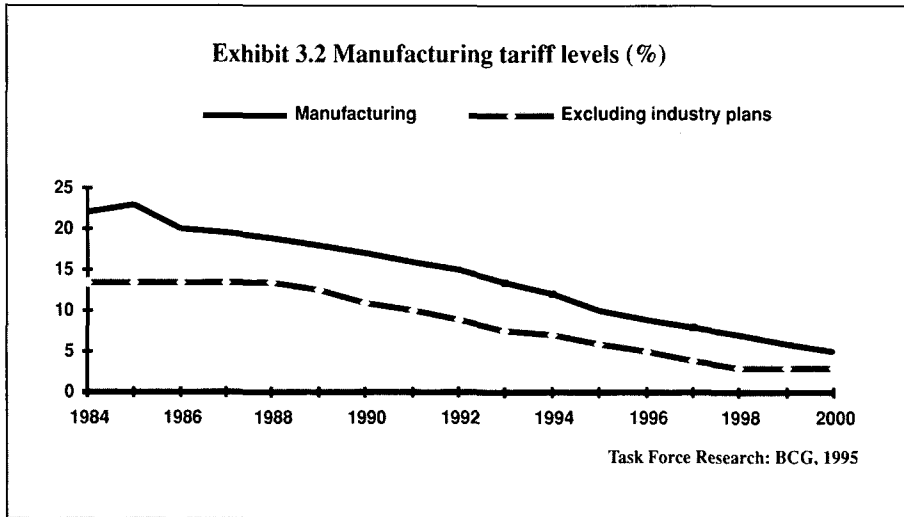
Exhibit 3.1 Four world economic cycles

	Annual % change in real GDP			
	1960-1968	1968-1973	1973-1979	1979-1990
Australia	5.0	5.3	2.6	3.1
Japan	10.1	8.8	3.6	4.1
United States of America	4.5	3.0	2.6	2.6
EU	4.3	4.7	2.4	2.2
G7	5.5	5.1	3.0	2.6
OECD	5.2	4.2	2.8	2.7

Economist (1994) from OECD data.

In 1983, the incoming Federal Labour Government's diagnosis for Australia's economic problems was based on the nation's history of protectionism and domestically focused enterprises. During most of the post-war years, high tariff walls surrounded Australia and an inward looking economic culture had propped up many non-competitive industries and enterprises. The Commonwealth Government's solutions for these problems encompassed an ambitious program of deregulation and tariff reduction, together with an increased emphasis on workplace reform and productivity via the industrial relations system and the Accord. The Government also deregulated the financial system and allowed the exchange rate to float, forcing investments in Australia to compete with investments in other countries. By the year 2000, Australia will have one of the most

open economies in the world and the majority of Australian enterprises will have to compete with the world's best products and services either at home or abroad. Significant progress is also likely to have been made in adopting enterprise agreements, implementing a national competition policy improving infrastructure and other microeconomic reform initiatives. The recent Asia-Pacific Economic Co-ordination Council agreements to open up trade in the region will add significantly to the momentum for further change.



3.3. The results of reform – an outward orientation

There have been a number of positive developments within the Australian economy as a result of these reforms increasing competitive pressures and regional trade significantly growing. At least four major developments have been identified by various studies.

3.3.1. World class enterprises

The first development is the continued strengthening of a small number of Australian enterprises as major players on the world stage. These include enterprises following a uniquely Australian strategy of international competitiveness – the so-called ‘multi-domestic’ (AMC/PCEK 1990, AMC/AGSM 1992).

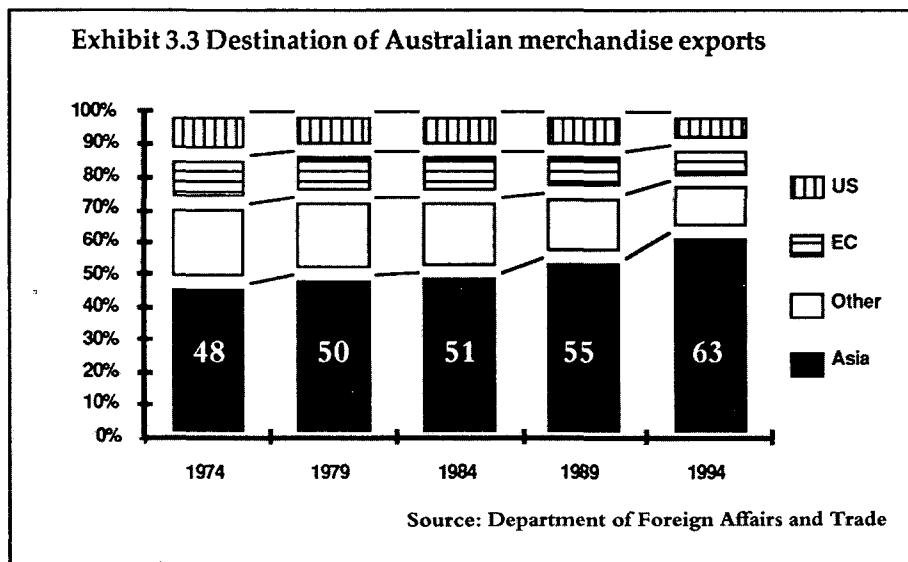
“The largest businesses in Australia, on average, earn nearly a third of their income offshore and have nearly a third of their assets outside Australia. For major industrial and mining companies, the average exceeds 40%.”

Task Force Research: Boston Consulting Group 1995.

An increasing number of Australian enterprises, such as Burns Philp, now employ far more people offshore than in Australia and may ultimately consider whether or not Australia is the most appropriate location for their headquarters. BHP Minerals, for example, has already centered its head office in San Francisco, closer to some of its major operations in South America.

3.3.2. Involvement with the Asian region.

An increasing proportion of Australia's merchandise exports are going to the Asian region rather than to more traditional markets, such as North America and Europe.



Furthermore, direct investment in the region by leading Australian companies is also on the increase (BCA/Port Jackson 1992, Boston Consulting Group 1995) and nearly 70 percent of Australia's top twenty companies have major investments or operations in Asia (Boston Consulting Group 1995). These include BHP, News Corp, Westpac, NAB, ANZ, CBA, Foster's Brewing, Pacific Dunlop, BTR Nylex, CRA, Pioneer International, Goodman Fielder and Amcor.

3.3.3. High value-added manufacturers.

Australia is experiencing a rise in the exports of elaborately transformed manufactures (ETMs). The AMC/McKinsey Report (1993) identified that between 1986-87 and 1990-91, ETMs grew from 11.5 percent to 14.4 percent of Australia's total exports. Between 1985 and 1993, total manufacturing exports grew by 6.1 percent.

Within the ETM sector a new class of globally-oriented small to medium enterprises is emerging. AMC/McKinsey (1993) estimated that some 700 small to medium

manufacturing enterprises had doubled their exports between 1987 and 1993 to achieve annual export sales of between \$2 million and \$50 million per company. These included not only enterprises following the traditional route from domestic success to exporting but also a significant number of companies which were 'born global'. That is, companies which from their establishment targeted overseas markets and on average export over 75 percent of their sales. According to AMC/McKinsey, these born globals contributed about \$1.7 billion to exports in 1993 – which the authors predict will rise to \$5 billion by 1998.

Four factors have influenced the change in Australian trade performance in ETMs since 1985:

- sharp and sustained reduction in costs;
- positive change in attitudes to competitiveness and exporting;
- success of a range of industry specific policies in targeting export growth; and
- expansion of world import demand, especially in Asia.

Victoria University of Technology, *The Rebirth of Australian Industry 1994*.

3.3.4. Service exports.

Service exports, alongside the more traditional commodities and manufactures, are increasing (Austrade/LEK 1994). The growth in services included not only tourism but also education (which earned \$1.2 billion in 1993) and high value added consulting, financial and legal services. Between 1983–84 and 1990–91, service exports grew by 16.6 percent. Services now directly and indirectly (through support to products and commodities) comprise 40 percent of all exports (Austrade/LEK 1994).

Exhibit 3.4 Australian exports 1993/199

	Sector Exports (Sbn)	Proportion of exports	Growth rate*
(1) Primary products	37.5	45.7%	4.3%
(2) Services	17.5	21.3%	24.0%
(3) Elaborately transformed manufactures	13.8	16.8%	16.5%
(4) Simply transformed manufactures	6.3	7.7%	5.9%
(5) Other merchandise	7.0	8.5%	10.8%
Total	82.1	100.0%	

Source: (1), (3) through (5) DFAT (1994); (2) Austrade forecast

* (1), (3) through (5) average annual growth 1990 to 1994; (2) average annual growth 1983 to 1993.

3.3.5. The outlook is positive but significant challenges remain

The growth in ETMs and high value-adding services – ‘intelligent products’ – is occurring in a global environment where manufacturing is ‘hollowing out’ in developed economies like Australia. Hollowing out involves a considerable shift of low cost manufacturing activity from nations like Australia to low-wage economies such as China and Indonesia.

This shift has thrown up new challenges to managers, employees and policy makers, and reflects the rapid restructuring of the Australian economy over the last decade. The evolution of the microeconomic reform agenda is a direct response to external competitive forces, and commitments by governments and industries to at least meet best international practice benchmarks and standards.

To some degree, industry has risen to these challenges and, over the decade of the 1980s, Australia lifted its economic performance to achieve an average annual growth rate of 3.4 percent. Regrettably, this performance still lagged behind Japan (4.1 percent) and emerging regional economies such as Taiwan (7.9 percent), Hong Kong (7.1 percent) and Singapore (6.4 percent). After the recession of 1991–1992, Australia has also experienced one of the strongest recoveries of OECD nations, but nagging doubts remain amongst many commentators and analysts as to whether growth rates of 5 percent, or higher are sustainable. Without such growth, Australia will neither be able to keep pace with its regional competitors nor reduce unemployment significantly. In purchase parity terms, the living standards generated by economies such as Hong Kong and Singapore have already overtaken Australia. Critical questions remain as to whether we have reformed our economic system enough for the challenges of the next century and, if not, what can be done to make it more dynamic. Of particular concern is that productivity increases are still very modest by world standards and most of Australia’s growth in GDP derives from increased employment rather than improved practices and technology.

Exhibit 3.5 Sources of GDP growth

	Average growth rate over decade to 1993/94		
	Employment %	Productivity %	GDP %
Australia	2.0	1.1	3.1
G7	1.1	1.6	2.7
OECD	1.0	2.0	3.0
Asian Tigers	2.8	5.2	8.0

Governor of the Reserve Bank, December 1994

3.4. The Australian economy in 1995 – moving towards world competitiveness

There have been important changes in Australian competitiveness as noted above. However, Australia in 1995 still retains elements of the profile of a resource rich nation with a significant level of imported technology and products. Compared to many other major trading nations, Australia has a lower proportion of GDP derived from manufacturing and a higher proportion derived from wholesale and retail distribution and community, social and personal services. Services, as well as much of the resources and manufacturing sectors, need to be examined to identify new ways of adding value in the current environment of intense competition for commodities and simple products.

Exhibit 3.6 Percentage of GDP derived from key industry sectors in 1990

Country	Industry Sector					
	Agriculture & mining	Manufacturing	Construction	Distribution & personal services	Transport, storage & communication	Finance & property business services
Australia	9	16	8	36	8	24
Canada	9	25	9	25	8	25
Germany	3	38	6	30	7	15
Hong Kong	0	20	6	32	9	33
Japan	3	31	11	31	7	18
Netherlands	9	25	7	29	8	21
Singapore	0	29	5	21	13	32
Sweden	4	29	10	20	9	27
United Kingdom	6	27	8	23	8	27
United States of America	5	22	6	31	7	29
Ten country average	5	26	8	28	8	25

Research Director's analysis of United Nations (1992), Government sector excluded. Definitions differ from those used in UN publications.

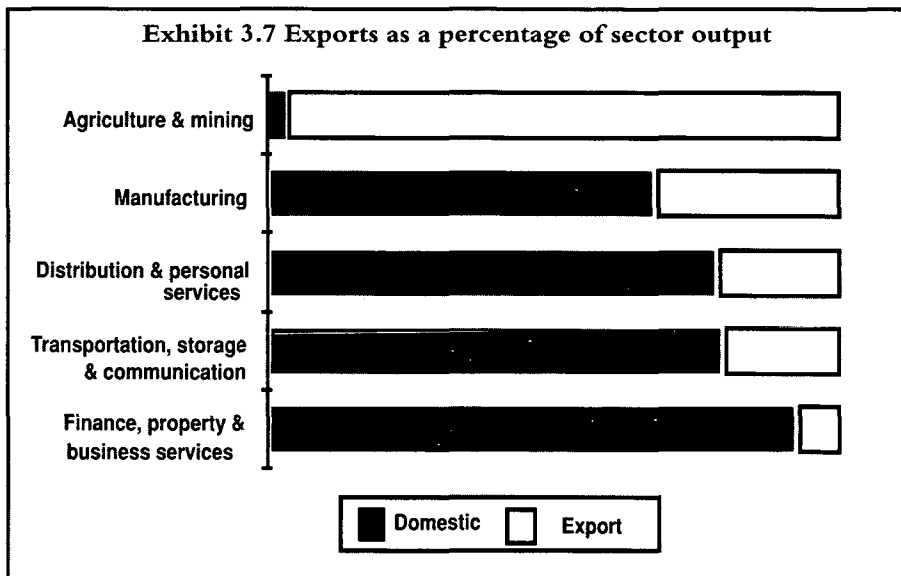
Moreover, the majority of the enterprises that generate this wealth are not involved with world markets to any significant degree. The agriculture, mining and tourism sectors are globally oriented. However although there are some excellent examples of export orientation among some firms in the manufacturing area and high value added services like communications, in generally other sectors show a much lower and less consistent level of exporting or involvement in other forms of international business.

Estimates of the number of enterprises which are truly competitive on the world market vary by definition but range from the 700 small to medium manufacturers estimated by AMC/McKinsey (1993) to the 850 new service exporters which Austrade/LEK (1994)

Section II: The case for change

identified as having started exporting since 1983 and the 4,500 small to medium sized enterprises in the global marketplace identified by Nicholas Clark and Associates/DFAT (1994). Set against the 66,000 companies with more than 9 employees in Australia these are low numbers – even if one assumes that all these small to medium exporters will continue to succeed. Looking from outside Australia, one Task Force research study concludes that Australia has few internationally competitive businesses (Rand 1995). Finally, the World Economic Forum (1994) considers that, in terms of internationalisation, Australia has shown modest improvements over the past few years but in 1994 the nation still only ranked 24 out of 41 nations. The ranking may tend to understate the case for Australia’s competitiveness because of the way it is compiled. However relative to other countries, there is still clearly considerable scope for more enterprises in Australia, both large and small, to become internationalised.

The Task Force believes the trend is definitely towards greater internationalisation of the



Research Director.

Australian economy, and an increasingly diverse export base. However only a fraction of those enterprises with potential for exporting or building overseas ventures are yet involved with the global market. Some authors also argue that, while the gains of recent years are encouraging, it is more that “Australia is being pulled along in the slipstream of massive regional trade growth rather than making major (market) share gain.” (BCA/Port Jackson 1992). More recently, some observers have claimed Australia is actually losing market share including in many key Asian markets. Whatever the case, it is clear that much more can be done to make Australian enterprises competitive in world markets.

As well, greater numbers of Australian enterprises are facing overseas competition in domestic markets, partly as a result of reduced tariffs but also because of the attractiveness of the affluent and increasingly sophisticated Australian market.

Australia’s efforts to develop and cement its place in the world marketplace will not be

easy. By world standards, the Australian economy is mostly comprised of small organisations. About 635,000 enterprises, representing 80 percent of Australian enterprises, employ fewer than five people (Australian Bureau of Statistics). Most of these are concentrated in the agricultural and wholesale and retail trade industries, which account for 52 percent of all enterprises. In fact, Australia is notable for the small number of world scale enterprises which it supports. Only some 600 enterprises in Australia employ more than 1,000 people.

This is a tiny number by the standards of the major trading nations. For example, in the United States of America, Midgley & Co (1995a) cites one definition of small business as an enterprise with a turnover of less than United States \$150 million a year. In Australia, this definition would embrace some of the nation's medium to large enterprises. Scale is important because it heavily influences an organisation's ability to attract finance, invest in new technology, train and develop its workers and managers, resource international ventures and so on. Many of the Task Force's recommendations are aimed at overcoming the small scale of Australian organisations by providing appropriate support systems to leverage available expertise and develop networks.

3.5. Good managers are the key to a more competitive economy

Increasing the number of Australian enterprises competing effectively overseas is one element of a higher growth economy. The other element is Australian enterprises defending their domestic markets from foreign competition, particularly in the low or zero tariff markets of the next century. Australia supports an economy in which the domestic market is not big enough to support the aspirations of a population with a traditionally high standard of living. Failure to meet and exceed international best practice and quality benchmarks in business could mean that enterprises may both fail to effectively compete with imports and also produce progressively less competitive exports.

However, ultimately both overseas success and domestic defence depend on customers choosing the products and services created by Australian enterprises ahead of those created by the enterprises of other nations. Overseas and local customers will buy Australian only if these products and services offer greater benefits than those of their competitors, are lower priced, are delivered in a more timely manner, or are some winning combination of all these factors. Australian enterprises will deliver such world competitive products and services only through the enhanced productivity of their people and technology, through their ability to innovate more creatively and quickly than their rivals and through the ability of their managers to match overseas best practice and quality in product and delivery.

Exhibit 3.8 the ten golden rules of world competitiveness

1. Assets and processes are the two main facets of competitiveness.
2. A successful transformation process enhances wealth and therefore creates new assets for future generations (eg, the Industrial Revolution in Europe).
3. It is possible to be 'wealthy' and not competitive, eg by relying exclusively on existing assets (natural resources, established industries, etc).
4. A 'poor' country which has few accumulated assets, can become competitive, however, through a very efficient transformation process (eg, Japan, Singapore, etc).
5. 'Poor' countries can thus be more competitive than 'rich' countries.
6. Internationalisation can be based on attractiveness, on aggressiveness, or on both. For example, Ireland is attractive (for foreign investments, etc.) but not very aggressive. Korea is aggressive (in world markets) but not very attractive and the United States is both attractive and aggressive.
7. Competitiveness can be divided into 'hard criteria' (generally measurable) such as productivity and growth, and 'soft criteria' (generally less measurable) such as education and attitudes.
8. Hard criteria usually have shorter cycles (months, years) than soft criteria (decades, generations).
9. The more a country becomes economically developed, the more it relies on soft criteria (eg, moving from cheap labour to educated labour).
10. Competitiveness is sustainable in the long term.

IMD/World Economic Forum 1994.

The Task Force believes that 'rules' 1, 2, 5, 7 and 8 are of particular relevance to its case for change in the way Australia develops its managers.

In the final analysis, enhanced productivity and innovative capacity in any enterprise depends on two groups of people – workers and managers. Considerable attention and effort has been applied to the skills and productivity of the Australian workforce over the last decade; greater efforts will undoubtedly be needed over the next decade. Yet

managers – whose skills are a key component of enterprise and economic performance – have received scant attention from analysts and policy-makers. If we have already seen significant gains from workplace reform, it could well be that management reform is the key area of leverage for the future.

The OECD recently stated that:

“In the past, ‘business’ may not have attracted the best talent. Indeed, a world-class management culture may have been slow to develop in Australia, due to the slow opening up of the economy to world competition. Hence, while the move to decentralised bargaining provides new opportunities to raise work-place productivity, much still depends on management’s human resources and bargaining skills to exploit these opportunities.”
OECD 1994.

From an international and corporate perspective many writers are of a similar view, for example:

“The human factor may ultimately come to represent the new competitive edge for global corporations.”
Rhinesmith 1993.

Managers are critical to gaining this competitive edge because they direct the efforts of others. In Australia, the average manager has a span of control of six employees (Midgley 1990) and therefore the productivity and innovation of six people is heavily influenced by the skills of one manager.

If managers are the key to better economic performance we need to ask two questions. Who are Australia’s managers, and how do they compare with their counterparts in other nations?

3.6. Who are our managers and where do they work?

According to Task Force analyses, in 1994 there were some 900,000 managers in Australia, some 74 percent of which are male and some 26 percent female. This number is projected to rise to 977,200 by the year 1998 (Monash University 1995). However, given our comments on the small scale of Australian organisations, it is not surprising that the majority of these managers work for enterprises with 50 or fewer employees. We estimate that some 521,000 managers work for such small enterprises whereas some 379,000 work for enterprises with more than 50 employees.

Not much is known about the demographics of managers in small enterprises except that almost half of them are actually farmers or farm managers. As to the remainder, a high proportion are supervisors as small enterprises tend to have few specialist or general managers. Evidence from Task Force consultations also suggests that few are formally trained in management and few undergo any further management development.

Section II: The case for change

One further difficulty with the statistics in this area is that there are many self-employed individuals and others running very small businesses who may employ others or who may need management skills in their own work. Views have been put to the Task Force that many of these individuals are not necessarily captured in official statistics.

Exhibit 3.9 Managers in Australia

	Size of company		
	<50 employees	50+ employees	
Middle and senior managers	54,000	181,000	
Supervisors	213,000	198,000	
Farmers and farm managers	254,000	n/a	
Totals	521,000	379,000	900,000

Research Director estimates.

More is known about larger organisations and Exhibit 3.10 shows the distribution of managers by industry sector and size of company.

Exhibit 3.10 Numbers of managers in medium to large enterprises by size of company and industry sector.

Industry sector	Size of company (employees)					Totals
	50-99	100-199	200-499	500-999	1,000+	
Agriculture, mining, construction and utilities	7,000	6,000	6,000	10,000	29,000	58,000
Manufacturing	16,000	16,000	23,000	14,000	70,000	139,000
Wholesale and retail trade	17,000	8,000	8,000	5,000	22,000	60,000
Transport, storage & communications	3,000	2,000	2,000	3,000	16,000	26,000
Financial, property and business services	11,000	11,000	13,000	5,000	21,000	61,000
Recreational and personal services	13,000	6,000	5,000	3,000	8,000	35,000
Totals	67,000	49,000	57,000	40,000	166,000	379,000

Research Director estimates (rounded to nearest thousand).

Approximately 30,000 of these corporate managers are executives; 60,000 senior managers; 90,000 middle managers; 80,000 junior managers; and 120,000 supervisors. Research Program estimates indicate that some 20 percent of managers, mostly at the middle level, have been made redundant as a consequence of the 1991-1992 recession. Anecdotal evidence received via Task Force consultations suggests that many of these individuals have moved into the small business sector.

Exhibit 3.11 Sketch of the typical corporate manager

“It is difficult to speak of a ‘typical manager’ given the wide diversity of managerial jobs and skill needs, but some broad generalisations can be made.

The typical Australian manager:

- is male;
- is of Anglo descent;
- has the HSC or a qualification from TAFE as their highest educational qualification; and
- has worked for the same organisation for more than six years.”

Task Force Research: Reark 1995a.

In conclusion, Australian managers represent a major segment of the working population and, through their direction of others, have a significant influence over the economic performance of the nation.

3.7. How do Australia's managers compare with others?

In 1994 the World Economic Forum's *World Competitiveness Report* ranked Australia 15 out of 41 countries using eight key measures of performance including: domestic economic strength, internationalisation, government, finance, infrastructure, management, science and technology, and human resources. Australia ranked behind such nations as New Zealand (9), Singapore (2), The Netherlands (8), the United States of America (1) and the United Kingdom (14). When measured against OECD members, Australia was placed 13 out of 22. Australia scores relatively well on infrastructure, government and people but not so well on the other criteria.

Exhibit 3.12 The composition of Australia's world competitiveness ranking

<i>Measurement Criterion</i>	<i>Australia's world ranking</i>
Domestic economic strength	20
Internationalisation	24
Government	9
Finance	15
Infrastructure	5
Management	18
Science & Technology	16
People	12
Overall	15

IMD/World Economic Forum (1994).

Section II: The case for change

More relevant to our arguments is the management criterion which the World Economic Forum defines as:

“The extent to which enterprises are managed in an innovative, profitable and responsible manner.”

On this measure, Australia ranked 18 out of 41 nations, behind such nations as Japan (1), Hong Kong (4), New Zealand (8), Malaysia (14) and Chile (16). In comparison to OECD nations, Australia ranked 14 out of 22 nations. This could be regarded as a modest improvement over the three previous years (when Australia ranked 17, 19 and 17 respectively) – except that many OECD nations are losing ground to the newly emerging economies and so this may no longer be the best benchmark. 1994 was the first year the World Economic Forum produced a global ranking.

Although the methodology used by the World Economic Forum has been criticised by some, it is interesting that their findings are remarkably consistent with those of the Task Force’s own Research Program, especially with respect to their evaluation of Australian management.

Exhibit 3.13 Ranking of countries on the management criterion.

<i>Rank</i>	<i>Country</i>	<i>Rank</i>	<i>Country</i>
1	Japan	22	Ireland
2	Sweden	23	Thailand
3	Switzerland	24	Turkey
4	Hong Kong	25	Italy
5	United States of America	26	Mexico
6	Denmark	27	Colombia
7	Singapore	28	Philippines
8	New Zealand	29	South Africa
9	Finland	30	Spain
10	Netherlands	31	Korea
11	Austria	32	Argentina
12	Germany	33	India
13	United Kingdom	34	Greece
14	Malaysia	35	Brazil
15	Norway	36	Indonesia
16	Chile	37	Portugal
17	Belgium	38	Venezuela
18	Australia	39	Hungary
19	Canada	40	Czech Republic
20	France	41	Poland
21	Taiwan		

IMD/World Economic Forum 1994.

The Forum's analysis of Australian management performance indicated good performance in functional areas (business efficiency), but poor performance in strategic and cross-functional areas (entrepreneurship and management development) and poor performance compared with world best practice (corporate performance). A more detailed audit of these components indicates that Australia's managers perform poorly compared with world best practice on issues such as improving productivity, implementing strategy, international experience, employee relationships, quality and product innovation.

Worst of all, Australian managers ranked 26 on long-term orientation.

Another interesting finding by the forum is that the availability of skilled labour is also higher (at 11th in the ranking) than that of competent senior managers (17th ranking) suggesting that, relative to other countries, managers in Australia are not as skilled in their functional expertise as the workers they manage are in theirs.

The Task Force commissioned a number of studies of its own to benchmark the performance of Australian managers. Of particular relevance here are a survey of Australian management experts (Barraclough & Co 1995), a survey of managers in five Asian nations (IRIC 1995) and the views of overseas experts (Rand 1995). These studies are complemented and supported by the Task Force's extensive consultations at home and abroad and various other studies which have been done in recent years (Midgley 1990, Australian Overseas Mission 1991).

While specific elements may differ, the overall conclusions that can be drawn from all this evidence are highly consistent with the findings of the World Economic Forum above.

The Task Force concludes both that no nation can be singled out as having overwhelmingly superior managers and that the best Australian managers are equal to the best in the world. However, it appears that there is a lack of depth in Australian management ranks. The 'best' here represents only a small proportion of all managers and, while the more typical Australian manager does have strengths, he/she also has distinct weaknesses. In many ways, Australia's history of protectionism and prevailing culture toward learning, particularly the personal and integrative skills which are de-emphasised by the educational system, have produced these weaknesses.

"There is a lack of depth in talent. We rarely find an excess of good candidates."

Senior recruitment consultant.

3.7.1. How we see ourselves

When 91 Australian management experts were asked about Australian managers they listed the strengths and weaknesses shown in Exhibit 3.14.

Exhibit 3.14 Strengths and weaknesses of the typical Australian manager

<i>Strengths</i>	<i>Weaknesses</i>
Hard-working	Short term view
Flexible, adaptable, resourceful – around products and processes	Lack of strategic perspective
Innovative/inventive	Lack of open mindedness and rigidity – towards learning
Technically sound	Complacent
Egalitarian	Poor at teamwork and empowerment
Independent thinking	Inability to cope with differences
Open, genuine and direct	Poor 'people skills'
Honest and ethical	Lack of self confidence

Task Force Research: Barraclough & Co 1995.

In various comparisons the researchers concluded:

- **United States.** Australian managers are perceived as better generalists than those from the United States of America, although not as well educated or 'intellectually competent'. Managers from the United States of America are seen as more confident and better able to manage workplace issues such as sexism and differences in style.
- **Asia.** Australian managers are perceived as more open in negotiations than Asian managers. Australian managers appear not so comfortable nor skilled working in teams as Asian managers.
- **Overseas managers in general.** Australian managers are seen as result driven and doing well with the resources they have. However, there is a perception that managers overseas tend to have a better understanding of cultural differences and the complexities of the global market.

3.7.2. How others see us

In a *blind* survey of 502 Asian managers, IRIC (1995) asked:

- (i) how important each of eight managerial qualities are to doing business with an enterprise from another country; and
- (ii) how managers of each of six nations performed on these qualities.

In this research project, the IRIC surveyed managers in five of Australia's 'regional customers' – Japan, Singapore, Taiwan, Malaysia, Indonesia. Forty-five percent of the managers surveyed had contact with Australian managers once every year or more frequently. The majority of the managers had a higher level of contact with managers from other countries. They were asked to compare Australian managers to five 'competitor countries' which were identified as being particularly active in the region. These comparison countries were Japan, United States of America, Germany, United Kingdom and Taiwan.

As can be seen in Exhibit 3.15, Asian managers place greatest importance on long term perspectives, acceptance of responsibility and managerial expertise. As Exhibit 3.16 shows Australian managers shared last place with Taiwanese managers on these three criteria – both being some way behind the other four countries.

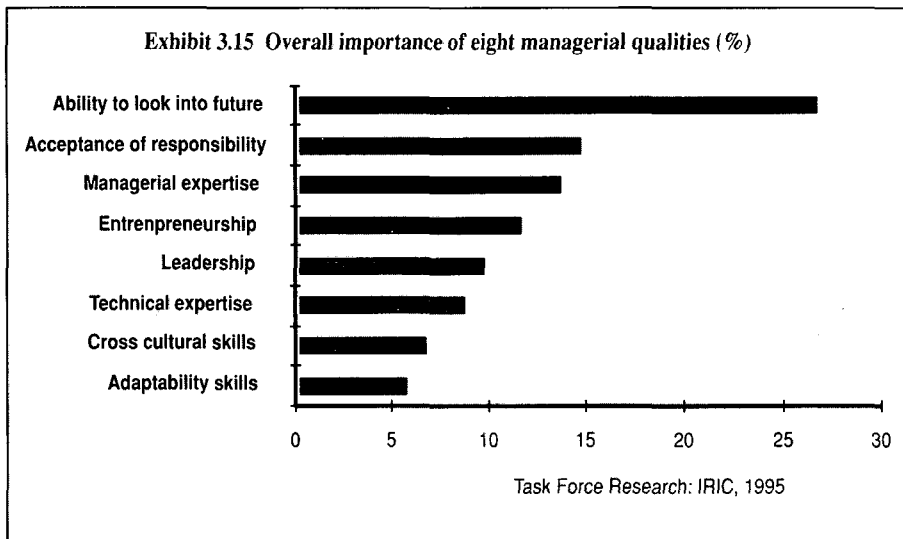


Exhibit 3.16 Managerial qualities: mean ranking of managers

Quality	Australia	Germany	Japan	Taiwan	UK	USA
1. Ability to look well into the future	4.7	3.4	2.1	4.4	3.9	2.5
2. Acceptance of responsibility	4.6	3.1	2.0	4.7	3.6	3.0
3. Management skills	4.7	3.3	2.3	4.9	3.4	2.2
5. Entrepreneurial skills	4.8	3.7	2.3	3.4	4.1	2.6
6. Leadership skills	4.6	3.4	2.7	4.8	3.4	2.1
8. Technical skills	5.0	2.7	1.8	4.6	4.0	2.8
4. Cross cultural skills	3.8	4.0	3.1	3.7	3.7	2.6
3. Adaptability skills	4.1	3.9	2.5	3.6	4.1	2.8

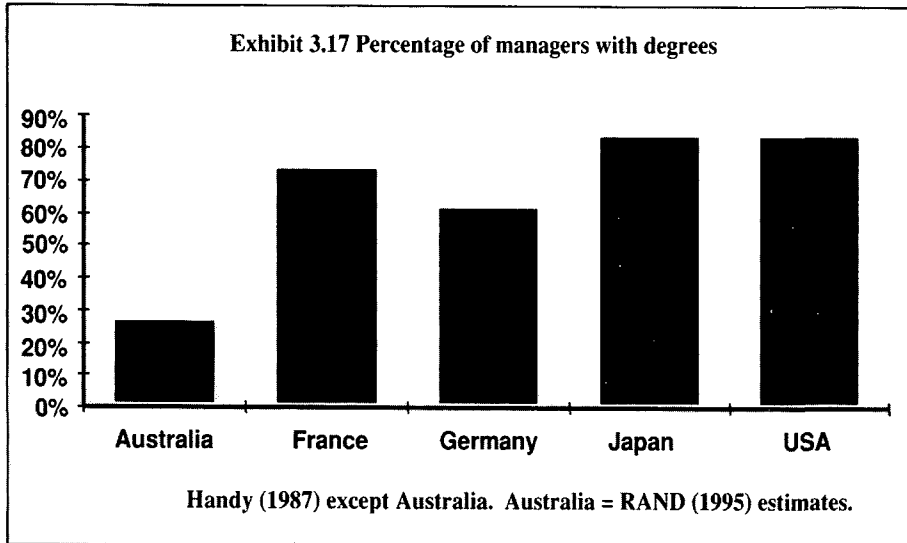
IRIC (1995).
The means are on a six point scale (1) best to (6) worst.

The perceived weaknesses of Australian managers could be attributed to the low exposure they have to the global market. Or it could be that international best practice is not widely pursued in Australian enterprises or in management development. Whatever the reason, these weaknesses place Australia at a distinct disadvantage in the eyes of at least some of our customers.

3.7.3. Poor qualifications for knowledge based competition

The Task Force suggests that there is possibly an anti-intellectual strain in Australia which hinders advanced education and training. This anti-intellectualism stands in stark contrast to the trend toward knowledge-based products and services and professionally-based organisations which is occurring in developed economies.

From a North American perspective, one Task Force research team commented on the low numbers of Australian managers with tertiary qualifications compared with that of other major trading nations.



The Australian Overseas Mission on Management Skills (1991) found that:

- 10 percent of Australian managers have a Bachelor's degree compared with 21 percent in the United Kingdom;
- when various forms of continuing education certificates, associate diplomas and trade certificates are included, 40 percent of Australia's managers hold some type of qualification.
- About 60 percent of the nation's managers hold no formal educational qualifications beyond secondary school; and
- about 20 percent of Australia's top managers hold a first degree.

More recent research for the Task Force (Reark 1995a) indicates that:

- 29 percent of Australian first line managers hold a Bachelor's degree;
- on average Australian managers spend 6 days a year attending training and development programs.

The differences in statistics here relate mainly to the type of companies surveyed. Reark (1995a) surveyed medium to large organisations and their data shows that the percentage

of managers with tertiary qualifications increases with size of organisation. By inference, very few managers in the small business sector hold tertiary qualifications.

Projections in *Australia's Workforce in the Year 2001* (DEET, 1991) suggest that, without intervention, the situation will not change markedly by the Year 2001. By then, 17.6 percent of managers will hold degrees (compared with 56 percent of professionals) and almost half of all managers will hold no qualifications at all. This lack of any significant rise in the proportions with degrees holds for both general and specialist managers.

Although these figures are an increase over current levels, Australia will still lag significantly behind the world's major trading nations, whose managers have more education. Further, it should be acknowledged that these predicted figures represent those managers with tertiary degrees and not necessarily those degrees with a partial or total focus on management as a discipline. In sum, Australia is placing itself at a major disadvantage by not encouraging its managers to obtain both tertiary qualifications and management education.

3.8. The economic imperatives of the next decade

The dynamics and the evolution of the domestic market will continue to be important for many Australian enterprises. However, international standards and the global marketplace will increasingly be the relevant benchmarks by which most Australian enterprises judge their performance. This is the case for two reasons.

Firstly, economic deregulation and falling trade barriers worldwide and at home have exposed Australian enterprises to internationally competitive goods and services. Whether it be a bank loan or financial service, a refrigerator or a holiday package, an airline ticket or a university degree, Australian consumers now have far more choice than ever before. Many of the goods and services produced in Australia are now competing against products generated in more competitive environments than Australia in terms of wage rates, infrastructure, technology and marketing and distribution networks. There is no sign these competitive pressures will decrease; in fact they will increase as more countries industrialise and trade barriers fall.

“Almost every chief executive with whom we spoke during the course of this study expressed the view that Australian business had only just begun to feel the effects of a more open economy and that competitive pressures and the pace of change over the next ten years would outrun anything Australia has experienced over the last decade. Chief Executives saw a period of on-going turmoil and unpredictability ahead rather than a return to stable conditions. They believed successful companies would respond by placing a premium on flexibility, by shortening planning horizons and by developing a very strong external competitive focus ... “

Task Force Research: Boston Consulting Group 1995.

Secondly, some of the most dynamic and successful Australian enterprises which have the greatest ability to generate wealth and jobs are internationally oriented. This is so whether they be exporters, enterprises which have established multi-domestic operations to sustain their overseas expansion or Australian subsidiaries of multi-nationals. The knowledge and expertise which these organisations gain from global competition will diffuse throughout the Australian economy.

But can we afford to wait for competitive pressures and the diffusion of expertise to improve our economic performance? All the indicative measures presented so far suggest that not only do the majority of Australian enterprises and managers have some way to go before they reach world best practice but also the rate of improvement in our management skills may not be adequate. The Task Force has reached the conclusion that, in order for Australia to match its leading competitors, let alone surpass them, a significant effort is required to reform the way our nation develops its managers.

Australians have enjoyed one of the highest standards of living in the world for most of this century. However, we risk the chance of losing our place in the top group of nations by not focusing on the future. If we fail to develop our business acumen, the relative decline in our standard of living which has been evident over the last two decades will continue and we also risk a further loss of control of our own economic destiny.

“In 1992 Australia’s net foreign debt was around \$114 billion (US), one of the highest burdens in the world in both absolute and per person terms, and evidence of a country which for decades had lived beyond its means.”

The Economist Pocket Asia 1993.

Later in the report we will set out the managerial challenges the Task Force considers critical to meet over the next decade; here we will focus on the Task Force’s view of the economic imperatives for the next decade.

3.8.1. Cultural change is important

Australia’s problems with its current account and terms of trade has placed long-term structural pressures on macroeconomic settings. In this environment, developing an outward or global orientation amongst greater numbers of Australian managers is necessary to improve trade performance and sustain the nation’s standard of living. Moreover, this orientation should be broader than a simple exhortation to export. It encompasses all forms of international business and it also includes a willingness to set world best practice as the target for all Australian enterprises and managers to meet or exceed. Even enterprises whose strategies and managers are domestically focused should be fully cognisant of, and striving for, competitiveness in world terms.

This outward culture also needs to be entrepreneurial in the original and best sense of the word; that is, we must pursue a constant search for new opportunities to build wealth through better products and services and added-value.

“No nation was ever ruined by trade.”

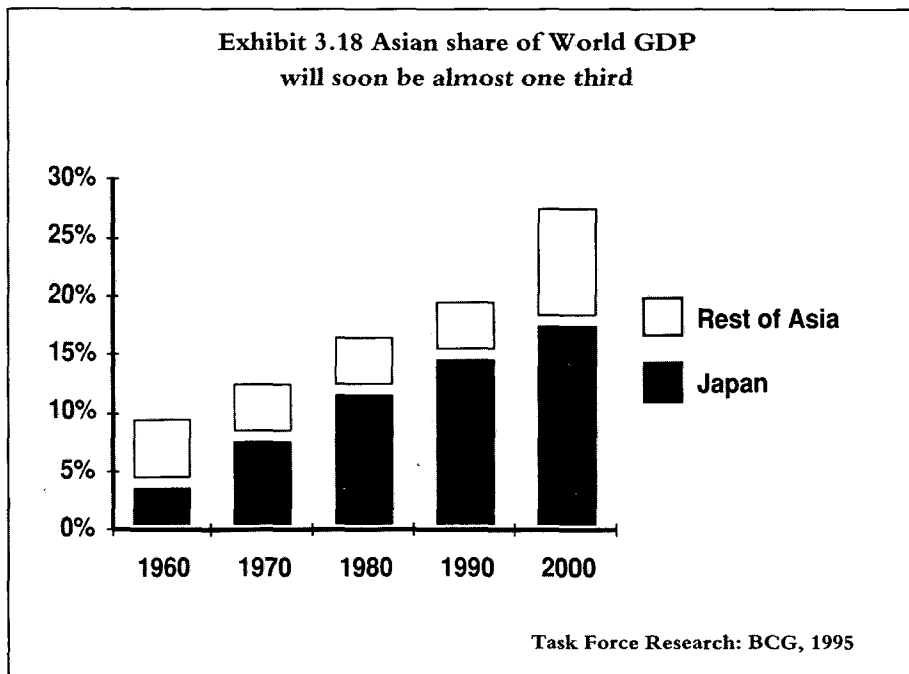
Benjamin Franklin.

Such a mind-set can be easily identified in economies such as Singapore, Hong Kong and The Netherlands, where considerable business activity is oriented toward international business and export and where there is a conscious striving to reach the highest standards of performance. For example, more than 60 percent of Singapore's services are exported. Of course, cultural differences, a limited resource base and their standing as city-states have helped to forge the international trading culture in Singapore and Hong Kong.

Nonetheless, it may be worth considering whether Australia needs to be more like Singapore and less like a nation in which an international business and world competitive management culture is the concern of just an informed minority.

3.8.2. Focus on Asia

Economies in Asia are among the fastest growing in the world. They are producing cheap manufactures and generating and demanding world class services. They are challenging the traditional economic dominance of the 'developed world', including Australia.



Section II: The case for change

The centre of economic gravity in Australia's trading environment has shifted to Asia. More than 60 percent of Australian merchandise trade is now conducted with the economies of Asia. The region is now by far the most important destination for most categories of Australian goods and services and is likely to grow more so in the future.

However, Australia is not alone in focusing on Asia with the attention of many developed economies switching to this region as they look for new markets to sell their manufactures and services. After surveying opinion in five OECD economies, Rand (1995) report that the Pacific Rim is widely viewed as being the most important market of the future. As a consequence, Asian buyers are now able to choose from the best products and services in the world.

Hence, just because Asia is closer to Australia than many other developed countries does not translate into our enterprises having an automatic entree to the region. Indeed, this nation's business and political leaders have only recently, consciously and deliberately, declared their intention for Australia to become a more active player in Asia. This declaration is despite the fact that decades-old trade links have meant Australia could have been a dynamic part of the economic landscape of the region for most of the post-war years. As late entrants to the region, Australian enterprises and managers need to strive harder and more creatively to build trade than those countries whose enterprises developed business relationships in the past.

The BCA/Port Jackson, AMC/McKinsey and Austrade/LEK studies all identify Asia as a critical export destination and a source of investment and joint venture funds. Asia will also considerably influence the way Australians develop, produce and market their products and services.

“... China in particular may look to Australia for education and training and manufacturing support services to fuel its growth”.

**Jim Lawrence, President, Pepsi Cola Corporation
Task Force Research: Rand 1995.**

The Task Force is of the strong view that the evolution of the global economy and robust growth in Asia will continue to change the nature of Australian industries and the way in which Australians work and earn their living. For example, the resolution of the Uruguay Round of the General Agreement on Tariffs and Trade, progress in the General Agreement on Trade in Services and the recent Asia Pacific Economic Cooperation group agreement at Bogor will provide further impetus to Australia's efforts to obtain better access to and compete in international markets. But there is more than impetus involved. These developments create an imperative. Australia must lift its performance quickly to keep pace with the growth of the region.

“The growing importance of Asia as a context in which senior executives must learn to operate effectively will further intensify the pace and complexity of their work. A consistent characteristic of Asia’s economic growth has been the rate of change that has accompanied growth ...”

“Asia’s diversity complicates matters still further ... Such diversity demands not only a greater knowledge and flexibility but an ability to deal with small and subtle differences alongside the larger ones.”

Task Force Research: Boston Consulting Group 1995.

3.8.3. The rise of the small enterprise

The AMC/McKinsey study on emerging manufacturing exporters (1993) and the Austrade/LEK study on service exporters (1994), indicated that exporting firms – most of them small to medium-sized enterprises – are shaping up to be key players in the future economic development in Australia. The AMC/McKinsey study estimates that over 80 percent of Australia’s emerging manufacturing exporters are small to medium firms. The Austrade/LEK study reports that 65 percent of all the Australian service exporters they surveyed were small to medium enterprises, with annual export revenues of less than \$5 million.

While large corporations – especially those in mining and manufacturing – still make the biggest contribution to Australian export revenues, they have over time been making a smaller contribution to employment and overall economic activity. The importance of small to medium enterprises to current and future employment is noted by both the studies above. The Austrade/LEK study further predicts that service exporters will generate over 250,000 new jobs by 1998.

The Fourth Annual Review of Small Business in Australia (1994) indicates that 96 percent of all private sector, non-agricultural firms in 1993 were small businesses – providing 50 percent of the jobs in this sector. Small to medium enterprises are therefore critical to the domestic as well as exporting sectors of the economy. The importance of small to medium enterprises to national employment levels is taken up in depth in Chapter Four.

Small to medium enterprises, especially those in high value added industries, have been identified globally as the vanguards of future innovation, growth and employment. These enterprises have proved to be flexible, creative and quick to seize opportunities. These virtues have also been recognised by larger corporations, many of whom have restructured to create smaller business units within their organisation and many of whom have outsourced business tasks to smaller enterprises. However, managing small to medium enterprises requires special management skills, particularly because of their reliance on ‘rainmakers’; that is, key individuals who are the backbone of the enterprise.

Hence, while developing the skills of owners and managers in small to medium enterprises is a key policy issue, the mix of these skills is different to that in other sectors. Furthermore, developing better managers in this sector is acknowledged to be difficult.

“Research suggests that it is the differential ability of smaller firms to learn quickly, particularly about technological opportunities, that has been responsible for a changing pattern of competitive relationships between large and small firms in favour of the latter.”

Rothwell 1992 cited in Task Force Research: University of Western Sydney 1995.

Midgley (1990) argues that enterprises with fewer than 50 employees are unlikely to be involved in management training and development to any great degree, “... basically because of a shortage of managerial resources coupled with the day-to-day human and financial pressures of running a small business.” AMC/PCEK (1990) further report ABS statistics showing that the level of training of all employees is low in small to medium enterprises, and very low in small businesses (less than 20 percent of firms undertaking any training).

However, Task Force consultations and research indicate that a major factor in this lack of involvement is not lack of interest per se but a perception that the management training currently available is neither relevant nor easily accessible to owners and managers in this sector. Changes to the content and modes of delivery of management training and development in this sector would have beneficial results, especially for those small to medium enterprises in high value added industries. This issue is taken up in Chapter Five and various approaches to developing better managers in the small to medium enterprise sectors elaborated in Chapters Seven and Eight.

3.9. Who are our competitors and what can they teach us

Australia cannot adapt overnight to the demands of the new world economic order. The magnitude of the changes needed nationally and in organisations and workplaces suggest that this will take time. However, the need for change at home is now more urgent because of the rate at which our competitors are moving to improve their skills.

The remainder of this chapter canvasses issues surrounding who Australia’s competitors are and briefly analyses some of the practices and policies contributing to their economic success which may be applicable to Australia.

3.9.1. Who are our competitors?

There is no definitive body of work available to the Task Force to allow it to specify the nations that are Australia’s main competitors. Of course, assumption and anecdotal

evidence can give us a guide, as can the strategic plans of enterprises and organisations who are operating in the international business environment. Who the nation's competitors are varies across industry and depends on which region or part of the world Australian enterprises are operating.

For example, large Australian construction enterprises such as Leighton Holdings Ltd and John Holland find themselves up against large Japanese, United States and French corporations in South-East Asia. Telstra, the parent company for Telecom, finds itself competing with United States and French enterprises in some Asian markets and against British and other European corporations in others. Similarly, law firms, for instance, find themselves competing against United States firms in some Asian markets and against Dutch and British firms in others.

Research for the Task Force on customer views of Australian managers selected Japan, the United States of America, the United Kingdom, Germany and Taiwan as key competitors in Asia because they were, "... major trading nations particularly active in the region." (IRIC 1995).

In its study for Austrade and the Services Export Committee, The LEK Partnership (1994) identified New Zealand, Singapore, Hong Kong, Canada, the United Kingdom, Japan, France, The Netherlands and the United States as leading services exporting competitors and identified services export best practice in these nations.

3.9.2. Exports are only one measure of international economic capacity

However, exports should not be used as the only measure in this regard. As canvassed earlier, export is but one element of international business. Australia not only competes for international market share in goods and services, but also competes for investment dollars, joint venture partners, skilled labour and economic influence.

As well as competition from nations such as Malaysia, Thailand and China, which are able to use labour cost advantages to produce cheaper manufactures, firms must also now compete in local markets with international companies and their subsidiaries. These international firms are providing more intelligent goods and services in Australia such as elaborately transformed manufactures, telecommunications, banking and financial services, hospitality services and computer software. Their operation in Australia exposes domestic firms to international competition by providing new benchmarks of service, innovation and manufacturing excellence.

3.9.3. What can our competitors teach us?

On the basis of the limited research done to date, it is difficult to conclusively prove that excellence in management development is a major factor in international competitiveness. However, commentators and researchers here and overseas and

Section II: The case for change

managers in Australia and other countries, firmly believe that such a link exists. Furthermore, common sense and observation suggest that the skills of an enterprise's managers have an impact on its success.

Consultations and analysis by the Task Force's two overseas study tours suggest that management skills are crucial to sustained international competitiveness. Task Force research and consultations also suggest that a high commitment to management development is evident in the enterprises of some of the world's most successful and competitive economies, for instance Japan, Germany, The Netherlands and the United States of America.

Examples of international best practice in management development are presented elsewhere in the report. However, it is important to stress here that the benchmarks and best practice in management development and leadership created by the enterprises of competitor nations creates standards to which Australian firms need to aspire. The evidence suggest only a minority of the nation's enterprises are monitoring best practice.

Midgley & Co (1995b) found that only 20 percent of the enterprises they surveyed used Australian and international benchmarks to develop management competencies. In contrast, during their discussions overseas, Task Force study tour members found that, as well as tailoring management development programs to their own needs, enterprise policy makers and decision makers in leading enterprises were very aware of what their competitors were doing in the same area. Noting and implementing international best practice is very much a part of their approach to securing and maintaining competitiveness.

In a major survey of Australia's medium to large enterprises commissioned by the Task Force, Rearth (1995a) conclude that their research results indicate that:

"... current management education, training and development practices:

- do not appear to have changed dramatically since the 1990 Midgley Report. There is no obvious movement in a direction that would make Australian businesses more competitive;
- will have to undergo major change to begin to approach international best practice."

The *Australian Mission on Management Skills* (1991) noted the characteristics of organisations offshore which adopted international best practice. These included:

- awareness of the increasing internationalisation of business and, with this, an emphasis on management training programs equipping managers with the skills necessary to operate within the international environment;
- a high level of co-operation between business and industry, unions, education providers and government;

- recognition of the pivotal role of the supervisory level of management, and a consequent level of attention to their education, training and development;
- a high level of importance attached to training as a key component of a manager's role definition;
- a culture which places a great emphasis on education, skills mastery and on the individual's overall development, on horizontal career moves and job rotation, flatter career structures and longer development time between promotions;
- an almost universal emphasis placed on the importance of on-the-job development and learning (both through work role and work relationships); and
- awareness about increasing the number of women in management positions.

These lessons, among others, are those which our competitors can teach Australian enterprises and their managers and leaders.

3.10. Policy lessons from the experience of different countries

One of the lead projects in the Task Force's Research Program looked at management development in five countries in depth and drew key policy lessons for Australia from the experience of these countries. The countries are three major trading nations – United States of America, Japan and Germany – and two countries whose managers rate highly in the *World Competitiveness Report* – Denmark and Ireland. The first part of this section is a summary of the key lessons found by Rand (1995), organised by country, the second half extends these lessons to look at the 'East Asian Miracle'.

3.10.1. United States

3.10.1.1. Shift in focus from 'individual' to the firm

Classically, American management development has been 'individual' in focus. Even company-based training has tended to concentrate on the individual's professional development. However, over the past decade the firm has become a more central focus of management development efforts. New models such as customised training and customer education units have emerged to complement courses for individuals. In these new models, the firm organises the training, pays all the costs and uses real examples from the company as the basis of the courses. This reflects a growing demand by corporations that spending on training be tied to company performance.

3.10.1.2. The value of a market-based approach

The United States case offers some useful conclusions for seeking to improve Australian management development. The United States illustrates both the strengths and weaknesses of a market based approach to management development:

Section II: The case for change

- individuals, firms and educators are the primary actors in the system; the government does not play a significant role. Colleges and private training institutions supply management education in response to the changing business environment; and
- the most important role of the State remains in providing quality primary and secondary education to its youth. The State also has a responsibility for ensuring that individuals who can benefit have access to higher education and for maintaining the national research base.

Individual States do play a minor role in the management education marketplace, especially where public investment in training is viewed as a means of retaining or attracting business. States subsidise education and training, while maintaining the market equilibrium by allowing firms and individuals to make the actual decisions about which schools to choose, how courses should be offered and who should receive the training. This approach fosters good qualities such as competition among trainers, flexibility of provision, and less bureaucracy while avoiding problems such as crowding out of private trainers and slow rates of response to changing demands.

The major drawback to this approach is that it may still result in a waste of public resources if training is not provided effectively and efficiently.

3.10.2. Japan

3.10.2.1. Company based management development model

There are several major strengths of the company-based management development model. It provides firms with an available pool of well trained individuals. A sense of the firm's interest in the individual's career development is widely believed to inspire loyalty of employees to the organisation. Moreover this, this model can provide training tailored to the specific firm or individual needs. Importantly, the system offers built-in incentives for cooperation in training and management.

Yet one of the main weaknesses of the system is the high cost of maintaining it during economic downturns. Firms are strongly constrained from releasing employees during recessionary periods, and thus are often unable to make significant changes in organisational structure to respond to a changing business environment. Moreover, as a dramatically different business environment creates new management needs, many firms find that one of the model's traditional strengths – creation of a common corporate culture – may actually hinder the firm from responding flexibly to new opportunities.

Many elements of the model have their roots in the Japanese cultural context. This is not to say that the model of extensive in-house training does not have non-Japanese practitioners, but it clearly operates differently when life-time employment is not part of the calculus. The largely internal model is also dependant on firm size. While this model may be popular among firms with substantial resources, the model tends to break down for smaller firms.

3.10.3. Germany

3.10.3.1. Neglect of continuous training

The German system of management development is strongly focused on vocational preparation – with emphasis put on the rigorous training of apprentices – but relatively weak in the area of ongoing training. While no manager is expected to take up his or her professional responsibilities without having first acquired the necessary qualifications, only a small minority have the opportunity to make major improvements in their skill set once on-the-job. There is wide concern that the rigidity built into the existing German system of management development will need to be overcome to meet emerging managerial skills needs. The orientation towards initial qualification has made the existing system good at producing high levels of technical skills but slow to embrace the need for intercultural, entrepreneurial and facilitative management skills.

3.10.3.2. Public policy as a facilitator

The German model does well where government policy is used to support private efforts, such as assisting the diffusion of innovative management techniques into the German Mittelstand. Firms act as the basic driver of change, with public policy providing a supporting role. Public policy builds on private initiative, through non-profit, quasi-public organisations to encourage and hasten the diffusion of innovation. The lowering of the costs of training and consulting activities through government subsidies allows these non-profit training organisations to reach a larger number of firms.

However, the model does poorly where, as in the case of higher education, public regulation hinders the beneficial effects of competition. The effect of the government taking a leading role in regulating higher education has been to bureaucratise the educational system and make it less responsive to the skill needs of industry.

3.10.3.3. Exporting institutions of management development

The particular strengths of the German system of management development are the quasi-public organisations, the RKV and the Chambers of Commerce. The activities of these organisations create a supportive infrastructure for the management of change in the small and medium-sized German enterprise. Whether similar arrangements can work in other national contexts will depend on the willingness of firms themselves to work more closely with quasi-public organisations.

If the lessons from the German models are to be transferred to Australia, then the role of public policy authorities will be to increase the benefits of coordination and to credibly guarantee that quasi-public organisations will not become instruments for regulating industry.

3.10.4. Denmark

Denmark has carved out a unique and successful niche for itself in the global economy. With few large firms and a heavy dependence on international trade, Denmark has become a world leader in a number of specialised markets – ranging from high-end electronic equipment to pork products. This has helped this small country of 5.2 million people maintain one of the highest living standards in the world. One of the keys to the success of the Danish economy has been a highly skilled workforce, including well educated and well trained managers.

What most clearly distinguishes management development in Denmark has been the heavy reliance of firms on recruiting young people from school. Once recruited they are encouraged to work their way into management positions through training which alternates between educational institutions and the workplace. Although there are signs that Denmark is beginning to change, it stands in sharp contrast with most of the leading industrial countries where a growing percentage of managers are university graduates.

3.10.4.1. Strengths of the Danish system

One of the great strengths of the Danish system is that individual managers are able to structure their own skill development programs by choosing from the wide array of courses offered with generous subsidies from the state and, in many cases, their employers. This public infrastructure is particularly important for the small employers that dominate the Danish economy enabling them to provide training opportunities for managers and workers that are beyond their own capacity.

The Danish case also provides evidence of the benefits of emphasising a part-time management development model which builds off apprenticeship training. This model:

- provides wide access to management positions;
- increases the links between classroom-based instruction and the demands of the workplace;
- ensures that training is provided when individuals are ready and motivated to learn; and
- shares costs equitably among the state, employers and the individual.

3.10.5. Ireland

As a small country on the periphery of Europe, Ireland depends heavily on inward investment and international trade for its economic well-being. With few large Irish-owned companies and scant natural resources, Ireland's greatest comparative advantage is its people. Its growing population, however, also poses a major challenge. Out of a total population of some 3.5 million people, almost thirty percent are under the age of 25 and unemployment is currently close to 16 percent.

3.10.5.1. Lessons from the Irish management development system

The system's main strength is the high quality and level of general education which it provides to the majority of the Irish population. Close to half of all individuals are now getting some post-secondary education before entering the workforce. There is an array of public and private sector providers that offer opportunities for managers to add to or update their skills and the methods of training have improved greatly to include far greater emphasis on on-the-job training with modules tailored to suit participating institutions.

The Irish management development system is weaker in the training provided by firms. While many of the largest companies in Ireland, including foreign owned firms, invest in management development programs, the vast majority of firms provide no program of skill development for their managers. This is particular true for small to medium enterprises, which lack the internal capacity to deliver high quality training and are deterred by the high cost of external courses. Some government efforts to subsidise provision for this group have not proven to be very effective.

Two particular lessons emerge from the Irish case: firstly to be wary of broader subsidies, either for the unemployed or multinationals, which do not produce long-term increases in job opportunities; secondly, make greater efforts to reach managers in small firms.

3.10.6. The 'East Asian Miracle'

The nations of East Asia (Hong Kong, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan and Thailand) provide the economic success story of the second half of the century. Since the 1960, these nations have achieved economic growth rates twice those of the OECD and higher than any other region of the globe. Indeed, some commentators regard their economic achievements as unprecedented in history. Moreover, not only have these nations achieved high growth but they have also done so with increasing income equality amongst their citizens. In recent decades, many other nations have experienced exactly the opposite; that is, rising inequality and the sociopolitical tensions this brings. More recently, the provinces of southern China have also experienced high economic growth rates which, if they continue, will bring these provinces into the ranks of the developed economies early next century. At that time, Asia will account for one-third of world GDP and a profound change in the balance of world economic power will have occurred. This change will be at least as significant as the economic rise of the United States of America to challenge the leading European nations at the end of the last century.

Given this success story, it is important for us to consider if there are any relevant lessons which can be drawn for Australia in general and Australian management in particular. We are aided in this exercise by the recent path-breaking study by the World Bank (1994) entitled *The East Asian Miracle*. This study sought to explain the economic growth of East Asia and, as such, provides many valuable lessons for less developed nations.

The World Bank attributes East Asia's success mainly to getting the basic elements right. More specifically to 'unusually rapid growth in physical and human capital'. According to the study, growth in human capital was facilitated by rapid expansion of the primary and secondary education services provided by State schools. Although spending on education as a proportion of GDP is in line with OECD levels, what is unusual is that most of this spending has been channelled to primary and secondary education. Furthermore, because of the rapid rise in GDP achieved by these nations, in absolute terms large injections of funding have been made into the education sector. As a consequence, not only did participation in general education rise rapidly but also, as evidenced by comparative scores on educational tests, the quality of this education is high by world standards. Finally, because this education drive has been largely State funded, it has benefited children from low income families and women, and thereby assisted in the reduction of inequality. Overall, having world class knowledge distributed across their populations has conferred considerable economic and social advantages on these nations.

“In most of the economies of East Asia, public investments in education were not only larger than elsewhere in absolute terms – they were also better. They responded more appropriately to co-ordination failures in the market for education. Emphasis on universal, high quality primary education had important payoffs both for economic efficiency and for equity. The excess demand for secondary and tertiary education, generated by rapid attainment of universal primary education, was met largely by a combination of expansion of a public secondary system with meritocratic entrance requirements and a self-financed private system. This stands in stark contrast to many other low and middle-income economies, which have stressed public subsidies to university education.”

World Bank 1994.

The major findings of the World Bank are not of great relevance to Australia, which has had universal primary and secondary education for some time. However, there are three lessons in the World Bank study which are of some relevance. These lessons are; the role of the private sector in tertiary education, the importance of vocational training, and the longer-term perspective adopted by the governments of these nations.

3.10.6.1. The role of the private sector in tertiary education

According to the study, only an average of 15 percent of public funding has been allocated to tertiary education during the last three decades. Instead, by expanding public provision of primary and secondary education, “East Asian governments have stimulated the demand for higher education, while relying to a large extent on the private sector to satisfy that demand”. This finding has some parallels to Australian Federal Government strategies to have users pay a greater proportion of the costs of tertiary education (that is,

the Higher Education Contribution Scheme). It also has relevance to the findings of Rand (1995), which note that experts in the countries they examined see less of a role for the State in the provision of tertiary management education and more in the provision of a good basic education. The probable lesson is that customers who pay for higher level education make better choices of institutions and are more motivated to learn and institutions which need to meet all their costs from the market make better allocations of resources.

3.10.6.2. The importance of vocational training.

Vocational training has played a key role in the growth of the East Asian economies and in particular in their export success. However, in the main, this has been training provided by enterprises and, in the opinion of the World Bank, State schemes have been far less successful, indeed some have been notably unsuccessful. The one exception to this lack of State success has been Singapore's drive to build an information technology industry where the government was able to, "... foresee a major trend and co-ordinate complementary private investments" (World Bank 1994). Despite this exception, the probable lesson is that vocational training needs to be enterprise-driven.

"Human resources and the training to upgrade them have been important to the High Performing Asian Economies' successful export drives, despite the high degree of labour intensity in their manufactured exports. High-level skills are essential for such manufacturing-related activities as management and entrepreneurship, information technology, finance, marketing, accounting, and law. Moreover, adaptive innovations on the shop floor, which are responsible for a major share of productivity in manufacturing, demand both higher and lower level skills. But while vocational training is widely recognised as important, such training is rarely cost-efficient when provided in school systems. Firms prefer to do their own training, partly because many skills are firm-specific."

World Bank 1994.

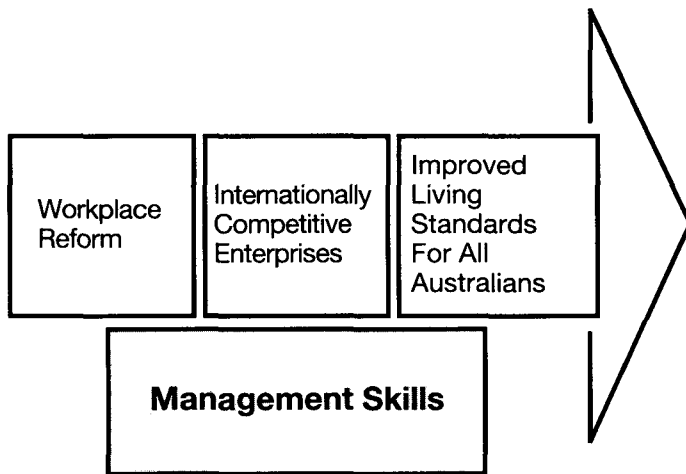
3.10.6.3. Longer-term perspectives

In an address to the National Strategies Conference, the Chairman of the Task Force has argued that Asian nations are investing heavily in the future by trading off today's consumption, and are therefore more interested in their children's future standard of living than Australians are. This can be seen in higher savings rates, and in higher investments in technology, training and education. Unless Australia is prepared to make similar levels of investment in areas appropriate to our children's future then their relative standard of living will be lower than ours is today.

Section II: The case for change

Improving management skills and lifting management performance is a key area of leverage for sustaining higher rates of growth in the Australian economy and increasing the wealth of all Australians.

Chapter Four



4. Jobs and why they depend on better management skills

- 4.1. Purpose of the chapter
- 4.2. The link between economic growth and employment
- 4.3. Our changing economy and its impact on jobs
- 4.4. Responding to the new business environment
- 4.5. Regional development and the enterprise culture
- 4.6. An enterprise focus for management skills formation

4.1. Purpose of the chapter

The purpose of this chapter is to show that all Australians can benefit from improving the skills of our managers, not only in terms of higher living standards but also in terms of better employment prospects and more satisfying work environments. Better managed enterprises would minimise unemployment, provide higher level jobs and improve employee relations.

4.2. The link between economic growth and employment

The Task Force has concluded that better management skills in Australia will make a strong and positive contribution to sustained economic growth and a more dynamic business and commercial sector (Chapter 3). It is also of the strong view that there is a direct link between management performance and employment growth and job quality in Australia.

“Economic growth is the best way of generating new and worthwhile jobs to meet the needs of an expanding workforce and to make inroads into unemployment... Economic growth and employment growth go together.”

Working Nation 1994.

The 1994-1995 Federal Budget forecasts growth in Australia's gross domestic product (GDP) at 4.5 percent, and a further strengthening of activity and employment as the economic recovery continues. The *Discussion Paper* which preceded the *Working Nation* statement argued that 5 percent growth would be necessary if Australia were to reduce its unemployment rate to 5 percent by the Year 2000. Clearly, successful government targets for employment hinge on sustainable growth. Sustainable growth, in turn, depends on accelerating microeconomic reform and raising productivity levels. Sustainable growth also depends on our enterprises being innovative and world competitive and on our more entrepreneurial managers creating new enterprises and industries. Increasing productivity, greater innovation and more value-adding would in turn lead to higher living standards and more sophisticated job roles for many citizens.

Management performance is central to meeting these aspirations.

4.3. Our changing economy and its impact on jobs

As set out in the previous chapter, Australia's business environment has fundamentally changed over the past decade. Structural changes in the economy have raised the standards of performance that Australian managers must reach to contribute to the prosperity and growth of the enterprises in which they work. However, these changes have also had profound effects on the nature and level of employment in various sectors of the economy.

Exhibit 4.1 Employed persons, 1970 to 1994 (000s)

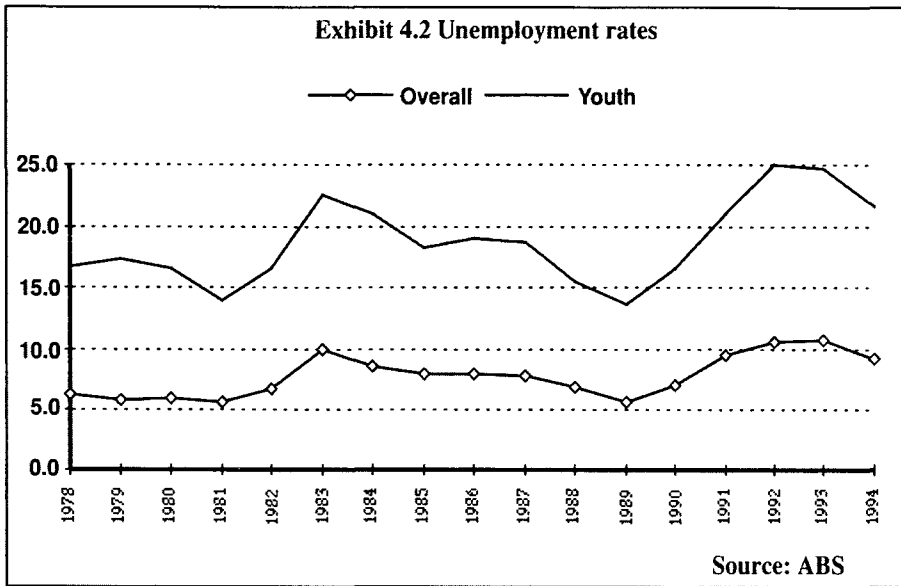
	1970	1975	1980	1985	1990	1994
Agriculture	434	398	407	415	425	403
Mining	82	79	84	102	95	87
Manufacturing	1,320	1,320	1,274	1,113	1,194	1,120
Electricity, gas and water	103	106	129	139	104	92
Construction	457	511	486	471	584	570
Wholesale and retail trade	1,087	1,157	1,274	1,325	1,609	1,643
Transport and storage	299	330	343	377	401	370
Communication	117	125	116	149	145	133
Finance, property and business services	384	431	515	668	905	1,033
Public administration and defence	203	278	282	325	364	346
Community services	587	793	1,015	1,160	1,422	1,258
Recreation, personal and other services	322	372	390	431	561	831
TOTAL	5,396	5,841	6,281	6,676	7,809	7,886

ABS, Labour Force (Australia), August 1970–1994 (Cat No 6203).

During the period 1961 to 1991, Australia registered one of the biggest losses in manufacturing employment as a percentage of its total labour force in the OECD. Australia lost over half of its manufacturing jobs as a percentage of its total labour force in those three decades, from 27 percent to 13 percent (June 1961 and August 1991 Census). This loss is primarily attributable to technological advances and increased competition.

And as a consequence of these and other changes, unemployment rose from the low levels of the 1960s to those of today. From 1960 to 1989, Australia experienced an annual average growth in the unemployment rate of 4.8 percent. This growth is almost double that of the average annual total labour force growth rate of 2.4 percent (from 1969 to 1989) (ABS Cat No 6204). Furthermore, the numbers of long-term unemployed as a proportion of those unemployed also rose.

It is important to recognise that the employment picture might have been worse had it not been for the fact that Australia developed a major tourism industry over this period, an industry which by its service nature generates significant employment. More recently, the education sector has also built a major export industry which, while not necessarily generating so many new jobs as tourism, has at least protected substantial numbers of existing jobs. The managers and workers in these sectors have responded to new opportunities, just as those in other sectors have responded to competitive pressures with increased productivity and innovation. A recent report has forecast that if the current growth in the exports of elaborately transformed manufactures continues it will also make a significant impact on employment levels by the end of the decade (Victoria University of Technology (1994)).



However reducing unacceptably high rates of unemployment in the 1990s will require high and sustained job growth for many years. Furthermore, while new industries may emerge it is also possible that employment in some of Australia's existing enterprises and industries will contract as a result of overseas competition and technological change.

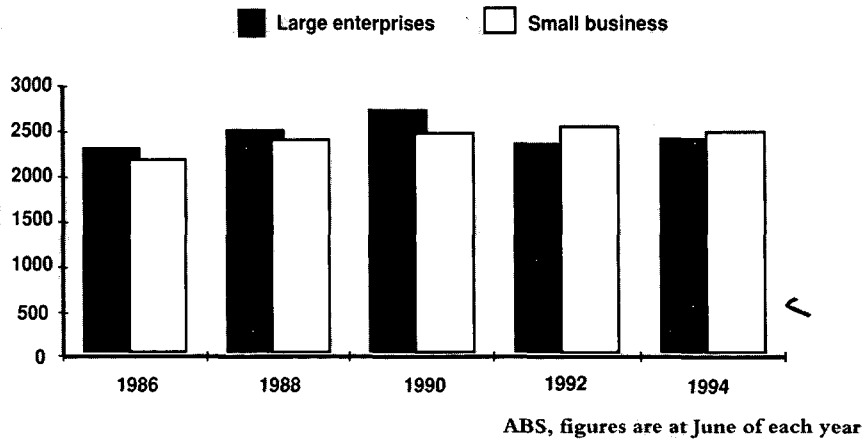
Few analysts and commentators expect that major corporations will make the same contributions to employment growth in the near future as they have in the past. Around the globe, major corporations are still restructuring, replacing people with technology and learning to extract greater productivity from fewer employees. Just as automation profoundly changed the nature of large scale manufacturing, information technology is also expected to change the nature of many services to an even greater extent than is already evident. Even for those activities which cannot be handled by intelligent systems, major corporations continue to question which operations relate to their core business and those suitable for outsourcing. So, while with the economic recovery major corporations have recommenced hiring, it is likely this will be at lower rates than seen in previous economic upswings.

The major growth in employment is expected to be in services, but with an emphasis on the services provided by small to medium sized enterprises. The Austrade/LEK study estimates that within the next few years, services will comprise 76 percent of all economic activity in Australia. This study also found that about 109,000 jobs are likely to be created between 1993 and 1998 by service exporters alone. Sixty percent of these jobs will be created by small to medium enterprises. The AMC/McKinsey study also reported that 80 percent of Australia's emerging manufacturing exporters are small to medium firms. Overall, it has been estimated that a large proportion of the new jobs created in Australia up to the Year 2000 will be generated by small to medium enterprises (*Working Nation* 1994).

“Australian multi-domestics and emerging exporters, both indicative of the internationally successful Australian manufacturing enterprise, are very likely to remain small to medium sized; the multi-domestics in terms of the scale of their production operations in a variety of local markets, and the emergents in terms of their Australian production scale.”

Task Force Research: CORDS 1995.

Exhibit 4.3 Large and small business employment (000s)



“According to a recent issues paper prepared by the National Board of Employment, Education and Training, small firms have been the source of almost all private sector employment growth since early 1991.”

Task Force Research: Coopers & Lybrand 1995a.

These shifts in the sectors of employment will be matched by changes in the content of jobs as markets, organisational systems and technologies evolve. All these changes have profound implications for Australia’s educational and training systems as well as career aspirations of students and workers, employee and union relations. Developing the depth and quality of individuals who can manage these changes across all Australian enterprises – and especially the potentially high job generating firms in the service sector – must be a high priority for enterprises and for the nation.

Exhibit 4.4 Growth in small business employment by major sector (000s)

	<i>1984</i>	<i>1994</i>	<i>Growth</i>
Manufacturing	429	450	4.9%
Construction	276	345	25.0%
Wholesale or retail trade	702	684	-2.6%
Finance, property and business services	281	395	40.6%
Community services	167	262	56.9%
Recreational, personal and other services	258	286	10.9%
			ABS.

4.4. Responding to the new business environment

In employment terms, it is clear that there will continue to be major changes and reallocation as Australian enterprises face the challenges of the Asia-Pacific Century. Indeed, the pace of change may be both more rapid and inherently more turbulent as tariff barriers fall and other countries develop more sophisticated products and services.

However, in addition to threats to Australian enterprises and workers, there are also significant new opportunities to be captured:

- the continued growth of Asian economies will create the demand for higher value-added products and services on a scale never seen before in history. Already India and China have tens of millions of consumers with high disposable incomes by the standards of more developed nations and Indonesia is likely to join these countries by the second decade of next century;
- some experts consider that, because of its relatively unpolluted environment, Australia has significant opportunities in the emerging field of 'green' products (University of Western Sydney 1995);
- there are opportunities to be derived from the diverse, multicultural nature of Australia (University of Western Sydney 1995); and
- because of its flourishing cultural industries Australia is also well placed to take advantage of the new multi-media and technologies (*Creative Nation* 1994).

Moreover, as well as expanding existing Australian industries or developing new ones there are opportunities to participate in the economic activities of other nations:

- the internationalisation of trade is also likely to lead to some internationalisation of jobs, as has occurred in the European Economic Community, due to disappearing job boundaries. The Asia Pacific Economic Co-operation forum (APEC) members are considering human resource development policies for the region and some South East Asian nations are already looking to establish production in Australia;

- the AMC/McKinsey (1993) study on emerging exporters and the Austrade/LEK (1994) study on service exports also found that value in the manufacturing chain is moving away from production into product design, technology application, marketing and branding. These functions need not necessarily be carried out offshore; in fact, such jobs are ideally located in Australia because of its highly educated professionals, especially if the intelligent inputs which add the greatest value are effectively managed;
- in addition to Australian enterprises seeking to control more of the value chain, there are also international companies establishing regional headquarters in Australia (for example IBM runs large components of its Asia Pacific operations out of Australia) which can produce jobs; and
- the BCA report *Managing the Innovative Enterprise* examines the impact of new communications technologies on employment. It finds that, on balance, technologies which are bringing the world closer are likely to favour Australian-based enterprises (1993).

The Task Force considers that the best way for Australia to capture its greatest share of globally mobile production and job creation opportunities is for our nation to be at the forefront of productivity advances and to regularly upgrade the skills of our managers and workers.

In many ways, the future presents more opportunities to Australia than it does threats. For a nation of seventeen million people located in an immense region which is experiencing rapid economic growth, there should be enough opportunities for all Australians to earn a good standard of living.

However, this future clearly depends on whether Australian enterprises – led by their managers – take advantage of some of these opportunities. For history teaches us that enterprises that do not attempt to innovate and take advantage of new technologies and market opportunities are likely to fall victim to change along with the jobs they provide. New technologies can have a positive effect on the numbers of people in the workforce only if managers can exploit the potential of technology in terms of new activities, jobs and products. Similarly, if Australian management lacks the vision and entrepreneurship to seize new market opportunities, then managers of other nations will win this new business.

“This is a time ... when Australians have a chance to grasp the prosperity, self-confidence and independence in an interdependent world that earlier Australians in expansive times had hoped for their country”.

Garnaut 1989.

Seizing these opportunities, however, is a formidable challenge because it is difficult to predict the directions labour and skill demands will evolve. This uncertainty places a very high premium on the adaptive capacity of the Australian economy. And the adaptive capacity of our economy depends, to a substantial degree, on the flexibility of our managers and the investment in management development which is critical to sharpen Australian managers' responsiveness to change.

4.4.1. The adaptive capacity of the economy depends on managers

The ability of managers to manage enterprises to world best practice impacts on unemployment because it affects the ability of the macro economy to absorb economic shocks and adjust employment levels accordingly.

Most OECD countries have suffered external shocks since the early 1970s (oil price fluctuations, competition from low wage economies, development of information technologies, ageing of the labour force, inflation constraints on demand management the aftermath of the 'bubble' economy). Yet, labour market performance and long term unemployment have varied across economies. Some countries, including Japan, have been better able to sustain employment growth. It is clear that Japan's labour markets have adjusted more swiftly to absorb the shocks and to accommodate slower growth.

There are a number of elements in the debate as to why this is so. However, the evidence suggests that embracing rather than resisting structural change, persevering with microeconomic reform, and investing in adaptive and creative capacity are critical factors for successfully absorbing economic shocks..

A recent draft OECD paper, *Employment/Unemployment Study* (1994) states:

"If there is one unambiguous conclusion (from investigation to date), it is precisely that, in the end the principle reason for the deterioration in the employment situation in OECD countries is an insufficient capacity to innovate and to adjust, whether in terms of structures or in terms of the attitudes and qualifications of their populations."

The study goes on:

"... in all OECD countries except Japan, management skills on the one hand, and education and training attainment on the other, have failed to keep pace with the requirements of a more technologically advanced economy, particularly the new information technologies ... Companies have not fully exploited the potential to improve the productivity of their operations, and not all workers have received sufficient training to develop their potential."

The OECD advises a positive approach with two equally important thrusts:

- increase the capacity of societies and economies to innovate and to adapt to create new jobs; and

- use some of the often considerable gains which flow from change to invest in people.

The adaptive capacity of economies is influenced by a number of elements, including management flexibility, investment in human capital, employee relations and enterprise creation.

4.4.2. Management flexibility

Workforce flexibility has been the focus of considerable policy attention across many OECD nations in recent years. However, the need for management flexibility has largely been neglected.

Job creation in the private sector has recently improved, but has been limited over the last few years and, it can be argued, continues to be limited. One reason it has been hamstrung is the slowness of enterprises and the supporting institutions which develop managers to respond appropriately to new technologies and rapidly changing market conditions.

The pressure on private sector enterprises to adopt more flexible and productive forms of work organisation is proving difficult for some firms to handle because of the cultural revolution that must occur in their management. Other chapters in this report demonstrate the limitations of management performance in these areas and highlight the need to improve management development processes to give our managers the capacity to initiate and adapt to change.

Without appropriately skilled managers who can adapt themselves and their organisations to change, it will continue to be difficult for Australian enterprises to maintain their competitiveness. Nor is the current restructuring of global industry likely to be a temporary phenomenon. More likely, future waves of technological innovation and new competitive challenges will require our enterprises to recreate themselves on a more or less continuous basis. To do so requires multi-skilled managers with great capacity to learn and relearn both their own roles and the bases of their enterprise's competitive advantages.

4.4.3. Investment in human capital

The capacity of enterprises to innovate, respond to customer expectations and meet the new competition in the marketplace has meant that managers must have very good skills in areas about which they may not have initially been trained or developed. However, leading enterprises, especially those exposed to international competition, have had to grapple with the need for these skills for some time. These enterprises include a large group of companies that have expanded their operations internationally as multi-domestic producers (for example, BHP) and some of our major exporters (for example, CSR Raw Sugar Marketing). Equally, vigorous rivalry in a few domestic markets has led to world class performance by some Australian enterprises.

Section II: The case for change

However, for most firms, the high standards of managerial performance required to be competitive in the new environment presents a big challenge because higher performance demands new management approaches. While many companies have successfully changed their approach to management, they represent what the Business Council of Australia describes as 'the tip of the iceberg'.

Changing standards for management performance, however, is not a matter only for enterprises. It also requires that the institutions and systems which train managers in Australia respond to market and enterprise demands as a matter of urgency. Best practice in developing new management approaches to tackle or initiate change tells us that there are actions that leaders and managers can personally take to improve the quality and performance of their enterprises. A key challenge for the public sector, as a primary provider of education and training services, is to respond to this changing environment.

Investment in human capital is about recognising the necessary skills to sustain an enterprise and then ensuring those skills are available and high quality. The Task Force believes that the major mechanism for improving management performance in Australia is improving management education and training.

Education and training alone will not lead to high economic and employment growth. However, as indicated in *Working Nation*:

“... improved education and training performance is part of our strategy to raise productivity levels and hence economic and employment growth”.

In the face of increased competition, significant economic structural, enterprise organisational and technological change, it is vital for Australians and Australian managers in particular that skills formation processes provide a solid base for enhanced performance.

One component of management development – training – has enjoyed new levels of use and commitment in recent years, in part because of the Federal Government's Training Guarantee legislation. However, evidence from Task Force research and consultations indicates that a large proportion of private sector enterprises in Australia still accord too little value to management development and to investment in training. In addition, the effectiveness of the training they do offer is limited. In line with international best practice in management development, firms need to be encouraged to invest further in workplace based training and development. They also need to invest in a more systematic and strategic manner than many, if not most, Australian organisations are doing at present.

It is also critical that management development programs offered by institutions and in enterprises are effective – especially considering the big public investment in such programs. The Task Force is of the strong view that tertiary and vocational education institutions need to provide relevant curricula and developmental options which will systematically develop the skills of Australian managers in areas indicated by international

best practice. In the area of management education, the Task Force contends that these issues need considerable attention.

4.4.4. Employee relations

The Task Force considers it unlikely that economic restructuring in Australia is complete. During the current transitional period, a new industry and organisational structure is emerging which is far more 'people' oriented. In any consideration of the management skills needed to create enterprises and grow employment, it is important to look at the probable longer term impact of world competitiveness and structural adjustment.

Successful enterprises today – and it seems of the future – place much stead in people and the extent to which human resources can be mobilised. It will be the short sighted and ultimately unsuccessful managers who put long term corporate advantage behind short term business advantage and who place human capital secondary to financial capital.

Other discussion in this report outlines the widespread recognition that effective management is concerned with the ability to communicate, empathise and coach worker teams, rather than controlling and directing them. People skills have always been important in running an enterprise. However, they are now coming to the fore as they incorporate values and ethics and recognise diversity and equal employment opportunity. Most importantly of all, knowledge workers respond better to the newer work environments than the 'command and control' cultures still in place in many Australian companies.

This new type of philosophy in management has implications for employment prospects. The BCA's *Managing the Innovative Enterprise* uses the experiences of Australia's leading companies to illustrate that the successful enterprises of the 21st century will require employees who are committed and motivated.

Employee and industrial relations are also important issues for all managers. The 1991 Australian Centre for Industrial Relations Research and Teaching report for the Department of Industrial Relations, *Industrial Relations at Work*, examined workplace relations in 2,354 workplaces in Australia over one year. The report found that within that year, most managers, including general managers whose primary job was not industrial relations, spent considerable time dealing with industrial relations issues. Senior managers made about one third of all their decisions in the area of industrial relations during that year .

There have been extensive industrial relations reforms over the last decade. Award restructuring and now enterprise bargaining are based on new models of industrial organisation and on a shift from centralised bargaining to work-based agreements between employers and employees. The amount of formal management time spent on these issues is likely to rise.

Section II: The case for change

Successful workplace bargaining systems are critical to the productivity of enterprises and by extension the economy. The Bureau of Industry Economics (BIE 1990) estimated that returns to labour accounted for two thirds of overall GDP. The BIE also concluded that any significant improvement in productivity from improved work practices and enterprise bargaining would have a profound effect on economic performance. It found, from an economic modelling process, such reforms across the whole economy might alone annually produce efficiency gains approaching one percentage point of GDP. The Business Council of Australia (1989) suggested that improved industrial relations and work practices and a more competitive economic environment, could, "...yield average increases in the productivity of labour and capital of the order of 25 percent".

The success of recent trends in employer and employee relations depends on a number of factors. One major issue encompasses the skills and attitudes of the parties. Communications, people, teamwork and co-operative skills are important on the micro level. Of equal importance on the macroeconomic level are leadership, strategic thinking and planning.

The Committee on Employment Opportunities (1993) observed that:

"The impact of workplace bargaining on overall productivity levels so far has been marginal and disappointing ... unless the parties approach the negotiations in a constructive and enterprising manner, it is doubtful that the change to workplace bargaining will realise its promise."

There has been limited emphasis on management flexibility and retraining as part of the recent industrial relations reform process. This lack of emphasis exists despite modern and successful organisations needing new and different responses from employers and managers in relation to their managing employee aspirations and new skills levels.

The Task Force believes that it is critical for managers to be trained to operate in the new workplace culture, where negotiation and agreed productivity improvements are key workplace measures. The complacency engendered by protectionism and outdated and non-productive attitudes encouraged by years of adversarial industrial relations needs to be replaced by more effective people and workplace oriented approaches.

An adjustment mechanism commonly used by management in Australia during recession has been to reduce the workforce, primarily as a means to cut costs and maintain profit margins or reduce losses. This approach stands in stark contrast to major Japanese corporations which attempt to maintain long-term employment even under adverse economic circumstances (Rand 1995).

But the longer term wisdom and cost of retrenchment strategies are being questioned. The Australian Centre for Industrial Relations Research and Teaching (1990) shows that while external constraints often limit choices available to firms in relation to retrenchment:

- enterprise initiative can make a difference;
- there can be major benefits to employers by adopting innovative approaches to employment issues; and
- successful adjustment requires more than changing the workforce: product diversification, investment and skill formation are of equal importance.

The study indicates that major problems with retrenchments appear to arise from a lack of creativity and an incapacity to approach difficult situations in innovative ways. The authors conclude:

“clearly, most managers ... lack the skills needed for the task”.

These skills include strategic planning and consultation and of thinking beyond the immediate crisis to the needs of the future for their enterprises. These are precisely the skills which lie at the root of broader management performance limitations in Australia.

4.4.5. Enterprise creation

Firms in most OECD member nations have shed jobs faster than they have created new ones. Creating new firms which have provided net employment growth, however, allowed economies to expand and develop in new ways, many of them diverging from traditional manufacturing towards the provision of increasingly sophisticated services. As detailed before, this pattern is also clear in Australia as is the critical role of small to medium enterprises in innovation and employment.

Exhibit 4.5 New Business Names

	1991	1992	1993
NSW	53,227	54,840	68,342
VIC	43,969	46,433	53,938
QLD	27,132	31,897	36,868
WA	11,134	25,149	28,478
SA	13,270	13,858	14,112
TAS	3,969	4,619	4,298
ACT	2,058	3,819	4,162
NT	2,912	2,372	3,045
TOTAL	157,691	182,987	213,243

State registers of new business names.

“The decomposition of net employment changes shows that even small net changes normally hide large gross employment flows as firms are created, expand, contract and die. In all OECD countries for which data is available, existing firms have shed employment faster – either through contraction or closure – than they have created through expansion. This strongly suggests that – at least in the present phase of industrial development – it is the creation of new firms that provides the crucial addition to employment, and allows economies to expand and develop in new ways.”

Schwans 1993.

The objective of increasing the number of successful new enterprises requires a national commitment to creating an enterprise culture. This can be done by creating and providing a continuum of enterprise support and encouragement in primary, secondary and tertiary education and later in life long learning programs for adults. The culture of enterprise would be threaded through the entire socialisation process.

The creation of new enterprises requires that more Australians develop the enterprise and entrepreneurial skills necessary to take charge of their own economic future as founders of new companies. However, the capability of new small to medium enterprises to contribute to employment growth, generate new jobs for others and increase national wealth will depend on fostering a strong enterprise culture.

An enterprise culture requires an holistic approach involving school teachers and other educators to understand the value of enterprise for Australia’s national wealth by gaining knowledge of business fundamentals and the capacity of teaching them. The school system of enterprise can be complemented by community commitment in providing support to emerging entrepreneurs, particularly during the critical and high risk start-up stage and also supported by government incentives to give leverage to community support initiatives.

It will be essential for substantial and continuing management of the co-ordination and co-operation of the many federal, state government and private enterprise stake holders if the necessary enterprise culture is to become a reality.

The success of the drive to encourage people to create their own employment futures will also turn on the ability of the community to nurture the development of small enterprises. Federal and State governments around Australia are attempting to speed up this process through various agencies devoted to assisting small to medium enterprises and facilitating various mechanisms for improving communication between existing businesses and start-up enterprises.

One popularly known constraint to greater success in these endeavours is lack of finance. However, another constraint is poor management performance. Many small to medium enterprises are managed by people with little or no formal education beyond secondary

level. Some managers do participate in degree or TAFE programs, but are still not fully developing their potential management skills because of inappropriate curriculums and teaching styles. A more extensive discussion of this issue appears in Chapter Eight.

It is imperative that Australia recognises the importance and future value small to medium enterprises have to offer and channels its efforts towards these assisting these businesses more vigorously and effectively – particularly in the TAFE and university sectors.

4.5. Regional Development and the Enterprise Culture

The regions of Australia are undergoing huge change processes. Restructuring of the industrial base, deregulation and exposure to international markets have all affected communities in varying degrees. Just as the national economy has had to adjust to economic changes, so have the regional economies. The impacts of change have been significant. Whole industries and enterprises have disappeared or have been dramatically scaled down, local skills have atrophied, unemployment including long-term unemployment has increased substantially and whole communities have had to reassess their productive base.

However, change brings opportunity as well as threat. Many local communities are seeking new ways to provide jobs and generate income, including new agricultural products and services, tourism, high technology products for niche markets and community and international service provision.

A number of recent reports on regional development – *Developing Australia: A Regional Perspective* by the Task Force on Regional Development (1993) chaired by Bill Kelty, the Industry Commission report, *Impediment to Regional Industry Adjustment* (1994) and McKinsey's *Lead Local, Compete Global* (1994) – canvass the difficulties faced by regional Australia.

Some general points which come out of recent reviews of regional development are:

- regional development needs to be seen as national development on a regional basis;
- there is tremendous force, energy and initiative in the regions which can be harnessed to identify and exploit new local opportunities; and
- economic growth in regions will come from regions themselves creating opportunities for businesses and workforces rather than from efforts to relocate industries.

Attitudes and skills are therefore important in mobilising the existing resources of regions. In relation to attitude, the desirability of an enterprise culture as an important feature in improving *national* economic outcomes and management performance is examined elsewhere in this report. However, developing an enterprise culture at the local level has the potential for significant regional outcomes.

Improving skills, particularly management skills, is also important. McKinsey (1994) identified the particular severity of the lack of management skills as an important contributor to small business failure throughout many regions. The Commonwealth Government is undertaking significant structural reform to improve services and support for regions, to upgrade local industry development and improve employment opportunities. However, the impact of these will be limited without better managers to capitalise on them. The effective development of enterprise culture initiatives and entrepreneurial training programs are critical support mechanisms to upgrade national economic performance through revitalisation of our regions.

4.6. An enterprise focus for management skills formation

A critical issue for the Task Force in making recommendations on management skills is that skill priorities vary from enterprise to enterprise. Within Australia there is a wide spectrum of enterprises at different stages of development. The management needs of these firms vary depending on the industry or industries they belong to, the age of the enterprise, its markets, its international aspirations and links and the size of its workforce. Some illustrative comparisons may assist in establishing this point.

4.6.1. Small start-ups as compared to established businesses

Start-up enterprises have a significantly different set of managerial skill priorities to their established counterparts. Moreover, small enterprise start-ups in embryonic industries have very different needs to those in existing industries.

“In this new way of managing, increasing recognition is given to factors such as relational rather than competitive values, the need for firms to seek interdependence rather than dominance in the marketplace and for business opportunities to be nurtured in an ‘emergent’ manner through affiliation and co-operation rather than rationality, separation and manipulation, even when this brings together firms who would previously have seen each other as competitive threats. These, taken together, have been felt by many authors to be more characteristic of ‘female’ than of ‘male’ behaviour.”

**Barrett cited in Task Force Research:
University of Western Sydney 1995.**

4.6.2. Independent businesses as compared to strategic alliances

The AMC/McKinsey (1993) study points to important differences in the managerial skills of small to medium enterprises which are independently owned or parts of larger

organisations. Larger parent companies can bring their smaller charges access to more capital and management expertise. At least in this regard, small to medium enterprises which are independently owned are more likely to be at a significant disadvantage in improving their managerial skills and developing managers internally.

4.6.3. Large corporations as compared to small

Large businesses have different requirements to small to medium enterprises because they need to increase flexibility and improve the capacity of the business to respond to marketplace change in a timely manner. Their ability to develop cross-functional management expertise is also an important requirement, as is the capacity of their business units to act in an entrepreneurial but co-ordinated manner. Because of their smaller size, small to medium enterprises have less problem with speed of response and entrepreneurship but lack specialised expertise and the time to develop systematic approaches to business problems.

4.6.4. Services as compared to products

The intangible nature of services creates the need to manage quite different delivery systems to those used by manufacturers of products. Quality control and the management of the customer interface are also different.

“... different industries require different approaches to management. What is celebrated as good management practice in one industry would be disastrous in another. The small, private and loosely organised family firms that populate the Italian footwear, textile and jewellery industries, for example, are hotbeds of dynamism ... However, the same structures and practices would be a disaster in a German chemical or automobile company, a Swiss pharmaceutical producer, or an American commercial aircraft manufacturer.”

Michael Porter 1990.

Not only do industries differ in their management needs but often enterprises within industries also differ in size, culture and strategy and hence in their skill priorities. The Task Force is therefore of the view that management skills formation priorities are best decided at the enterprise level. Furthermore, enterprises are best placed to choose the mode of delivery of education or training that best suits their culture and structure.

However, the fact that enterprise needs are highly specific does not necessarily imply that all management development must be delivered in a highly customised manner. To do so would likely be uneconomic and lead to unnecessary duplication between training and development providers. Management competencies can be categorised as generic, industry specific and enterprise specific. In framing its recommendations, the Task Force

Section II: The case for change

has been mindful of these distinctions and also of existing structures for the delivery of training and development (vocational education and training, tertiary education, industry training boards, etc).

The most substantive issue for the Task Force in this regard is that the size of an enterprise largely determines its ability to conduct systematic management development. By virtue of enterprise size the small business sector, a potent engine for innovation and employment is severely limited in its ability to develop management skills using the methods employed by large enterprises. The Task Force has devoted considerable energy to developing better methods of delivering training and development to this sector.

Exhibit 4.3: Size of business and likely approach to management development.

<i>Size category</i>	<i>Number of employees</i>	<i>Number of business units</i>	<i>Likely approach to management training and development</i>
Small businesses	1-49	779,839	Time pressures severely limit the opportunities for training and development
Medium businesses	50-999	9,072	Ad hoc use of publicly available training
Large businesses	1000+	583	Potential for systematic approaches

Task Force Research: Midgley 1995a.

The need to provide management education, training and development in a manner appropriate to the scale of an enterprise is well supported by overseas research (eg, Rand 1995) and is one reason for the diversity of education, training and development methods we see in Australia.

Chapter Five

Better management skills			
Upgrade the capability of TAFE and business support	Harness the talents of diversity	Achieve best practice management development	Reform management education
Develop a positive enterprise culture through education and training			

5. Five key challenges for Australia

- 5.1. Purpose of the chapter
- 5.2. The five challenges
- 5.3. Challenge one: Develop a positive enterprise culture through education and training
- 5.4. Challenge two: Upgrade vocational education and training and business support
- 5.5. Challenge three: Harness the talents of diversity
- 5.6. Challenge four: Achieve best practice management development
- 5.7. Challenge five: Reform management education

5.1. Purpose of the chapter

This chapter details the key challenges identified by the Task Force as facing Australia and Australian management in the next decade. These challenges have been identified from the extensive consultations carried out by the Task Force, the findings of the research program and the Australian and international literature on management. They have also been the subject of extensive debate and refinement amongst Task Force members. The Task Force believes that solutions to these challenges represent the best areas of leverage to reform Australian management and achieve internationally competitive management skills. These solutions, in the form of the Task Force's recommendations, are presented in Section III of this report. Here we first set out the five challenges.

5.2. The five challenges

After three years of work, the Task Force is convinced that there needs to be a profound change not only in the way Australian enterprises and institutions approach the development of managers, but also in the way many of our citizens value the creation of wealth. For the latter reason, the Task Force sees the creation of a **positive enterprise culture** as a challenge which underpins all the others. Managers and workers, in both small enterprises and major companies, need to be more enterprising in seizing the opportunities presented to us by the Asia-Pacific Century: Our chapter symbol therefore has a positive enterprise culture as the foundation from which to improve management skills. Creating a positive enterprise culture is also by far the biggest challenge faced by our nation – involving as it does a change in the values inculcated in the education system, in the workforce and in the enterprise.

The other four challenges are presented in the order of their potential impact on the community and managers.

Thus, to **upgrade vocational education and training and business support** has impact on the largest sector of managers and potentially on improved employment prospects for many Australians.

To capitalise on the talents of diversity impacts on half our population – women – together with ethnic and other minorities. Major improvements in management skills can be effected simply by opening up equal opportunities for these under-utilised groups to attain the senior levels of corporate management.

Another challenge for larger companies is to **achieve world best practice management development** and to ensure that the skills they develop support their enterprise strategies. This can have a significant impact on economic performance as well as some impact on employment prospects.

Lastly, the challenge to **reform management education** so that universities and their undergraduate and postgraduate programs are clearly focused on developing skills for the future rather than reflecting obsolete models of management and organisations.

5.3. Challenge one: developing a positive enterprise culture through education and training

The Task Force believes a positive enterprise culture has two elements:

- community attitudes that support the creation of wealth (both economic and social); and
- managers with a high level of entrepreneurial skills.

An improvement in enterprise culture would impact on Australians in many ways and broad based enterprise programs would have benefits to the community beyond business and industry; for example, in employment generation and workplace relations, in community programs and individual development. The Task Force believes that programs which encourage and support these broader objectives are critical.

However, as per its Terms of Reference, the Task Force's immediate interest is in enterprise education as it relates to business and industry; that is, entrepreneur education, and most of its discussion revolves around this aspect. The Task Force has chosen to focus on community education and school, vocational and tertiary education rather than programs for more experienced managers. It believes entrepreneurial values should be encouraged in the young and particularly in those young people contemplating a career in business and management.

5.3.1. What is entrepreneurship?

Entrepreneurship is about the creation of wealth by individuals. The Task Force supports the following definition of entrepreneurship that was developed at a Harvard Business School colloquium (Kao 1983).

Entrepreneurship is the attempt to create value by an individual or individuals:

- **through the recognition of significant (generally innovative) business opportunity;**
- **through the drive to manage risk-taking appropriate to that project; and**
- **through the exercise of communicative and management skills necessary to mobilise rapidly the human, material, and financial resources that will bring the project to fruition.**

Small to medium enterprises depend heavily on entrepreneurship for success. Entrepreneurship is also critical for larger enterprises, which must become more flexible and innovative if they are to prosper in the changed global environment. The Task Force has understood entrepreneurship as a set of values which infuse and underpin the motivation and practice of all business enterprise. It regards entrepreneurship as a critically defining characteristic of good and effective management.

5.3.2. How does entrepreneurship affect industry and the economy?

Entrepreneurship is gaining importance in economic and industry policy in both Australia and overseas.

In Australia it has been the focus of some attention from both State and Federal Governments. It has also been highlighted by policy makers internationally as the world labour market changes and as economies change to accommodate the demands of globalisation.

Key reasons for entrepreneurship becoming increasingly important worldwide include:

- research studies indicate that significant new employment opportunities will be generated by small to medium enterprises;
- market opportunities are becoming more and more suitable to the application of entrepreneurial skills (niche markets, technical development, shorter product life cycles because of customer driven demand for better and different products); and
- greater numbers of well educated people with higher aspirations are available than managerial and executive jobs in established companies. Social trends also indicate that potential managers are wanting more independence and better rewards.

“Macroeconomic conditions and hence government policies which affect the cyclical performance of the economy will mainly determine the expansion, contraction and closure of existing firms. Micro economic conditions and structural policies will strongly influence the creation of new enterprises and hence job creation. What then are the policy levers to facilitate enterprise creation?”

“One line of action is to foster or develop entrepreneurial culture. There are strong differences between OECD countries in the rate of firm births [creation] while no obvious reason exists to suggest that entrepreneurial talent is unevenly distributed among OECD countries. Hence, differences in social attitudes and traditions, as well as institutional impediments towards risk taking and entrepreneurship, are likely to prevail”.

Schwans 1993.

Entrepreneurship provides an opportunity for all types of organisations – government, private and even non-profit – to adapt and survive in conditions of rapid economic and environmental change. Evidence from the United States suggests that entrepreneurial firms – defined by rapid growth and a dynamic nature – are having a substantial economic impact. This trend does not include only young or small firms, but larger companies which are applying the principles of entrepreneurship to their operations.

5.3.3. Entrepreneurship has broad appeal and diffuse impacts

The Task Force asserts the view that entrepreneurship is central to economic and social development. However, there are also indications that entrepreneurship has particular attractions for minorities. Often, the cultures or circumstances of minority groups and especially cultural minorities are such that they do not have the mindset constraints which sometimes accompany more traditional western-style models of industry and business.

In Australia and the United States of America, this includes women (the fastest growing group of SME proprietors) and multicultural groups (particularly those from Asian backgrounds). In the United States of America, entrepreneurship programs are also a successful and developing feature of programs to counter urban and regional decay.

5.3.4. There are constraints on developing entrepreneurship more broadly in Australia.

While there are significant pockets of entrepreneurial excellence in Australia, the Task Force does not believe that the Australian community at large supports an enterprise culture. The key constraints on the development of entrepreneurship appear to be:

- the poor popular image of business, particularly in Australia;
- conservative management styles; and
- difficulties in shifting public education from models originally developed for large manufacturing based organisations.

5.3.5. What do Australians think about entrepreneurship?

The Task Force commissioned research on attitudes to small business as part of its research program – smaller companies being strongly associated with entrepreneurship by the community. Generally, the Australians surveyed for the Task Force had a mixed view of small business. The survey indicated, that while the community held some positive views about small businesses (for example, ‘you can be your own boss’), negative comments made up 84 percent of responses. ‘Long hours’, ‘competition’, ‘lack of finance’ and ‘financial concerns’ were typical comments associated with small enterprises in the minds of the poll respondents.

According to Midgley & Co (1995c):

“Overall small business has an image of being arduous suggesting that the overall reward gained does not equate to the effort or risk involved. Such perceptions may reflect a low risk tolerance or lack of entrepreneurial spirit within Australian culture, or perhaps a particular work ethic (or combination of these factors).”

The Task Force was also interested to know if parents would encourage their children to go into small business. Respondents to the survey, excluding those whose parental philosophy is not to influence their children, were asked to state the degree of

Section II: The case for change

encouragement they would give to young people on a five point scale. The responses were as follows:

Strongly encourage	18%
Partly encourage	13%
Neither	33%
Partly discourage	15%
Strongly discourage	21%

The authors interpreted the results as follows:

“Despite an overall negative image toward small business, almost one-third of the respondents would encourage their children to go into small business ... At first glance this seems to be somewhat contradictory to the overall negativity registered in the general query regarding small business. However, there were some strong trends within these answers upon demographic breakdown. An inclination to encourage dropped considerably with the age of respondents, in fact the oldest age group (50+) would predominantly discourage ... Females were also more inclined toward discouraging, as were ... those who had left school at an age of less than 15 years.”

From its consultations, the Task Force has also concluded that Australians need a better developed entrepreneurial spirit and that too often the word entrepreneurship is equated with the business failures of the 1980s. Task Force consultations also reveal that Australia does not support or nurture a strong small business culture and that community attitudes to small enterprises are, on the whole, ambivalent. This view needs to be countered by the positive and potentially vital role that entrepreneurship from both small and large enterprises plays in creating jobs and improving living standards.

The Task Force is of the view that this generally ambivalent to negative attitude toward small enterprises in Australia is culturally-based. It has concluded that the lack of entrepreneurial studies at school, in vocational education and training and in higher education, forms part of the reason why there is not a strong small business culture in Australia.

“ ... young people lose 70% of their enterprise skills between the ages of seven and sixteen years due to the highly structured and ideological nature of the schooling system.”

Consultant, Tasmania.

The attitudes of significant segments of the Australian community form one barrier to building a more positive enterprise culture. The other barrier arises from the fact that the existing entrepreneurial skills of many of our managers do not provide strong role models.

5.3.6. How do Australian managers rate on entrepreneurship?

The Institute for Research into International Competitiveness (1994) reported to the Task Force that its survey of Australia's customers in the Asian region, including Singapore, Indonesia and Japan, rated Australia a long way behind the other five major trading nations in Asia who are our competitors on six key measures of entrepreneurial skill.

Exhibit 5.1: Entrepreneurial expertise of managers*

Entrepreneurial expertise	Australia	Germany	Japan	Taiwan	UK	USA
Entrepreneurial skills	4.8	3.7	2.3	3.4	4.1	2.6
Taking advantage of new business	4.9	3.8	2.0	3.3	4.3	2.7
Willingness to take financial risks	4.6	3.8	2.7	3.6	3.9	2.5
Willingness to take initiatives in making friends with business people from another country	4.2	4.0	2.9	3.8	3.8	2.3
Creativity in generating new business ventures	4.9	3.7	2.0	3.6	4.2	2.5
Ability to explore business opportunities	4.8	3.8	2.1	3.4	4.2	2.5

*The mean responses are on a six point scale (1) best to (6) worst.
Task Force Research: Institute for Research into International Competitiveness 1995.

Other studies in the Task Force Research Program also give a low rating to the entrepreneurial skills of Australian managers, for example, Barraclough & Co's (1995) study of the views of Australian management experts.

If, as the evidence suggests, we need to improve in this key area of business, the question arises of how this might be done, particularly for young Australians.

5.3.7. Creative learning: can entrepreneurship be taught?

The Task Force believes that entrepreneurship *can* be taught. There is considerable research evidence to support the practical outcomes of enterprise and entrepreneur education. The Task Force has examined a wide range of research and has collected case studies and evidence as part of its overseas study missions and consultations in Australia to support this. For example:

- based on a 60 percent response rate from 300 students and graduates of a tertiary level entrepreneurship course at Swinburne University of Technology, 26 new businesses have been started with a number involved in export trade. In addition, increased company sales of \$60 million (1991 to 1993 financial years) are attributed to program participation from students and graduates employed in 22 companies (Gillin and Pow 1994); and

Section II: The case for change

- the longitudinal studies of participation in the FastTrac entrepreneurial training programs (now expanded to cover 50 states in the United States of America) found that business owners who completed the program were more successful than those who had not. The study also found that courses they developed are replicable across geographic regions and ethnic and socio-economic groups (Price, Allen and Monroe 1994).

Task Force researchers identified several positive reviews and evaluations of the National Enterprise Workshop Program which has been conducted regularly in Australia since 1979 under the auspices of Commonwealth and State governments.

“The overall conclusion reached by the reviewers was that the National Enterprise Workshop Program (NEWP) ‘is a highly effective training program for entrepreneurs and managers. The NEWP appears to provide a world class model for training initiatives which broadly reaches across all types of organisations in both the public and private sectors’ (p1).

“The program review indicated that the NEWP has:

- **resulted in the formation of about 60 new enterprises**
- **created over 500 new jobs**
- **generated over \$27 million in new sales, with about \$2.7 million of this being export revenue**
- **increased profits of over \$4 million, implying Federal returns via taxation of about \$2 million**
- **about one half of the results were generated by improvements in existing businesses, with the other half from the formation of new enterprises subsequent to workshop participation.”**

Task Force Research: Coopers & Lybrand 1995b.

The Task Force also identified examples of successful entrepreneurship education programs internationally, many of which have important lessons for Australians. These include:

- **Shad Valley Scheme, Ontario, Canada**

This is an eight year old program in which the brightest high school graduating students in science are offered entrepreneurship studies before studying science and technologies at university. The program is now delivering PhD and masters students who are entering into highly innovative entrepreneurial ventures at much higher rates than previously.

- **US Small Business Institute Program, USA**

The Small Business Administration (SBA) of the United States Government has, for 20 years, conducted the Small Business Institute (SBI) program in universities. As part of the SBI program, the management schools are provided with a number of small businesses whom the SBA wishes to assist. The management schools allocate each small business to a team of MBA students who consult with the owner/manager for one semester and produce a consultant report. The SBI program has been very successful in the United States as an educational experience for MBA students and for the owner/managers assisted. Small business owner/managers respond strongly in terms of improving their operations.

- **National Foundation for the Teaching of Entrepreneurship, USA**

This program was developed to counteract urban decay and reclaim children of alienated minorities in United States ghettos. It teaches children to create legal businesses instead of opting for income from illegal and potentially dangerous activities. The program acts to use enterprise to improve the self-esteem of young people and at the same time provide them with skills useful in the long term. The initial success of this program has resulted in it being expanded across the United States.

5.3.8. What is enterprise education ?

Enterprise education is about using the education system to give individuals the necessary mindset and skills to recognise opportunity, manage risk and mobilise and manage resources. Generally, it means developing the qualities which a person needs to be enterprising such as the ability to tackle problems, take initiatives, persevere and be flexible. Enterprise education means taking part in projects, usually small-scale business and community enterprise projects designed to develop these qualities. It is highly interdisciplinary and experientially based. Entrepreneur education is a subset of enterprise education focussed specifically on education for and about business.

Any dissection of the content of enterprise education identifies information which is already taught in a range of other courses and disciplines. Enterprise and entrepreneur education puts these otherwise disparate elements together in a framework coherent with developing entrepreneurial skills and objectives, and with imparting a set of values.

Babson College, USA has replaced a first year of functional subjects (finance, economics, organisational behaviour, marketing, operations, etc.) with a process approach which takes students through a series of intensive experiences related to business creation, business growth and business consolidation.

At its most effective, enterprise education is an effective vehicle for achieving a wide range of educational aims. It is not so much about developing radically new curriculum or objectives: it is more about directing existing efforts in different ways.

“Recent experience in some member countries show that attitudes towards entrepreneurship can be influenced by appropriate public relations strategies of government and semi-government bodies.”

Schwans 1993.

The Task Force concludes that the primary focus of enterprise education should be on those in the education system, particularly the young and, in the case of entrepreneur education, on potential workers and managers rather than existing SME managers. This conclusion is partly based on the difficulties of accessing existing managers and convincing them of the benefits of entrepreneurial studies (see below), but also because the Task Force believes that values are developed in early life rather than maturity. Because of this focus, the Task Force is also of the view that consideration should be given to the supporting role of the mass media, both for the specific support of small business, but also broader development of enterprise culture objectives. Television is a major source of derived values for young people, indeed some argue it is more influential than the written word. The next generation may be equally influenced by multimedia. The Task Force has framed its recommendations with these issues in mind.

The first challenge is to develop a positive enterprise culture through formal and community education

5.4. Challenge two: Upgrade vocational education and training and business support

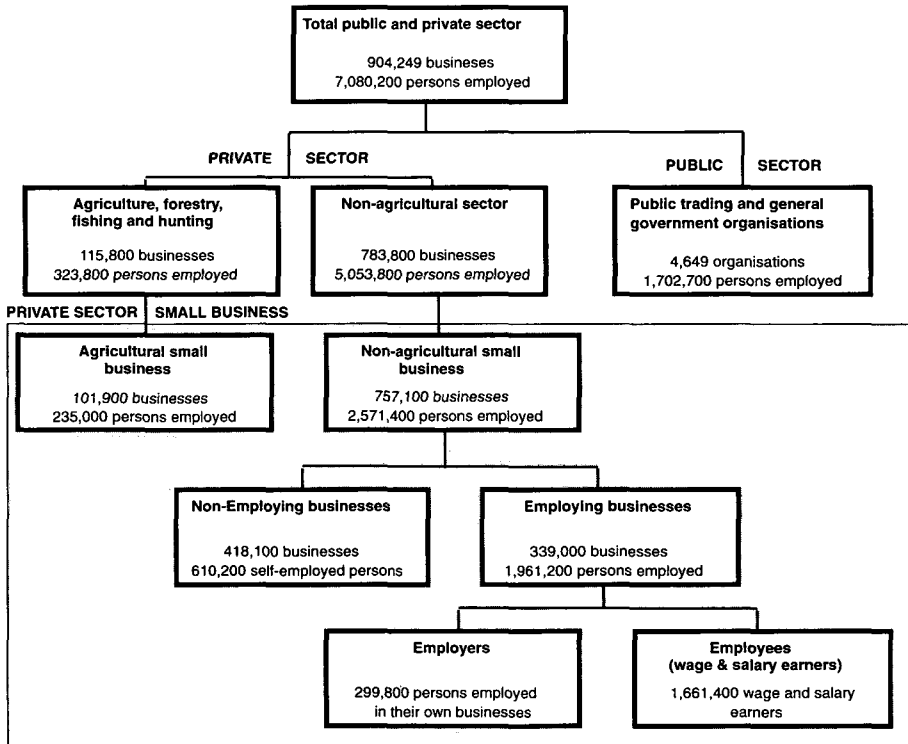
5.4.1. Small business in Australia

The 1993 *Third Annual Review on Small Business in Australia* (ABS, 1993) provides a useful snapshot of the type of organisations which the Task Force has been analysing in terms of leadership and management skills.

In summary, it states that:

- in 1991-1992 there were about 760,000 small enterprises in the non-agriculture private sector; this figure accounts for almost 51 percent of the total non-agricultural private sector workforce;
- very small businesses (employing fewer than five people) form a significant part of the small business sector (about one quarter); and
- a substantial proportion of Australian non-agricultural small enterprises have no employees at all. They provide self employment for more than 500,000 Australians. This group is expanding rapidly. The number of self-employed Australians increased by seven percent in 1991-1992 to 1992-1993.

Exhibit 5.2 Small business is a key part of Australia's business structure.



The Employment and Skills Formation Council (1994) estimates that there is a relatively high concentration of small business in the following sectors:

Section II: The case for change

- construction (98.6 percent of firms);
- retail (97 percent of firms); and
- transport and storage (96.7 percent of firms).

According to the ESFC (and a range of previous reports), Australian small business owners and managers have undervalued education and training for themselves or their employees. High failure rates and difficulties accessing finance can be attributed to this lack of education and training. Nevertheless, the ESFC recognised signs that the level of skills among small business owners and managers, as well as an awareness of the need for continuing skills development, are on the rise. As one report observed,

“A major factor inhibiting the success of a small business is the lack of managerial skills of the owner/manager. The lack of managerial ability in many cases is the result of, or is compounded by a lack of business education or experience.”

**Bedall Report 1990 quoted in Task Force Research:
Coopers & Lybrand 1995.**

Small to medium enterprises have attracted increasing amounts of attention from policy-makers, because of shifts in the business environment and because of a new recognition of their potential in fostering economic growth, including:

- the potential for employment growth in the sector;
- the changing patterns of traded goods and services (mass markets giving way to niche markets and custom built products);
- the restructuring of larger business units, and evidence that it is not simply economies of scale which provide the key to increasing performance but also flexible industry structures, and the creation of new enterprises; and
- the growth of exports from emerging SMEs in the manufacturing and services sectors (AMC/McKinsey 1993; Austrade/LEK 1994).

The AMC/McKinsey study identified an export ‘vision’ among top management as a critical factor in the creation of emerging exporters and lack of management skills as an inhibition of their further growth prospects. Yetton and Craig (1994) point to the severe time pressures which prevent managers in small exporters from acquiring needed skills, and to the problems of ‘burnout’ and succession. The work of Coopers and Lybrand (1994) suggests that time pressure is a critical problem throughout the small business sector – to which must be added the financial constraints under which many small businesses operate.

5.4.2. It is difficult to develop small to medium enterprise owners and managers

The Task Force has found that even though Australia develops its *intending* small business owners and managers relatively well, there are some big gaps in developing existing owners and managers. This disparity is due, in part, because existing managers are difficult to access.

Task Force consultations and research (Coopers & Lybrand 1995a and b) suggests this difference is because:

- owners/managers have limited time to attend training sessions, and limited resources available to fund development programs;
- lack of formal education by many owners leads to suspicion of the benefits of development and an enduring reluctance to return to a classroom setting;
- there is a primary concern with an immediate return for invested funds;
- there is a widespread lack of awareness of development options;
- owner/managers prefer to operate their business on an informal basis and to maintain control of the decision process. This leads to a preference for information from informal (but often less knowledgeable) sources, such as friends, suppliers and family members;
- most small firm owners do not undertake any form of management development prior to entering business;
- many owner/managers see managerial development courses and opportunities as irrelevant and consequently have a low level of interest in participation in training;
- there are identifiable market segments in the small business sector which are poorly serviced; and
- development courses for small enterprises tend to be general rather than the highly specific focus which owner/managers require.

Various research projects conducted for the Task Force, as well as Australia Bureau of Statistics 1993 figures, conclude that the proportion of small business employees who receive formal development is significantly lower than for large enterprises. The ESFC (1994) reports, however, that between 1986 and 1993 the number of small enterprise owner/managers with qualifications rose, and 59 percent of the total small business employer population had a post-school qualification. However, of those with a post-school qualification only 14 percent had a degree – with the rest holding trade or technical certificates.

An earlier study by the Bureau of Industry Economics (1991) suggested that about one quarter of private sector non-agricultural employees working in small firms do not receive *any* formal management development. Further, the BIE study suggested that despite assertions suggesting that the lack of formal development in small enterprises is compensated by informal development, there is little evidence to support this. This finding is alarming when read with other conclusions of the study, which revealed that:

- inadequate managerial skills were a major contributor to the failure of small firms;
- small enterprises in which management engage in significant amounts of development reported that this contributed to their profits; and
- the key benefits of management development in small enterprises were a higher

quality service or product, better business image, better employee motivation and the more flexible deployment of employees.

These conclusions are supported by the important work of Williams (1991) who, in a longitudinal study of small Australian enterprises, has shown that the chances of business survival increase with the number of training courses attended.

5.4.3. The effectiveness of developing managers in small to medium enterprises

To improve small enterprise management development, the BIE made the following recommendations which are especially relevant in relation to the Task Force's consideration of small to medium enterprise management:

- increasing the supply of market-oriented small business management development activities via:
 - generating accessible data on targeted small enterprise performance;
 - increasing the supply of personnel to develop small enterprise managers; and
 - accelerating the use of new technologies to deliver small enterprise management development;
- increasing demand for management development in small enterprises via:
 - use of market-oriented evidence of the benefits of management development in small enterprises;
 - better use of industry-specific business networks;
 - bringing expert advice and counsel to small enterprise owners and operators; and
 - urgent accreditation of private development providers to give users a guide to quality; and
- finding a better balance between public and private provision of small business development via:
 - greater commercialisation of TAFE;
 - raising awareness about the benefits of development; and
 - assisting small businesses to analyse the role of development.

Given the level of government subsidies to small business management development activities, and the perceived importance of development to the small business sector, the Task Force considered it critical to identify current thinking on the effectiveness of various development methods.

Recent thinking, and Task Force research conducted by Coopers and Lybrand (1995 a,b,c and d) into the most effective methods of developing small business managers, centres around:

- targeting formal training programs to the needs of defined segments;
- mentoring or one-to-one contact between small business manager and adviser;
- better use of business networks; and
- use of new computer and communications technologies to deliver management development to small enterprises owner/managers, and the evolution of more flexible education and development systems, such as open learning.

5.4.4. Targeting small to medium enterprise segments

Research for the Task Force by Coopers and Lybrand (1994a) indicates that many providers base market segmentation on broad categories such as geographic location. The Task Force believes, along with many of the writers in the area, that, in order for training to be effective, it needs to be directed toward more clearly defined market segments. Coopers & Lybrand also suggest that the programs of private providers may succeed in attracting participants from narrower segments, allowing their training to be highly focused. Of the three programs these researchers evaluated, the program of the Master Plumbers and Mechanical Services Association of Victoria was found to be highly focused and highly successful. Its market segment is clearly defined, easily identifiable and easily reached.

“... small business training needs to be tailored or segmented to target particular, narrow groups of small business owner/managers.”

**Williams 1991 cited in Task Force Research:
Coopers & Lybrand 1995a.**

5.4.5. Mentoring and networking

The Task Force has concluded that mentoring can be one of the most effective workplace management development methods. Mentoring can assist in skills and knowledge gained from formal development programs being applied on the job or modified through the advice and supervision of an individual who has a good knowledge of SMEs and the relevant industry. Two drawbacks to mentoring can be the time involved and the consequent expense.

Despite these drawbacks and given that many small business owners/managers often see formal training as a poor management development vehicle, mentoring is an attractive and viable alternative which has potential to improve the quality of management development in small business. There is also considerable scope for accessing mentoring services through SME networks – groups of smaller firms which exchange information and advice – to improve the competitiveness of their enterprises.

In its work for the Task Force, Coopers and Lybrand analysed small business networking and its effectiveness as a mode of management development. The characteristics of the networks they documented lend support to the argument that they provide a good

vehicle for improving the skills of managers in small businesses. Networks provide a process of information exchange, communication, workshops and business development programs. They act as an effective surrogate to formal training processes especially as the latter are not well regarded by SME managers.

“A significant motivational factor for all network members is to overcome their isolation by sharing knowledge, information and concerns with like-minded companies.”

Task Force Research: Coopers & Lybrand 1995.

“The Danish network system has been particularly successful. Nielson (1990) has identified the parameters of cooperation which are typical of these networks including:

- **Joint solutions to common problems**
- **Development and exploitation of mutual complementarity**
- **Developing the quality of subcontracting links**
- **Individual access to end-markets**
- **Smaller firms often have less experience in selling into the international market place, and participating in a network is one way in which some of these firms can effectively take up these opportunities.”**

Task Force Research: Coopers & Lybrand 1994d.

5.4.6. How small enterprises develop offshore

In some economies, small business operators find the business environment in which they operate far more difficult than that faced by small enterprises in Australia. In other economies which have a strong entrepreneurial culture, such as the United States of America, it is arguable that small enterprises have better access to finance and advice than Australia. Some innovations in developing small business owners/managers overseas are worthy of examination, for example:

- in the United States of America, community colleges are providing customised training, in which courses are tailored to the needs of particular firms. The providers work with firms, treated as clients, in developing courses which are company-specific, attended by selected members of the firm from all levels and functions (Rand 1994); and
- in his international study tour report for the Task Force, Small Business Subcommittee chair Dr John Bailey reported that the high success rate for small enterprises in Germany was most likely due to the experience which owners and managers gain through the Meister trade skills qualification. The Meister certificate is mandatory for anyone wanting to start a small enterprise and includes business-related examinations. However, Bailey also discovered that only limited numbers of students are permitted to graduate with Meister certificates. This ensures that only high quality small businesses are created.

It is important to note that in many economies overseas, more attention is paid to developing the general skills of small enterprise owners and managers at a far earlier stage than in Australia. There is also more emphasis on SME management in management schools at the university level.

5.4.7. Providers of small business management development

Management development for small business can take a number of forms – formal and informal classroom training, counselling and advising and the providing of information. This development is provided by a range of people and organisations including TAFE, educational institutions, private providers, solicitors, bankers, accountants and small business agencies.

The Task Force has consulted widely across this range of providers and has found excellent examples of people and organisations ensuring that their staff has the appropriate knowledge, skills and experience to provide effective development counselling and information to small business.

However, while many small business advisers are able to offer their clients advice on particular financial, legal or business-related issues, they often lack the skills and knowledge to offer counsel in relation to management or leadership issues, especially as these issues relate to management development. Again, the Task Force has identified particular examples of best practice in preparing small business advisers for management development and training, but performance across the board remains patchy.

In comparing existing training with that known to be preferred by small business owner/managers, Coopers & Lybrand (1994b) have called for a significant shift in the programs offered by public providers. In particular, they argue that the TAFE system requires, "... market oriented evaluation and remuneration," and "... more focused and selective training delivery."

"The BIE (1991) suggests that private sector provision of training may not be viable in many cases because of competition from the public sector; 'Insofar as public sector provision may not be pursuing full-cost recovery, it may tend to impede private sector providers in the supply of more market oriented, but higher priced, activities'. The BIE (1991) label this as the public sector 'crowding out' of possibly more expensive, but more targeted activities, by private sector suppliers"

Task Force Research: Coopers & Lybrand 1995a.

5.4.8. Vocational education and training

TAFE already plays a major role in developing leadership and management skills in business not only through the 270,000 students enrolled in business studies but also through the content of its technical training programs. Furthermore, while TAFE is the major provider of education, training and development to those in small business, its graduates are also employed by all sectors of business and industry including large enterprises. In the future, TAFE has the potential to play an even bigger role in increasing productivity and quality in the workplace – especially through linking the development of technical skills with the development of new frontline management skills.

Like all sectors of education TAFE has also been undergoing significant change over recent years and has introduced a number of innovations in vocational education and training. The implementation of the recently completed national curriculum developed through the National Generic Management Skills project provides a flexible range of modules that form certificate, advanced certificate and diploma programs in workplace leadership. The Task Force sees this as a very positive step and one which provides scope to develop a new approach to delivering management development programs.

Furthermore, the Task Force is keen to see this project extend the nature and level of its work to ensure that enterprise management needs are covered in course offerings. This is necessary at the middle level through a national associate diploma program and needs to be extended to provide for credit transfer and links with university programs. The Task Force believes that there is strong support for this type of approach, and that it should be afforded some priority by government, industry and by TAFE colleges.

However, from its consultations the Task Force has concerns that, although TAFE is developing specific management courses, there is a need to extend the reach of these into other course areas as well. In these other areas, TAFE prepares excellent technicians but it may overlook management skills, particularly the new skills needed by frontline managers and the broader skills needed by small business managers. Too low a priority may be given to management skills in courses to train tradespeople and technicians, many of whom move into frontline manager roles, or into their own small businesses without adequate management skills.

A key challenge for the Task Force has been to identify a way to make sure that these TAFE programs feature curriculum which raises awareness about business and management competencies. In particular, existing curriculum delivery materials must be enhanced and further developed to assist individuals and enterprises to pursue management development at times and places that best suit local and individual needs. Evidence from the Task Force's research program and consultations indicates that access to TAFE programs is an issue for people in small business – as is the tailoring of course content to their needs. Previous reports have reached similar findings.

In a comparison of three TAFE programs in the small business area, Coopers and Lybrand concluded that only one came close to best practice (1995c).

Actual practice compared to best practice across three selected TAFE programs	
<i>Best practice</i>	<i>Actual content – 3 programs studied</i>
<p>Short, sharp and focused</p> <p>Not too general</p> <p>Relate to specific problems and opportunities</p> <p>Emphasise solutions and analysis of issues relating to actual experiences</p>	<p>Program 1 – does not emphasise specific business skills but provides broad overview of points for consideration by small business intenders</p> <p>Program 2 – is not problem specific or industry specific, comprised of broad topic areas</p> <p>Program 3 – is practically oriented and covers topics specific to the participant’s perspective and experience</p>

While Task Force research did not cover other areas of TAFE and there is a need for better data in this regard, there is also a need to question whether best practice in program design and delivery is being applied across the TAFE system. Program evaluation and review is also a key issue (Coopers and Lybrand 1995b and c).

As well as delivering programs, TAFE colleges and private providers are also increasing their services as training consultants to enterprises. These consultancies can provide significant local expertise to small to medium enterprises in assisting them to identify their own management development strategies. This approach must be further strengthened.

From a national perspective, the TAFE system must perform effectively as the major provider of consultancy services and program delivery, aimed at raising the skills of Australia’s frontline managers, especially as it is the only system available throughout the entire nation.

To effectively perform this role, TAFE must have quality staff development and recruitment processes in place. TAFE colleges will need to retrain or recruit management practitioners skilled in developing and delivering state-of-the-art management programs and services. This must include effective application and recognition of prior learning principles.

One barrier to TAFE recruiting quality staff as industry consultants will be the limitations posed by federal industrial awards for TAFE staff and teachers, which presently do not reflect industry standards applicable to high performing managers.

The second challenge is to upgrade vocational education and training and business support

5.5. Challenge three: Harness the talents of diversity

5.5.1. How well do Australian managers cope with diversity?

The answer is, in general, not well.

The Task Force concludes that, while Australian managers show a growing awareness of diversity issues, these managers do not make managing a diverse workforce a priority.

During Task Force consultations and research, diversity issues, particularly as they related to women and cultural diversity, were raised repeatedly and have stimulated the greatest share of responses and discussion. It is impossible to ignore the depth of the problem presented, nor the pervasive managerial shortcomings and loss of resources which this issue reflects.

5.5.2. Women and the thickening glass ceiling

Despite the large influx of women entering the workforce since World War II, relatively little comparative progress appears to have been made in the number of women in management.

According to the International Labour Organisation, Australia has the lowest percentage of women in management in the industrialised world. Between 1975 and 1991, the nation also recorded a relatively low increase in the proportion of women in management positions. According to the ABS, women held 18 percent of management positions in 1975, 23 percent in 1986, 25 percent in 1991 and 26 percent in 1993. Most of these positions were in the lower levels of management.

“As with the Midgley Report, the representation of females in management positions is still low ... women managers tend to be concentrated in corporate and planning areas of organisations. The number of women who consider themselves to be senior executives remains very low.”

Task Force Research: Reark 1995a from a survey of 475 medium to large enterprises.

The Task Force found that little definitive national research exists, a fact which hampers clear identification and delineation of the issues.

One published study of 260 private sector organisations by Still, Guerin and Chia in 1984 and 1992 indicates the following composition of males and females employed in various management levels. The table suggests poor progress for women at senior levels over the time period.

**Exhibit 5.4: Management composition of participating organisations
(percentage of men and women employed at each management level)**

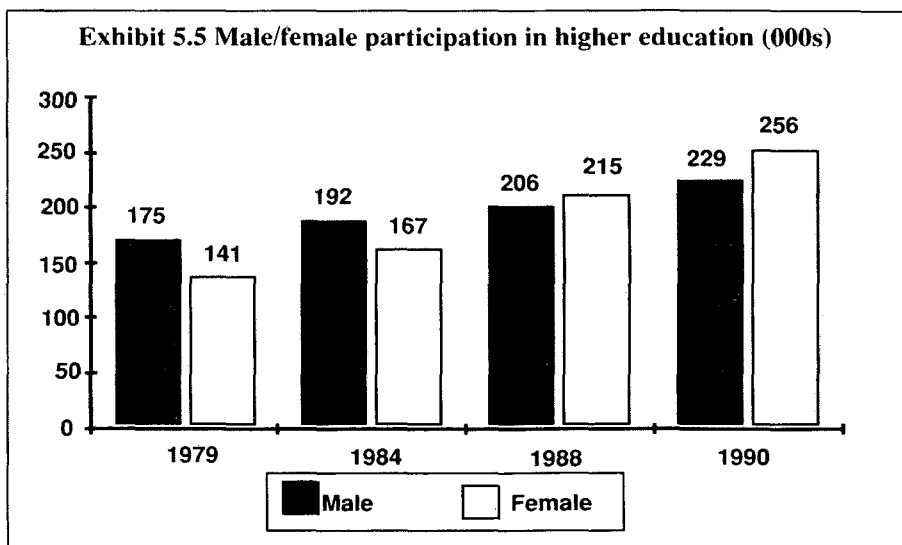
Management Level	1984		1992	
	Men	Women	Men	Women
Supervisors	32	58	35	61
Junior Managers	35	25	21	23
Middle Managers	22	15	34	15
Senior Managers	11	3	11	1
	100	100	100	100

Still et al 1992.

Most findings available and anecdotal reports to the Task Force from consultations suggest, overall, that the position of women in management in the private sector in Australia has not significantly progressed given the time and attention paid to the issue over the last decade and the existence of legislation. Most analysts are maintaining that the 'glass ceiling' is being lowered, making it difficult for more women to enter senior management levels.

Another interpretation of projected developments is more positive. Some Task Force research argues that organisations will come to grips with the demand to mix family and working lives and that women will be better accommodated within enterprises. It suggests that the sheer volume of women entering the workforce, the fact that women are generally better educated than men and general community expectations about the advancement of women through enterprise and organisational structures, should in the future positively alter the profile of women at senior levels (Boston Consulting Group 1995).

**Exhibit 5.5: Women are becoming better educated than men,
especially in relation to university qualifications.**



Source: BCG 1995

The Task Force has found that progressive companies are aware of these issues and are taking action to address them. Furthermore, the more far-sighted companies recognise the benefits of employing talented women and minorities. However, the Task Force also concludes that not enough appears to be happening across the board, and what is happening is not happening quickly enough to significantly improve Australian management performance in the next decade. This conclusion is supported by the extensive compilation and review of Task Force research and other studies conducted by Burton (1994).

The Task Force is of the strong view that there is an explicit challenge to influence circumstances so that women have genuinely equal access to management positions.

5.5.3. Why more women in management positions would improve managerial skills

The clearest argument in favour of this proposition is that ability is equally distributed between men and women. Not providing the opportunity for talented women to become middle and senior managers is therefore reducing the pool of knowledge, skills and abilities available to Australian enterprises. Many leading companies around the world, particularly in the United States of America, are not making the same mistake.

Another, more controversial argument is that the role of women in society has meant that many of them have already developed some of the soft skills that are critical for the future (Barrett cited in the University of Western Sydney 1995).

5.5.4. Women are in the race, but are cobbled by prevailing attitudes

According to Burton (1995), the key problems for women in corporations are:

- prevailing cultural values govern applications of the merit principle at least as much as actual performance. The merit principle is not being applied in the way anticipated under anti-discrimination law and its misapplication is wasting human resources;
- the low number of women managers is not seen universally as a problem;
- many senior managers do not know how to deal with newcomers who are outside their 'comfort zone', and this includes women in managerial positions;
- Australian managers have a strong attachment to 'traditional ways' based on mainstream thinking. This trend is reflected in management practices;
- women within organisations do not have equal access to development practices and credential-building experiences, including advanced management education and career enhancing assignments; and

- the existing culture encourages conformity in younger managers.

“It’s just easier to talk to a guy, even if you don’t know him, compared to a woman. Automatically, you think you and the other guy have things in common and you automatically think that you and the woman do not have (things) in common.”

Male employee, 1993, cited in Task Force Research: Burton 1995.

5.5.5. Slowly, slowly wins the race?

Affirmative action legislation has made some progress in improving women’s access to the workforce. But it has not made the progress anticipated when the legislation was originally developed and passed. In addition, the merit principle embodied in Human Rights and Equal Opportunity Act seems to be poorly understood and applied in the private sector.

Burton (1995) indicates that the merit principle is not being applied across the following areas:

- **selection** – selection criteria too often reflect the attributes which existing managers (predominantly male) regard as mirroring their own values;
- **performance review and competency assessments** – assessment criteria are vague and often determined solely by the individual responsible for assessment;
- **assessment of potential** – even if women score performance ratings equivalent to those of men, they are not rated equally on their potential;
- **opportunities to develop and demonstrate merit** – women are not frequently offered challenging and high risk work roles, including off-shore roles; and
- **recruitment** – executive search firms are failing to recruit outside their known and “attitudinal” pool of candidates.

Indications are that existing anti-discrimination measures indeed look to be likely to win the race, slowly. The question is whether these measures will assist the significant improvements required in management performance.

“If I were to have women in the executive suite here, it would feel like I was at work with either my mother or my wife.”

Executive male, Four Corners, ABC TV, October 13 1992.

5.5.6. Countering the myth of women, family and work incompatibility

Anecdotal evidence from Task Force consultations and research has revealed that the work-family relationship is frequently used to block the career advancement of women.

However, families themselves are clearly changing to meet the new patterns of social organisation. Men and women are increasingly making joint adjustments to meet new situation family situations. Organisations too are learning to adjust with sympathetic support structures to meet the interests of male and female staff.

Training schedules are increasingly changing to accommodate family interests. For example, because of career breaks, many women are coming more forcefully into career streams later in life. Furthermore, career break support systems are being developed to assist women in maintaining their skills and networks following family-related absences.

The Task Force believes that these sorts of adjustments, and changes to training and development systems in organisations, need to be supported and encouraged.

“The key point is that it is not a requirement of a successful career that you abandon your family. We do not want to go overboard on that. It is a challenge, but the point is to liberate all the talent of our people and cut away anything that stifles talent.”

Charles Bowman, BP Australia.

5.5.7. More women than men are establishing small businesses

According to the ESFC (1994), women are establishing small businesses, especially in the area of self and home employment, as much as three to four times faster than men.

This trend has also been noted in the United States and the United Kingdom. Task Force consultations, and anecdotal evidence from numbers of highly successful business women who left corporations, indicate that many women are joining the ranks of small business owners and operators because they have hit the glass ceiling in larger organisations.

The ESFC (1994) indicates that small businesses owned and operated by women tend to be more successful because women are more likely than men to seek advice and learn from others. Burton (1994) says that this especially applies to women who have higher education qualifications.

There is some evidence that women in small business still find it harder to get finance, and that they often experience more difficulty than men in establishing credibility with suppliers, bankers and others with whom they do business. The Task Force acknowledges, however, that the evidence is mixed.

“If a man and a woman walked into a bank asking for a loan for the same business idea, it would still be the man who walked out with the finance.”

National Director of a major business services organisation.

However, it is clear that women often have to juggle roles, particularly business and family roles, and often because of this constraint lack time to easily access business information, contacts and networks. Despite these barriers, women are clearly a vibrant force in SMEs, and would benefit from more attention than they have received from public and private business support programs.

5.5.8. Boardroom imbalance

“... most of the women now prominent in business are only there because of their husbands. There are almost no women available who have intrinsic merit for board appointment.”

**Comment by an Executive search consultant
during a Task Force consultation.**

Greater numbers of women on boards of directors is an important objective. The appointment of women to boards increases the talent and experience pool and sends a strong signal to senior enterprise management and the community that enterprises take the issue of women in management seriously.

Korn Ferry International (1994) found that:

- the representation of women on boards has not increased in the last three years and remains low. Women represent only three percent of all board members, one percent of executive directors and four percent of non-executive directors;
- while 18 percent of companies already had at least one woman director, only 16 percent of companies indicated an intent to appoint women to the board, should a vacancy occur;
- representation of women was strongest on government bodies (53 percent of which have a woman on the board), finance and investment companies (31 percent) and companies with over a billion dollars turnover or assets (35 and 33 percent);
- the Korn Ferry survey reports that representation of women on boards in Australia is similar to that of the United States in 1975. In the United States today, women are represented on the majority of boards.

Barriers to the entry of women to boards in Australia appear to include:

- poor awareness about the under-representation of women on boards;
- strongly held convictions that there are few women ‘qualified’ to hold board positions and that these women are difficult to find;
- stereotypes about women’s behaviour on boards.

Section II: The case for change

In a submission to the Task Force, the Chief Executive Women organisation provided the following list of changes which needs to be made in Australia if boards are to operate more effectively:

- boards need a variety of skills which reflect the separate missions and objectives of their companies;
- boards need to be relevant in terms of skills, issues and knowledge;
- boards need general management skills and knowledge as well as specialist expertise; and
- boards need to reflect the profiles and interests of shareholders, employees and consumers. They need a broader range of community and business interests in general, both women and men. They also need a multicultural influence.

The Task Force can find little logical reason to justify the low number of women represented on the boards of Australia's major enterprises and corporations. In the course of their enquiries, they have encountered energetic and high quality women ready, willing and able to contribute significantly to boards.

5.5.9. Cultural diversity

“A report released in June 1992 by the Victorian Migrant Skills and Qualifications Board ... reveals that potential gain in productivity arising from more effective use of migrant skills is about \$1 billion per annum.”

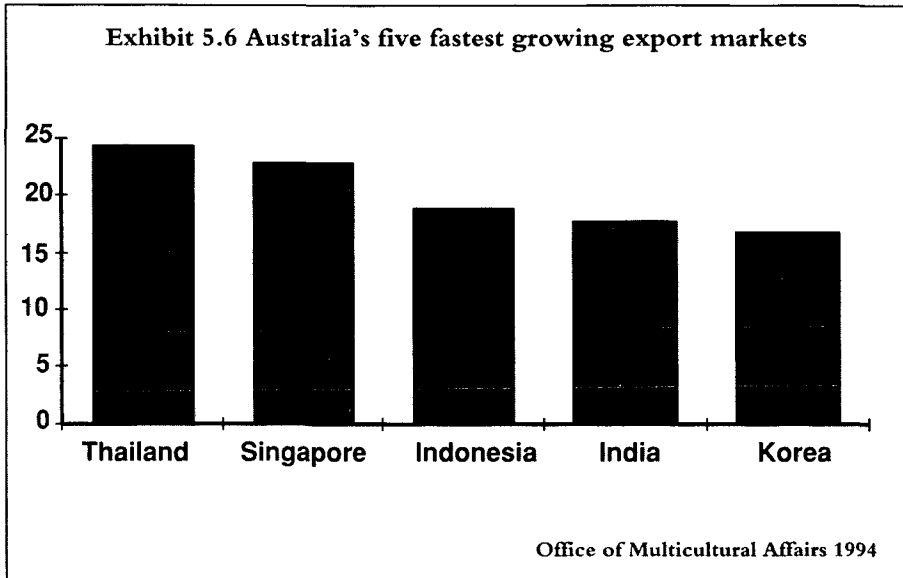
Task Force Research: Burton 1995.

In the 1950s, more than three quarters of Australia's exports were to English speaking countries. Today, nine out of ten of the nation's fastest growing export markets are non-English speaking.

Australia, too, has changed. It is now a multicultural nation, with our population characterised by:

- 160 different ethnic origins;
- more than 100 languages;
- almost 25 percent of the population (4,125,100) born overseas, more than half of these in non-English speaking countries; and
- 1.7 million Australians with one or both parents born in a non-English speaking country.

Australia's ethnic composition is still changing, with more people coming to the continent from Asia.



The Task Force believes strongly that the power of Australia's cultural diversity can be better capitalised on to enhance economic performance, especially in relation to Asia, where better understanding of diverse markets is intrinsically linked to Australia's ability to increase exports.

“The US workforce is more diverse than many of its competitor nations, and it is believed that the effective management of diversity is essential for competitiveness in the global marketplace.”
Cox and Smolinski cited in Task Force Research: Burton 1995.

5.5.10. Managing difference: the smarter local firm and the more productive workforce

Highlighting diversity and difference in management development and training has sound economic reasons.

The first is international trade. Ensuring that cultural diversity is managed well and is understood at home can be a valuable lever to developing a global perspective within an enterprise. It can also provide entry to overseas markets – especially in those cultures based on close family relationships – and provide a source of potential employees for overseas postings.

The second reason is to develop management skills which allow managers to effectively manage a culturally diverse workforce and ensure that the skills of all employees are most effectively and efficiently capitalised on.

The Task Force believes that multicultural impact should be a key consideration in all approaches to management development, because:

- there is considerable competitive advantage to be gained; and
- there is no economic sense in limiting the productive capacity of employees simply because little effort has been made to understand their backgrounds and talents.

Cox and Blake (cited in Burton 1995) claim that increased innovation, improved problem solving, attracting high quality staff and better marketing can result from successful management of cultural diversity in the workplace. In research undertaken for the Task Force, the University of Western Sydney (1995) endorses this view of cultural and ethnic diversity as a source of competitive advantage, noting, "... there is a central role for cultural entrepreneurialism to play in developing innovation".

Burton (1995) argues that the recent interest in developing generic competencies for managers is a key opportunity to ensure that managing cultural diversity is incorporated into the management curriculum and afforded mainstream attention and recognition.

The nation's enterprises, schools, universities and vocational education and training institutions also need to embrace the importance of managing cultural diversity when developing the skills of managers.

5.5.11. Management for Diversity

As previously indicated, Task Force consultations and research raised primarily the particular problems associated with poor gender management and secondarily poor multicultural management.

The Task Force is aware, however, that poor management in both these areas reflects the much broader problems of poor diversity management in general and an unnecessarily limited vision in capitalising on the talents of all individuals in organisations, whatever their personal characteristics.

To this end, the Task Force believes that a change from a closed to a diverse management culture is the key. This will have major impacts for women and multicultural employees. However, it will also open up opportunities for all individuals in organisations as well as help organisations to upgrade efficiency and creativity by utilising the skills of all employees.

The third challenge is to capitalise on the talents of diversity

5.6. Challenge four: Achieve best practice management development

There are two elements to the challenge of achieving best practice management development: firstly, setting out the broad areas of leadership and management competence which the Task Force has identified as needing improvement in Australia; secondly, the need for management development to be clearly driven by the enterprise itself rather than by the agendas of development providers or government.

5.6.1. Leadership and Competence

“In the 1990s, a good manager is a good leader.”

**International human resource manager cited in Task Force
Research: Barraclough & Co 1995.**

Definitions of leadership or the attributes of leaders are always controversial in business, politics and in the wider community.

To many managers and workers in enterprises, there appear to be common attributes which distinguish leaders – innovating, empowering, enabling, creating vision and developing structures which allow people to reach their full potential to the benefit of the enterprise.

Research conducted for the Task Force by Reark (1994a) asked groups of Australian managers about leadership. There was considerable discussion about the difference between leadership and management. According to these managers:

- *Leadership is about people.* It involves providing strategic direction, identifying a competitive edge and motivating and empowering employees to deliver on the promise of the business.
- *Management is seen to be about resources.* It is seen to be concerned about the allocation and distribution of material and human resources to support the strategic direction of the business. There is wide acknowledgment that the management role is not viable by itself, without leadership, in Australia’s competitive environment.

Leadership has also been the subject of extensive scientific research over many decades. This research suggests that leadership is a much more complex area than the popular view would have it. Moreover, the degree to which particular leadership attributes can be identified in all leaders varies from individual to individual and from situation to situation. Some of these attributes may be more important in some enterprises and some situations, but of little worth in others. Leading scholars of leadership have therefore turned away from earlier emphases on leadership traits and charismatic leadership to more complex models of the leadership behaviours appropriate to specific situations. According to Craig and Yetton (1994), the latter research argues, “... that not only do the

behaviours required vary from situation to situation, but also that one person in a particular managerial role will vary their behaviour from situation to situation that they face, often many times within the course of a day.”

Furthermore, although some writers on leadership make considerable efforts to distinguish between leaders and managers, the sharp distinction appears more contrived than real. The conclusion from research is that most managers show some leadership skills at times, whilst most leaders find themselves also managing at times. Yukl (1989) concluded that the main distinction in the literature seems to be that leaders influence commitment whereas managers simply carry out position responsibilities and exercise authority. Yukl also contends that there are no gains to be had from attempting to resolve the controversy over the nature of leadership. He suggests (1989b) a broad definition of leadership to include influencing task objectives and strategies, group maintenance and identification and influencing the culture of an organisation.

‘A stronger objection to the notion of a Nobel prize for business is that commerce is by nature a collective activity, which makes it hard to single out the great and deserving individual. For selfish reasons of its own, much business journalism naturally fosters the opposite impression. Many a chief executive has been splashed on a magazine cover, pronounced a hero or denounced as a goat. This is despite the fact that a lot of business endeavor is clearly more bureaucratic than charismatic, entailing the methodical chiselling of margins and the patient accretion of market share. A lot of it is, frankly, rather dull. Few people could name the bosses of, say, Procter & Gamble or Unilever. Yet these purveyors of floor polishes and detergents are among the most successful companies in the world.’

The Economist, October 15 1994.

Consideration of these issues by the Task Force has led it to believe that very little can be added to the already crowded debate on leadership by the Task Force defining what it believes constitutes leadership. The Task Force favours a broad definition such as that provided by Yukl. From consultations and research, the Task Force has also concluded that the distinction between managers and leaders is increasingly irrelevant, especially in the context of downsizing and flattening organisational structures. The more pertinent questions centre around the broad areas of competence that managers in the new structures require, including those competencies which relate to motivating their employees to achieve enterprise goals.

5.6.2. Ideal managers for the Asia-Pacific Century

Task Force researchers asked a sample of Australian management experts about the attributes of the 'ideal' manager. The views of these experts are outlined in Exhibit 5.8.

Exhibit 5.8 Characteristics of the ideal manager

'People Skills'	75%
Strategic Thinker	58%
Visionary	52%
Flexible and Adaptable to Change	50%
Self Management	33%
Team Player	32%
Ability to Solve Complex Problems and Make Decisions	25%
Ethical/High Personal Standards	23%

Task Force Research: Barraclough & Co 1995.

The Boston Consulting Group synthesised the work of leading management thinkers on the skill requirements of the next century for the Task Force. They also sought the views of leading Australian chief executive officers. These researchers reached the following conclusions as to the broad areas which would benefit from improvement.

- **People skills.** Flatter corporate structures, devolved decision-making and better educated workers demand that managers recognise expertise in employees and channel it into innovation and producing competitive goods and services. People skills, as highlighted by the Boston Consulting Group, are going to be integral to the capacity of enterprises to innovate and change.
- **Leadership skills.** Notably, these include self-management (including understanding your own impact upon others) and strategic skills emphasising long term perspectives.
- **International orientation.** Australia's managers need to be fully aware of the commercial opportunities presented by different countries, particularly in Asia. This awareness must not only be confined to senior managers, but is also important for middle and frontline management.
- **Entrepreneurship.** As discussed under the need for a positive enterprise culture, the ability to proactively identify and address opportunities will be required across all levels of management.

With respect to people and leadership skills the Center for Creative Leadership in the United States of America, a world leader in management development, has also identified a similar set of competencies. They include:

- interpersonal relations;
- systems – structure and culture;
- trade offs – trying to get all conflicts in the open;

- flexibility – responding creatively to situations; and
- coping – how to maintain equilibrium.

The Center has concluded – and this is supported by Task Force research and consultations – that dealing effectively with interpersonal relationships is critical for enterprise success.

“The next century is going to be a time when the successful manager is a thinker and a risk-taker, not a bureaucrat.”

Business Week, December 12 1994.

Three additional areas are also identified as critical for the future by other Task Force researchers:

- more effective handling of the transition from specialist to manager (Callan 1995);
- better skills for building relationships between organisations (University of Western Sydney 1995); and
- the management of diversity (Burton 1995).

The evidence presented in Chapter 3 in the section entitled *How do Australia’s managers compare with others* indicates that Australian managers are weak in many of these areas of competence – especially in comparison to the skills of the managers of our major competitors.

“Some management competencies required at a leading multinational company:

- **leads change – strategic vision, initiates and energises and leadership in uncertainty;**
- **builds best teams – shapes the organisation; creates successful teams recognising diversity; motivates and develops;**
- **shapes performance – defines and clarifies, inspires, moulds, improves and coaches.”**

BP Project 1990.

5.6.3. An enterprise focus for management competencies

On the basis of their consultations and overseas study tour, the Task Force’s Management Skills in Australian Industry Sub-Committee considers that management competencies are a significant tool for enterprise management development and for use in selection, appraisal, career development, succession planning and so on.

In addition, the Sub-Committee has identified areas in which many Australian managers need to improve their skills, most notably people skills and longer-term strategic perspectives. These findings are supported by several research studies undertaken for the Task Force. However, the Task Force does not think it would be appropriate to be more

prescriptive as to what form these competencies might take in specific industries and enterprises, nor to suggest what priorities might be placed across the various areas by any particular enterprise. Enterprises differ markedly in their skill needs according to their size, industry and goals. While some competencies may be generic to a wide range of situations, many are not or are expressed in quite different ways in different situations.

Indeed, the Task Force has concluded that target competencies are most useful to enterprise management development when they are:

- determined by current and emerging business requirements;
- based on successful management performance in the relevant context;
- designed to be simple and easy to use;
- associated with equally important key technical competencies;
- enterprise-focused and tailor-made to suit enterprise need; and
- developmentally oriented.

Above all, the challenge for enterprises is to develop better leaders and managers through a clearer focus on the competencies their business strategies require. Specifying competencies is therefore not a role for government but should be driven by the enterprises themselves.

5.6.4. Enterprise driven management development

5.6.4.1. What is management development?

From its earliest meetings, the Task Force accepted that management development should be seen from a broad perspective as all those formal and informal learning experiences which can potentially improve a manager's skills and her or his performance. A key aspect of the Task Force's deliberations has been the extent to which managers learn in the workplace through their work role and their work relationships.

Management Development

“The total, continuous learning process through which managers develop their competence. This encompasses learning through a variety of formal and informal, structured and unstructured experiences, including:

- **courses offered in enterprise and industry training programs offered by private providers, TAFE and higher education institutions;**
- **co-operative education programs;**
- **work experience (on-the-job);**
- **higher-level managers and peers; and**
- **self development.”**

Australian Mission on Management Skills 1990.

Work-based learning is increasingly perceived by leading enterprises and writers as the key to enhancing managerial competence. Work-based learning is also defined broadly to encompass formal and informal and both on-and off-the-job learning experiences. The goal of any management development plan should be to explicitly connect these learning experiences to the manager's current and future job roles and through this to his or her enterprise's business strategy.

5.6.4.2. Learning from work experience – overseas research

The Center for Creative Leadership has identified a number of key development experiences or events that derive from work experience. These events include stabilising failing operations, working on projects, switching from line to staff and vice versa, confronting subordinates with performance problems, working for outstandingly good or bad bosses, personal crises, and so forth. The essence of all these key events is that they provide an opportunity to learn.

“... the CCL's view is that different events experienced by managers teach different lessons and that a primary source of learning is from challenging job assignments. When a new assignment forces a manager to learn new skills, then that learning becomes a productive experience. The key issue is challenge. An important distinction is made between:

- **learning after an experience; and**
- **changing course during an experience.**

“Learning to learn is very much about the second course of action. Managers who behave in this way have literally ‘learned how to learn’ from experience.”

Overseas study tour of the Management Skills Sub-Committee

A worldwide study of chief executive officers was conducted by Columbia University and Korn/Ferry International (Raskas and Hambrick 1992). Asked to describe the ideal preparation for their successors in the year 2000, more than 69 percent of respondents rated ‘experience in multiple functions’ as important for the future leaders of their firms’. Of course, enterprises which pursue this type of multi-function learning face a dilemma as to how to develop broad, flexible managers while, at the same time, making sure that managerial deployment meets business requirements. Simultaneously, managing the current business well and implementing development plans which meet the longer-term needs of the individual and the enterprise, requires a high degree of commitment and expertise within the enterprise.

5.6.4.3. Learning from work experience – local research

As part of the Task Force research program, Telechy (1995) asked a sample of Australian managers to reflect on how they acquired managerial skills and knowledge. Their results suggest that there are many ways of developing management skills and that work experience plays a significant part. Telechy also noted that, when these managers were asked to postulate an ideal management development environment, they gave all the four major pathways relatively equal importance, that is:

- learning from the work role;
- learning from training and development;
- learning from work relationships; and
- learning from formal management education.

Exhibit 5.9: How Australian managers acquire their skills

Learning Pathway	Current Management	Job
People worked with daily	82%	
Boss/coach		68%
Mentor/adviser		53%
Role models/experts	38%	
Normal day-to-day challenges	79%	
Unexpected challenges		72%
Management training	42%	
Tertiary study in management	35%	

Figure shows percentage of respondents rating specified learning pathways as important or extremely important.

Task Force Research: Telechy 1995.

5.6.5. What is best practice management development?

If the key to effective management development is a wide range of learning experiences then it is relevant to ask how enterprises might best provide the right development environment. Best practice and the benchmarks created to achieve it can provide enterprises with insights into how they can better develop, produce and deliver their products and services. It can also give them goals for which to aim to meet these high standards.

Ivanoff and Prentice (1994) have constructed a definition of best practice management development which has been elaborated by the Task Force as follows:

‘Enterprise best practice management development is a comprehensive, systemic and cooperative enterprise approach to the continuous improvement of all managers. It recognises the importance of equity and diversity in the selection and promotion of managers. It is the way best practice enterprises plan and organise their management training, education and development practices to provide a rich source of learning opportunities for all managers. Using the best practice approach, managers acquire the leadership and management skills needed to deliver world class standards of enterprise performance in quality, customer service, flexibility, timeliness, innovation, cost and competitiveness.’

Task Force.

Best practice in management development is a means for moving towards the ‘learning organisation’ and a process of continuous improvement. The new mindset for management development requires far more focus on continuous improvement by all managers. Work experience plays a critical role in this process. However, learning from all sources needs to be highly valued and carefully planned. As a manager seeks to continuously strengthen her or his skills across careers, some sources of learning will become more important than others.

For example, a relatively new manager may decide to complete a postgraduate qualification in management; an experienced senior executive may consider developing a close relationship with an external mentor, perhaps a former chief executive or member of a board of directors; a manager making the transition from a specialist, professional or technical role into a management role may require in depth coaching and counselling from his or her immediate manager; a frontline manager may need support from her or his peers; coaching from above; mentoring; and a tailored training program. Learning from a challenging work role underpins learning from all these sources.

During its consultations and study tours overseas, the Task Force discovered that best practice enterprises command the flexibility to more quickly respond to customer demands and are acutely aware of the benefits of customisation. This awareness is helping these organisations to better serve their customers, maximise their business opportunities and improve their financial bottom line and longer term viability. Best practice management development enhances and supports these outcomes. It is discussed further in Chapter Ten.

5.6.6. People and quality

Over the past decade, there has been an increasing emphasis on quality certification amongst Australian enterprises. While quality certification is, in itself, an important step towards achieving a quality culture in enterprises, it may be the only step taken by enterprises which lack clear human resource strategies. The Task force is of the view that

Section II: The case for change

enterprises are only able to sustain continuous improvement if they are able to maximise the contribution of all employees within the organisation – particularly those on the shop floor or at the interface with customers.

Organisations which empower employees and equip their first line managers to coach, facilitate, mentor and lead, will have a much better chance of tapping the abilities and commitment of their staff. The commitment to quality by an enterprise is therefore a powerful lever for improving management performance. It requires managers to draw on the skills and resources of employees and recognise staff as a major competitive advantage.

This was a major theme of a paper presented by Bruce Hartnet, Group Employee Relations Manager of the National Australia Bank, on returning from a Fullbright Scholarship in 1993. From his observations of US and Australian companies Mr Hartnet reached the following conclusions:

- quality is an obsession with major US companies, fuelled by intense domestic and international competition;
- quality programs must be integrated with human resource policies to be successful;
- in pursuit of quality, unionised companies are forging an alliance with organised labour; and
- similar trends are evident in companies participating in the Australian Best Practice Program.

From its consultations and overseas visits the Task Force has reached a similar view. Commitment to quality and the necessary human resource development to support this commitment are key elements of an enterprise's competitiveness. This link is widely recognised overseas. Locally, the Australian Quality Council has also recognised the need to promote a greater link between quality and people with the launch of the Quality Committed Enterprise Concept.

GM Saturn Corporation.

General Motors established the Saturn Corporation as an experiment in implementing new forms of organisation and work arrangements. The focus is on quality, skills development and leadership – elements seen as critical to regaining world competitiveness for the American car manufacturer. The Saturn Corporation has been highly successful in its operations to date.

A commitment to quality and the management skills necessary to achieve quality through the work of others are fundamental aspects of best practice management development in many leading organisations. In this regard, the skills of frontline managers are key to implementing quality improvements in many enterprises.

5.6.7. Do Australian enterprises and managers use best practice management development?

In the main, no. Task Force consultations, analysis and research findings indicate that, while there are beacons of best practice management development in Australia, overall performance is weak across large, medium and smaller enterprises. Indeed, the Task Force's research program provides ample evidence that Australian enterprises and managers are failing in six critical areas, namely:

- low levels of education and training undertaken;
- over-reliance on short courses;
- over-emphasis on current rather than future skills;
- failure to handle the transitions from specialist to manager;
- failure to link management development to strategic direction; and
- failing to evaluate the effectiveness of management development activities.

5.6.7.1. Low levels of education and training undertaken

Evidence has already been presented that, in comparison to other countries, Australian managers have low levels of tertiary education, let alone management education (Rand 1995). These levels are lowest in the small business sector, where it is also thought that little management training occurs post high school or TAFE certificate (BIE 1991).

In the medium to large enterprise sector, the situation is better both in terms of tertiary education and training. Indeed, it is in this sector that most examples of best practice are found. However, overall the average manager in enterprises with more than 50 employees spends between five days per year for a junior manager and eight days per year for an executive in post-degree or certificate management training (Midgley & Co 1995a). It is admittedly hard to obtain comparable international benchmarks, but the data from the better Australian companies and anecdotal evidence from overseas suggests that best practice is closer to double this level.

Moreover, there is little evidence that other forms of management development are used to complement formal training. The study by Reark (1995) concludes that Australian enterprises have low levels of confidence and familiarity with newer methods of development (eg mentoring). These same researchers also conclude that there was, "... a significant level of either suspicion, unease or dissatisfaction (or perhaps a combination of all three) with more formal management education (especially amongst line managers)".

5.6.8. Over-reliance on short courses

Globally, the most common form of management development is the short course of a few days duration, offered publicly by an external provider (Rand 1995). These short courses have the virtue of being inexpensive compared with more customised training and of being topical. However, the goals of the provider are at best only loosely related

to those of specific enterprises. Rand (1995) reports that, while external short courses are likely to remain the most popular method for many medium and some large organisations, those enterprises with greater resources and more commitment to development will likely move into customised in-company training programs. In Australia, short external courses are also the most prevalent approach (Midgley 1990; Reark 1995a), although in-company programs are rising in popularity (Reark 1995a).

5.6.9. Over-emphasis on current rather than future skills

Both the Task Force's consultations and research suggest that the training undertaken by managers mostly relates to their current job role and is often functional in nature. While it is undoubtedly appropriate that most training concerns the present role, there is a question of the balance between this and future skills. There are also questions as to the balance between narrow functional skills and broader, more strategic skills.

“The results of this survey suggest a business environment in which dramatic change is being anticipated and accommodated with varying degrees of success. While there is wide acknowledgment that coping with change will be the number one future priority, the topics being undertaken as part of management education, training and development seem to be preparing managers to deal with the status quo, rather than with dramatic change. There is a tendency to focus on the safe, better known areas of training such as technical training and team building. More strategic areas of training such as strategic planning and balancing risk and reward in decision making are less commonly undertaken and are mainly the preserve of the executive level of management.”

Task Force Research: Reark 1995a.

5.6.10. Failure to handle the transition from specialist to manager

Research conducted for the Task Force by Callan Consulting (1995) highlights a major area of weakness in the way Australian enterprises and educational institutions handle the transition from specialist to manager. Most managers in Australia commence their careers not as managers but as technical or functional specialists (accountants, engineers, marketing specialists, etc) who primarily manage themselves rather than others. At some point they are given the responsibility of managing others and, as writers such as Hill (1992) have noted, this involves not only learning new cognitive skills but also a profound change of values. Callan contends that not only do educational institutions fail to prepare potential managers for this transformation but that most enterprises also adopt a 'sink or swim' attitude to the problem. Best practice enterprises around the globe adopt a more supportive and enlightened approach to this critical event in the development of effective managers.

5.6.11. Failure to link management development to strategic direction

Despite the clear limitations of Australian management, and in stark contrast to global trends, Task Force research and feedback from industry indicates that management development is not perceived as a major strategic issue by Australian enterprises.

“CEOs, management consultants, OD/training consultants and human resources practitioners reported that management development was not seen by senior managers as a strategic issue, with responsibility often resting with the human resources department.”

Task Force Research: Barraclough & Co 1995.

During Task Force consultations, one chief executive reported that approaches to management development are short-term and focus on “trivial product training”, because of a, “... reluctance to invest in the long-term”. Similarly, in their large-scale survey, Rearth (1995a) found that most organisations fail to include management skills and development programs in their strategic plans. Of perhaps greater concern was that the majority of the managers they surveyed consider that their organisation’s management development priorities only support their strategic plans to some or a moderate extent. Only 37 percent of managers consider that there is a supportive relationship between management development and strategic direction.

Exhibit 5.10 Content of strategic plans

Area	Percentage containing
Vision or mission statement	82
Financial objectives	85
Budgets	73
Comparison of alternative strategies	25
Strategic management competencies	29
Management development programs	25

Task Force Research: Rearth 1995a.

5.6.12. Failing to evaluate the effectiveness of management development activities

If enterprises adopted a continuous improvement philosophy to management development, one element of this would be the need to evaluate the effectiveness of various development methods on a regular and systematic basis. As Competitive Impact (1995) report, there is little evidence of this occurring in all but a few leading Australian enterprises. Most rely on

the self-reports of managers attending external programs or on end-of-course satisfaction surveys for in-house programs. Training providers also rely on satisfaction surveys – although in the TAFE system Coopers & Lybrand suggest that many such surveys are not effectively utilised to modify delivery (1995b).

Few organisations have attempted to measure learning outcomes, performance changes or impact on the bottom-line of the enterprise.

5.6.12.1. Other failings

Comparing the existing practices of Australian medium and large enterprises with the best practice advocated by the *Australian Mission on Management Skills*, Reark (1995a) reached the following conclusions.

- **International orientation.** Companies are just beginning to think about international business and the resulting implications for management education, training and development;
- **Role of the frontline manager.** The frontline manager appears to be almost forgotten when management education, training and development plans are being formulated. What training they get is not oriented to future needs or to stretching their capability; and
- **Emerging use of training to widen skills as opposed to promotion.** Managers in the focus groups did say that training opportunities were increasingly being used to widen the scope of individual jobs rather than for promotion. This appeared to be happening more because of the lack of promotional opportunities in a recessed economy than as a deliberate strategy.

“There is a recognition amongst the survey sample of the importance and value of on-the-job development and learning. There is less awareness of this being planned and strategic. Rather, the current focus of on-the-job learning appears to be more on short-term goals and outcomes to meet current job requirements ... If we assume a retirement age of 60, it is possible that some individuals will be fulfilling managerial roles for in excess of thirty years of their working life. More than 90% of this time will be spent on-the-job. Only a relatively small amount of this time will be spent in formal management training activity ... Increasingly, this on-the-job learning needs to become part of an integrated program of development negotiated between the individual and the organisation, involving stepped goals and feedback on progress against these goals.

“This ideal appears to be far from current practice as indicated by responses to the Stock-Take Survey”.

Task Force Research: Reark 1995a.

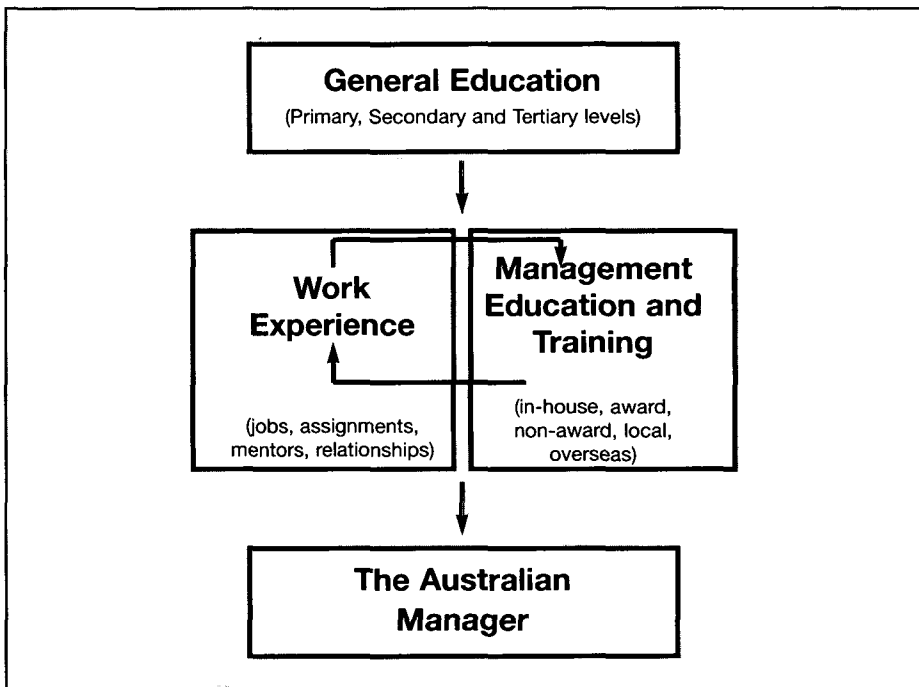
5.6.13. Why the management development system is failing us

5.6.13.1. System failure at individual level.

Managers who take no interest in and responsibility for their own learning and development cannot expect management development to build their skills and enhance their performance. Training, education and development cannot be imposed on a manager. If it is, then the benefits are likely to be marginal. In the past, the way training and development has been structured has helped to remove responsibility from individual managers for their own learning and development. Management training and development has been largely course or program based, designed by either internal or external trainers and educators. It was provider led training and not learner driven, learner centered and enterprise owned.

Some management trainers and educators today still use short courses as the primary source of learning for managers. There are still many managers who take little responsibility for their own learning and adopt a menu driven approach to selecting any course that seems to be relevant to their needs at the time.

Exhibit 5.11 The Management Development System.



Task Force Research: Barraclough and Co 1995.

There are many reasons why managers do not take responsibility for their own learning and development. Managers who do not care about their development clearly place little value either on learning or on continuous improvement. They do not understand how they learn, or what their particular learning style is. They do not learn as much as they can from their daily work experiences.

Reasons why managers do not take responsibility for their own development

1. **Management development is not really my responsibility
– it's the responsibility of trainers and educators**
2. **I'm too busy to think about it and to get involved**
3. **I've been on programs with little payoff**
4. **Courses are always available somewhere if I need them**
5. **I've learned enough already from the 'school of hard knocks'**

Task Force Analysis.

But the Task Force believes that in leading enterprises there is mounting pressure on managers to take increased responsibility for their own development. This pressure stems from a number of sources:

- enterprises increasingly require enhanced management skills;
- enterprises are becoming more strongly committed to helping managers improve their skills for a variety of future career possibilities;
- enterprises are making it clear that learning and self development is a partnership between the firm and the manager;
- individuals are no longer guaranteed a clear career path within one organisation; and
- individuals are increasingly planning careers spanning organisations and industries.

5.6.14. System failure at enterprise level.

“Our conclusion would have to be that, at this point in time, Australian business is not fully aware or convinced of the critical importance of management education, training and development and life-long learning or its potential to improve competitiveness of businesses ... It is only when business leaders in sufficient numbers have been exposed to enough information which they perceive as credible and start to believe in the benefits of planned, strategic management education, training and development that actual business practice will change.”

Task Force Research: Reark 1995a.

There are many reasons why an enterprise may place little value on management development.

Reasons why enterprises place little value on development

- 1. No understanding at board level about the importance of management quality for future enterprise performance**
- 2. No support for management development by chief and senior executives**
- 3. No focus in strategic and business plans on management quality as a critical success factor**
- 4. No understanding at senior executive level about current and emerging skill gaps and the implications of these gaps for delivering required business performance**
- 5. No coherent management development strategy**
- 6. No significant results for past investment in management development**
- 7. No management development experts with strategic and business skills**

Task Force Analysis.

5.6.15. The need for enterprise driven management development

As indicated, Task Force research and consultations in Australia and overseas suggest that there is failure in the management development system, although there is evidence that this failure is slowly being addressed. A small but increasing number of enterprises have accepted that management development is a strategic tool for enhancing their competitiveness. However, the management development agenda is still dominated by the providers, whether they are human resource departments, training institutions or university management schools.

This 'provider driven' approach to management development has resulted in a fixation with a smorgasbord of management training and education courses which are seen by enterprises as having decreasing relevance to their needs. But there are some signs that the market is re-balancing towards enterprise driven management development or, to use the theme of the 1994 European Foundation for Management Development International Conference, 'business driven management development'.

Management development that is enterprise or business driven derives from strategic or corporate plans and can be traced directly to these plans. This strategic context for management development is the pivotal difference between business driven and provider led management development. In the latter case, management development happens in an ad hoc and unsystematic way with providers largely setting the agenda.

Section II: The case for change

Business or enterprise driven management development leads to a range of development practices and programs designed to contribute directly to the enhancement of key management skills and competencies. These practices provide relevant management development with a greater focus on transfer of training and on performance improvement and reflect organisational values and help build new enterprise cultures.

One manifestation of increasing commitment to enterprise driven management development is increase demand for customised training courses and education programs. Providers who tailor make management development programs for client companies and enterprises have seen a significant increase in business in recent years. This focus on collaborative design of management training and education programs appears to be increasing rapidly. Although there is no firm data available to underline this trend, individual providers acknowledge it.

For example, one well known national provider has, during the last five years alone, increased its revenue for customised programs from a zero base to 40 percent of gross annual revenue. Other providers report a similar shift away from menu driven courses and programs to tailor made, customised alternatives. This shift appears to have gathered momentum in 1995.

The best known example of 'Business Driven' management development in Australia is the Melbourne-based Leadership Consortium which eschews outside providers completely and uses its own resources to design and deliver twelve Executive Development Programs each year. The Consortium comprises ten leading 'blue chip' companies and they describe their approach as follows:

"The work of the Consortium stands apart from the usual tertiary and private management courses currently available, as it is led by business to meet business identified business needs. The quality of its membership combined with the emphasis on professional, value added networking and the pre-eminence of outside parties involved to work for the Consortium provide the competitive edge of The Leadership Consortium."

The Leadership Consortium 1994.

5.6.16. The particular focus is the frontline manager

At a national level, the Task Force has identified frontline managers (the old supervisors) as its major concern. Frontline managers are numerically the largest category of managers, they have the most immediate impact on the productivity and quality output of the

workforce, and evidence would suggest that the majority of them are not being prepared for the challenges of the Asia-Pacific Century. The major recommendations of the Task Force on achieving best practice management development at the national level relate to the frontline manager.

The fourth challenge is to achieve best practice management development.

5.7. Challenge five: Reform management education

In Chapter Two, we set out the change from the old paradigm of management to the new and the challenges that this change presents to enterprises worldwide. Just as enterprises are facing these challenges, so to are the public and private providers of formal management education. From extensive consultations and research, the Task Force has concluded that, while formal education has a good foundation which is meeting the needs of many parts of the community, more needs to be done to make sure it makes a better contribution to developing the nation's managers and business leaders. Of particular concern to the Task Force is whether the management education sector is adequately addressing:

- educating for the new paradigm of management;
 - the increasing importance of the leadership and people skills required of the new manager; and
 - internationalisation,
- diversity;
- links to industry and enterprises; and
- delivering world class programs.

5.7.1. Definition of the management education sector

The Task Force defines the management education sector to include all the postgraduate, undergraduate and TAFE programs which are solely concerned with the topic of management or which have a significant component of management within them. As TAFE is the primary focus of challenge two, most comments in this section relate to university level management education.

Universities and their undergraduate and postgraduate schools of business, commerce and management offer a wide variety of programs delivered in many different ways. Degrees in management can be specialised (eg, Bachelor of Commerce in Accounting) or generalist (eg, MBA). The MBA itself now comes in more than one form – with the recent growth of Executive MBA programs for practising managers. Both undergraduate and postgraduate management degrees can be studied part-time or full-time and either in the classroom or by various forms of distance and open learning. Lastly, but of significance, are the large number and variety of short, non-award seminars and programs targeted at executives and of one day to a few weeks duration.

The diversity of the sector is one of its strengths and one which the Task Force wishes to preserve and foster.

While it is difficult to get exact numbers of students for the various programs (because of the way the statistics are collected), there are approximately 13,000 individuals undertaking higher degree studies which are solely concerned with business and

economics; 108,000 undertaking undergraduate studies in business and economics; and some 273,000 individuals undertaking TAFE programs in business studies (Monash University 1995). Statistics for those students undertaking programs which have a management component are difficult to obtain. The TAFE statistic of 273,000 students also has to be qualified because it perhaps covers a wider range of programs than the university figure. TAFE business studies programs range from the clerical level to diplomas in management.

By 1998, these numbers of students are projected to rise to 23,000 for higher degrees, 123,000 for undergraduate degrees and 348,000 for TAFE programs (Monash University 1995). These numbers are increasing significantly. However, when they are set against a projected number of 977,000 managers, they indicate that the proportion of Australian managers with tertiary qualifications will still be low at the end of the century. DEET (1991) reached a similar conclusion. Most managers will still only have TAFE qualifications.

It is important to realise that the relative magnitudes of these numbers (fifteen TAFE: five undergraduate: one postgraduate by 1998) may or may not reflect the economic impact of educated managers. The university sector primarily supplies corporate and professional organisations and medium to large companies, whilst the TAFE sector has a significant proportion of its students going into other areas of the economy and smaller enterprises.

Two other areas of education are worthy of note. Firstly, whilst not explicitly mentioned in its Terms of Reference, over the course of its consultations and research the Task Force has come to recognise the role of school education in laying the foundation for managerial careers. The various state and private school systems have a critical part to play, especially in fostering the values of an enterprise culture but also in teaching self-management and interpersonal skills. Secondly, many managers come to their vocation after studying another discipline at university, and perhaps after working in this specialist area for some years. The Task Force has found it interesting to observe that, around the globe, many senior executives and policy-makers are urging governments to pay more attention to the quality and breadth of general education rather than specialisms (Rand 1995). These individuals believe that a broad general education is critical to dealing with the challenges of globalisation and technological change.

5.7.2. Educating for the new paradigm of management

From their consultations and research, the Task Force has concluded that much more attention needs to be given to the management skills of the future in both the design of program content and the teaching methods employed by management educators. While some providers have begun to address these issues, many have not. Three areas are of particular concern here: the so-called 'soft-skills', internationalisation and cross-functional integration.

Section II: The case for change

In their major survey of high school, undergraduate and postgraduate students Reark (1995b) found that the students themselves place a high premium on people skills but educational institutions do not. They conclude, "... students were very aware that they were not acquiring the 'people skills' in their course of study which are considered vital in the management role." Reark also raise the issue of whether the current culture of educational institutions is conducive to fostering the new skills, concluding "... the competitive atmosphere which prevails at all levels mitigates against developing these skills. This was as true for high school students who were worried about Higher School Certificate results as it was for MBA students. There was a somewhat more collegiate spirit expressed by tertiary (undergraduate) students, and especially by non-commerce students."

Since it is doubtful that people skills can be learned entirely in the traditional class-room, the following quote from another Task Force research team is also appropriate: "Many programs, and perhaps particularly the more established of them, seem to rely mainly on the familiar educational technologies: the classroom; the lecture, seminar and tutorial; the assignment and examination; and books and research." (Ashenden and Milligan 1995) While this particular research study focused on the post-graduate sector, on the basis of its consultations the Task Force considers the criticism would apply more broadly.

While some management schools have begun to address the internationalisation of the Australian economy, the Task Force believes much more can be done across the sector. Too few management schools have infused their curricula with international examples and materials, nor have sufficiently strong links been built to Australian companies operating in the Asia-Pacific region.

The Task Force believes the following quote would be equally applicable to Australia:

'The curricula of business schools have recently concentrated far much more on the building of elegant, abstract models that seek to unify the world economic system than on the development of frameworks to help students understand the messy, concrete reality of international business. Yet this reality seems certain to prevail in a world in which tomorrow's problems are much more difficult to predict, with the only certainty being that they will be different from today's problems.'

Graduate Management Admissions Council UK 1991.

The Task Force also has concerns about the compartmentalisation of education into narrow disciplines, an observation which is particularly relevant for undergraduate degrees (eg, Bachelor of Commerce in Accounting) but also applies to TAFE certificates

and some postgraduate degrees. While it is true that all managers need a body of specialist knowledge they also need an appreciation of the enterprise as a whole and some skills at integrating information across management functions. Ashenden and Milligan (1995a) also observe that some programs have so many specialised subjects that it is doubtful students can integrate what they learn. In the United States of America, the strong disciplinary focus of universities has become to be seen by some experts as a major barrier to improved management education (AACSB, personal communication).

5.7.3. Diversity – women in management education

Although the number of female students in management education is on the rise, only in TAFE business courses do women represent a majority. At the postgraduate level, the proportion of women undertaking masters by coursework degrees has risen modestly from 25 percent in 1988 to 29 percent in 1993. At the undergraduate level, the proportion undertaking bachelors degrees has risen more markedly over the same period, from 38 percent to 46 percent. The proportion of women undertaking studies at TAFE has remained stable at 60 percent with many of these women enrolled in clerical secretarial programs. All these statistics should be set against the proportion of managers who are female – which has remained static at around 26 percent for several years.

The Task Force believes that increasing enrolments in these areas is encouraging, and this trend should be actively encouraged across the board, particularly in postgraduate professional courses such as MBAs and the broad range of management streams, including finance and production. Ultimately, increasing female enrolments in tertiary studies should flow through to the proportion of female managers. However, there are steps which can be taken to speed up the rate at which women enter management education.

In their *Good Universities Guide to Management Education*, published jointly with the Task Force, Ashenden and Milligan (1994) identified a number of barriers which women face when pursuing management education in the tertiary sector. These include:

- baseless misconceptions about who should study what;
- most tertiary teachers are male;
- courses often do not relate to the experiences or interests of women;
- institutions can be insensitive to the family demands faced by women;
- tertiary facilities may be more user-friendly for men;
- women encounter problems of personal safety;
- the labour market for graduates is more open to men; and
- women are more likely to have to cope with sexual harassment.

“One mature-aged female student told how, when she got a high distinction, an older male student questioned it and implied that sexual favours must have been exchanged.”

Task Force Research: Burton et al 1995.

Burton et al (1995) contends that to date, policy settings to encourage the participation of more women in higher education, and management education in particular, have not adequately addressed these barriers. In discussions with the Task Force – with some notable exceptions – it was clear that the senior staff of management schools did not consider gender an issue.

Like much of the tertiary sector, female academics are also in the minority in management education. Ashenden and Milligan (1995) report that the proportion of female academics in management schools ranges from 0 percent to 43 percent but averages around 15 percent across 31 of the nation’s management schools. The Task Force does not have data from other areas of management education but its consultations suggest the picture is not much different in undergraduate education or TAFE (possibly excluding clerical/secretarial studies).

The management education sector could do more to encourage women as both students and as faculty.

5.7.4. Links to industry and enterprises

From their survey of high school, undergraduate and postgraduate students, Rearth (1995b) concluded that, “... All students, and particularly those in the MBA programs, feel that they could benefit from closer links with industry.” Specific mechanisms included business people speaking to students, business sponsored training exercises and real world case studies. Rearth also noted that students, “... do not perceive or are unsure about whether or not their teachers/lecturers have particularly strong relationships with business leaders in the community”. Overall, only 30 percent of students thought their lecturers did have strong links and, even for MBA programs, the proportion only rose to 41 percent.

In their interviews with Australian management experts, Barraclough & Co (1995) also detected a current of dissatisfaction with the links between universities and industry. However, this was tempered by some comments to the effect that industry itself could be more proactive in building relationships.

“Participant suggestions: Stronger links between academia and business:

- **There could be more opportunities to raise and discuss management development issues (eg public forums).**
- **Academics need to spend more consulting time in industry with consulting outcomes linked to performance evaluation.**
- **CEOs and senior managers could spend more time lecturing to business students.**
- **Senior academics could serve on company boards to gain an appreciation of how companies are run and to transfer leading edge thinking.**
- **Institutions (particularly business schools) need to gain a greater understanding of the needs of their customers (eg, business and managers).”**

Task Force Research: Barraclough & Co 1995.

5.7.5. Delivering world class educational programs

Above all else, the Task Force has concerns about the quality of the management education provided to all levels and areas of management. If Australia is to build world class enterprises through improving the skills of its managers, then the nation needs world class providers of management education to achieve this goal. While the Task Force believes that Australia has individual educators and specialist groups who are world class, it is not convinced we have providers who are world class in all they do. While the Task Force is of the view that this conclusion applies more broadly in its deliberations, it has focused on two specific areas – vocational education and training for frontline managers and postgraduate management schools. Vocational education has been discussed earlier. Here we turn to postgraduate management schools.

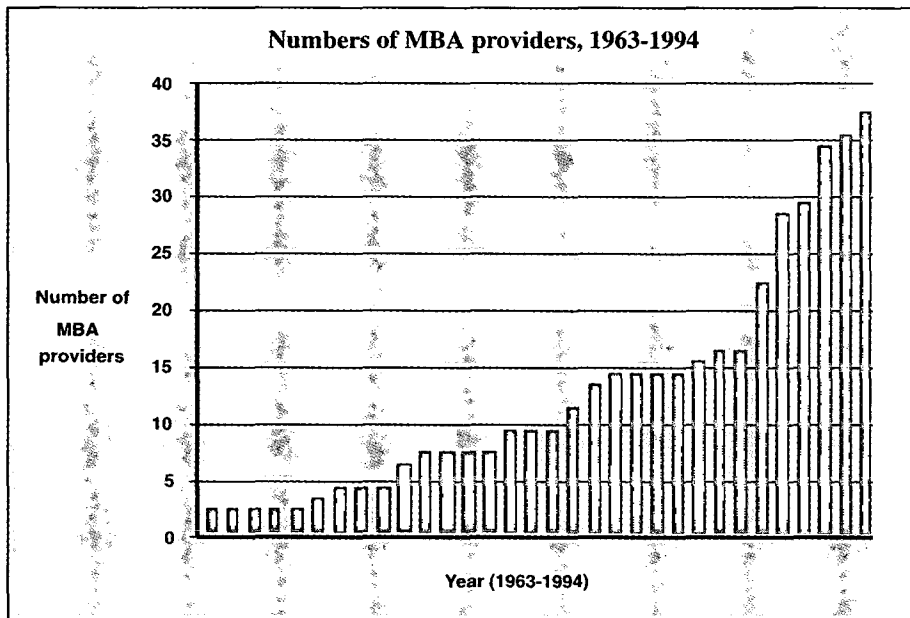
5.7.6. Postgraduate management schools

In North America, the top management schools provide significant benefits to both enterprises and society as a whole. They do this by the quality of their education, the talent of their students and the contribution of their research and scholarship. The very best of them serve also to question and extend management thinking and so help their enterprises to improve productivity and innovation. Because of all these benefits, the North American model – the MBA – has become extremely influential in other parts of the world. One notable exception is Japan but Task Force research suggests that the rest of Asia will also adopt the MBA model as a primary method of developing managers (AFMD 1995).

Section II: The case for change

The MBA is also a key feature of Australian management education, although the numbers of MBA graduates are not large in comparison to other nations since Australia was relatively late in developing its management schools (the first MBA starting in 1963). However, the number of management schools has grown dramatically in the last two decades – prompting many to question whether the proliferation of offerings to such a small market produces quality education.

Exhibit 5.12 Numbers of MBA providers, 1963-1994



Task Force Research: Ashenden and Milligan 1995.

The Task Force commissioned two research projects to investigate the state of the market in Australia and report on the quality of MBA programs.

The first project collected objective data from the management schools themselves – on the basis of which the researchers formed some conclusions about the nature of the management school industry. These researchers – Ashenden and Milligan – see value in some aspects of the educational diversity created by 38 providers, notably the innovation and customisation this implies, but questionable value in some other aspects. They also point to the emergence of alliances and networks between management schools as a welcome development.

The second project surveyed the customers of management schools – both student and corporate – to establish how the quality of their education was perceived. Data from academics was also collected.

By and large, the customers of Australian management schools find their quality adequate to good and only in one city were criticisms noted. However, the striking finding of this

research is not the ratings of individual schools but the extremely localised nature of the market. As the researchers state, “... most graduates and business people know almost nothing of courses beyond their own city.” (AFMD & Reark, 1995). They also argue that this results from the fact that most students are part-time and choose their management school as much on convenient location as any other criterion. Australia is undoubtedly unique in the dominance of part-time study over full-time, which is perhaps both a strength and a weakness.

The Task Force considers this to be a major problem, exacerbated by the relative lack of comparative information in the market about the quality of offerings. For these reasons the Task Force initiated the *Good Universities Guide to Management Education* as a means of placing more information into the MBA marketplace.

“The ‘cottage industry’ organisation of management education is perhaps particularly worth questioning. So many providers are operating on a very small scale, drawing on small numbers of staff or large numbers of staff for a small proportion of their time, and perhaps with limited study resources and facilities, which means that even if they are able to sustain the required quality, it is very unlikely that they are doing so in a cost-effective way”.

Task Force Research: Ashenden and Milligan 1995.

Australia is in an odd position in that, just as the MBA market is growing rapidly here, there are changes worldwide to the traditional MBA curriculum. These are essentially because it is seen as no longer serving the needs of the enterprise. International research commissioned by the Task Force from Rand notes that:

“Spurred by this decline in demand, US MBA programs have, like the firms they serve, begun to re-engineer their programs in response to key trends such as internationalisation and information technology. While these reforms are still piecemeal and incomplete, the features of this emerging new model of the MBA are summarised in (the figure below). Taken together, these trends could make MBA programs look more like medical schools, where teaching, research, and practice are closely integrated.” (Rand 1995).

Exhibit 5.13 The changing model of the MBA

Traditional model	New model
Few courses	Diversify provision
Classroom-based	'Apprenticeship'
Theoretical	Real-world cases
Finance, quantitative focus	Analytic and soft/people skills
Functional separation	Cross-functional
US – centric	International
Individualistic/competitive	Group/co-operative
Early in career	Lifelong learning
Traditional lectures	Use of new technologies

Task Force Research: Rand 1995.

5.7.7. Are Australia's management schools world class?

One of the key criticisms of Australian management schools in this regard is that, while some individual academics and departments within some schools are world class, it is unlikely that there is a world class management school in Australia. The principle issue is one of scale. Even the two national schools – the Australian Graduate School of Management and the Melbourne Business School – are small by world standards. Both have fewer than 40 core faculty which puts them at a significant disadvantage compared with a world top twenty school such as Stanford or Chicago or, for a state funded example, the University of California, Los Angeles.

Furthermore, whether Australia can support in excess of 40 providers of MBAs in a market derived from a population of seventeen million is also a serious issue. Most of the world top twenty schools draw from national and international markets and even major regional schools (for example, the University of Southern California) have significantly larger catchment areas than any Australian management school.

If a world class school is necessary to provide leadership to the rest of the postgraduate management education sector and to assist Australian enterprises by promoting the latest management thinking, then it will have to break down the localised nature of the Australian market or rely on international students or both. Given Australia's growing involvement in the Asia-Pacific region, there would be strong benefits to having a world class school, not only in terms of training the Asian students who would become leaders in the region but also in terms of forming links with Asian management schools.

However, if links to the region are important to Australia, then there is a degree of urgency in building a world class school. Research commissioned by the Task Force to profile developments in the region predicts the emergence of several strong, if not world class, schools in Asian nations in the near future (AFMD 1995). Unless Australia wishes

to play a junior role in any alliances, there may be less than a decade to establish our school as a major player.

5.7.8. The funding of postgraduate management education

In the view of the Task Force the primary reason for the proliferation of MBA programs, the relatively uninformed and uncritical perceptions of their customers and the slow response of Australian schools to updating and improving their course content, relates to the funding mechanism for Australian management schools in relation to postgraduate courses and programs. Unlike most of their USA counterparts, many Australian management schools receive significant grants from the Federal Government via the block grant funding system. While many also charge their MBA students fees, few charge their students full cost (although some are moving in that direction). Economic analysis commissioned by the Task Force (ANU 1995) as well as comments received during consultations with universities and others, question whether this leads to the best outcome for the nation.

“One option would be to make business schools raise all their revenue from fee paying students, making all management training in higher education market oriented. Business schools would then have to meet the market test for all their courses and attract students to survive, giving them better incentives to serve their customers. The appropriate mix of subjects and qualities would then be determined by market demands, resulting in a more diverse and responsive system. Students can weigh services offered against fees charged. Those business schools who provide courses that are in demand at least cost will do best”.

Task Force Research: ANU 1995.

Australians are not alone in questioning the wisdom of state subsidies to management education. As Rand (1995) report in their study of the management education systems of five countries, this is a global concern.

“The most frequently cited reasons for why the state is not the most effective provider of management development were:

- **public institutions are slow to adapt;**
- **companies are in the best position to determine new managerial demands and train for them;**
- **managers learn best in “real world” situations; and**
- **The returns to management development accrue to the firm and the individual, and therefore it should be financed by them, not the taxpayer.**

“Some respondents went further, arguing that government involvement in management development could actually be counter-productive:

- **subsidies for public institutions discourage the development of private providers and healthy competition; and**
- **individuals who do not have to pay for management education (as is the case in many publicly-funded higher education systems) may not treat it as an investment nor be sufficiently motivated.”**

Task Force Research: Rand 1995.

As similar concerns were raised to the Task Force in Australia during its university and industry consultations, it has taken funding mechanisms as one foci of its deliberations on management education.

The fifth challenge is to reform management education.

Section III: A template for change

Chapter Six

Better management skills			
Upgrade the capability of TAFE and business support	Harness the talents of diversity	Achieve best practice management development	Reform management education
Develop a positive enterprise culture through education and training			

6. Australia 2010 – the new enterprise culture

- 6.1. Purpose of the chapter
- 6.2. Australia 2010 – the new business culture
- 6.3. Australia 1995 and the gaps to be bridged
- 6.4. The path to success – meeting the five challenges
- 6.5. Implementation: the Australian Council for Management Development
- 6.6. Measures of success
- 6.7. Why should the Australian taxpayer invest in management skills?
- 6.8. Band I & II recommendations

6.1. Purpose of the chapter

The purpose of this chapter is to introduce the third section of the report, in which the Task Force will advance the initiatives it recommends to the Minister to meet the challenges identified in Chapter Five. To set the scene for these initiatives we briefly outline the Task Force's vision of the management skills which will be needed in the twenty-first century and contrast this with its assessment of current skill levels. This contrast highlights the magnitude of the gap which needs to be bridged and adds urgency to the need to reform management development in Australia. We then preview the major initiatives formulated to meet each of the five challenges and end by touching on the crucial issue of implementation.

The remainder of Section Three consists of five chapters detailing the specific recommendations made to meet each challenge, and a chapter which presents the Task Force's recommended vehicle for implementing many of its initiatives – the Australian Council for Management Development.

6.2. Australia 2010 – the new enterprise culture

As Australia internationalises its economy, as regional economies continue to grow rapidly, and as technological innovation provides greater economic opportunities, the rate of change in the Australian economic environment can only accelerate. Indeed, given this acceleration, in twenty years from now the environment in which Australia's managers will operate is going to be at least as different from today's environment as today's is from that of fifteen years ago.

In 1980 many, if not most, of Australia's managers operated in an insular, protected economic environment and managed relatively uncomplicated enterprises with simple products and processes and predominantly low-skilled workforces. Levels of competition were regulated to be low and most market structures were relatively stable. There was little premium on education, especially management education, or an international orientation and little pressure to open up management ranks to other cultural groups or women. Management development, if undertaken, was left to individual choice and was not a high priority for the enterprise.

By 2010 most of Australia's managers and business leaders will be operating in a richly diverse, highly skilled and Asia-focused economic environment. Moreover they will be managing enterprises of greater complexity than today, many operating in several countries and with strategic partners, and many of whose competitive advantage will derive more from sophisticated knowledge than from ownership of assets. To succeed in such an environment, especially against direct competition from the world's best enterprises, requires a fundamental change in the way Australians manage their enterprises.

The Task Force's Vision:

Is that by 2010 the following will be true of Australian enterprises and their managers:

- **Knowledge, the ability to learn, to change and to innovate in this new marketplace, will be accepted as the more relevant criteria for selecting managers than gender, ethnicity or even prior experience.**
- **The 'learning organisation' will be the standard philosophy for many Australian enterprises and a major way they cope with change and turbulence.**
- **Managers will create conditions conducive to learning for both individuals and the enterprise as a whole, within and between groups, across individual business units and between enterprises and their external environments. Employees will be more motivated and skilled.**
- **Quality will act as a guiding light within all organisations with a customer first mentality being all pervasive. This focus will help improve productivity and profitability in enterprises through a concerted commitment to continual improvement.**
- **Most Australian enterprises will earn higher rates of return on investment than in 1995 and successfully defend and expand their position in the global marketplace.**
- **Many Australian enterprises will be benchmarked as achieving world best practice in their operations, some will be acknowledged as setting world best practice standards.**

6.2.1. The new enterprise culture

The Task Force believes that if Australia is to build a higher performing economy along these lines then by the year 2010 Australian enterprises, individual managers and, to a substantial extent, society at large will need to adopt a different business culture. Indeed, a culture where positive community attitudes towards wealth creation, an international perspective, a strong competitive culture, a 'customer comes first' mentality, high technology and quality infrastructure, a flexible, skilled, motivated and enthusiastic workforce and world-class leaders and managers are the norm, not the ideal. Above all else both individual managers and enterprises will need to show a much stronger commitment to developing better management skills, and providers of management education and training will need to be much more responsive to enterprise needs and the demands of the new century.

Section III: A template for change

To succeed in the 21st century enterprises will view the selection and development of their managers as an important strategic consideration and will tailor their management development methods to their corporate goals. Management education and training will become enterprise rather than provider driven and the links between enterprises and providers will need to be strengthened as a consequence.

In this new culture, managers will be carefully selected, will have an entrepreneurial mindset, will have had strong, professional preparation, be highly skilled in human resource management, will have a commitment to lifelong learning and be subject to continual management development. Skills which have previously been thought of as 'soft' – vision, the ability to effectively communicate, manage diverse workplaces, engender innovation and manage change – will be mandatory for the successful managers and leaders of the next century.

While functional skills will still be important, managers will be competent in a broader range of functions and able to integrate decisions across business areas. The marketing manager who does not understand finance, or the finance manager who does not understand business processes, although common in 1995, will be redundant in 2010. Moreover, within flatter organisational structures and network ('virtual') organisations, strategic understanding will pervade all levels of management and the workforce rather than being the preserve of senior managers.

Indeed, many of the attitudes and skills now associated with the best business leaders and senior managers will also need to be present in all levels of managers, and particularly front-line managers. The ability to motivate work teams to change practices and innovate products and processes will place a premium on 'soft' skills being more widely available in the workplace. To a degree all managers will need these teamwork skills, and the 'harder' skills associated with cross-functional exposure and strategic understanding. Rapid change in the marketplace will also require a more pro-active and entrepreneurial attitude to the creation of wealth than exists amongst many managers in 1995.

While many of these changes are consistent with the new paradigm of management which is being adopted globally, and which is described in Chapter Two, there are some areas where the changes will be a direct consequence of Australia's own situation. In particular, world class leaders and managers will bring a much needed global awareness and international orientation to corporate Australia. Their influence will permeate medium and small scale business as well as larger enterprises. They will need to be well versed in the subtleties of the Asia-Pacific region including the many cultural and national differences, and will be skilled in working with local nationals in more than one country. This implies the need to develop an international orientation amongst a broader cross-section of Australian managers so that opportunities in the Asia-Pacific region can be fully exploited.

Positive attitudes towards work and economic endeavor will need to be encouraged throughout the community, starting with the young. Entrepreneurial behaviour will be

seen as an important and desirable element of Australian society, particularly given the need to generate more and better jobs. It is also critical in the light of the new trading arrangements under APEC. Asia is highly entrepreneurial. To survive and prosper in that environment Australia must also be entrepreneurial and enterprising.

A flexible, skilled workforce will be nurtured within a corporate environment characterised by flatter structures, devolution of decision-making and better educated and skilled workers. Employee involvement and empowerment will be encouraged, as will effective communication and positive employee attitudes and relations. Managers will foster a pro-active, entrepreneurial approach within their businesses and workforces. The competitive advantages of Australia's diverse and multicultural workforce and technological developments will be fostered and exploited as catalysts for efficient and competitive operations.

Along with the changes in the nature of organisations and the role of managers there will need to be profound changes in the education and training provided by Australia's public and private institutions. From school to MBA there is a clear need to reform curriculum and delivery modes to meet the demands of the new century. There is also a urgent need to better link the provision of management education and training to the corporate objectives of Australian enterprises. This implies the encouragement of a more tailored approach to the provision of management education and training, and a more productive dialogue between enterprises and providers than has occurred to date.

In particular, as well as the need to be enterprise driven, and across the breadth of the education and training sectors, management education, training, and development processes must:

- reflect the fundamental changes which have occurred in the Australian and international business environment;
- adopt world best practice as the benchmark;
- focus on people as critical assets in modern competitive, business organisations, and a diverse population as a comparative advantage;
- enhance management performance in the small business sector as well as medium to large enterprises.
- afford more emphasis to entrepreneurship, international operations, innovation and competitive advantage;
- redress the balance between 'soft' and 'hard' skills; and
- encourage and develop leadership at all levels, particularly at the frontline.

Finally, as a consequence of the changes to the nature of management there will be stronger pressures to move beyond the 'inoculation' model of education towards the lifelong learning model. Recognition of prior learning, articulation and cross-accreditation mechanisms will assume greater importance as will methods for assessing learning 'on-the-job'.

6.3. Australia 1995 and the gaps to be bridged

The evidence presented in Section Two of this report, based on Task Force consultations and research, clearly indicates that the current business culture is very far removed from the vision and goals espoused above. *The majority of Australia's managers do not have the education or skill levels of those of the major trading nations, nor are most of our educational and training institutions providing world class services.* Perhaps the most critical factor in developing better managers is the effectiveness of management development within Australian enterprises. Yet, Task Force research and feedback from industry indicates that:

- management development is generally *not* perceived to be a major strategic issue in most Australian enterprises;
- management development is generally delegated to human resource departments (where they exist at all) rather than a key responsibility of line managers;
- managers are traditionally developed within narrow functional confines, without due regard for the development of broader skills; and
- perhaps 75 percent to 90 percent of Australian industry does not have access to any form of systematic management development.

The willingness and ability of business to address these issues will sculpt the competitive face of Australian industry well into the future. It will be difficult, if not impossible, for Australian managers to develop the skills necessary to meet the demands of the next century if our business leaders are not prepared to show their leadership in this critical area. Better management skills cannot be imposed by the Federal Government, they must be actively sought by individual managers and enterprises.

Rather than recapitulate the findings of Section II the Task Force has chosen to symbolically illustrate the gaps they consider to exist between the current business culture and the culture they believe is needed for better economic performance. Exhibits 6.1 through 6.3 illustrate the gaps between the current and desired position on each of the major dimensions the Task Force considers relevant to the economic future of Australia. These dimensions are listed in alphabetical order and are illustrative rather than exhaustive. The three exhibits are for each of the three major sectors of interest, namely large enterprises, small to medium enterprises and education and training providers.

The target is symbolically set at 80 percent of world best practice in the year 2010 for the typical manager, enterprise and education and training provider. Lest this seem unambitious it should be remembered that, in the Task Force's opinion, most Australian managers, enterprises and providers are currently far away from world best practice. It should also be noted that world best practice is not a static measure, indeed many of our competitors are currently placing more emphasis on improving management skills than we

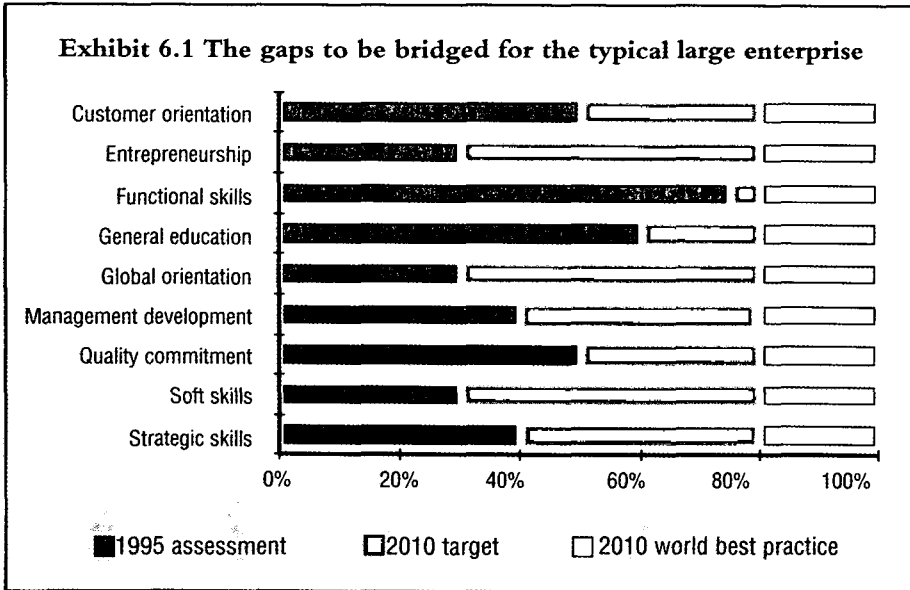
are as a nation. Hence, 80 percent is a very ambitious target, but one which is necessary if Australia is to build a more dynamic economy.

These illustrations should also not be taken to imply that the current picture is completely bleak. In 1995 there are Australian organisations which embody world best practice on these dimensions. The fundamental issue is that as a nation we need the majority of our enterprises to embody world best practice.

6.3.1. Large enterprises

Exhibit 6.1 represents the Task Force's opinion that for large enterprises and their managers functional skills are well developed and general education levels adequate. The Task Force is also of the opinion that large Australian enterprises have made significant improvements to their customer orientation and commitment to quality in recent times. In all these areas there are still gains that need to be made but these will be from a substantial base of achievement. The significant gaps are in the areas of entrepreneurship, global orientation, soft skills, strategic skills and management development. Australian managers in large enterprises need to be much more pro-active in creating opportunities and more outwardly focussed in their thinking. This global orientation is not only necessary for those who wish to build international business but also in assisting all managers to recognise how world best practice can help their organisations defend local markets and increase productivity. Australian managers also need to improve their teamwork skills, including co-operating with a more diverse workforce and being more prepared to take responsibility for team outcomes.

Lastly the gaps for strategic skills and management development are set at intermediate levels for the following reasons. First, it should be recognised that the nature of large enterprises tends to familiarise managers with strategic planning concepts. However, there is much more that can be done in this area – both in terms of making these concepts accessible to all levels of management and in improving the implementation of plans. Also as noted by the Task Force's research and consultations Australian strategic plans have, in the main, too short-term a focus. Second, while the levels of management development in many large Australian enterprises are probably adequate by international standards much of this development lacks a strategic focus. Hence although this is not the largest gap it may be the most difficult to bridge – involving as it does a profound change in top management thinking.



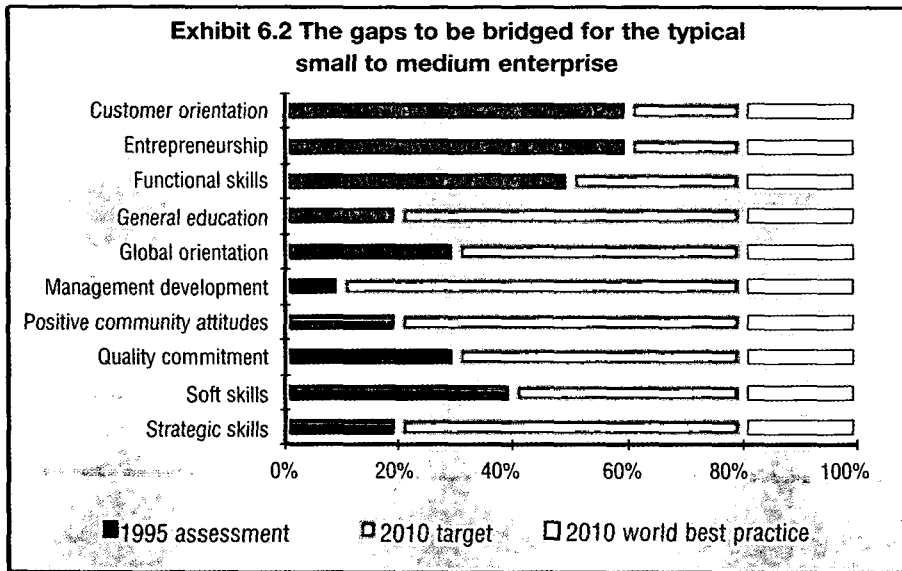
Task Force Research Director's assessment.

6.3.2. Small to medium enterprises

Exhibit 6.2 illustrates the Task Force's opinion that for small to medium enterprises bridging the gap to world best practice will be an even more challenging exercise. The nature of small businesses tends to make their managers more entrepreneurial and customer oriented than those of their larger counterparts, and also to engender reasonable, though not outstanding, functional and soft skills.

However, in the other areas there are significant gaps to be bridged and major constraints of size to be overcome by leveraging mechanisms. In the main small to medium enterprise managers are not tertiary qualified and do not undertake management development to any significant extent – unlike their leading counterparts overseas. While there are many small to medium enterprises which are globally oriented the vast majority are not and the small scale of these enterprises also makes a commitment to quality or the development of longer-term strategic skills difficult.

The final dimension in Exhibit 6.2 – positive community attitudes – is not one directly relating to small to medium enterprises or their managers. Nonetheless, it is there because without a supportive community the flow of talented individuals into the small to medium enterprise sector will be restricted and without a vibrant sector the employment opportunities for many Australians workers in the future will also be curtailed.

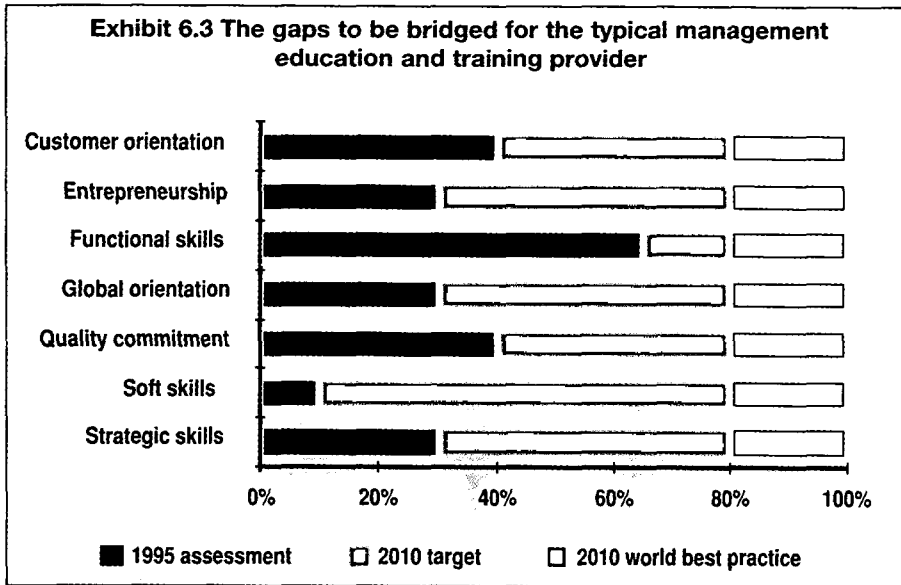


Task Force Research Director's assessment.

6.3.3. Management education and training providers

Exhibit 6.3 illustrates the Task Force's opinion that there are equally large gaps to be bridged by Australia's providers of management education and training. Like large enterprises this sector has done a good job at providing functional skills but an over-emphasis on the more analytical areas of business has precluded the development of integrative ('strategic') skills and also the soft skills necessary for the next century. Indeed student surveys indicate that the individualistic and grade competitive ethos of many tertiary institutions acts as a barrier to building better teamwork skills. While some providers have begun to pay adequate attention to entrepreneurship and a global orientation, many have not.

In terms of the responsiveness of providers to their clients, while there have been improvements, the customer orientation of many providers still lags world best practice in both education and the enterprise sector. Equally while the recent Federal Government initiatives on the quality of education have raised the profile of continuous improvement, many universities are still to implement effective procedures and the TAFE sector is as yet relatively untouched by these concerns.



Task Force Research Director's assessment.

6.4. The path to success – meeting the five challenges

Management performance is the key to achieving the Task Force's vision for the year 2010. Great benefits can undoubtedly be gained from more flexible and productive work practices, from more efficient infrastructure and from changes in the economic environment to facilitate overseas trade and encourage best practice. However, these benefits can only be realised if Australian managers are able to take advantage of the new opportunities which such changes will present to business. Poorly skilled managers can block changes and this negative impact needs to be avoided and overcome.

The Task Force believes that the effectiveness of management education, training and development is critical to improving management skills and performance in Australia. The integrated set of initiatives proposed by the Task Force is designed to redress existing weaknesses in Australian management education, training and development and pave the way for improved national prosperity in the future.

We now briefly preview the Task Force's major initiatives to meet each of the five challenges identified in Chapter Five and in doing so bridge the many gaps illustrated above.

6.4.1. Developing a positive enterprise culture through education and training

The Task Force has two major initiatives designed to develop a more positive enterprise culture in Australia.

The first initiative is the introduction of small business and entrepreneurship units into school, vocational and tertiary education. These units also aim to promote the wealth and job creation potential of small business but in addition to provide some exposure to the skills needed to be a small business manager. A broader objective is the development of a more enterprising outlook in Australians in general in relation not only to business but to community, social and individual objectives.

The second initiative is a program of community education designed to raise the profile of small business, enterprising and entrepreneurial behaviour in the community. This initiative uses the medium of television to reach the broadest audience in a manner which is accessible to the younger generation of potential managers. It aims to overcome some of the negativity towards enterprise and small business apparent in the current environment, to promote small business as a viable career option for more individuals in the future, and to foster the broader development of an enterprise culture.

Both these initiatives are longer-term ones primarily aimed at the young. While both are also aimed at small business it is intended that exposure to the relevant information, particularly within the educational system, will also raise interest in enterprise and entrepreneurship and broader skill sets amongst those intending to make their career in larger enterprises.

These initiatives are presented in more detail in Chapter Seven.

6.4.2. Upgrading vocational education and training and business support

The Task Force again has two major initiatives to meet this challenge.

The first initiative concerns upgrading TAFE's capacity to deliver management development courses and is composed of four separate programs or stages. The first of these programs aims to develop senior TAFE managers so that they can lead a reform process within their colleges. The second program will be targeted to selected TAFE colleges and aims to develop the relationships within these colleges so that the necessary reforms can be implemented. The third program aims to develop the skills of those TAFE personnel working with enterprises and the fourth program envisages a quality assurance process similar to that recently introduced in the higher education sector. Overall the initiative aims to make TAFE more responsive to enterprise needs and TAFE instructors better skilled to deliver effective management development courses. As such this initiative also supports the *frontline manager* initiative discussed under 'Achieving best practice management development' below.

The second initiative envisages the accreditation of small business trainers, educators, counsellors and advisers. This is a leveraged initiative aimed at upgrading the quality of the advice and training small business owner managers receive by allowing them to identify suitably skilled individuals. Accreditation would be voluntary and of a high standard but include the requirement that accredited individuals be aware of, and linked in to, the full range of State and Federal business improvement services. This would overcome the accessibility problem which currently constrains small business owner managers from identifying relevant information and assistance.

These initiatives are presented in more detail in Chapter Eight.

6.4.3. Capitalising on the talents of diversity

The Task Force is recommending three initiatives in this area. The first addresses the need for a greater focus on management for diversity in general in Australian private sector organisations. The second addresses a national strategy for women in private sector management, corporate boards, and academia and facilitating greater participation by women at all levels of industry. The third addresses government agency contributions to broader issues of diversity.

The first initiative encourages much greater attention on the part of managers to achieve management for a diverse workforce in general. It also points to urgent areas for action.

The second initiative seeks to establish a national strategy for women in private sector organisations, including a database of women who are qualified to sit on enterprise boards of directors and annually evaluate the progress made towards reaching this goal. This initiative aims to correct the current low number of women who influence the direction and development of Australian enterprises. It also targets management development for women with the aim of providing more opportunities to break through the glass ceiling.

The third initiative increases funding to those agencies promoting the benefits of a diverse workforce and management by increasing opportunities for international business and encouraging creativity and innovation in business practices, products and services.

Perhaps of equal importance to these three initiatives is the Task Force's conclusion that unless enterprises act more vigorously to promote women to senior levels then in the very near future the Federal Government may need to contemplate more stringent, regulatory measures.

These initiatives are presented in more detail in Chapter Nine.

6.4.4. Achieving best practice management development

Three major initiatives are recommended to meet this challenge, one to improve skills at the frontline of management, one to increase the international exposure of Australian managers and one to promote best practice in a variety of areas.

Frontline managers have been identified by the Task Force as central to improved productivity and innovation in the workplace. Task Force research and consultations also indicates that as a group frontline managers' skills are least likely to be developed in a systematic manner. The first initiative aims to redress this situation by making a nationally accredited, high quality National Certificate in Workplace Leadership available via the vocational education sector. It is intended that 82,500 frontline managers attain this certificate in the first stage of its operation.

The second initiative is for structured industry based study tours to be undertaken overseas by 7500 managers in the first stage of operation. These study tours would be of two to three weeks duration and aim to give managers an appreciation of how business operates in another country. The program will focus on those managers involved in exporting and international trade, primarily small and medium enterprises.

The third major initiative in this area is to provide a range of best practice materials for small, medium and large enterprises. These materials cover financial performance benchmarks for small enterprises, case studies of best practice management and case studies of best practice management development policies and methods.

These initiatives are presented in more detail in Chapter Ten.

6.4.5. Reforming management education

The Task Force recommends that this challenge is met by four major initiatives which are all aimed at the postgraduate or management school sector. The Task force has targeted its initiatives on this sector because, while the numbers of students involved are relatively small, the sector plays a leading and influential role in the Australian management development system. Management schools provide MBA graduates to leading corporate and professional enterprises, have a significant role in the continuing education of practising managers through executive and in-company training, train the management academics of the future, and by research and scholarship serve to advance our understanding of management.

The first initiative in this area concerns the funding of management schools in relation to postgraduate courses and programs. In essence the Task Force would like to accelerate the trend to full fees already evident in the sector by channelling government funding to scholarship holders rather than the providers themselves. This it believes would have a major impact on the customer responsiveness of management schools and the quality of the postgraduate education they provide. There is little economic or social justification for directly subsidising postgraduate management education and customers who are paying

full fees are far more likely to demand better and more relevant performance from management schools. A scholarship system could also be adapted to overcome any inequities faced by individuals in paying full fees.

The second initiative supports the first and seeks to provide information on the quality of postgraduate management education to both prospective students and employers. This initiative has two components, the establishment of a voluntary system of professional accreditation for management schools and the provision of consumer information such as the *Good Universities Guide to Management Education* .

The third initiative has two elements to it, the first element relating to the creation of a national management school and the second relating to the quality of the education provided by other management schools. While two national schools have been established in Sydney and Melbourne the Task Force is concerned that neither can as yet be regarded as world class institutions, primarily because they are below world scale and have failed to make much of a national impact beyond their home city. For these and other reasons the Task Force recommends the creation of a national school which will have both the requisite scale and operations in more than one capital city. This national school would be put out to competitive tender and those management schools that were unsuccessful in their bids would be eligible to quality assurance funding under the second element of the initiative.

The fourth and final major initiative in this area is to improve the funding for applied research into management topics and to make this funding open to a broader range of researchers and research organisations than in the past. By this means Australian enterprises and managers would be more assured of a local stream of high quality and relevant research rather than relying on the efforts of overseas researchers who may operate in quite different economic environments.

These initiatives are presented in more detail in Chapter Eleven.

6.5. Implementation: the Australian Council for Management Development

For a number of reasons the Task Force is also recommending the establishment of an overarching body to assist in the implementation of many of its initiatives and to act as a source of ideas for the continuous improvement of Australian management skills and management development practices. These reasons include the necessity of:

- promoting best practice management development more widely in the business community;
- allocating funding under several initiatives in a publicly accountable but industry driven manner;
- developing and monitoring appropriate accreditation standards and other management related standards;

- continually monitoring and reassessing the directions of management skills programs and development priorities; and
- benchmarking the improvement of Australian management skills against those of our major competitors.

This body is seen as small and strategic; more of a catalyst, observer and adviser, than a body with programs of its own. Indeed the intention is that, while the Council would have reasonable funding levels, most of this funding would be competitively allocated to other organisations which would carry out specific tasks on behalf of the Council. The Council would also consult and liaise with other relevant funding organisations concerning priorities for management development initiatives in mainstream national activities. Above all else the Council would provide a national focus for management skills and management performance.

The Council itself would have a small secretariat and a Board of Management drawn from key stakeholders such as industry associations, management education providers, government, professional societies and unions.

The Australian Council for Management Development is described in more detail in Chapter Twelve.

In considering implementation the Task Force has understood its role to be one of establishing policy directions. Where specific implementation mechanisms are clear these are noted in the following chapters, otherwise implementation is left to the Commonwealth Government and/or the Australian Council for Management Development.

6.6. Measures of success

The Task Force also recommends that targets be set for measuring the success of its initiatives. These targets can necessarily only be set once implementation details have been decided but are important in tracking progress and adjusting strategies. One possible role for the Council is in researching and setting such targets. For example, one target might be that Australia's management ranking in the World Competitiveness Report should rise from 18th in 1994 to 9th in 2010.

6.7. Why should the Australian taxpayer invest in management skills?

The Task Force has marshalled a great deal of evidence that good management matters to every Australian. Over the past decade, barriers to Australia's involvement in the world's economy have been substantially lowered. Many more enterprises are facing tougher competition, and are finding they must manage their assets and their people much better than in the past. Improving the skills of our managers is essential to the future

Section III: A template for change

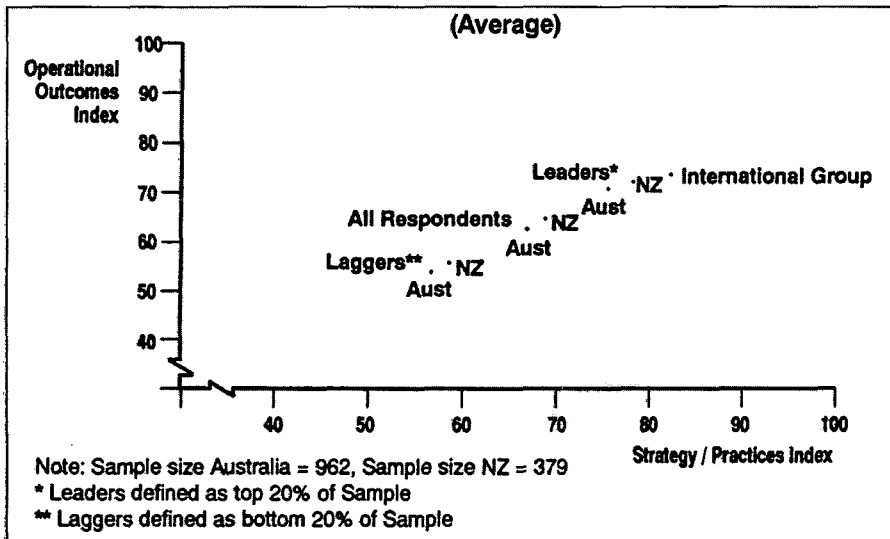
development of these enterprises, on whose success future economic growth and employment opportunities depend.

However, implementing the Task Force's recommendations will require additional resources, including funding from the Commonwealth Government and thus from the taxpayers of Australia. The question arises of whether this would be a good investment of their taxes.

The Task Force has been very mindful of this question throughout its deliberations. While there are no economic models which would allow the Task Force to predict the impact of its initiatives, the Task Force has reached the conclusion that this would be one of the best investments the nation could make.

The Australian Manufacturing Council has recently shown that adopting best practice in manufacturing is clearly related to enterprise performance. And adopting best practice is driven by the decisions and skills of managers.

Exhibit 6.4 Best Manufacturing Practices Scoreboard



Australian Manufacturing Council/Boston Consulting Group 1994.

If findings such as these hold more generally across all sectors of the economy, then the impact of management skills on economic performance could be quite significant.

6.8. Band I & II recommendations

In the following chapters Task Force recommendations are denoted as either Band I or Band II. Band I recommendations are seen as exerting maximum leverage on improving the skills of Australian managers. Band II recommendations are initiatives which the Task Force considers it would also be valuable to implement. Within each Band all recommendations have the equal priority.

Chapter seven

Better management skills			
Upgrade the capability of TAFE and business support	Harness the talents of diversity	Achieve best practice management development	Reform management education
Develop a positive enterprise culture through education and training			

7. Developing a positive enterprise culture through education and training

- 7.1. Purpose of the chapter
- 7.2. The importance of developing a positive enterprise culture
- 7.3. The benefits of developing a positive enterprise culture
- 7.4. The nature of enterprise education and entrepreneur education
- 7.5. The need to develop a clearer focus on enterprise and entrepreneurship in the education system
- 7.6. Policy options for developing an enterprise culture
- 7.7. Reforming the formal education system
- 7.8. Supporting recommendations

7.1. Purpose of the chapter

This chapter takes up the first challenge identified in Chapter Five and makes three recommendations aimed at developing a more positive culture towards enterprise within Australian business and society. If this challenge can be successfully met, and more of our young people value the creation of wealth through enterprise, the talent, energy and creativity that will be applied to economic endeavor will provide a better platform for meeting the other challenges identified by the Task Force. More importantly, in the long-run it will lead to the creation of new enterprises, the revitalisation of existing companies and more individuals being equipped to take charge of their own economic destiny.

In this chapter we first state why an enterprise culture is so important to the future of Australia and why the need to develop one is urgent. We also outline the benefits to companies, individuals and society of a more positive enterprise culture. Next we discuss why there needs to be a focus on enterprise within the Australian education system at the school, vocational and university levels. Finally, after discussing possible policy options aimed at fostering an enterprise culture, the three recommendations of the Task Force are detailed. The first recommendation seeks to develop the education system in two new directions. First, to expose all students to the value of enterprise and enterprising behaviour within their general and higher education. Second, to provide relevant curricula on entrepreneurship for those students with the motivation and interest to pursue a career in management at some point in their lives. The remaining recommendations provide support to the first by developing a more positive popular image of entrepreneurship and leadership in the Australian community. The second recommendation seeks to educate the broader community as to the value of enterprise through a major program of promotion. The third recommendation aims to promote and enhance the status of better enterprise leadership by a national program modelled on an outstanding overseas program for young leaders.

7.2. The importance of developing a positive enterprise culture

Chapter Five puts forward a strong case for Australia to develop a positive enterprise culture through education. Statistical and qualitative evidence points to those nations that do possess a strong enterprise culture demonstrating sustained economic growth and maintaining high levels of employment. Moreover, traditional ways of organising companies are quickly becoming outdated and inappropriate with the globalisation of business and technological advances. Large bureaucratic organisations are no longer leading the way; indeed many are struggling to reshape themselves into new, smaller forms. Rather, the focus is changing to the smaller and more entrepreneurial firms – as independent enterprises, as members of network ('virtual') organisations, or as business units of larger corporations. And these small to medium enterprises are on the rise both globally and within Australia.

As a direct consequence of these developments the areas of enterprise and entrepreneurship are rapidly gaining in importance in the economic and industry policy planning of many nations. There are economic, social and political reasons for this redirection of effort.

7.2.1 Economic factors

The pace of change world-wide means that conventional approaches to business and work are quickly becoming obsolete. The shape of industry is changing. Industries that favour the formation of small to medium enterprises, such as biotechnology, telecommunications and intelligent services are growing compared to industries that favour large organisations such as mining and automobile manufacturing. In addition, large firms are increasingly outsourcing functions to smaller firms. Market opportunities are also moving towards those firms most able to exploit them quickly. Such firms have expertise in niche markets, are adaptable to the rapid rate of technical development, and are accustomed to shorter product life cycles because of customer demand for ever better products and services. These firms tend to be smaller, more flexible in structure, and more innovative than larger corporations, and their managers need to be enterprising and entrepreneurial.

7.2.2. Social factors

Traditional job opportunities are being replaced with dramatically different career options. For example, there has been an explosion of part-time, self employed and contract workers of all ages. There is more home based work. With the baby boom and recession, there are more well educated people with high aspirations than there are managerial and executive jobs in established companies. In addition, social trends across the developed world indicate that people are wanting more independence and opportunity for reward according to effort. Because of the 'glass ceiling' many talented women are leaving major corporations to found their own businesses. All these changes will generate an increased interest in entrepreneurial activities as a source of alternative work options.

7.2.3. Political factors

The collapse of authoritarian political controls, as has occurred throughout Eastern and Central Europe, and the widespread replacement of command economies with market economies is releasing considerable entrepreneurial energy. Perhaps of even greater importance is the formation of three major trading blocs (European Community, NAFTA and possibly APEC) within which trade will flow with fewer barriers. All these developments increase the number and quality of Australia's competitors, either directly as with the lowering of tariff barriers or indirectly by making additional sources of skilled low cost labour available to our competitors. They also provide great opportunities for those Australian entrepreneurs willing and able to seize them.

7.2.4. The urgency of the task

After weighing the available evidence the Task Force concluded that not only must Australia as a nation match the efforts of others to foster enterprise culture but if possible it must also surpass their achievements. Our history of protectionism and inward focus has not left Australian companies as well placed for the coming challenges as we might wish. In the next decade, Australia must seize the opportunity to reshape the focus of our business as more enterprising and entrepreneurial. There are great opportunities for our enterprises if we do, particularly in the Asia-Pacific region, and great risks if we do not – especially in a low tariff environment where our companies will be competing with the best companies from around the globe. Unfortunately, Australian managers do not rate highly as entrepreneurs – either when assessed by Australian experts or when compared to the managers of several of our competitors by our regional customers. The evidence for this was set out in Chapters Three and Five. There is a clear need both to upgrade management skills in this area and attract more talented young people to enterprise management.

It is important that we acknowledge that enterprise culture, entrepreneurial attitudes, and their associated management skills, can indeed be taught within educational programs. Overseas evidence from Europe and North America illustrates successful attempts to introduce enterprise culture and education into all levels of the schooling system, as well as provide public sector assistance in such areas. Internationally, crucial work has been carried out on these issues by the Durban University Business School, Harvard Business School and by the OECD in its 1989 study, *Towards an Enterprising Culture*. The Task Force has referred to this good work in developing its views, and has reflected it in this discussion. Examples of programs to promote these aims will be discussed in more depth later in this chapter. They provide important lessons for Australia and demonstrate the importance other trading nations place on creating an enterprise culture. It is possible for Australia to emulate and surpass the achievements of these nations provided we have the will to do so and the capacity to learn from them.

However, within Australia there currently exist constraints to incorporating enterprise culture into education. To briefly summarise the major barriers:

- the poor popular image of business, given the unethical corporate activities of the late 1980s, many of which are still in the public eye;
- the poor popular image of smaller companies as failing to provide worthwhile employment, career and wealth creation opportunities;
- conservative management styles and social attitudes;
- difficulties in shifting public education from models originally developed for a manufacturing or factory-based economy; and
- state welfare systems which may have the unintended effect of discouraging individuals from proactively seeking opportunities for economic improvement based on personal effort.

The Task Force is therefore of the view that any attempt to redirect the education system must be supported by initiatives to enhance the image of wealth creation, particularly through small to medium enterprises, and to raise the status of enterprise leadership, especially amongst young people.

Although all managers can certainly benefit from enterprise education, this chapter and the recommendations contained therein, focuses on all students within the education system, including those contemplating a career in enterprise management. The Task Force suggests that particular attention be paid to secondary education, vocational education and training and tertiary programs. At the higher levels of education the recommendations also address the skills of potential and junior managers – primarily those who are or will be working in the small to medium enterprise sector. This focus on young people arises because the Task Force holds the strong conviction that enterprise and entrepreneurial values and skills are established early in life.

Hence these recommendations have a long-term perspective, seeking as they do to better prepare young people for the new work environment and new management roles. Should they be implemented, the full impact of these initiatives will not be seen for fifteen to twenty years. That is, when the next generation reaches positions of power and influence. However, some impact will be seen in the immediate future as better workers and junior managers enter the workforce. In all of this the Task Force's ultimate goal is for Australia to educate its young people and new managers entering the business community to be as well or better prepared to compete in the new global environment as those of other nations.

7.3. The benefits of developing a positive enterprise culture

If Australia can develop a more positive enterprise culture there are clear benefits to the nation's enterprises but also to all Australian citizens. There are a number of areas in which these benefits will accrue.

7.3.1. Workforce productivity and innovation

Modern industry requires motivated workers who recognise and understand the roles they play within the workforce and who in turn are valued for their efforts. Enterprise education can offer real understanding of what business (in its widest sense) is about and the part the individual plays in it. Government policies formulated to promote skills thought to be most appropriate for the future have emphasised the need for transferable skills and lifelong learning, to facilitate provision of a flexible workforce prepared to meet the demands of the changing and increasingly technological society.

Amongst the skills which experts think most likely to equip the workforce for the challenges of the future are self motivation, creativity, problem-solving, decision-making, self-assurance, interpersonal communication and influencing skills and business insight. These are quintessential 'enterprise' skills.

7.3.2. Enterprise creation and growth

The real entrepreneurs with the vision of creating new products or services actually produce new jobs are important to all societies. For example, from 1980 to 1987, the Fortune 500 companies eliminated 3.1 million employees from their payrolls in the United States. During the same period, the non-Fortune 500 firms, mostly new and smaller firms, created 17 million new jobs including many in new industries such as personal computer software. A positive enterprise culture encourages talented individuals to take new directions and grow new enterprises.

Entrepreneurship is not just about development of small to medium enterprises but is also important for a wider range of business organisations, including large companies and mature companies, and in a variety of industries and sectors. It provides an important perspective on the ability of all types of organisations large and small, to adapt and survive in conditions of rapid economic, technological and environmental change.

7.3.3. Individuals and employment

For individuals, the skills developed by enterprise education are those that best help them to cope with a rapidly changing job environment. It is no longer the case that school leavers will remain in the same employment throughout their working lives; large heavy industries, the traditional employers of young people, have been rationalised and in many areas replaced by small business units or service industries. The need is to encourage individuals to be proactive rather than reactive in developing their own futures. The modern approach therefore stresses the importance of adaptability and flexibility and a willingness to diversify, perhaps several times throughout a person's working life.

Enterprise is not solely directed at self employment, despite the emphasis often placed on this aspect. Enterprising individuals are assets in all areas within the community, whether they work for themselves, for individual employers or for large firms. Indeed the ability to be enterprising is not the sole prerogative of those in employment. Unemployed people not only can be enterprising but can benefit positively from it.

7.3.4. Customers

Enterprise education will assist both students and those persons not receiving formal education in several ways. First, students will benefit dually in their roles as customers and in their potential roles as business owners who satisfy customers. Students engaging in enterprise education understand the importance of identifying, creating, and distributing value to customers when they establish new enterprises. Students need to be encouraged to understand the importance of customer value and customer satisfaction. All students are customers in many situations and their knowledge of the way in which businesses do, or should, deliver value to customers will assist the student to demand appropriate service from those who serve them.

Second, the public at large will benefit from students' understanding of and appreciation for customer service once these students are implementing their knowledge and skills in enterprise environments, either as managers or as employees.

7.3.5. The community at large

Society itself can benefit from having enterprising members. As the Durham University material points out, anyone who sets up and runs guide and scout groups, youth clubs, senior citizens' clubs, or who takes disabled youngsters on holiday are social assets. This is an aspect of enterprise thinking often forgotten, as is the skill of those who dedicate themselves to a variety of environmental projects.

Enterprise encourages certain attributes in individuals that will be of benefit later in life; the ability to cope with failure and live with uncertainty are significant assets, as is a positive outlook and a belief in oneself. The ability to co-operate with a wide range of people and take responsibility for individual and group actions are important in all occupations. These aspects of personal development are important at school, at home, at work and for future citizens within society.

7.4. The nature of enterprise education and entrepreneur education

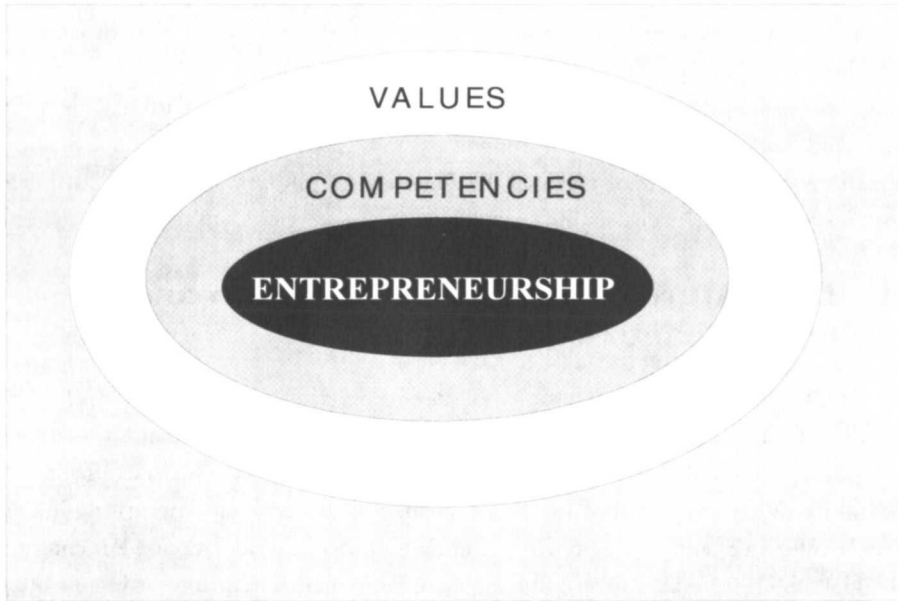
The OECD has presented questions of definition well in their paper, *Towards an Enterprising Culture* (1989). Their definition of an 'enterprising' individual is someone who has a positive and adaptable disposition towards change, and who sees change as an opportunity rather than a problem. To see change in this way, an enterprising individual has self-confidence, and is at ease when dealing with risk and uncertainty. An enterprising individual has creative ideas, and implements them, either individually or in collaboration with others, in a determined manner. An enterprising individual is motivated and able to take responsibility and is an effective communicator, negotiator, planner and organiser.

Above all, an enterprising individual has the capacity to create value where none existed before. The 'enterprise' skills needed to create wealth include those personal dispositions, abilities and competencies related to initiative, decision-making, flexibility, accepting responsibility, creativity, innovation and lifelong learning. Wealth creation may also require technical, business and market knowledge. Wealth can be created by individuals, workers, managers and entrepreneurs, in existing or new enterprises and industries and in communities.

An 'enterprise culture' is the set of values and beliefs within a society or culture which support independent, entrepreneurial behaviour by its members, in a business context and in a community context. One can talk of, for example, an enterprising local community, or an enterprising school, as well as of enterprising business organisations.

Hence, we can talk about 'enterprise' at a number of levels. Exhibit 7.1 symbolises the Task Force's view that it would be better for Australia's economic performance if all our citizens understood and valued enterprise and the creation of wealth, if more workers and managers had some or all of the competencies to be enterprising, and if more individuals had the motivation and competencies to be effective entrepreneurs. The exhibit also suggests that these levels are 'nested'. That is, it is difficult to have large numbers of successful entrepreneurs if the appropriate competencies are not widely distributed amongst workers and managers, and it is difficult to persuade individuals to invest in these competencies if Australian society at large does not value enterprise and entrepreneurship.

Exhibit 7.1 Enterprise education at various levels



One vehicle for addressing all these levels is the education and training system. Education and training can be applied effectively at all these levels, and includes a range of educational activities intended to develop enterprising attitudes and competencies in individuals. At a broad level education can acquaint individuals with the need for enterprising behaviour. At a specific level education deliberately sets out to train individuals to be entrepreneurs. The three categories of education which relate to the three levels, applied particularly to the business environment, are as follows (based on Gibb 1989).

- **Values. Education for enterprise**

Any activity which seeks to inform individuals about the nature of business, particularly small business, and promote an understanding of wealth creation. Activities in this category are usually factual and descriptive, but may include work experience or placements. Education in this category need not require initial interest on the part of individual students nor take significant amounts of time to achieve its purposes. Indeed some elements of values can be readily promoted to the young via electronic media.

- **Competencies. Education about enterprise**

Any activity which aims to develop the relevant competencies in individuals such as self-motivation, risk taking, business creativity, etc. Activities within this category may use the simulated setting up and running of a mini-business within an educational environment. Education in this category requires initial interest and the development of some of the requisite skills requires a significant investment of time.

- **Entrepreneurship. Education through enterprise**

Any activity aimed at encouraging individuals to start their own businesses and supporting them subsequently. This category particularly relates to self-employment as a career option. It includes education and training in business, including technical training and management development. Education in this category requires great motivation of students, considerable investments of time and a significant degree of risk to the individual.

7.4.1. Enterprise education

Enterprise education and training uses the education and training process to develop individuals who have the necessary mindset and skills to recognise opportunity, manage risk, and mobilise resources for a social or economic purpose. Enterprise education and training concerns both curriculum (what is taught) and pedagogy (how it is taught).

Generally, it means developing the qualities needed to be an enterprising person, such as the ability to tackle problems, take initiative, be flexible and work in teams. Specifically, it means taking part in projects, usually small-scale business and community enterprise projects, designed to develop these qualities. Enterprise education and training is highly interdisciplinary and heavily experientially based. While there is clear evidence that some concepts, skills and attitudes can be efficiently developed through the classroom process, some essential skills are best learned through experience eg, interpersonal relations, communication skills. However, enterprise education does have some qualities which distinguish it from both 'instructional' and 'experiential' learning. Essentially, these differences are that enterprise learning is defined as a project or task-centered process which:

- is centered on real projects or tasks of a problem-solving, or opportunity-seizing nature;
- is supported and facilitated by teachers and trainers and not organised or directed by them; and
- produces outcomes additional to the gaining of academic or vocational knowledge, for example, greater understanding of the values and benefits of being enterprising, for the individual and society more generally (based on OECD 1989).

Enterprise education also contains a high ethical content. It is about personal responsibility for action, and interaction with the community. In the business area, enterprise educators have a strong belief that developing firms create their own credibility, and maximise their likelihood of success, by delivering on what is promised in an ethical manner. A solid enterprise education foundation for budding business people will enhance ethical practice

Section III: A template for change

in business in Australia, not the opposite, and will promote the highest levels of professionalism in management and in industry.

Enterprise education is not solely education for business, although it often includes this as a major component. It is an effective vehicle for achieving a wide range of educational aims, which includes social objectives and community impacts. Perspectives on enterprise education and training are much broader, and encompass the philosophies of both 'education for work' and 'education for life'. These views assume that the personal, social and economic contexts in which people and their organisations can be, or need to be, enterprising are many and varied.

Many academic and vocational subjects involve, by their nature, some elements of being 'enterprising', such as creativity and problem-solving, or lend themselves readily to such activities: design, art, and technology. Elements of what is involved in being 'enterprising' can also be found in a number of educational methods already in place. 'Self-directed' and 'distance' learning involves being able to take or accept responsibility. 'Experiential' or 'action' learning requires initiative and self and team management on the part of students and trainees.

Hence enterprise education is not so much about developing radically new curriculum or objectives as reassembling many of the elements that already exist in the education system. An analysis of the content of enterprise education identifies subjects which are already taught in a range of other courses and disciplines. Enterprise education puts these otherwise disparate elements together in an appropriate framework. Enterprise skills also fit well with the Mayer key competencies currently being implemented in the schools system (DEET 1990). The Task Force is of the view that much can be achieved by putting existing thrusts together in such a framework, and focussing more clearly on motivating and skilling individuals to recognise and manage personal, social and economic opportunities. Enterprise education and training is therefore about new priorities for existing curriculum and a new process which impacts broadly across the education and training system.

Enterprise education can serve broader social goals. However, the Task Force believes that it should include business related instruction and experiences for most students. Most individuals will work in some form of business for at least a part of their lives, many will become self-employed and some will become managers. Great insight can be provided into the management of projects along business lines and student interactions with the adult world may be encouraged in preparation for later life. In practice as well, much of the project work relates to business, particularly for small to medium enterprises, and community organisations at the local level.

Enterprise education can therefore legitimately incorporate into its goals the development of business as well as life skills together with environmental and industrial and economic awareness.

Enterprise education is a mainstream program. However, the success of such programs with minorities or groups who might be deemed for one reason or another to have been outside the mainstream is a common feature of programs internationally. It has also been used in innovative courses for unmotivated learners which seek to stimulate engagement with the learning process by encouraging, or even insisting upon, enterprising qualities.

7.4.2. A Focus on Entrepreneur Education

Enterprise education can also have as its objective the training of smaller numbers of self-selected students in the theory and practice of starting-up new businesses. At least at the tertiary level these programs are intensive and require considerable resources. The rationale for society investing in such programs is that entrepreneurs create businesses, jobs and wealth, and entrepreneurship is not within the interests or abilities of everyone. From the pursuit of personal advancement by the entrepreneurial few, comes benefit for society as a whole, in the form of jobs and recycled wealth. Policies and programs to promote and assist entrepreneurship have become a feature of OECD countries in recent years, and there have been some minor developments in Australia. The OECD has described these kinds of programs in an appropriate way (OECD 1989).

Examples of such developments in schools include the *Young Achievement* and *Australian Business Week* programs which involve groups of students spending time – generally on an extra-curricular basis – running real or simulated businesses for a short period. Other initiatives involving students include running permanent school cooperatives and applying their studies to particular business applications. Some business studies and commerce courses also provide practical business experience. Although valuable in motivational and experiential terms, these programs do not usually impart much by way of higher level business skills.

The vocational education and training sector offers short programs for those intending to start their own business. However, while these are well received and of benefit to those who attend them – whether or not they decide to proceed further – they tend to focus on existing areas of small business and on hard skills (planning, accounting, law, etc.). They are also of too short a duration to be regarded as a complete foundation for entrepreneurship.

In higher education, there are a few examples of entrepreneurial degree programs in Australia, such as the Master of Enterprise Innovation offered by Swinburne University of Technology, albeit that none approaches either the scale or standing of those offered by institutions such as Babson College in Boston (with its emphasis on venture processes) or UCLA in Los Angeles (with its emphasis on minorities). Generally though, this area receives little attention within Australian universities.

Finally, there are programs for individuals and graduates already in the workforce or management such as the highly successful National Enterprise Workshop program. Again while this program has been evaluated as actually creating new businesses and increased

wealth the scale of the program is relatively small compared to the magnitude of Australia's economic challenges.

While all these developments are to be encouraged there are too few of them for Australia to be regarded as having an adequate system for training entrepreneurs. Equally efforts to provide enterprise education, more broadly are also few and small in scale.

7.5. The need to develop a clearer focus on enterprise and entrepreneurship in the education system

As an outcome of extensive consultations within Australia, evidence from overseas and from research, the Task Force has reached the conclusion that the current approaches to enterprise education and entrepreneurship within the Australian education system are currently too fragmentary, under-resourced, uncoordinated and of too small a scale to have the impact that is necessary for our economic performance to improve.

The Task Force notes that the ESFC Report *The Shape of Things to Come: Small Business Employment and Skills* 1994 also makes recommendations to upgrade enterprise education in the education system.

The Task Force acknowledges that some attention is being paid to these issues. In schools, for example, there are relevant elements in the national curriculum frameworks (particularly Studies of Society and Environment, and Technology), business studies/management subjects are being introduced (and are very popular), the Mayer key competencies lend themselves to the development of "enterprise", and various awards and activities such as Young Achievement Australia and the E-Team concept, promote enterprise objectives.

However, while such examples in school systems and the vocational sector exist, the majority of Australian secondary students and those obtaining occupational training get very little exposure to the vital values and concepts of enterprise education. At the undergraduate level much education is discipline based and oriented to knowledge and conceptual frameworks within that discipline rather than integrative and enterprise skills. At the postgraduate level Australian management schools, like their overseas counterparts, have been criticised for an over-emphasis on training for large corporate bureaucracies rather than small to medium enterprises or indeed the large corporations of the future. The management school curriculum of the twenty-first century will require that graduates be better prepared to compete in a global, entrepreneurial and innovative milieu. Current curriculum emphasis on functional skills and corporate policy and planning needs to be tempered by a more entrepreneurial curriculum based on the organic processes of business creation, growth and change.

Salisbury High School

James Mulraney, newly appointed Deputy Principal of Salisbury High School, the first 'Enterprise High School' in Australia, is deeply committed to ensuring that all students in his school are prepared to create their own future as required. James plans to link his school's education program with existing companies, the economic development process, and the employment generation process in the Salisbury Region and thus see every student successfully placed in employment.

This model may provide an example illustrating how entrepreneurship education can, when combined with other community programs, generate an entrepreneurial region.

There are examples of successful enterprise and entrepreneurship education programs internationally, where the development of enterprise education appears to have progressed through stages, from small business education and training, to entrepreneurial education, to enterprise education.

In Europe, Britain is most advanced in relation to enterprise education, followed by West Germany and Ireland. Britain is also the best example of a high profile, government generated and integrated enterprise strategy, which incorporates education, industry and community inputs and objectives.

In the United States, the focus is more on entrepreneurship, with universities, community colleges, private sector providers and community benefit organisations much more involved.

To have impact the very essence of enterprise education suggests that it is made available to a wide cross-section of students at school, TAFE and university. Indeed at the first, or values level, of enterprise education there is an argument for making relevant instruction available to all secondary students. The argument is that all members of a society should understand how it generates and allocates wealth, be aware of the various roles they can play in this, and of the various career options open to them. Secondary education would be the appropriate level in terms of intellectual development and career planning.

“Britain is the leader in developing enterprise education in schools in Europe.

“The Technical and Vocational Education Initiative (TVEI) mounted by the Training Agency. This is a major initiative which aims to prepare young people aged 14-18 years for adult and working life by building practical elements within the framework of a broader curriculum. TVEI started off as a pilot in a small number of schools and colleges; but now all local education authorities in Great Britain are involved.

“The Mini-Enterprises in Schools (MESP) Project sponsored by the Department of Trade and Industry in partnership with private enterprise. The main thrust of the MESP initiative is to prepare teachers to lead pupils in the establishment of mini-enterprises in schools. Since its inception MESP has achieved an 80 percent penetration of secondary and middle schools. There are examples of mini-enterprises which produce incomes of between \$6,000 and \$20,000 per annum for their schools. MESP has worked with 100 LEAs in England and Wales, introducing some 7,000 teachers to enterprise education through over 200 courses and workshops. The CSV Advisory Service is a kindred organisation to MESP which is concerned with community enterprise projects.

“Business Education Initiative sponsored by the Department of Trade and Industry with the following objectives:

- to enable 10 percent of teachers to have the opportunity to gain some personal experience in the world of business;**
- to enable all 4th and 5th year pupils to have two or more weeks of work experience before leaving school; and**
- to enable every trainee teacher to gain an appreciation of the needs of employers and of the importance of links between schools and employers.”**

Education Business Links 1992.

This argument can also be extended to the second or competencies level of enterprise education. However, at this level the investment in gaining specific competencies becomes significant, and to a degree career and industry related. Nonetheless generic enterprise competencies, particularly in the soft skills area, might well be a part of all secondary curricula. These generic competencies might be amplified and extended in undergraduate education and in most, if not all, disciplines and degree programs. Task

Force research demonstrates that many high school and undergraduate students in a variety of disciplines, including commerce and management, regard their programs as lacking in the area of soft skills (Reark 1995b).

The third level of enterprise education, entrepreneurship, might then be focussed on these students with a specific interest in business as a career. At an advanced level, it might be the province of those tertiary institutions specialising in management education and development. There are also fewer students for who this type of education is relevant, these students tend to be more mature and fewer tertiary institutions are capable of mounting credible programs on the topic. This is because education for entrepreneurship requires great interest and significant investments of time on the part of students, and a high degree of specialist knowledge on the part of instructors. Hence, there is less need for entrepreneurship to be made available in all programs but more for ensuring adequate attention is paid to it by some tertiary institutions in each state.

7.6. Policy options for developing an enterprise culture

In considering ways of developing a more positive enterprise culture in Australia the Task Force canvassed a broad array of options. These included allowing the status quo to continue, creating national enterprise programs of various types, targeting resources at centres of excellence, and a variety of programs to promote enterprise values through the media (including both direct promotion and indirect promotion by situation dramas and documentaries).

Allowing the status quo to continue was rejected because the Task Force was unable to find evidence of any significant momentum building, either in the community or in the education system, which might improve the nation's enterprise culture in the near future. Current initiatives are dependent on the efforts of relatively few individuals. While their efforts will undoubtedly improve Australia's enterprise culture this may not be at the pace or scale of our major competitors. As the Task Force holds to the view that a more positive culture is central to realising the benefits of workplace reform, and is a vital foundation on which to address the other management challenges facing Australia, they were forced to conclude that a Federal Government initiative is needed to accelerate change.

However, in deciding what form this initiative might take the Task Force had to consider the nature of the education system and regional and local differences in both this system and the profile of industry. It also had to consider the relative merits of a focus on education versus other methods of promoting enterprise.

The education system is complex, encompassing as it does state and private school systems, 300 colleges of TAFE and 50 universities. Many of the individual players in this system approach education with different philosophies and different priorities across subject areas. Australia is also a vast country with significant regional differences. These differences are

illustrated by the burgeoning tourism industry in Queensland, compared with the resource-based nature of Western Australia's main industries. In addition, there are differences between urban and rural environments.

Given differences in philosophy, and regional and local needs, the Task Force recommends a national approach to enterprise education, with curriculum and instructional methods to be agreed by the various parties and implemented with consideration of the different systems. It is also not possible to develop values, competencies and higher level skills outside the education system because this system contains many of the elements and some of the highly skilled individuals that are needed to achieve these goals. The Task Force has therefore chosen to recommend enhanced support to all levels of the system (primary, and particularly secondary and tertiary), together with mechanisms for seeking greater co-ordination across providers and greater industry involvement.

The Task Force has placed its primary emphasis on the educational system and on enterprise education for young people because it believes that these values and skills are best established early in life. Moreover, having individuals enter the workforce with enterprise values and competencies, and hopefully employing these skills throughout their working life, provides the greatest return for the community's considerable investment in them. However, the Task Force also reached the conclusion that any initiatives to engender change in the education system need to be supported by initiatives in more visible forums. First, by promoting enterprise values in a manner accessible both to young people and their older relatives and acquaintances, and second by raising the status of enterprise leadership in the community. Without such visibility 'enterprise' will have inadequate awareness levels amongst young people and enterprise education will receive insufficient parental and community support. There is a clear need for both 'push' and 'pull' strategies in this area. Changes to the education system provide the 'push', increased visibility for enterprise and leadership provide the 'pull'.

7.7. Reforming the formal education system

It is clear that much of what we term 'enterprise learning' is not a new educational invention, but simply a new label for elements of educational practice concerned with personal development. Problem solving, fostering creativity, and developing personal responsibility have been important objectives and practices among teachers for many years, particularly at elementary level. However all too often such approaches disappear, or at best are experienced only rarely, from the time that young people enter secondary schools, which lay great emphasis on the instructional, some on the experiential, but little on the enterprise. There is a particular need to continue certain aspects of personal development throughout secondary and tertiary education, while still recognising and maintaining enterprise related learning in the primary area.

There are new elements to enterprise learning, especially subject material and educational methods relating to business understanding and competencies. Again, many of these are being taught in some school systems and institutions across the nation. Mechanisms and programs already exist which can be built upon eg, national curriculum framework, key competencies etc in schools. The issue is both ensuring broader availability and placing these elements more comprehensively within an enterprise framework.

Enterprise education in schools

“Specific objectives of enterprise education in schools are:

- **to foster personal development so that young people are better equipped to adapt to changing circumstances in business, society, employment and career;**
- **to enable young people to develop attitudes, skills and abilities which are appropriate, transferable and useful in their future roles as producers, consumers, citizens, leaders, decision-makers and parents;**
- **to develop competencies in numeracy, communication, decision-making and social skills through their application to realistic situations;**
- **to provide young people with a more realistic understanding of how community organisations and business enterprises operate**
- **to provide young people with a greater awareness and appreciation of the roles of communities and of small business, entrepreneurship and self-employment in business and society.”**

**Enterprise Education Unit,
Durham University Business School 1992.**

As the OECD (1989) points out, whilst ‘entrepreneurship’ can be packaged as a curriculum ‘product’, enterprise is a process which impacts broadly across the content and delivery of education and training, and can appear in a variety of manifestations, in curricula, in methods, in aspects of school organisation, and, outside the scope of the curriculum entirely. Wherever there is an opportunity for students to show initiative, creativity of approach, decision-making, etc, there is an opportunity for the development and practice of enterprising qualities.

Developing enterprise education has major implications for the training of teachers, the development of materials, and the overall management of the learning process. There are a number of steps needed to include enterprise education in the school and post-school curriculum:

- new course and reading material needs to be developed;
- appropriate materials, such as business games, negotiating and networking exercises, need to be developed;

- teaching faculty need to be familiarised with enterprise and entrepreneurial concepts, and there needs to be continuing interaction and exchange of staff with community and business environments; and
- teaching faculty specialisation in enterprise and entrepreneurship needs to be encouraged.

Enterprise education in the vocational education and training sector

There are five likely subject groups for enterprise education in this sector. These are:

- 1. potential entrepreneurs who are taking the first vocational steps in their career, who have little formal education in business skills, and little exposure to the possibilities of an entrepreneurial career;**
- 2. practising entrepreneurs (small business and tradespeople) who already have some formal education in business skills;**
- 3. practising entrepreneurs who have not received much business education;**
- 4. aspiring entrepreneurs who are firmly committed or seriously considering starting their own firms, or who have been entrepreneurial but have not yet met their expectations; and**
- 5. company employees who wish to increase the practice of entrepreneurship within their firms ('intrapreneurship').**

Enterprise education in higher education

In addition to key functional areas such as marketing and finance some elements of enterprise education in universities are as follows.

- **The inclusion of entrepreneurial content in functional fields in the established curriculum;**
- **Direct experience in business environments to expose the students to real world situations of various types;**
- **The social psychology of entrepreneurship, including career and self assessment to help students identify the pros and cons of an entrepreneurial career;**
- **The development of communication skills, which are particularly important to entrepreneurs;**
- **Action planning and implementation skills, in order to cultivate individual creativity, and tolerance of uncertainty and ambiguity;**
- **Management of oneself and one's time in order to maintain a proactive stance; and**
- **Understanding of business growth and development and critical transitions.**

Based on material from Harvard Business School 1983

To facilitate these reforms of the education system the Task Force recommends that there be a national process of review, development and innovation within the Australian education system in relation to upgrading the focus on enterprise education. Educational curricula at the secondary, vocational and university levels would be reviewed to establish where useful enterprise and entrepreneurship teaching materials and methods already exist, or can be adapted, and to identify gaps where new developments and innovations are necessary. This review should have input from both the education system, especially local and overseas experts on curriculum and instructional design, and from a broad cross-section of industry. The latter is of critical importance and a key element of the success of various initiatives in other nations.

However, materials and methods are only one part of the equation. There also needs to be a program of staff development and training in enterprise and entrepreneurship at the secondary, vocational and university levels. This should include both formal education and training in concepts and methods and exposure to, and staff exchanges with, the business sector. Again interaction with industry and business is of critical importance in ensuring that relevant values, skills and abilities are targeted for development within the enterprise and entrepreneurship curricula.

In establishing mechanisms for review, development and implementation attention should be paid to the differences between small and large enterprises, industry sectors and regions of the country, particularly as these effect competencies. A careful delineation needs to be made between generic and more industry specific enterprise competencies. Attention also needs to be paid to the needs of industries of the future as well as existing industry.

Recommendation One

Development of an Enterprising Culture – within formal education and training (Band I)

It is recommended that the formal education system be used to:

- Expose students at primary, secondary, vocational and tertiary levels of education to the value of enterprising and entrepreneurial behaviour; and
- Provide units in entrepreneurship and small business formation and management in vocational and professional courses.

Implementation Strategy

Implementation details would include:

- Curriculum designers, business educators and teacher training specialists to work with industry representatives to develop the material: content of the program to reflect best practice in enterprise;
- Support from both Commonwealth and state systems responsible for education and training: also TAFE and universities;
- Review of primary, secondary, vocational and higher educational curricula to identify new units of study to be developed and existing units that could be adapted;

(continued)

- **Staff development of teachers at all levels of the education system; and**
- **Monitoring of outcomes to maintain program currency.**

7.8. Supporting recommendations

Two further recommendations are seen by the Task Force as supporting Recommendation One by raising the visibility and status of enterprising behaviour and leadership amongst young people, their parents and relevant reference groups.

7.8.1. Community education programs

Given the negative image of entrepreneurship and small business evident in Australia the Task Force has concluded that there is a need for community education to demonstrate the benefits of ethical entrepreneurship, and to raise public awareness of the changing nature of industry and work. These programs would also solidify the attitudes of those young people interested in pursuing enterprise and entrepreneurship studies and enable them to counter-argue against nay sayers in their peer groups, family and the community at large. Since young people relate more to electronic media than print, most effort should be directed to television and radio but this should be supplemented by contact mechanisms. These mechanisms would allow those with limited access to further information in their local community to easily identify sources of further assistance. Such programs would also promote the wider development of an enterprise culture more generally.

“Recent experience in some member countries shows that attitudes towards entrepreneurship can be influenced by appropriate public relations strategies of government and semi-government bodies.”

Schwans 1993.

The regional nature of Australian industry and the need for relevant advice suggests that various support networks of small business specialists, professional associations, state and local government and industry will need to be established. Some of these may provide advice and assistance to members of the community and secondary schools and higher educational institutions who wish to develop enterprise studies. Others may assist with the design of media and publicity campaigns.

As a precursor to launching community education programs, the Task Force recommends that some of these funds be allocated to a review of overseas experience with community education for enterprise and similar topics.

Media campaigns for changing community attitudes have been used effectively in Australia in a number of areas. Australia’s ‘Life Be In It’ campaign in the 1970s and 1980s significantly impacted on Australians to consider their health, quality of life, and improve

their fitness levels. Additionally, motor vehicle accident statistics have been lowered in recent years, partly because of the intensive and graphic television advertising which demonstrates the effects of poor driving practices.

The Small Business Development Corporation in Victoria has documented evidence to show that when Telecom Advertising was employed to promote its advisory services, very substantial increases in enquires from people seeking assistance were obtained.

Finally, the Singapore Government is currently promoting entrepreneurship and enterprising behaviour as an essential component of the country's future growth as a power in the Asian region. The media, particularly the newspapers, provide a very effective promotion of successful entrepreneurs and particularly young enterprising people as role models for others.

None of the above examples are 'low-cost' strategies. It is clear that intensive, sustained and high quality positive messages will need to be conveyed to the Australian community if enduring changes in the culture, with regard to enterprising behaviour, are to be attained. There are many role models of enterprising individuals in Australia who should be raised up and promoted to the populace, not as tall poppies to be cut down to size, but as ordinary people who identified opportunities and learned how to assume responsibility for ensuring that the opportunity was successfully developed.

Recommendation Two

Development of an Enterprising Culture – through community education (Band I)

It is recommended that there be a major community education program designed to promote the value of enterprise and entrepreneurial behaviour.

Implementation Strategy

Implementation details would include:

- **Separate strategies targeted at:**
 - **Regional development pilot projects;**
 - **Strategic events; and**
 - **Mainstream media programs on TV and radio with supporting telephone contacts, fact sheets, and relevant materials for distribution to viewers and listeners;**
- **Development of networks, both of people and organisations, willing to advise on and contribute to this change process;**
- **Partnership arrangements with industry, professional associations, state and local governments to assist in the operation and funding of the program;**
- **Development by consortium of industry representatives, small to medium enterprise developers, and media specialists; and**
- **Research into effective community education techniques used in other parts of the world, or in Australia.**

7.8.2. Leadership in enterprise and community

In raising the profile and image of enterprise and entrepreneurship it would also be of value to enhance the status of leadership in the community, in particular by providing training and visibility to outstanding young leaders and potential leaders.

During Task Force deliberations and consultations, the issue of leadership was seen by many as central to improving the performance of Australian enterprises. Unfortunately in Australia, the popular view of leadership has been tarnished by the corporate failures of the last decade. On the other hand, Australians have always held the leaders of our successful sporting teams in the highest regard, be they at the national, state or local level. The Task Force believes that if this attitude could be translated from leadership in sport to leadership in enterprise, then significant improvements can be made to our economic performance.

As is well known, the idea of leadership in community and commerce is 'second nature' to the citizens of many of the successful industrialised countries. It is perhaps most evident in the United States where leadership, as evidenced through a preparedness to articulate and pursue a vision, is at the forefront of both community and commercial endeavor. In the United States the development of leadership skills commences in the school system where students are encouraged to engage in public speaking and other leadership development activities and is nurtured in the enterprise. An interesting example of the inculcation of leadership within the enterprise culture is the Xerox program 'Leadership Through Quality'. Xerox have recognised that achieving the highest quality standards within an enterprise requires the development of leadership at all levels and in particular, the leadership of teams. The Task Force has also concluded that in the future leadership will be defined in a broader manner as, 'leadership is the achievement of enterprise performance through others without relying on the authority of the position of the leader'. This definition suggests that leadership can indeed be a feature of personnel at all levels within the enterprise and is not confined to the Chief Executive Officer. The concept of quality also supports such a definition.

In looking at how Australia can place more emphasis on the importance of leadership within our community and our enterprises, it is instructive to note the development of leadership programs in the United States in particular. In that country, there are over 300 community leadership programs. Each program is based at a major city in the United States. A number of those programs have also been used as the basis for developing university based leadership programs, for example The Chicago Leadership Program. In the United States these community leadership programs are seen as a most effective means of further developing leadership skills which can assist in the development of communities and provide leadership to many public and private organisations.

In Australia the only programs of this nature are the Australian Rural Leadership Program (ARLP) and the Williamson Community Leadership Program. The Task Force has reviewed both of these programs and is most impressed with their nature and scope and the impact which these programs have on the development of leadership skills in their participants. The Australian Rural Leadership Program is a national program which seeks:

“... to improve the competitiveness and profitability of rural industries in an international context for the benefit of all Australia through the development of highly capable leaders in rural industries and the support community.

“The program seeks to develop leaders who will:

- create, articulate and passionately own a vision;
- negotiate and present industry positions;
- establish strategic alliances across diverse interests;
- develop competitive and profitable rural industries;

Section III: A template for change

- identify the various issues competing for industry, community and government support;
- understand the tactics, arguments and values of other interest groups;
- deal comfortably with leaders in all walks of life; and
- participate in the shaping of national policies”.

Participants in the ARLP undertake a 56 day program at locations throughout Australia and spread over a period of two years. The program also includes a sixteen day international travel program to expose participants to the issues and problems of international trade and development of export markets, particularly in the Asian region. The program is funded by scholarships from rural industries, and industry research and development organisations, governments and philanthropic sources.

The Williamson Community Leadership Program, as its name suggests has a focus on community leadership and draws its participants from persons identified by organisations as leaders or moving towards positions of leadership. The program is based in Victoria and incorporates the following elements:

- encourages a vision for the future leadership of Victoria with a focus of the next ten years;
- provides opportunities to make a vision a reality;
- draws on the valuable lessons of established leaders, combining them with the vitality of new and developing ideas;
- established pathways and networks to cross boundary sectors and philosophies;
- believes that people working together have the power to make positive change; and
- holds a firm commitment for a better future through awareness understanding and action.

The program involves participation in three weekend schools plus attendance at three Wednesday events each month, through the program year from mid-February to November. The program has been based on the community leadership programs which are conducted throughout the United States.

The Task Force also undertook consultations with the Royal Australian Air Force and Navy and investigated the leadership development programs conducted by the Air Force at the Point Cook Academy in Victoria and HMAS Penguin in New South Wales. There is no doubt that the Australian military has a strong tradition of providing successful leadership development programs for military personnel. Many of the attributes of these programs have application within a civilian environment.

The establishment of a leadership consortium by a number of leading Australian companies also reflects the increasing recognition of the need to focus on the development of leadership skills within Australian enterprises. This consortium however is limited to

major Australian companies. Programs such as the Williamson Community Leadership Program on the other hand, provide opportunities for leaders and emerging leaders from community organisations and enterprises to further develop their leadership skills in a way which also focuses on the needs of the broader Australian community.

In this respect, the Task Force believes that an effective means of further developing and enhancing the recognition of the importance of leadership skills in Australia, could be achieved by the establishment of community leadership programs in each Australian capital city. To further enhance the profile of leadership within the Australian community generally, the Task Force believes that a national leadership program should be developed which could bring together participants in capital city based leadership programs. While the capital city based leadership programs could provide a focus on the development of leadership skills, perhaps within the context of the relevant state and its industries and community needs, the national leadership program could provide a stronger focus on national and international issues. The Task Force believes that a state capital city leadership program could be based on the already developed Williamson program, whereas the national leadership program could involve a five day national program for participants in each of the capital city leadership programs.

The development of these leadership programs would have a significant impact on the emphasis which is given to the importance of leadership within the Australian community and the Task Force believes would significantly raise the profile of leadership and its importance to the development of the Australian community and our enterprises.

Recommendation Three

Leadership initiative (Band II)

It is recommended that a program be put in place to develop, disseminate and promote relevant competencies in leadership to complement management development and also for use in the general community.

Implementation Strategy

Details of the program are as follows:

- A leadership program in each state modelled on the Williamson Foundation Leadership Program, which is in turn modelled on Leadership Chicago, which is:
 - linked to identified leadership competencies to ensure an appropriate level of rigour and effectiveness; and
 - consists of core state based programs with participants assembling in Canberra for a combined annual national element of the Leadership Program.
- An annual national leadership program which:
 - involves selected participants from each state program;
 - is of approximately 5 days duration;
 - is staged at a key locality to give maximum public exposure; and
 - is run in close association with, and with increasing levels of sponsorship from, prominent industry and community organisations.
- The Williamson Foundation could act as an agent to establish state and national leadership programs. This would include:
 - research into and use of world's best practice techniques for developing leadership abilities;
 - development of program and resource material;
 - building network of presenters, advisers, supporters, promoters and possible financial sponsors;
 - development, maintenance and linking of alumni with the wider community;
 - promotion development and operation of performance measurement mechanism; and
 - maintenance of accountability.
- The program would be evaluated to gather information on competencies gained and outcomes delivered.

Chapter Eight

Better management skills			
Upgrade the capability of TAFE and business support	Harness the talents of diversity	Achieve best practice management development	Reform management education
Develop a positive enterprise culture through education and training			

8. An agenda for change in vocational education and training and business support

- 8.1. Purpose of the chapter
- 8.2. The role of vocational education and training in developing better managers
- 8.3. Important changes needed to vocational education and training through TAFE
- 8.4. Upgrading the capability of TAFE
- 8.5. Improving training and support for small to medium enterprise owner managers
- 8.6. Accrediting small to medium enterprise trainers and advisers who can provide excellent services
- 8.7. State-of-the-art support for existing owner managers
- 8.8. Articulated TAFE/University programs in small to medium enterprise management

8.1. Purpose of the chapter

This chapter takes up the second challenge identified in Chapter Five and makes six recommendations aimed at enabling the vocational education and training sector and business support programs to better serve Australia in developing its managers. As the Technical and Further Education (TAFE) system is the major provider of vocational education and training in Australia, it is the focus of most of this chapter in relation to vocational education and training.

The recommendations made in this chapter also support the frontline manager initiative (Recommendation Thirteen) which, although it is briefly mentioned here, will be discussed in more depth in Chapter Ten.

In this chapter we first demonstrate how the vocational education and training sector, in particular TAFE, can support the development of improved management skills, and then identify the key changes the Task Force considers necessary if the sector is to have the capability to achieve this goal. This discussion leads naturally to the Task Force's major recommendations, first to facilitate a process of reform in the TAFE system and second to accredit small business trainers and advisers.

8.2. The role of vocational education and training in developing better managers

The 300 TAFE colleges across Australia have over 290,000 students currently enrolled in various business studies programs, are major providers of vocational and management education and training for small, medium and large enterprises, and have educated a larger proportion of Australia's current stock of managers than any other tertiary sector (although not necessarily in management itself). Furthermore, because technical qualifications are often the pre-requisite for supervisory or frontline management, the TAFE system plays a major role in educating and training Australia's 130,000 supervisors in manufacturing and other technical businesses. The TAFE system plays an equivalent role in educating and training many of Australia's 290,000 sales and service supervisors. The quality and relevance of TAFE's programs have a major impact on the skills of Australia's frontline managers. Equally, TAFE is the major source of management education and training for the small to medium enterprise sector. Whether this is for intending owner managers or actual owner managers, TAFE provides numerous courses for this sector. Again, the quality and relevance of these courses have a major impact on the skills of Australia's current and future small to medium enterprise managers.

8.2.1. The role of TAFE in developing the new skills for frontline managers

One of the TAFE system's key roles will be to instill the new management and teamwork skills needed by existing and future frontline managers, skills which the Task Force regards as critical to any marked improvement in Australia's economic performance. This issue is

not dealt with definitively in this chapter, but is covered in full in Chapter Ten where a nationally accredited *National Certificate in Workplace Leadership* is recommended. However, it is addressed here briefly because of the central role that TAFE and other vocational education and training providers will play in strengthening frontline manager skills by offering this certificate.

In the drive to achieve greater efficiency and productivity, and improved quality and competitiveness, organisational hierarchies are becoming flatter and team approaches more widespread. In this context, the leadership capability and flexibility of front-line managers in capturing employee commitment, responsibility, and performance is essential. Because of this, the Task Force has afforded national priority to developing these new skills for frontline managers.

Given the number and distribution of frontline managers, development strategies for them must be widely available and take into account geographic, economic and social factors. For these reasons, the role of the national vocational education and training sector, with its hundreds of training providers including TAFE colleges, industry organisations, private colleges and training companies, and enterprise-based training centres, is the keystone of this initiative. Because of the central role that TAFE has traditionally played in providing training for frontline managers, priority needs to be given to the role it will play in future management development.

8.2.2. Role of all providers in the frontline manager initiative

The ability of vocational education providers to play an effective role in the frontline manager initiative relies on a number of factors:

- there must be a high profile nationally accredited frontline manager certificate widely accepted and supported. It must be valued by industry, commerce, and individuals, and effectively communicate management development objectives as well as address the vital competencies identified elsewhere in this report;
- the National Generic Management Skills project provides an excellent foundation for a new frontline manager certificate. This existing scheme provides the generic management skills for frontline managers. However, to meet the outcomes envisaged by the Task Force, it needs to be enhanced by the capacity to build in both industry-specific and enterprise specific competencies;
- program delivery must be of high quality and designed to suit the learning needs of individual enterprises and participants. For this reason, it must be supported with the highest quality learning materials and methodologies that utilise the latest technologies and encourage workplace delivery. This will enable participants to go about their management learning at locations and times that suit themselves and their companies. This flexibility is critical to providing wide access to Australia's existing and future management personnel;
- the program should combine learning, on and off-the-job, and should be adaptable to suit the specific needs of individual enterprises by adding industry and enterprise-specific management competencies to generic management competencies; and

- enterprises should be encouraged to participate by the existence of an effective system to recognise individual prior learning. This will help ensure that the development of management competencies is as efficiently implemented as possible and that existing competencies already developed through formal and informal experiences in the workplace are recognised.

These elements fit well with the objectives and process directions of the National Training Agenda and of TAFE.

However, on the basis of research and extensive consultations, the Task Force has reached the conclusion that, while the TAFE system employs many able individuals and has several centres of excellence, as a totality it is currently not well placed to meet these requirements in relation to the training of managers, particularly frontline managers. Thus, staff skills, products and learning material must be developed to ensure that the nation's TAFE colleges can respond to these urgent requirements.

8.2.3. The role of TAFE in improving the management skills of small to medium enterprise owner managers

TAFE plays an important role in vocational and management education and training for the small to medium enterprise sector. As discussed in Section Two, this sector is important not only for its economic potential but also as a major source of employment opportunities in the future. The need for a greater component of management training in vocational and occupational programs is taken up below. Here we will focus on the management education and training provided by TAFE and other organisations.

On the basis of its research and consultations, the Task Force has concluded that intending owner managers are relatively well served by a variety of programs which serve to familiarise individuals with the demands of running a small business. On the other hand those individuals actually owning and/or managing a small to medium enterprise are not well served by the programs offered by TAFE and others. The skills of these individuals are vital to economic progress and employment opportunities and the failure to provide effective education and training for them is a major constraint on Australia's future progress.

As outlined in Chapter Five the critical issues are the specific targeting, accessibility and relevance of the available programs. The Task Force is concerned that, despite best practice in delivering such programs being well known and despite there being some outstanding programs delivered across the nation, the majority of programs fall short of these ideals. Indeed many are provider led rather than being enterprise or user driven. The Task Force has therefore concluded that the quality of training and also the advice available to small to medium enterprises needs to improve. It should be a national priority that this sector has at its disposal a rich pool of managers who are adequately educated and trained to ensure that as many such enterprises as possible reach their full potential.

The Task Force attaches great value to strengthening management skills in small business as a means of allowing individuals to 'create their own futures' by using their management, business and creative flair to create and develop new ventures which employ themselves and provide new jobs for others. As with the new skills needed by frontline managers, the Task Force has devoted considerable energy to developing initiatives to improve the quality and delivery of small to medium enterprise training and advice. However, before we detail the specific initiatives proposed by the Task Force it is pertinent to outline the major changes in the vocational education and training sector that the Task Force wishes to bring about by its recommendations.

8.3. Important changes needed to vocational education and training through TAFE

The Task Force considers that there are three major areas of change and reform needed to prepare the TAFE System for the demands of the next century. These are: (i) enterprise driven programs; (ii) improving the management content of vocational programs; and (iii) improving staff skills in the TAFE system. Each will now be discussed in turn.

8.3.1. Enterprise driven programs and better methods of delivery

Management development best practice requires close links between the strategic direction of the enterprise and the approach taken to management development.

The value that enterprises derive from management development programs, and hence the degree of their commitment to undertaking them will obviously also rely on the strength of the relationship between management skills development and business outcomes. This is particularly true in the small to medium enterprise sector where organisations are typically short of resources and time to undertake development programs.

Management development must therefore be linked to the specific needs of the enterprise. Consultants and trainers employed within the national vocational education and training system are in an ideal and convenient position to work with local enterprises to develop the most appropriate programs.

To effectively add value to the management development strategies of enterprises, these consultants and trainers must be able to identify management development strategies relevant to personnel within an enterprise. Consultants must be able to bring the generic management skills identified by the Task Force into the enterprise and apply them in a relevant and effective manner. In other words, they have to localise the competencies and show how those competencies can add value to the bottom line of the enterprise. In addition, they must recognise any industry or enterprise specific competencies which are important in the particular context and devise appropriate ways of developing them.

Task Force consultations with industry established that many companies have great confidence in their own industry organisation providing advice and, in many cases,

tailoring training and development programs to suit particular needs. These relationships provide a good foundation to promote management development using supportive organisations, such as TAFE colleges, to market and deliver courses and management development materials.

The Task Force believes that the success of the frontline manager program in particular, as well as management education and training in general, will be limited by any assumption that management development requires only **traditional** instruction in the classroom. This particularly applies to the small to medium **enterprise** sector where Task Force research indicates that owner managers demand **experiential** learning approaches based on highly relevant case examples, and have a limited **tolerance** for more generic or less participative instruction.

There is an imperative therefore that the quality of delivery is high. This will require that individuals delivering training will themselves need to be highly skilled. The *National Certificate in Workplace Leadership* will need to be supported by high quality learning materials and utilise the widest range of technologies available, including distance learning. In particular, training, coaching, and mentoring skills in the workplace must be addressed. This is necessary as the Task Force has found that workplace learning is perhaps the most effective means of encouraging participation in management development at the level of the enterprise and individual employee.

8.3.2. Management development within vocational programs

Task Force research and consultations have demonstrated that vocational education and training concentrates too closely on developing technical competencies in occupational programs – at the expense of more general management skills.

A significant number of tradespeople and technicians move into roles as frontline managers or team leaders soon after they obtain their qualifications or establish their own small businesses. Skills to effectively manage their new roles in frontline manager positions and as managers of small enterprises are minimal, and in some cases do not exist. In the latter case, the absence of these skills undoubtedly contributes to the high failure rates in small business.

The availability of generic and industry specific management modules in programs of a technical or vocational nature is an issue that the Task Force believes should be addressed by national and state Industry Training Boards when developing occupational training programs. This concern is addressed in Chapter Twelve of this report as part of a major recommendation to establish a body to take responsibility for management development programs within Australia's education systems. It is envisaged that this body will oversee the management development requirements of technologists and other semi professionals within their basic education programs, in conjunction with bodies who have responsibility for technical competencies. The Task Force believes that options for studying basic management skills must be available in all vocational and occupation programs at Certificate, Advanced Certificate and Associate Diploma level.

8.3.3. Staff skills in the national vocational education and training system

The Task Force has identified an urgent need to develop competent and effective teachers and consultants who would assist enterprises to develop and deliver management development programs which operate as levers to achieve their strategic objectives.

“The best results occurred from using process consultants who facilitated change and development, rather than providing expert advice.”

Alister Mant, The Esprit Group, quoting a Kingdom Department of Employment study on training which benefited small businesses.

Effective implementation of the frontline manager initiative requires that a high level of skills needs to be resident in the TAFE colleges and private providers which will be delivering programs. Further, the strong requirement for quality learning materials (which, in many cases, would need to reflect local and individual needs) requires skilled instructional designers to develop learning materials and customised programs to suit the unique requirements of individual enterprises. High quality experienced, and relevant teachers who can relate to individuals and enterprises on contemporary best practices are also required. Such requirements may well be beyond the current capabilities of many of the nation's TAFE colleges.

The re-training of management development staff, and the introduction of a mechanism to recruit high quality management staff from the public and private sector, must be addressed if real improvements in management development in TAFE are to be expected.

The success of any national effort to strengthen the skills of frontline managers is particularly dependent on the effective re-training of existing or prospective management staff presently employed within TAFE. This also requires flexible and adaptable recruitment arrangements which are not inhibited by industrial award arrangements. These are necessary to enable TAFE colleges to employ quality management teachers and consultants. Strategies for retraining and recruitment of management teachers and consultants that ensure the required number and quality are available to the vocational education and training sector need to be identified and implemented, particularly by those key TAFE colleges which may be selected to lead the way in these important initiatives.

In conclusion, these three areas of reform are seen by the Task Force as crucial in order for the tens of thousands of TAFE trained managers to develop the skills needed to meet

the management demands of the next century. If achieved they would yield:

- truly enterprise driven management development;
- enhanced management content to vocational programs; and
- better skilled TAFE staff to support high quality and relevant education and training.

8.4. Upgrading the capability of TAFE

However, to realise these goals the Task Force considers that the capabilities for management education and training within TAFE have to be substantially enhanced. The aim must be to develop TAFE colleges as leading examples of best practice management development and organisational reform. This calls for an extensive and thorough-going commitment to improvement and change, and the Task Force recommends an expansion of the national development program for managers and staff of TAFE colleges to facilitate this goal.

In particular, the program emphasises initiatives which would position the vocational education and training system more credibly as a management development provider. These initiatives include not only best practice reform of the TAFE system's teaching skills and organisation but programs designed to allow senior TAFE managers to lead these reforms.

TAFE has undergone immense change in recent years as rising enrolments and State funding cut-backs have limited its capacity to effectively plan and update management and operational practices. This has adversely affected any capability to implement and cement further needed change. Without a major program of change and reform which itself employs best practice TAFE will not be able to move in the new directions so necessary to improving Australia's management performance with the degree of urgency required.

On a more positive note, the establishment of the Australian National Training Authority has given new impetus to the push for reform of the vocational education and training sector and has brought additional funds to ensure that TAFE colleges are more relevant to the future needs of students and its clients. The drive to provide world class vocational management education and training provides an excellent opportunity for governments to demonstrate their support for improved management skills by facilitating the reform of TAFE in these areas.

Enhanced government support and adequate resources to build on the present National Management Development Scheme for the vocational education and training sector are strongly recommended by the Task Force. However, from the pilots of this program being carried in one TAFE college in each state and territory, it is evident that the management development and cultural changes needed to achieve best practice will require significant effort and resource allocation. The TAFE system, through the ANTA and the TAFE Chief Executive Officers from each state, has already identified this as a major initiative. By reforming the organisation of TAFE colleges, and by re-skilling its managers, the TAFE

system as a whole will be better placed to implement the vital changes to management education and training described above.

That is, TAFE colleges must exhibit fluid organisation structures which support devolution of responsibility for decision-making, and a team approach to development and delivery that mirrors best practice in individual enterprises. Furthermore, as TAFE college staff are increasingly working with enterprises to assist them in implementing their own organisational reforms, the Task Force believes that it is important for the staff involved to be fully qualified and aware of international best practice in this area.

These organisational reforms and new skills would have the added benefit of improving the credibility of TAFE as a management education provider. The preparedness of individual enterprises to utilise the nation's TAFE colleges depends on their confidence in the ability of the TAFE system to assist them in developing their managers. This preparedness would be strongly enhanced if TAFE could develop a reputation for being a leader in organisational reform. This means that TAFE itself must implement management development strategies that are leading edge and reflect international best practice. Strong government support and additional resources aimed at establishing exemplary colleges in each State provides an opportunity to set benchmarks in regions throughout the country such that enterprise participation will be greatly encouraged.

In recognising the need to encourage cultural change through participation in this scheme, the Task Force believes that the incentives model being introduced in the higher education sector, through recognition of quality processes and principles, is a model that would be worthwhile in the TAFE system.

The Task Force therefore argues that a similar system of quality assurance which provides financial incentives for TAFE institutions to introduce these reforms, and have funds allocated on the basis of an annual review against established national criteria, would be particularly worthwhile.

The initiatives proposed in Recommendation Four are seen by the Task Force as vitally necessary if TAFE is to play a stronger role in developing Australian managers. These initiatives are also consistent with and build upon the December 1993 report to the TAFE National Staff Development Committee – *A Framework for Management Development in the National Vocational and Education and Training System*, the *National Strategy to Enhance the Status of Vocational Education and Training* (April 1994) and *The Shape of Things to Come*, by the Employment Skills Formation Council (September 1994). With regards to funding, whilst larger enterprises, in some cases, are prepared to pay for such training and development programs, Task Force research has shown that the small and medium sized enterprises certainly will not. Thus additional government funds would have to be provided to enable ANTA, through the state TAFE organisations, to develop these important programs so that this initiative can succeed.

Recommendation Four

Upgrading of TAFE's capacity to deliver management development courses and incentives to improve quality (Band I)

It is recommended that the National Management Development Scheme for the Vocational Education and Training sector be expanded to assist the organisation reform of TAFE colleges so they become examples of best practice in the way they manage their own organisation and to improve the capacity of staff to deliver best practice management development programs and services.

Implementation strategy

Initiatives would include:

- Professional development of senior TAFE managers, focusing on the rationale for organisational reform, and their responsibility for leading the reform and skills development processes required in their college;
- A program targeted at selected TAFE colleges which develops relationships between senior and other managers as a way of driving organisational reform and achieving strategic objectives within that college. These examples would then be used as best practice case studies for use throughout the TAFE system to promote wider organisational reform and for application to other enterprises;
- Incentives for the improvement of quality in TAFE institutions implemented via a process similar to that of the quality assurance process in higher education with funds allocated by way of an annual review and selection process; and
- Professional development of TAFE personnel, to provide them with the skills required to create and deliver management development programs and services used by private sector enterprises to assist in their own reform processes. The skills of TAFE personnel delivering these programs must reflect world best practice in relation to management development, due to the wide spread impact they will have on management reforms at the enterprise level. This is particularly important in relation to the support of the frontline manager initiative.

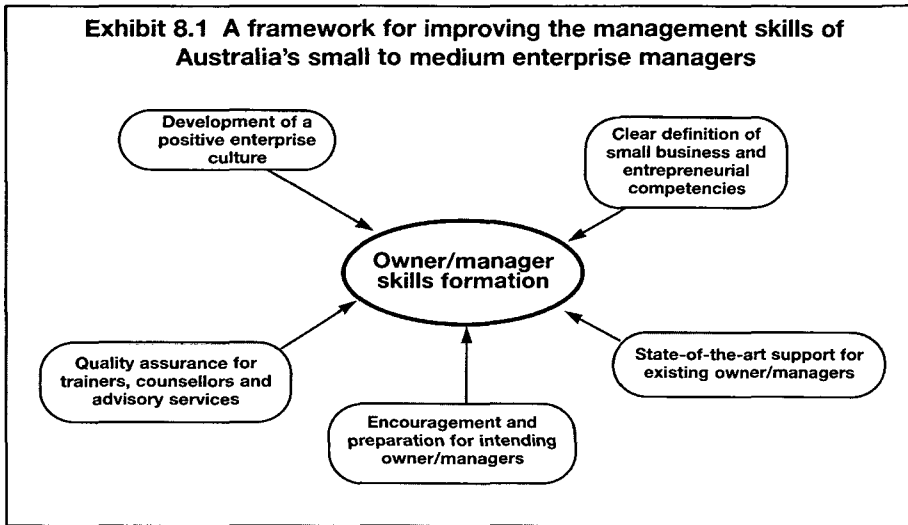
8.5. Improving training and support for small to medium enterprise owners and managers

The Task Force has interviewed many small business owners and managers and has consulted with a wide range of providers of small business education, training and support services. As well as its extensive consultations, it has commissioned specific research projects to ascertain how skills formation for owners and managers should be undertaken. It has also examined offshore approaches to improving the performance of small business owner and managers.

The result of these investigations is the framework for management skill formation for small to medium enterprise owners and managers which is shown in Exhibit 8.1. This framework addresses several fundamental issues which currently constrain the development of managers in this sector and thereby retard the development of a more dynamic economy. These issues include:

- encouraging members of the Australian community to view small business development and entrepreneurial behaviour by owners and managers as an important and desirable component of our society (see Chapter Seven);
- developing clear definitions of the knowledge, skills and attitudes (competencies) which are required by owners and managers to be successful;
- creating an appropriate process for ensuring that all educators, trainers, advisers, counsellors and support professionals who work with owners and managers are able to offer quality services. In addition, national co-ordination of small and medium enterprise services are considered;
- encouragement for potential and intending owners and managers to ensure that they are provided with the best possible preparation for the formation of their new ventures; and
- promotion of 'state of the art' support mechanisms for existing owners and managers, such as industry specific data statistical bases, best practice case studies, mentoring and networking processes, and use of computer and telecommunications technology.

It should be noted that the framework does not suggest specific programs for specific industry sectors. Rather it is designed to establish a solid foundation on which any education institution, industry association or professional support group could build its specific industry programs.



The Task Force believes that over the past 20 years, too many specific small business programs and processes have been launched with very admirable goals, but with little chance of success. This low success rate has occurred because the programs were built on inadequate knowledge and materials for the task. The Task Force's framework is intended to promote the need for a more comprehensive and integrated approach, whereby all elements have to be present for maximum effectiveness. While the Task Force believes that good education and training programs for intending owner/managers are available, and that a start has been made on defining small business competencies, the other elements are missing from the Australian business environment. The need for an environment which welcomes small business entrepreneurial activity more enthusiastically and fosters support for new ventures has been discussed in Chapter Seven. Here we concentrate on the remaining two elements; that is, quality assurance for small to medium enterprise trainers, counsellors and advisory services and improving the accessibility of support for existing owner/managers.

8.6. Accrediting small to medium enterprise trainers and advisers who can provide excellent services

The Task Force regards quality assurance for small business trainers, educators, counsellors and advisers as a necessary and urgent step towards improving the quality of small to medium enterprise education, training and advice. In line with this conclusion, it recommends that an accreditation process be established for small business trainers, educators, counsellors and advisers.

The Task Force has discovered that the quality of information, training and advice provided to owners and manager of small to medium enterprises varies considerably across Australia. In addition, there is a dearth of information available to assist managers in making informed decisions about selecting quality service.

It should be understood that deficiencies in the quality of training and advice may contribute to the high failure rate in small business. Further, shortfalls in the quality of advice and training from poorly skilled advisers may also discourage future use of support services. Many small to medium enterprise owners and managers consulted by the Task Force acknowledged that poor quality training courses and advice have caused many of them to disregard some support services.

The most appropriate providers of small to medium enterprise training and advice are those who have experience managing in this sector and have the empathy and skills necessary to sensitively facilitate the learning of adults. Advisers who have only experienced management in large corporations or government administration are unlikely to understand the special needs of the small to medium enterprise owner and manager.

The Task Force attaches considerable importance to ensuring that lawyers, accountants and bank staff dealing with small to medium enterprises have the appropriate skills to advise on small business issues, including an ability to identify training and management skills difficulties. This is the case because lawyers, accountants and bankers are the key sources of business advice for most owners and managers in this sector. As well as advisers and counsellors who primarily advise small enterprises, the professionals listed above need to be more aware of the management issues confronting the smaller firms which they seek to advise.

Some professional associations and organisations are taking steps to improve the level of advice to smaller enterprises, but there are still many organisations and individuals who purport to provide assistance to small to medium enterprises but lack knowledge of the special needs of the sector. In addition, government funding is still being provided to individuals and organisations which are not sufficiently knowledgeable and skilled to offer appropriate programs or advice, despite the accreditation processes related to many government programs.

One reason why the Task Force has chosen the option of accreditation for all trainers, advisers and counsellors is because of the success of an accreditation system operating in England. An association of business counsellors was created in conjunction with Durban University Small Business Centre. The centre developed a training program which must be completed to gain accreditation. The government has recognised this accreditation, such that all government programs must be conducted by accredited trainers.

The creation of a Small to Medium Enterprise Adviser Accreditation Board to oversee what will be an important and far reaching accreditation process will be the responsibility of the Australian Council for Management Development (see Chapter Twelve). This Council would establish a board with industry, education, small business agency representatives, as well as representatives from the Small Enterprise Association of Australia and New Zealand (SEAANZ) and other professional associations. The Council would work with existing accreditation bodies in the public and private sectors to improve the quality and spread of accreditation processes.

Section III: A template for change

Accreditation standards would be based on demonstration of defined competencies which would comprise generic, industry specific and enterprise specific components. The process of defining the accreditation standards should involve industry representatives and should be consistent with the development of national small to medium enterprise owner/manager competencies. Recognition of prior learning will be an important component of the accreditation process.

Accreditation would be identifiable via a logo, which could only be issued by the accrediting body and the display of which by advisers, bankers, lawyers and accountants would indicate that these individuals are qualified to offer informed advice and counsel. In the case of educators and trainers, the accreditation standards would be further extended to include demonstrated ability to provide best practice education and training.

Under the Task Force's proposal, accreditation would be provided for an individual, not an organisation; would not be transferable; and would be subject to the requirement of on-going professional maintenance and improvement.

The expected outcomes of a comprehensive accreditation process include:

- improvements in the quality of advice, education and training to small to medium enterprise owners and managers;
- advisers, counsellors, educators and trainers will be encouraged to engage in continuous improvement of their services; and
- government funding agencies will only provide funds to individuals and organisations who can demonstrate that they have satisfied the accreditation standards.

Recommendation Five

Accreditation of Small Business Trainers, Educators, Counsellors and Advisers (Band I)

It is recommended that a comprehensive accreditation process be established for small business trainers, educators, counsellors and advisers so as to upgrade the quality of small business advice.

Accreditation would establish a high standard for the skills required by small business trainers, educators counsellors and advisers. It would also provide small business owner managers with a consistent and easy method of identifying suitably skilled trainers, educators counsellors and advisers.

Implementation Strategy

Implementation details would include:

- Accreditation to be voluntary but government related small business training would give preference to accredited providers;
- Accreditation to require providers to demonstrate knowledge and availability of the full range of the Government's business improvement services. This could also enable the providers to be accredited as agents for AusIndustry's business improvement services; and
- Accreditation process would build on and link with existing accreditation processes, eg, State Training Boards, professional associations, etc.

8.7. State-of-the-art support for existing owner managers

The extensive consultations and research of the Task Force revealed many other areas where small to medium enterprise management skills can be effectively improved. These primarily relate to the second element of the Task Force's framework and concern the accessibility of support and training by existing owner/managers of small to medium enterprises. This section presents two recommendations intended to improve accessibility.

8.7.1. Promoting mentoring as an effective development method

The Task Force considered the evidence from a range of consultations research reports which attempted to identify the needs of owner/managers for education and training support (Coopers and Lybrand 1995a and b). This material suggests that traditional methods of imparting knowledge, through training courses, are not acceptable to the

majority of existing owner managers, for a number of very logical reasons. Owners and managers of existing small businesses have great difficulty in finding the time to attend training courses because such instruction is often conducted at inappropriate times and in locations which are not conducive to action oriented learning. In addition, many owners and managers believe that courses are too generalised and what they need is specific attention to their particular needs. It is clear that existing owner managers are not likely to be persuaded to use existing education and training programs and that a more appropriate solution needs to be found which addresses the above weaknesses. This is where mentoring can play a valuable role.

Mentoring involves close interaction, primarily in the workplace, between the owner or managers of a small business and an experienced former or existing manager of another small enterprise who has considerable practical experience. Mentoring does not rely on expert consultants.

In recent years, the trend has been for mentors to be recently retired or part-time managers who have the time and enthusiasm to be able to perform a mentoring role. The Task Force is of the strong view that mentoring offers owners and managers an effective and convenient method for ensuring that skills imparted during formal training and development sessions are applied to the everyday operations of their enterprises.

The Value of Mentoring

A small business counsellor was approached by small business man who had received some counselling assistance 10 years earlier when he was launching his business. The reason for the renewed contact was the fact that although the small business man had recently been to a range of National Industry Extension Service (NIES) courses and had been assisted by National Industry Extension Service (NIES) consultants with some strategic planning workshops, he wanted to talk freely and personally about his concerns for the business.

The business now employed 80 people, had annual revenues of \$9 million and was preparing to expand rapidly. The owner/manager did not want to undertake any more courses because he felt that his real need was for personalised mentoring/coaching and packaged courses could not satisfy his requirements.

Since the renewed contact was made, a range of useful contacts have been created, advice has been given and acted upon, funds have been obtained and strategic thinking has been enhanced.

Mentoring requires personal, honest, open and skilled facilitation and usually only operates effectively when high levels of trust exist between client and mentor. Those levels of trust cannot always be developed between trainers and their course participants.

Overseas experience in the United Kingdom, Norway and Canada also suggests that the most effective programs of management development for existing owners and managers are those which are designed with substantial components of personal mentoring either before, during or after some training input. In the UK very extensive evaluation of the Small Business Consultancy Service has demonstrated that mentoring subsidies, that is these programs were a very cost effective way of improving small business performance.

After analysis, the Task Force has concluded that too many Australian training programs are designed with only a training input as their major component. The owners and managers themselves, as well as evaluation of overseas programs, have indicated that mentoring must be considered in future programs. The Task Force believes that this is one of the only ways to assist existing owner managers that is likely to 'make a difference' in changing behaviour and small business performance.

There are valuable examples of mentoring in Australia, albeit not always in connection with education or training courses. These examples include:

- the Executive Counselling Service of Small Business Victoria, the Service Corporation of Retired Executives of the Australian Chamber of Manufacturers;
- the account support program operated by the Queensland Small Business Development Corporation; and
- the Executive Connection operating across Australia in which groups of 12 owners and managers meet together once per month and meet with their mentor on an individual basis once per month.

Networks of small to medium enterprises that work

One of the most effective examples of an small to medium enterprise network in Australia is The Executive Connection (TEC), a franchised organisation which operates in most capital cities of Australia.

TEC Groups of 12 participants (plus chairperson/facilitator) meet on one day per month for a year to receive presentations from experts, to share their company strategies, to assist each other with contacts and to offer support and encouragement. In addition to monthly meetings, the chairperson meets for a few hours each month with each individual member to share strategies, ideas, opportunities, concerns and to offer mentoring assistance. TEC Groups are comprised of 12 non-competing Chief Executive Officers from small and medium sized enterprises.

Approximately 30 TEC Groups operate across Australia and their effectiveness is reflected in the very high member re-enrolment year after year. Chairperson/facilitators are chosen from experienced business people who have a capacity for encouraging and enthusing others.

The cost of personalised counselling or mentoring has always been considered prohibitive. There has been a widespread view that the most cost-effective approach to training is to bring groups of people together in training rooms. However, if existing owners and managers refuse to attend because they do not believe that group learning is effective on its own, then mentoring offers an additional and effective way to encourage management development.

8.7.1.1. How will a mentoring system work?

The Task Force believes that the Federal Government should assume some of the financial costs of mentoring, to complement formal training assistance. This financial assistance should be offered in forms which allow the consumer to choose the provider and should also operate within a time framework designed to accommodate small business owner/managers.

The development of the mentors for this project could be a lengthy project and needs to be phased in over a number of years. The Task Force recommends the accreditation of small business mentors under the system already set out in Recommendation Five above. Many mentors already exist who could gain accreditation almost immediately. These would only need to be identified and grounded in the purpose and operation of this program.

The Task Force expects that existing owners and managers will learn to seek assistance from accredited advisers and trainers and, when this assistance has expired, will feel comfortable with a continuation of the relationship, perhaps at their own cost or with a smaller public subsidy. The experience in the United Kingdom with small business consultancy services has shown that small business can be encouraged to continue with consultants after subsidies conclude.

8.7.2. New technology to improve access to training and advice

A key finding of the Task Force's Small Business Sub-Committee has been that the traditional delivery of training is not always appropriate for small to medium enterprise owners and managers. This applies particularly to managers who are not training oriented, have limited or no time to attend courses or who demand industry specific training. Many owners and managers indicated to the Task Force during consultations that they are unable to leave their businesses to attend management training courses or to meet with management advisers.

Therefore, to encourage participation in management development in this sector, appropriate training needs to be made available in a format which is suitably timed and structured to suit the requirements of existing owners and managers. To the Task Force, this indicates that serious consideration should be given to new instructional technologies and presentation formats such as open learning. Similar conclusions can be applied to the provision of management advice.

Recommendation Six

Small Business One-to-One Qualified Mentoring/Advising (Band II)

It is recommended that a system of financial assistance be provided to small business owner managers by way of a certificate of entitlement to purchase accredited one-to-one mentoring/advising to complement, or as an alternative to, formal training assistance through the government's business improvement services.

Such assistance would address the reluctance or inability of many small business owner managers to seek advice for business problems as they arise and for long term management skills development. It would provide owner managers with an entitlement to consult with an expert and trusted source of support, over a substantial period, as an encouragement to longer term use of professional advisers in solving business problems and developing management skills.

Implementation Strategy

Implementation details would include:

- Accreditation of small business mentors/advisers. This complements and relates to Recommendation 5, *Accreditation of Small Business Trainers, Educators, Counsellors and Advisers*;
- Development and publication of a list of accredited small business mentors/advisers;
- Selection, and referral by appropriate bodies such as AusIndustry, of small business owner managers who would be likely to benefit most from mentoring/advising assistance;
- Small business owner managers would receive advice from an accredited mentor/adviser up to the value of the certificate of entitlement and over a defined time period; and
- Such assistance would be paid for by the Commonwealth in a manner which allows the consumer to choose the provider, and would be time limited.

Channel 9 of South Australia, Adelaide College of TAFE and the South Australian Department of Regional Development have already offered a television program aimed at owners and managers of small enterprises and have coupled this program with learning materials for enterprises in the City of Adelaide. Newer developments in information technology have also provided opportunities for existing owners and managers to receive

Section III: A template for change

training and advice in their place of work via electronic bulletin boards and, more recently, desk top video conferencing.

A major advantage of these technological solutions is that owners and managers can receive their training and advice when they want it, rather than when the trainer or adviser is prepared to provide a course or an appointment. However, it is not known at this stage if owners and managers who are unwilling to engage in traditional training activities will be any more inclined to participate in alternative learning and support approaches. Hence, the Task Force considers that the pilot testing of alternative approaches is more prudent than full implementation at this time.

The Task Force recommends that a major pilot project be undertaken to investigate the effectiveness of supporting existing small to medium enterprise owners and managers through linkages with trainers and advisers using emerging technologies such as electronic bulletin boards and desktop video conferencing.

The project should be overseen by a steering committee of industry representatives, educators and small business specialists. Results of the evaluation by the steering committee should be distributed widely to ensure that any benefits demonstrated can be replicated across the nation. If the pilot program is successful, the overall approach has the potential to provide owners and managers with just-in-time learning, information and advice. In the longer term these technologies also have the potential to reduce the costs of activities such as mentoring.

Recommendation Seven

Piloting the training and support of small business owner managers via the latest technologies (Band II)

It is recommended that a pilot program be conducted to test the networking of up to 100 small business owner managers with a range of business trainers and advisers (assume 20), for a period of 6 months, via use of advanced computing and telecommunication technologies.

The objective is to test an alternative to traditional methods for supporting and training of small business owner managers.

Implementation Strategy

Implementation details would include:

- The pilot program could be managed, although not necessarily implemented by, a body such as the Open Learning Technology Corporation, Open Net, or an appropriate business support agency;
- The pilot program would utilise the full range of existing and emerging technologies such as desktop video conferencing, online information services, electronic bulletin boards, E-mail etc;
- Maximum use would be made of linkages with other information resources such as AusIndustry's BizHelp service; and
- Technical advice would be available to pilot participants.

The Task Force considers that new technologies can also greatly enhance networking between small business support agencies and training providers.

A critical issue which emerged during consultations and from Task Force research is the difficulty of support agencies and training providers in keeping abreast of innovations and developments across Australia and the difficulty of co-ordinating their activities in an effective manner. Busy people often operating within different agencies and located in different states find it hard to maintain current awareness and to interact with their peers.

Research for the Task Force by Coopers and Lybrand (1995d) indicates that networking amongst small businesses in some industries has proven a very valuable methodology for solving similar problems. However, most networking efforts have traditionally been conducted using meetings and telephone conferences. Albeit efficient in the past, these methods require all parties to be present and do not take advantage of current technologies, such as desktop video conferencing, online information services, electronic bulletin boards, E-mail, etc.

Given the broad opportunities technology offers, the Task Force concludes that a pilot networking experiment using these new technologies is warranted amongst support agencies and training providers. Ideally, these technologies will provide more effective and

immediate mediums for networking than current methods. The Task Force recommends a similar pilot study to that outlined above be conducted, to ascertain the exact extent of the utility potential of these new methods.

Recommendation Eight

Piloting the networking of small business support agencies and training providers via the latest technologies (Band II)

It is recommended that a pilot be conducted to link up to 30 small business support agencies, training providers and counsellors, for a period of 6 months, via use of advanced computing and telecommunication technologies.

The objective is to test the effectiveness of a range of technologies in their ability to increase co-ordination and information exchange between small business support agencies.

Implementation Strategy

- The pilot could be managed, although not necessarily implemented by, a body such as the Open Learning Technology Corporation, Open Net, or an appropriate business support agency;
- The pilot would utilise the full range of existing and emerging technologies such as desktop video conferencing, online information services, electronic bulletin boards, E-mail, etc;
- Maximum use would be made of linkages with other information resources such as AusIndustry's BizHelp service;
- Communication between support agencies would be promoted by a small network of facilitators; and
- Technical advice would be available to the pilot participants.

Recommendations Seven and Eight have essentially similar objectives and implementation strategies but are targeted at different groups.

8.8. Articulated TAFE/university programs in small to medium enterprise management

The final recommendation in this chapter concerns potential and intending owners and managers of small to medium enterprises rather than existing owner managers. In general, the Task Force believes that potential and intending owner managers are well served in terms of short familiarisation courses – particularly for the less sophisticated areas of small business. However, they have identified one major area of weakness in the Australian education and training system. This weakness relates to those younger individuals who have a strong desire to own or manage sophisticated small to medium enterprises and therefore wish to undertake a more thorough and extensive program of education and

training in their operation. At present, these individuals find it difficult to extend their small business education beyond the TAFE certificate level. The same limitation exists for those who wish to become management consultants specialising in the SME area.

There is a strong argument suggesting that articulated TAFE and university undergraduate programs in small business formation and operation should be available in all Australian States and Territories. At present, students who opt to study small business and entrepreneurship are only able to study at certificate level at TAFE colleges. In most states of Australia, students who wish to further study small business management are required to enter a 'standard' university commerce degree which is likely to be focussed on the large enterprise sector and therefore will be of little relevance to the student's chosen career.

This is clearly inappropriate in an environment where small enterprises are becoming an increasingly important sector of the economy and where large enterprises continue to reduce the numbers of managers they employ. Furthermore, many small to medium enterprises operate in high value added areas and require sophisticated managerial skills. Potential managers of such enterprises will increasingly need access to higher learning and knowledge about how to successfully establish and sustain these businesses. The Task Force believes that there is a strong case to argue that the breadth and availability of small to medium enterprise studies at vocational and university level needs to be strengthened.

At present, there is uncertainty in the higher education sector about the actual demand for small business programs, primarily because so few examples exist to gauge such demand. In contrast, the Task Force believes there is evidence across enterprises and industry, that if there were more choice and opportunity to study small business at the vocational and university level, then the demand for these programs would increase.

However, to maximise demand and impact on the skills of small to medium enterprises, any new programs and units should be developed in a way which allows them to be linked to further study – either at the TAFE or university level. Recognition of prior learning should also be incorporated into the development of new programs and units.

For example, TAFE in NSW has developed an associate diploma qualification in small business which articulates with a number of business degrees in NSW universities. This has allowed students who wish to extend their business education to do so without assuming their learning must cease at the conclusion of their TAFE studies. Equally, students who are unable to enrol in an appropriate course at university will be able to gain an initial qualification at TAFE, but will not be prohibited from advancing to degree level should they subsequently wish to.

The Task Force considers that to develop an articulated small business management curriculum for implementation in each State, the Department of Employment, Education and Training should work with the Australian National Training Authority and the university system. The NSW model could be used as a starting point to develop courses or to smooth the credit transfer arrangements for existing courses in each state.

Recommendation Nine

Development of articulated TAFE/University undergraduate courses in small business formation and management (Band II)

It is recommended that articulated TAFE/university courses in small business formation and management be available to students throughout Australia.

TAFE in NSW has developed an associate diploma qualification in small business which articulates with a number of business courses in NSW universities.

The intention of this recommendation is to promote the availability of such an articulated study program to students wishing to study small business formation and management at TAFE and eventually at university level, in all states in Australia.

This would mean the development of new, or modification of existing TAFE/university courses along the lines of the NSW model, in states where no appropriate articulated course structure currently exists, and the development of appropriate credit transfer arrangements in states where they do.

Chapter nine

Better management skills			
Upgrade the capability of TAFE and business support	Harness the talents of diversity	Achieve best practice management development	Reform management education
Develop a positive enterprise culture through education and training			

9. Finding the balance: capitalising on the talents of diversity

- 9.1. Purpose of the chapter
- 9.2. The importance of capitalising on the talents of diversity
- 9.3. Best practice management development and human resource strategies
- 9.4. A strategic focus on women and their role in improving management skills in Australian enterprises
- 9.5. Policy options for increasing the number of women managers
- 9.6. National strategy for women in private sector management, corporate boards and academia
- 9.7. Strategies to facilitate management for diversity

9.1. Purpose of the chapter

This chapter takes up the third challenge in Chapter 5 – by making a major recommendation to the private sector and government that they give high priority to strategies to capitalise on the talents of Australia’s diverse population in Australian business and industry.

It then focuses on two areas of immediate challenge: capitalising on the talents of women in improving the management performance of Australian enterprises, and of our multicultural workforce. The recommendations centre primarily on major strategies to increase the numbers of women in management positions, particularly senior and executive positions. It also includes a strategy to upgrade the knowledge and tools available to the private sector in relation to multicultural management. The reasons for focussing this way is covered in the following text.

In the chapter we first reiterate the importance of management for diversity in general. Then we re-emphasise the immediate importance of accessing the talents of women and the talents specific to different cultural backgrounds to improve the management performance of Australian enterprises. We highlight the critical role of enterprise best practice in management development in achieving these socially and economically desirable goals, as well as the commitment of Chief Executive Officers and directors.

Next we set out the Task Force’s reasons for advocating a specific focus on women, and outline the possible ways the numbers of women managers might be increased. Finally, the Task Force’s specific recommendations are presented, starting with the need for the private sector and government to give higher priority to diversity management. Then we outline the Task Force’s recommendations for a national strategy for women in management, including voluntary targets agreed by industry, government and individual enterprises. This national strategy leads directly to two recommendations aimed at facilitating the achievement of these targets. These are to increase the number of women on enterprise boards and to target women in management education, training and business support programs. The last is a general recommendation to improve government agency support for promoting diversity to the private sector including improvement in management of the multicultural workforce.

9.2. The importance of capitalising on the talents of diversity

The need to both better manage diversity and to better utilise our diverse workforce in management is the third challenge identified by the Task Force. On almost every economic criteria, poor management of diversity by existing managers and artificial barriers around managerial and workplace culture which impede the efforts of individual employees to progress through management ranks, are inefficient and are poor business practice. There is also a need for Australian management to think more creatively, to

develop new business elements, and to combine old elements in new ways. The valuing of difference in organisations can uncover new perspectives, tap different knowledge and experience, and generate ideas, suggestions and methods not previously considered. Tapping diverse resources enhances the ability of organisations to respond more imaginatively to opportunity. Whether one is talking about the effective management of the human resources available to an enterprise, building trade links to other nations, developing products and services for new markets, or altering the skill profiles of enterprises, diversity is a key point of competitive leverage for the future.

For individuals, better management of diversity is about equity, greater access to work opportunities and career advancement. As such, opening up the ranks of management to all those Australians who have the aptitude and desire to manage, irrespective of their ethnicity or gender, is an important social goal in its own right. But for Australia this is also about exploiting our strategic advantages as a nation competing in the global marketplace. The Federal Government's 1994 industry and employment statement *Working Nation* argues that access to global business is in part a product of workforce and community diversity.

9.2.1. The Multicultural Workforce

The scale of Australia's multicultural human resources should not be under-estimated:

- approximately 23 percent of the population were either born in a non-English speaking country or have at least one parent from such a country;
- about 17 percent speak a language other than English at home;
- in the last ten years more than 50,000 business migrants have settled in Australia;
- about 21 percent of Australia's 800,000 small businesses are owned or operated by people of non-English speaking backgrounds; and
- workers from non-English speaking backgrounds make up about 15 percent of the total Australian workforce, and form a majority in some industries and occupations.

The Task Force believes that innovative use of multicultural diversity means making use of the four key assets which such diversity can provide.

Language skills are becoming more important as we move towards more services-based exports and sales requiring cleverer marketing and negotiation. The ANZ Bank, for example, ranks fluency in second languages highly in its graduate recruitment process and almost half its recent recruits have second language abilities.

Cultural sensitivity can be developed through the knowledge and experience of non-English speaking background Australians. These skills help ensure appropriate forms of behaviour when dealing with culturally diverse customers or business partners, aid receptivity to messages, and promote ease between negotiating parties. Law firm Phillips Fox has used the language and cultural skills of Vietnamese-born Australian lawyers to help establish a presence in Vietnam.

Knowledge of business networks in their home countries is another asset which immigrants bring, especially those who have come as business migrants. They know who to contact and how to conduct business. For example, a Mandarin speaking employee of an Australian engineering firm, Sinclair Knight, saw an opportunity to get a foothold in Taiwan and was instrumental in handling the dialogue between the company and an engineering firm in Taiwan.

“Australians are among the most highly educated and technically skilled in the world. (Australia’s) truly multicultural society will provide us with the expertise and language capabilities that will allow us to effectively manage our activities beyond the immediate Australia-New Zealand environment.”

Phillip Kerrigan, Managing Director of Data General, explaining why his firm decided to locate its regional headquarters in Australia.

Market knowledge gives enterprises a highly prized marketing edge, and overseas born employees frequently bring with them such information. This constitutes a potential advantage in identifying and responding to consumer preferences. For example, the small rubber products company Vulcanite beat its Swedish competitor in penetrating the market in southern China after one of its China-born employees persuaded management of the benefits of re-designing its packaging. Food exporter Tixana uses the business networks and market knowledge of its Asian-born management and staff to tailor its snack food products for export to new markets in Southeast Asia.

A range of practical activities are already underway in business and government to help managers capitalise on the multicultural workforce. These include:

- **publication by the Office of Multicultural Affairs of support tools for business including *Best Practice in Managing a Culturally Diverse Workplace: A Manager’s Manual*;**
- **launching by the Department of Employment, Education and Training of a special campaign of *Working Nation* recognising the role played by small business employers for employees of non-English speaking background and including creation of Community awareness Teams to assist and provide information to employers;**

(continued)

- **the *Arts and Crafts Industry Support Strategy* of the Aboriginal and Torres Strait Islander Commission which provides assistance to industry including promotion and expansion of markets overseas;**
- **establishment of the Council for International Trade and Commerce South Australia Inc, which involves the co-location of numerous ethnic chambers and the South Australian Chamber of Commerce and Industry, and aims to facilitate networking and better servicing of visiting trade delegations;**
- **business matching functions, which are being organised by several business organisations to introduce exporters to newly arrived business migrants;**
- **evaluation by the Australian Chamber of Commerce and Industry of the networking possibilities of Australia's bilateral and ethnic chambers of commerce;**
- **evaluation by the Inbound Tourism Organisation of Australia of the potential use by the tourism industry of the linguistic and cultural skills of non-English speaking background Australians;**
- **Austrade's appointment of a senior export counsellor to implement a business strategy based on export development through ethnic communities and expansion of the Australian exporters directory to include data on ethnic businesses;**
- **the Business Funding Scheme of the Aboriginal and Torres Strait Islander Commission which helps Aboriginal and Torres Strait Islander managers to acquire, own and develop commercially successful enterprises including enterprises with potential to export; and**
- **various initiatives by the Department of Foreign Affairs and Trade to facilitate business exchanges with Asia.**

9.2.2. Skills for the twenty-first century

But broader than issues of international trade is the profile of skills which Australian managers and enterprises will need in the next century. The Task Force research cited in Section II has revealed that businesses preparing for the next century will increasingly be in need of 'soft' skills and cultural flexibility; exactly those skills which are associated with women and with people who must survive as minorities in the majority culture. In particular, female managers are likely to play an increasingly important role in achieving the right mix of skills within the enterprise of the future.

This is because the new styles of management that are emerging are consensual, focus on team management and coaching and mentoring, rely on more effective communication between individuals, and are flexible with changing circumstance. There is some evidence that because of socialisation patterns women favour a more consultative and flexible management style, and value differences, co-operation and relationships. These are skills on which they can build to fit these new management paradigms.

But whether managers are male or female, what is required is an appropriate balance of management styles within the enterprise of the future. Such a balance is more likely to be developed through a more lateral outlook on what constitutes a good manager in today's organisation, and drawing from diverse rather than narrow pools of talent and experience. Above all else it requires that many Australian companies rethink their management selection and development strategies with a clearer focus on their future sources of competitive advantage.

Task Force consultations and research have found that such rethinking has been slowly occurring and some initiatives to encourage the involvement of under-utilised groups in management and management development have been implemented by some of Australia's more progressive companies. However, it is the Task Force's view that change is not occurring quickly enough.

“We are a generation who say we like change and have worked hard to turn around our own businesses to cope with the rapidly changing environment. Yet we have not been very good at encouraging women to contribute at senior levels. Why is this so?

If Australia is to compete successfully in the international arena we need to equip ourselves with the best resources possible. We are lucky that we have a well educated, young population but, currently, we are not making full use of its skills.

At National Mutual we have recognised that we do not have an equal number of men and women in senior management. We are not proud of this imbalance and we are looking at why this has happened and how it can be addressed.”

**Geoff Tomlinson, Group Managing Director, National Mutual,
writing in *The Australian Financial Review*, January 18 1995.**

For example, in 1993 women only represented 26 percent of all managers, 22 percent of specialist managers, 14 percent of general managers and probably less than 5 percent of senior executives or board directors. According to the International Labour Organisation, Australia has the lowest percentage of women in management in the industrialised world. These proportions should be seen in the context that some 42 percent of the workforce are female, as are 60 percent of those studying business at TAFE, 46 percent of those undertaking undergraduate degrees in business administration and economics, and 29 percent of those undertaking masters degrees by coursework in business administration and economics.

Projecting current trends suggests that the proportion of the workforce who are female will be 45 percent by 2001 (DEET 1991), whereas the proportion of managers who are female is unlikely to reach 30 percent by that year. Current indications are that the proportions of women at higher levels of management are likely to remain much lower than the overall figure. The Task Force regards these rates of change as totally inadequate and believes there are strong economic reasons for seeking to accelerate them.

As well as the need to better capitalise on the skills of these women in the enterprises of the future, it is also clear that Australian business cannot be quarantined from efforts in the wider community to ensure that Australia's institutions more accurately reflect the diversity of its population (in law, politics, science, education and trade unions). This is especially the case for larger organisations in which women and people from ethnic backgrounds are under-represented at senior levels. Further, and more importantly, Task Force consultations reveal that the slow changes that are occurring are not always accompanied by the attitudinal shifts that are needed to make full use of the resources which a diverse workforce should present. Change must be both widened and hastened.

The Task Force believes that the challenge is to generate a management culture where decision-makers develop a better way of capitalising on diversity in all its manifestations. There are pressing economic and social needs for Australian enterprises to better manage the potential in *all* their employees, including current and future managers.

Similar comments can also be made about the tertiary management education sector which parallels Australian industry in its failure to capitalise on diversity amongst its staff. Within the category 'Administration, Business, Economics and Law', women held 8.3 percent of positions above senior lecturer level, 15 percent of senior lecturer positions and 35 percent of lecturer positions (DEET 1993). Moreover, the Task Force has evidence that classroom cultures have a negative impact on both women and individuals from other cultures, and that the management of diversity is not a part of the curricula in most institutions.

**"I would have hated to work in their workplaces ... their language ...
how they overlook you ... they're patronising how they speak to you."**

**Female graduate student of management commenting
on male students – cited in Burton 1995.**

9.3. Best practice management development and human resource strategies

The Task Force notes that around the globe many enterprises and managers in the private sector have recognised the need to better capitalise on the skills and talents of all segments of the workforce, and are actively engaged in programs to improve the situation. These programs include both strategies to encourage and develop more diversity within

management and strategies to better integrate work and family life. The activities of the leading enterprises constitute an innovative and exciting bank of experiences and international best practice on which to build.

Best Practice Example – NorTel Australia Pty Ltd South Melbourne

NorTel introduced initiatives aimed at changing the attitudes and perceptions of students regarding women participating in non-traditional fields such as engineering, through targeting various levels of the education system. Strategies include supporting women entering engineering courses, setting targets for both graduate recruitment and senior management placements, and establishing support and consultative mechanisms for women.

By 1992, half of all vacation employment students were women. This area of employment provides women with necessary technical experience before joining the workforce. The number of women at management level has also increased over the past two years due to education and consultation with management. High potential women are targeted for career development and given various promotion opportunities within three to five years.

Best Practice Example – Exicom Australia

A major problem identified in developing career options for women was lack of communication skills and other personal development issues. Exicom participated in the Australian Best Practice Demonstration Program which included observing and benchmarking EEO practices, increased training and experience, including literacy/numeracy, quality and technical/general training. One aim of the affirmative action program was to increase the number of skills and qualifications, especially language competencies held by women.

Over the period of the program, Exicom doubled its English in the Workplace program and over 90 percent of the students were women. The number of women supported (through time off work and expenses paid) by Exicom at university/TAFE courses increased and women made up 40 percent of employees subsidised. This increase in skills and training resulted in 10 percent of women being reclassified.

Best Practice Example – Ericsson Australia Broadmeadows

Ericsson has a general policy of improving career opportunities for all employees through structured development plans, performance review training, individual career advice and counselling. During the period of development of the company program the Women's Development Work Group held regular meetings to review and re-draft the company's affirmative action policy. Quarterly forums were held that specifically addressed issues for women in the 1990s. There were also seminars to increase management knowledge of AA/EEO principles. This policy extended into the development of structured female engineer networks and a training program to increase the skills of the women's development work group. An on site child care centre was also opened in January 1993.

In 1993 there was an increase in female employment through the top four categories (managerial (14 percent), professional (45 percent), para professional (78 percent) and trades (40 percent). Ericsson concludes that this is due to an increased acceptance of women in these field and a stronger tertiary educated female base, making it easier to promote affirmative action principles. They believe there has been a genuine shift in attitudes since the beginning of their affirmative action program seven years ago.

Business Review Weekly, Affirmative Action Awards 1993/94.

The urgent need for Australian enterprises to adopt best practice toward management development in general is taken up in more depth in Chapter Ten. Here we concentrate on those components of management development and human resource strategy which impact on diversity.

9.3.1. Management development

In ensuring that enterprises address the issue of diversity in the strategies they use to develop their managers, the role of the Chief Executive Officer is paramount. If Chief Executive Officers are not committed to giving *all* their employees the opportunity to prove their capabilities, then this is a signal to other managers about the organisation's attitude to developing and promoting women. As Burton (1995) has concluded, this gives other managers tacit permission to exercise their personal preferences.

Chief executive officer commitment is the single most helpful factor according to the results of the Center for Creative Leadership's study conducted by Morrison. The study identified 52 diversity practices within 16 progressive companies. The only one shared by all companies was top management's personal intervention to promote diversity.

The CEOs in Australia who are achieving a profile with respect to women's advancement have a disproportionate number of North Americans within their ranks – three have been reported as saying at their first meeting with managers – where are the women?

Task Force Research: Burton 1995.

Best practice strongly indicates that there is one way for a Chief Executive Officer to indicate the importance of developing and promoting women and individuals from different cultural backgrounds into middle and senior management positions, and this is by making managers at all levels accountable for their own actions in relation to implementing the diversity strategy. For example, Motorola for its United StatesA operations uses a succession planning process, the 'Organisation and Management Development Review', which is unique in that it reaches down to the entry and mid-levels of management and holds managers accountable for developing and retaining minorities and women.

“In 1989, Motorola embarked on a mission of ensuring diversity in the company. At lower levels of management Motorola used census figures to set goals, at more senior levels it established commitments to achieve. The company has also instituted a diversity strategy, where the six company presidents and human resource teams assess the developmental barriers to women and minorities in their organisation. From only two female VPs and six people of colour out of 340 in 1989, Motorola has advanced to 33 people of colour and 23 women VPs out of 400 today.

“As a positive result, Motorola has also seen its applicant pool increase.”

Extract from *Working Woman*, November 1994.

Of course, such activities would have a marginal effect if they were not part of a wider effort to develop managers, and if this effort were not part of the broader corporate strategic planning activity.

The Task Force has concluded that more Australian enterprises need to evaluate how international best practice can help them meet the demands of the future, and to implement programs of action which are appropriate both to their situations and their corporate objectives.

9.3.2. Human resource strategies: work and family

As the Chief Executive Women group indicated in their submission to the Task Force, business environments need to be more inclusive. Work and family arrangements in corporations are an issue for both males and females. What is required is a balance between the interests and needs of individuals (not just women), and those of the organisation. Because of the traditional family arrangements of our society, it has been women whose career paths have been more temporarily truncated for family reasons. Furthermore, despite obvious trends in society to greater flexibility of work arrangements, many Australian enterprises continue to act on the assumption that women's commitment to the family, real or potential, is cumbersome, time consuming and costly.

Until enterprises begin to view work and family issues strategically and ensure that the talents of the *total* enterprise is most productively and efficiently utilised, women will continue to be penalised. Around the globe, many leading enterprises are showing creativity and foresight in the way they approach these issues. The efforts of Johnson and Johnson in the United States provide an exemplary case of the integration of family and work planning into business planning.

Johnson and Johnson's initiatives were designed to address the changing composition of their workforce – the increasing numbers of women, two-career families, single parents and the children of elderly parents. To support the initiatives, Johnson and Johnson also provided training for managers and supervisors to help them understand the business case for work and family policies and to help them implement effective programs within the enterprise. Such family-friendly programs will help the company attract and retain the top-quality employees needed to remain competitive in its industry.

To underscore its commitment to family, the company in 1989 altered the 50-year-old Company Credo for one of the few times in its history to include this additional responsibility: 'We must be mindful of ways to help our employees fulfil their family responsibilities' (Catalyst 1993). In Australia, however, enterprises with the level of commitment of Johnson and Johnson tend to constitute a very small proportion of the whole.

Child Care Resource and Referral ...
On-Site Child Development Centers ...
dependent Care Assistance Plans ...
family Care Leave ...
family Care Absence ...
flexible Work Schedules ...
adoption Benefits ...
school Match ...
elder Care Resource and Referral ...
relocation Planning ...
employed Spouse Relocation Services ...

Johnson and Johnson's
Balancing Work and Family Program.

9.3.3. Management for diversity: the objectives

In developing its report to government, the Task Force has reviewed a broad range of issues which came to its attention, and hundreds of proposals were possible. However for the sake of focus, the Task Force has limited its recommendations to those it identified as the most important, and to specific strategies it saw as having the most leverage. In the diversity area, therefore, the Task Force has selected a small number of strategies for recommendation in this report rather than tackle the range.

For reasons outlined earlier, the Task Force believes that the private sector and government should focus on diversity management as an important issue for improved management performance in Australia. Diversity programs should relate broadly, and more effectively identify and utilise, talent wherever it occurs in individuals in enterprises.

However, the Task Force also believes that, in the short term, general diversity programs should also contain some specific target areas. The most important leverage initially will come from better utilisation of the talents of women. The multicultural workforce is also an important area for urgent action.

Recommendation 10 (a)

Management for Diversity (Band 1)

It is recommended that the private sector and the government give higher priority to strategies to improve utilisation and management of Australia's diverse population in Australian business and industry.

Details include:

- **Management for diversity in general should be the focus of improved strategies;**
- **Women should be a particular target group, and the multicultural workforce;**
- **The primary emphasis should be on action by the private sector; and**
- **Task Force research material outlines a range of specific strategies related to management for diversity for implementation by the private sector including best practice and improved human resource development models.**

9.4. A strategic focus on women and their part in improving management skills in Australian enterprises

The levels of participation for women noted previously, the evident slow rates of change, and the stark contrast between international best practice and the typical approach of many Australian enterprises, has led the Task Force to recommend a series of initiatives addressing diversity issues. In doing so, the Task Force has chosen to focus on women as the major disadvantaged group within Australian management. Their reasons for this choice lie in the potential increasing the numbers of women managers has for improving management skills, workforce relations and enterprise performance throughout the economy. The limited success of women in accessing senior management and executive positions, despite a long period of publicity and legislation, was an additional argument for the most concentrated focus to be placed here. Cultural diversity is also of considerable importance, both because of Australia's rapid multicultural growth and the need to focus on the international marketplace.

"Hello, you're hired.

Goodbye, you're fired."

Senior female manager commenting on the extent of management development in Australian companies

Women will make up 51 percent of the working age population by 2001, are increasingly better educated than men and can play a key role in small, medium and large enterprises in all industries. Many women have or can readily acquire the skills which will be needed in the knowledge-based industries of the future. By definition, a focus on women also means a focus on women of all cultural backgrounds. Lastly, the Task Force is of the view that breaking down discrimination against women in management will also have a positive impact on opportunities for men from non-English speaking or other disadvantaged backgrounds. This will come about by the better application of the merit principle which will be needed if management is to be opened up to increased numbers of women.

9.5. Policy options for increasing the numbers of women managers

Despite some progressive organisations, the glass ceiling for women in management has been maintained for some time, arguably to the detriment of Australia's enterprise and economic performance. In its consideration of initiatives to improve this situation, the Task Force evaluated three broad options, namely:

- evolutionary change – effectively the status quo option;
- imposition of quotas; and
- voluntary targets agreed by industry, education and government.

9.5.1. Evolutionary change

Data presented earlier suggests that the proportion of women in management is slowly increasing, albeit primarily at the supervisory and lower levels of management. Evolutionary change is undoubtedly occurring within Australian organisations. However, the Task Force has concluded that if evolutionary change is relied on as a sole lever, it will take too long to improve the lot of Australian women in management, and to the same degree inhibit the improvement of management skills and enterprise performance. Research by Still in Australia and Leonard for the *Glass Ceiling Commission* in the United States has also proven that waiting for change to occur naturally is a strategy that has failed.

As outlined in Chapter Five, the Task Force has concluded that the merit principle is still not being applied in most contexts, despite expectations that the decision not to legislate for quotas or preferential hiring would elicit effort towards unbiased selection and promotion practices. Apart from the social inequity this implies, it is also apparent to the Task Force that the national economy, and Australian business, cannot afford to operate with one hand tied behind its back by continuing to under-utilise women in management. This is the case in small, medium and large enterprises, on boards of directors, and in management education institutions.

The Task Force is reluctant simply to recommend to firms that they properly apply the merit principle and wait for change. This strategy has failed over the last two decades. The

Task Force therefore rejected the continuation of the status quo and considered more proactive approaches to change.

“What of the financial cost to the industry – to the firms which have often devoted considerable financial resources to training young lawyers, men and women? What of the financial cost to our educational institutions, where the training of law students cost thousands of dollars for each student each year? What is the cost to our society – to the legal profession and to its client industries – of the under-utilisation of the skills of so many women? What are the implications for future training expenditure, as women lawyers seek other avenues of employment?”

Jan Wade, Victorian Attorney-General and Minister for Women’s Affairs, using women’s status in the law profession as an example of the effects on the economy of the continued under-use of women’s knowledge and skills.

9.5.2. The imposition of quotas

At the opposite end of the continuum would be the imposition of quotas backed by regulatory sanctions and enforced by the courts; for example, that 35 percent of all new appointments to senior management in 1996 must be women. Quotas would certainly accelerate the rate of change and achieve socially desirable goals. However, the Task Force considers that they would be difficult to set and might have economically dysfunctional results. For instance, while the Task Force believes in the intrinsic potential of women to achieve senior management positions, it could be that there are limited numbers in particular fields with the experience and training to move in large numbers into senior levels immediately. In some areas, a 35 percent quota might result in managers with inadequate skills being placed in senior positions in some areas. Equally, a quota would impose different costs on different industries and enterprises. Depending on the gender composition of their workforce and management, some industries and enterprises would find 35 percent quite easy to achieve, others quite difficult. Thus quotas have the potential to ‘tilt’ the competitive playing field in quite unforeseen ways.

The Task Force therefore rejected the imposition of quotas as an immediate option, although it is of the opinion that it may have to be considered by government in the future if progress remains slow. Such quotas would have to reflect the particular circumstances of industries or enterprises: that is, they would not be uniform, to overcome the problems outlined above.

9.5.3. Voluntary targets agreed by industry, education and government

The Task Force believes that improving the contribution of women to managing enterprises is a part of improving management skills and enterprise performance throughout the economy. Furthermore, the improvement of management skills should be enterprise driven as these skills are primarily obtained within a work context. Because of this, it is evident that the private sector should shoulder the major responsibility for changing management selection and development practices and human resource strategies to increase the number of women in management. Possible Federal Government initiatives might therefore simply focus on raising awareness in the private sector of the under-representation of women in management and its implications, and allowing the private sector itself to develop better tools to address this.

At the same time, the Task Force recognises the importance of a government role in initiating and steering action towards change, especially where the private sector acting on its own, and without any agreed industry or sectoral strategy, has failed to adequately address the problem. Some Task Force researchers also believe that it is necessary to actively manage the process of industry cultural change and that a role for government is to promote a framework which supports the development of enterprises to better cope with their changing environment (Boston Consulting Group 1995; University of Western Sydney 1995).

The historical record suggests that to be effective, affirmative action policy requires governmental monitoring and sanctions... Past efforts to improve employment opportunities for minorities and women through jaw-boning or voluntary action have left no residue of success.

Leonard Glass Ceiling Commission 1994.

A viable policy option is therefore for the Federal Government to facilitate business, industry and educational organisations to set voluntary targets and assist in monitoring progress toward reaching these targets. This policy would involve those who have to change – Australian enterprises and their senior management – in a consultative process, yet provide greater impetus and support to change than the status quo. Since targets would be voluntary and substantially industry driven this option also avoids some of the problems of quotas.

Moreover, the Task Force believes that these targets could be set within a national strategy – to maximise the opportunities for cross-sectoral support, ensure a comprehensive approach to the problem and enable appropriate targets to be developed in a systematic manner. The Australian Public Service has had a systematic program to improve opportunities for women to progress to senior positions, and has demonstrated that targeted approaches work effectively. Such programs can be used as models for the private sector.

As a compromise between the evidenced need for proactive change, and a recognition of a history of resistance to government intervention in organisations, industry determined targets seem the best method to achieve a diverse workplace quickly. The Task Force therefore recommends that the third option should be adopted by the Federal Government and implemented as a national strategy developed by the private sector, in conjunction with the government.

9.6. National strategy for women in private sector management, corporate boards and academia

The national strategy should primarily consist of the identifying of targets for the number of women in middle and senior levels of management and boards of directors to be achieved by the year 2000. Targets are not quotas – they are realistic numbers for which to aim and not imposed requirements which must be met. In line with the Task Force’s philosophy that the private sector works best without major interventions, it recommends that these targets be developed and determined by the private sector itself.

The process of setting targets should be led by the peak industry bodies with their particular constituencies – the Business Council of Australia, the Australian Chamber of Commerce and Industry and the Australian Institute of Company Directors. It is hoped the involvement of industry will result in targets which are achievable given the presence of women as employees, managers and customers in each industry sector. Individual enterprises should be encouraged to set their own targets in a manner consistent with national targets but appropriate to their situation.

The government should assist the private sector by adapting, if necessary, the existing monitoring processes of the Affirmative Action Agency, so that it can monitor progress in reaching the targets over five years. At the end of this time, progress should be reviewed. If insufficient progress is demonstrated, the Task Force believes that stronger mechanisms should be considered, including the imposition of quotas based on the particular circumstances of individual industries and the exclusion of under-performing companies from tendering for government contracts.

Catherine Harris, Director of the Affirmative Action Agency, has called for “reasonable and achievable” targets to be set for the promotion of women into senior management ranks by the year 2000. She commented that “if they are not met by the year 2000, then we have to decide whether quotas are the way to go”.

The Australian Financial Review, 26th May 1994.

Government can also assist with improving the numbers of women in senior decision making in both corporate and public life by ensuring equitable representation of women and men on publicly appointed boards and committees, and in national activities such as trade

Section III: A template for change

delegations and overseas tours. Such activities help to upgrade the visibility of women, and give opportunities for women to learn to work in committees and at a high level and to negotiate board protocols. They also develop a strong resources base of women suitable for senior appointments which can be built upon by both government and the private sector.

The national strategy should include initiatives related to best practice and improved human resource management addressing management for gender diversity. At the enterprise level, best practice strongly indicates the importance of making managers at all levels accountable for their own actions in relation to application of Equal Employment Opportunity (EEO) practices. Chief executive officers can no longer excuse their managers from exposure to anti-discrimination principles nor from development programs directed at valuing diversity. Chief executive officers should hold managers at all levels accountable for the achievement of agreed targets. Enterprises also need to monitor and evaluate progress against these targets and adjust policies, objectives and implementation mechanisms accordingly. In addition, the Task Force believes that chief executives need to direct changes in the practices of their companies in the following ways if they are to avoid the imposition of quotas at a later date:

- CEOs need to put more systematic efforts into the proper application of the merit principle and develop affirmative actions to complement it in developmental and representational contexts;
- senior managers must put more systematic effort into offering women access to management experiences that 'count'. Enterprises should review their high potential manager programs in light of the emerging new profile of workforce composition and ensure that their programs include elements which are specifically directed towards working in non-discriminatory environments; and
- enterprises need to gear work and family policies and human resource strategies to better reflect existing and future workforce composition.

As well as the best practice examples cited above, the broader approach to best practice management development outlined in Chapter Ten is also relevant to these issues. The recommendations made in Chapter Ten include the development of best practice materials, some of which are to be concerned with gender and cultural diversity.

Finally, to support the initiatives in the private sector the Task Force also recommends that a similar national strategy be developed in the tertiary education sector. This could be via some national body incorporating representatives of the sector and of government, or through existing appropriate joint strategy planning processes of the sector. Again individual universities and business schools should be encouraged to set targets consistent with the national strategy but appropriate to each individual situation.

Recommendation Ten (b)

National Strategy for Women: Women in Private Sector Management, Corporate Boards and Academia (Band I)

- In the case of gender, and given the poor level of success to date in opening up management and corporate boards to women, a National Strategy should be developed by the private sector in conjunction with government, within a systematic national framework.

Implementation Strategy

- Such a strategy should include broad targets over five years, to be developed and promoted by business and industry sector bodies such as the Business Council of Australia, the Australian Chamber of Commerce and Industry, the Australian Chamber of Manufactures, the Chamber of Manufactures, and the Australian Institute of Company Directors. Enterprises themselves should be encouraged to set specific targets in line with the thrust of national targets;
- At the end of five years, significant progress should have been achieved. However to highlight the need for firm action in this matter, if at the end of five years significant progress has not been demonstrated, more stringent measures should be considered by Government, including quotas (developed according to the particular circumstances of industries or enterprises, ie not 50 percent across the board) and exclusion of underperforming companies from tendering for government contracts; and
- To support this initiative a similar strategy should be developed for the faculty profiles of tertiary management education institutions.

9.7. Strategies to facilitate management for diversity

The above recommendation can be considered an aggregate set of umbrella recommendations which outline the parameters of a national strategy for increasing the role of women in enterprise. The recommendations emphasise Australia's need to expand the opportunities for women in enterprise and the need to monitor any progress.

Declaring the need for a National Strategy, however, will not necessarily improve the situation. Rather, the Task Force strongly believes that there are specific avenues through which this national strategy may be achieved. From its research and consultation the Task Force has identified, three areas to pursue for reaching its goal.

First, the Task Force is of the opinion that women are not adequately represented on enterprise boards of directors and would significantly improve and positively alter the face of Australian enterprise by serving on such boards. Second, business schools and management development programs need to increase the percentage of women graduates. This strategy will ensure that women are not only fully represented in enterprise but are equipped with the educational tools to benefit from further management development. Finally, government training and business support programs and agencies have a responsibility also to make special efforts to encourage women to participate more effectively where they are underrepresented.

The Task Force has identified these three areas as the main thrusts for achieving the National Strategy for women based on the synergistic effect created by these efforts when taken as a whole.

9.7.1. Women on corporate boards

Despite some media coverage which might give the contrary impression, the number of women on the boards of Australian companies remains very low. Media reports about women on boards usually gravitate around the small number of prominent women who are on major company boards in Australia. Furthermore, the very select group of women who are ever asked to join the board of a major corporation usually then find themselves in great demand for other board positions. Statistics on board appointments also confirm that the small increase in the participation of women on boards mostly consists of multiple appointments of the same small number of women, rather than a genuine opening up of board positions to talented women in general.

The Task Force considers that women's talents, life experience and business experience would be immensely valuable to boards as genuine inputs to decision making:

- women are customers, stakeholders and shareholders;
- they have an understanding of cultural and community issues;
- women have good experience in small and medium enterprises, as well as increasingly in corporations; and
- women are highly educated and prominent in many professional fields.

Well balanced and experienced boards with sound knowledge of business management, the company and its industry, are fundamental to the good governance of Australia's corporate entities. Boards of directors are under scrutiny in Australia because of the corporate failures of the late 1980s, and the evidence that corporate failures and poor performance in Australia was partially a result of the poor quality of directors (Institute of Chartered Accountants 1994). This means that there is likely to be a change in the composition and role of boards. It also means that, as demands increase on directors, there will be fewer multiple appointments, thus creating places which women should have an opportunity to fill on merit – were it not for the significant barriers they face.

To the Task Force, the barriers preventing the full participation of women on boards of directors are largely perceptual rather than real, and fall into two major areas:

- lack of awareness that this is a relevant issue for boards; and
- amongst those who are aware of the issue, a belief that qualified women are not available.

9.7.1.1. Lack of awareness of the problem

Burton (1995) points to evidence that some decision-makers are unaware that women are under-represented on boards. She maintains that the problem of under-using the skills of women is largely an invisible one; it does not feature in the thinking of a large number of individuals in a position to do something about it.

Development of effective strategies in any area depends upon the availability of reliable information; in this case, benchmark data about women on boards. Such information will also help to improve awareness of the problem. Until such information is identified and is widely accepted and available, disabling misconceptions about women on boards will also continue to prevail. Further, longitudinal data needs to be generated which will monitor the progress of women in accessing boards. All of this data should be annually updated, published and promoted widely to all private sector companies, to influential individuals in business, to researchers and policy makers, and to other individuals with a demonstrated interest in the field.

The Task Force recommends that the Australian Institute of Company Directors is an appropriate body to collect and promulgate these benchmark data.

9.7.1.2. Perceived lack of appointable women

In identifying the failure of boards to utilise or represent diversity, the Task Force was made aware of far-reaching misconceptions about women on boards. These misconceptions seem to be largely responsible for preventing women's involvement at board level.

Many board members and senior executives appear to believe that suitable women are simply not available. This is despite ample evidence to the contrary encountered by the Task Force during its research and consultations. For example, *The Australian Financial Review* reported that the group Women Chiefs of Enterprise sent resumes of all its 200 members to government and private sector companies, "... in case they are having difficulties finding suitably qualified women for their boards ... All the women in this group own, run or manage companies with turnovers of more than \$3m a year." (*Why women don't make it*, 27 August 1993). Many of these women would be eligible for board appointments, particularly in an era when large corporations are trying to emulate the virtues of smaller enterprises. There are a number of other networks of senior business women, eg Chief Executive Women, who would equally include numbers of women suitable for board appointment. There are also large numbers of women who don't join networks but who also have appropriate backgrounds and qualifications for appointment.

The Task Force believes that a thorough search by firms and executive search agencies for women will result in suitable women being found. However, some assistance, particularly in the initial period, may be helpful.

In the light of this, the Task Force calls for a national database of women suitable for board appointment to be developed and made available. This should be for use by any private sector organisation and easily accessible. The Task Force intends the provision of this database to be a form of affirmative action which will assist firms who believe that appropriate women are not to be found or are too hard to find.

At the same time, the Task Force is aware that the skill and experience requirements used to appoint board members in the past have been sometimes too narrow and 'overspecialised'. As with appointments to the judiciary, the potential pool of board members needs to be broadened. This is not to imply that 'unqualified' people should be sought. Existing criteria for eligibility may be too narrow and not tap the range of qualities and background experiences that will lead to better decision-making and problem-solving. It is apparent that boards need to be able to call on general as well as specialised knowledge, soft skills as well as technical expertise, and a broader range of experience across all their appointees, both male and female.

Again the Task Force recommends that the Australian Institute of Company Directors is an appropriate body to collect and make available this database of suitably qualified women to all private sector organisations who wish to access it.

Recommendation Ten (b) continued

**The National Strategy for Women:
Women on Boards of Management (Band I)**

The Australian Institute of Company Directors should be resourced to:

- **Establish benchmark data on women on boards in Australia, as well as longitudinal data to be annually updated and published widely; and**
- **Develop a data base of women suitable for board appointment for use by any private sector organisation.**

In making such a recommendation, the Task Force is mindful of the fact that some databases of women in business and industry already exist. However, in the main these would not suit the purposes espoused here and the Task Force is of the opinion that a new database model needs to be developed.

The importance of women on boards cannot be over emphasised. The presence of women directors on boards, apart from being of value in itself, a critical leverage point for changing Australian enterprises to meet the demands of the future. Equally, boards have a responsibility to begin accurately reflecting all the constituencies that share an interest in

the success of Australia as a competitive and enterprising nation. Women are important stakeholders, customers, shareholders, business people and professionals in their own right. Until women are seen as such, the pool of possibilities will remain limited, and to that degree management performance will continue to suffer.

9.7.2. Women in management education

In facilitating the national strategy the education sector can play an important role in providing some of the requisite knowledge and skills to equip women for more senior positions. While women are becoming better educated than men, especially in relation to university qualifications, and they now represent 46 percent of people undertaking bachelors degrees in business administration and economics, the proportion undertaking postgraduate education in business is still low. Monash University (1995) report that between 1988 and 1993, the percentage of female students in masters by coursework programs increased from 25 percent to 29 percent. The authors of the study remarked that:

“ We expect that the majority of students under the masters by coursework program have emanated from private enterprise for further professional development. Therefore, the small increase in female percentages may be a reflection that women’s workplace reform in private enterprise is not moving as rapidly as hoped.”

The problem therefore is circular: business doesn’t have enough women in senior positions to support their enrolment in management schools; management schools are not graduating enough women for senior management, so business has no women to support their enrolment in management schools and so on.

The circuit has to be broken in both places; in industry, and in management schools.

Postgraduate degrees, and particularly the MBA degree, provide an important route into the ranks of middle and senior management for individuals who have business and junior management experience. It therefore appears that while the numbers of women participating in management education are increasing at the entry level, another glass ceiling exists at the postgraduate level.

Research for the Task Force by Ashenden & Milligan (1995) identifies many barriers to women participating in tertiary education in general, and postgraduate management studies in particular. These include the lack of financial support for course costs and for child-care needs, curricula which is irrelevant to the life experiences of women, the lack of credibility afforded to female academics by male students and a labour market which does not afford as many management opportunities to women as it does to men.

The Task Force views financial barriers to women as particularly unnecessary and easily overcome by targeted strategies. Burton (1994) concludes that overall, women have less

Section III: A template for change

access to financial support than men, whether it be through company backing for course enrolment, or through individual or family income. She cites several studies to the effect that:

- women are more likely than men to be studying for higher degrees on a part-time basis. Yet it is harder to gain financial assistance (eg, via scholarships) when one is doing courses part-time;
- This is beginning to be recognised. For example, on the recommendation of the Australian Research Council, projects to attract and keep more women in postgraduate studies have included, since 1990, the award of half-time Commonwealth Postgraduate Awards;
- Women are more likely to question their 'right' to use family income to support their further education. Within a family, a man's education is regarded as a long-term investment for the family's future, whereas a woman's education is regarded as something she pursues for herself.;
- The recommendations in *A Fair Chance for All* (DEET, 1990) include one in which universities would negotiate with industry for the provision of full-time and part-time scholarships for women; and
- The assumption that part-time students are in the workforce effectively limits thinking about appropriate scholarship provisions. An additional category of women who could benefit from the provision of part-time scholarships are those who are temporarily away from paid work on a 'career break'.

High level courses therefore which charge substantial fees are likely to impact deleteriously more upon women than men, and will exacerbate the access difference between males and females.

The Task Force recognises that many postgraduate management courses are fee paying, and that the incidence of fee paying will increase. In order to bring market forces into play to upgrade the quality of management courses, the Task Force has elsewhere supported moves to full fees. However it recognises that the impact of fees needed to be mitigated because of the particular circumstances applying to women.

The Task Force has therefore recommended elsewhere the introduction of a change to fee paying arrangements based upon a scholarship scheme (refer Recommendation 16). As part of efforts to break through the educational glass ceiling, these scholarships should prioritise postgraduate professional courses and will target women for development.

One strategy would be to allow business, for a five year period, to support two women for postgraduate enrolment for the cost of one male. This would encourage business to look more closely at its management ranks for suitable women, and would mitigate the cost to government of full scholarships.

It is apparent however, that targeted scholarships on their own will not be enough to

guarantee the equal participation of women in management education. The Task Force believes that a general and across-the-board approach should be adopted in which all management education and training institutions and agencies target women as a group. In particular, the Task Force recommends that organisations with programs which do not currently graduate a minimum of 40 percent women should explicitly recognise women as a target group for enhanced development. In the light of its findings, the Task Force intends that targeted development will highlight not only student participation rates, but curricula attendant to women's interests and their current position in management as well as women staff numbers and staff credibility. Similar attention should be given to specific courses and programs which do not graduate 40 percent women.

Action addressing barriers to women in management education needs to be directed and interventionary. The Boston Consulting Group's (1995) report for the Task Force indicates that mere responsiveness on the part of graduate business schools to the perceived needs of business will not be adequate to meet future needs. The articulated needs of industry, at this time in Australia, would be unlikely to place gender and minority issues high on the agenda. This has begun to occur in North America, but there is a substantial lead time before it occurs in Australia, if it does, and the necessary improvement in management performance should not be delayed.

Recent research has also uncovered asymmetries in the role that management education, training and work experience play in the different career trajectories of women and men. A study by Tharenou, Latimer and Conroy (1994) concludes that these 'human capital investments' have a more positive influence on men's advancement and are better rewarded than for women.

The Task Force recognises therefore, that the increased participation of women in management education cannot function as an end in itself. It must be accompanied by corresponding shifts in the employment practices of organisations and attitudes of senior managers. It is to be hoped, however, that the target scholarships and increased attention to women within the management education sector will assist Australian enterprises in their drive to achieve nationally agreed targets.

In targeting the development of women the Task Force does not believe it is singling them out because they are inherently different to men, but because their social and economic circumstances are different. These circumstances include greater family responsibilities and fewer labour market opportunities. Until these obstacles are removed, the Task Force would argue that Australia requires 'compensatory mechanisms' supporting women's educational and employment progress.

Recommendation Ten (b) continued

**The National Strategy for Women:
Targeted Management Development for
Women in Management Courses, Training
and Business Support Programs (Band I)**

- **Management training and development programs and agencies should target women for development. In particular, management school courses not currently graduating a minimum of 40 percent women should be upgraded through national targeting of scholarship schemes, with priority given to postgraduate professional courses: a fees arrangement for five years whereby government and/or universities subsidise the system to enable industry to support two female employees for every male, might be considered; and**
- **Government training and business support processes and programs where numbers do not reach a minimum of 40 percent should also recognise women as a target group for enhanced development.**

9.7.3 Improved Agency Support for Promoting Diversity

A lack of recognition of women as a vital human resource for productive business and industry, and commitment to better development and utilisation of their talents, is an aspect of more systematic failures to develop managers in Australian enterprises. By and large, Australian enterprises do not have best practice management development policies which support their corporate strategies, nor are their corporate strategies necessarily anticipating the human resource needs of the future. Moreover, since their corporate clients are not demanding programs incorporating material on diversity Australian business schools and vocational training institutions have also in general not taken these matters sufficiently seriously.

In such a corporate and educational environment, it is likely that many organisations would find difficulty in formulating and implementing policies to increase the number of women in management. This would be particularly the case for medium sized enterprises and smaller educational institutions, although it may also be the case for some larger corporations and educational institutions lacking a development culture. Thus the Task Force suggests that existing Federal Government agencies could provide better support systems for change, building on and enhancing their impact through sharpening their focus on the key issues.

Accordingly the Task Force's recommendations for improving diversity in management in general, and the national strategy for women in management in particular, rely on upgraded assistance and advice from government agencies.

The Federal Government has established a range of agencies which assist business and enterprises to upgrade performance and to overcome operational deficiencies in skills, market information, capital, etc. There are also a range of agencies whose objective it is to make labour markets operate more efficiently in relation to marginalised workers such as women and ethnic groups. There is no reason why such agencies should not also make a particular effort in relation to improving management performance through better management for diversity.

The Affirmative Action Agency has the primary government role in encouraging enterprises to improve access and participation of women to work in the private sector, including in management streams. The Agency administers the requirements of legislation in relation to affirmative action for women. However, it has an educative, support and facilitative role which needs to be upgraded to assist a strong push across the board to improve management performance. The Agency already has statistical monitoring systems in place which could be adapted to establish over time benchmark information on the progress of women in management streams in enterprises, in the same way that the Task Force has recommended the AIDC establish benchmark information on women on boards. The Task Force believes that Agency activities should be suitably adapted and resourced to provide a stronger support role to the private sector in improving the access and participation of women in management.

The Office of Multicultural Affairs also supports better management of multicultural resources in enterprises through its *Productive Diversity* program and can point to some impressive successes for private sector companies, in terms of increased profit, higher productivity access to new markets and creative product development. The program works through other government agencies and private sector peak bodies to mainstream diversity related management programs. This is an effective approach and should be continued. However, the program itself needs a more significant outreach capacity than it currently has, for wider impact on private sector management performance. The Task Force recommends that this program be expanded to facilitate and support the takeup of effective multicultural management programs in the private sector.

The Commonwealth Government's Best Practice Program supports best practice in private enterprises in a range of operational areas, including management. The Task Force has put the case strongly that best practice in management today must include a strong component of management for diversity. Accordingly, the Task Force believes that the Best Practice program needs to upgrade diversity management as a component in its suite of programs and to use its promotional processes to give a higher profile to the issue.

Similarly Austrade and AusIndustry, which focus on assisting successful enterprises to upgrade their contribution to Australia's economic and export success, need to focus on the potential benefits to companies of better utilisation of diverse workforces, and of the potential of companies run by women and ethnic minorities. In the United States for example, women are creating new ventures at two to three times the rate of men (*Bank*

of Boston Study, Venture Economics, United States Small Business, Business Administration 1994). Americans of Asian descent are also very successful proportionately in operating successful small businesses and in employing people (*The State of Small Business: A Report of the President 1993*). The Task Force is unaware of similar definitive statistics in relation to women and minorities in Australia, but has heard anecdotal evidence that similar developments are occurring in Australia. Clearly, such potential needs to be supported through existing domestic and international business support services.

Recommendation Ten (c)

Improved Agency Support for Promoting Diversity (Band I)

Implementation of diversity strategies in the private sector should involve upgraded assistance and advice from government agencies:

- **The Affirmative Action Agency education and support role should be upgraded, appropriate resources put into disseminating information and tools to assist enterprises, and monitoring of progress for women in management carried out through adaptation of existing Agency statistical systems;**
- **The educational support role and resources of the Productive Diversity program of the Office of Multicultural Affairs should be upgraded so as to make multicultural management strategies more broadly known and accessible by the private sector;**
- **The Best Practice Program should specifically target best practice in management for diversity; and**
- **Government services operated through Austrade and AusIndustry should develop specific strategies to use Australia's cultural and linguistic diversity effectively in trade and industry development programs, and to target companies operated by women and those from Australia's culturally diverse community for export and business service support.**

Chapter ten

Better management skills			
Upgrade the capability of TAFE and business support	Harness the talents of diversity	Achieve best practice management development	Reform management education
Develop a positive enterprise culture through education and training			

10. Achieve best practice management development

- 10.1. Purpose of the chapter
- 10.2. Australian enterprises need to develop better managers
- 10.3. The need to reframe our view of how managers learn
- 10.4. The planning model of management development
- 10.5. Individual and enterprise responsibilities for management development
- 10.6. Best practice management development
- 10.7. Policy options for improving management development in Australia
- 10.8. The frontline manager
- 10.9. Structured industry based study tours
- 10.10. Benchmark information and best practice materials for small, medium and large organisations
- 10.11. Supporting recommendations

10.1. Purpose of the chapter

The purpose of Chapter Ten is to address the fourth challenge identified by the Task Force, namely to improve the skills of Australian managers by achieving best practice management development within greater numbers of our enterprises. Five recommendations are put forward to address this challenge. The first set of three recommendations provides assistance to enterprises seeking to develop the skills of their managers, either by major new training and study programs or by information on best practice in this area. The second set of two recommendations supports the first by providing additional frameworks, materials and incentives for best practice management development.

We begin the chapter by briefly reviewing why our managers need new and better skills, and why Australian enterprises need to drive the development of their managers in a more systematic and strategic manner. Next we discuss the new perspective on enterprise and management learning which is emerging overseas and assess where the responsibility for development lies between the individual manager and the enterprise. International best practice in management development is then outlined. Following this, we set out some policy options for improving management development practice in Australia and present arguments for the appropriateness of the Task Force's major recommendations in this regard. The three major recommendations, on frontline managers, on industry based study tours, and on best practice materials, are then detailed. Finally, the two supporting recommendations are also discussed.

10.2. Australian enterprises need to develop better managers

Challenge four, *achieve best practice management development*, has two elements, namely:

- setting out the broad areas of leadership and management competence which need improvement in Australia; and
- the need for the management development agenda to be driven by enterprises themselves rather than by providers or government.

10.2.1. Competencies which need improvement

Chapter Five concluded that, while leadership is seen by many to be about motivating people and management to be about the allocation of resources, this distinction is increasingly irrelevant, especially in the context of downsizing and flattening organisational structures. In a business environment which favours knowledge-based competition, teamwork, speed and innovation, all managers need leadership abilities, just as all leaders – be they leading small teams or whole organisations – need a broad array of management competencies.

Management competencies can be broadly defined as the characteristics of a manager which lead to successful managerial performance whether in large, medium or small business. The types of competencies required for any particular job can be generally divided into two types: (i) knowledge and skill specific to the job (industry and enterprise specific competencies); and (ii) general abilities and characteristics (generic competencies).

The Task Force has identified a number of broad areas where the generic and specific skills of Australian managers need improving. These are listed in Chapter Five but include areas such as:

- people skills;
- leadership skills (including self-management);
- strategic skills;
- international orientation;
- entrepreneurship;
- inner values and accepting responsibility;
- network building skills; and
- managing diversity.

Furthermore, the evidence from both Task Force consultations and research presented in Chapters Two and Three provides a compelling case for our need to upgrade skills in many of these areas. While the skills of some Australian managers match the best in the world, many others fall short of world standards.

However, the Task Force also recognises that different levels of management require different sets of competencies, just as different industries require different sets of competencies. Indeed, the situation specific nature of competence and leadership is well recognised both in the world of literature and in practice. All enterprises need to carefully evaluate which sets of abilities their various levels and types of managers need now and, more critically, in the future.

For this reason the Task Force has chosen not to be prescriptive about which particular competencies might be needed by industry sectors or enterprises but instead has chosen to indicate possible skill areas for consideration by the senior management of Australian companies. Most importantly, the Task Force has focussed on the best practice process by which an enterprise might identify, prioritise and develop the competencies it needs for the future.

10.2.2. Enterprise driven management development

A direct consequence of the industry and enterprise specific nature of some competencies is the need for companies to pro-actively develop the competencies they need in their managers, and to do so in accordance with their strategic priorities and plans. Yet the

evidence presented to the Task Force clearly indicates that, while a few leading Australian organisations do this, the vast majority do not. Indeed a significant number of organisations place a very low priority on management development.

The Task Force's Research Program provides ample evidence that Australian enterprises and managers are failing in six critical areas, namely:

- low levels of education and training undertaken;
- over-reliance on short courses;
- over-emphasis on current rather than future skills;
- failure to handle the transitions from specialist to manager;
- failure to link management development to strategic direction; and
- failure to evaluate the effectiveness of management development activities.

Furthermore, because so few organisations are proactively determining their development priorities, the majority are, to a significant degree, dependent on the training agendas of providers. While Australia does offer a great variety of management development programs to industry, these programs are typically designed by either the program providers themselves, or by these providers within the framework of State and Commonwealth Government guidelines. The fact that a significant number of management education and training providers are publicly funded exacerbates these problems. Globally and in Australia, public providers are seen by industry as unresponsive to its needs and slow to change.

Chapter Five therefore concludes that the Australian management development system has failed with both enterprises who are uncertain of or uninvolved with their development needs, and many providers who are not market driven. While there are signs of positive change, notably the increased numbers of customised training programs, these are as yet only feasible for a small minority of larger organisations. More significantly, formal training represents only one element of management development, particularly in the new perspective which is emerging internationally.

10.3 The need to reframe our view of how managers learn

The process of how managers learn new skills and improve their performance is neither well understood nor clearly articulated. During many meetings with stakeholders in Australia, Task Force members were surprised by the assumptions that were held about this lifelong learning process. The most commonly held assumption made about management learning is that it is derived from formal instruction via two primary sources:

- short training courses and programs; and
- classroom based MBAs offered by business schools.

While research on management learning conducted by the Task Force suggests that some managers do have a much wider view of how managers learn, there would appear to be insufficient attention paid to learning from work experience. Similarly, overseas researchers have called for the importance of learning from all work related sources to be recognised. McCall (1988) refers to a study by Kotter of fifteen United States corporations well known for the quality of their executive cadre and notes: "... as important as formal training can be, it never seems to be the central ingredient in development at these firms. It may be rather obvious that if people spend 98-99 percent of their work time on-the-job, and only 1-2 percent (at most) in formal training, that most learning must occur on-the-job".

"... from all the findings of Handy and Constable, and other reports, one must conclude that most managers in the UK get most of their development through on-the-job experience".

George Boak, Northern Regional Management Centre, UK.

Part of the problem derives from the fact that there are no accepted terms to describe the process by which managers learn new skills. Even the term 'management learning' itself is not used widely within enterprises, perhaps because it sends messages about classrooms or because it is not seen as having a strong connection with achieving business outcomes. In fact, a renewed focus on management learning is beginning to emerge overseas. During its work offshore, the Task Force met Dr Peter Honey (a United Kingdom based expert on learning) and Professor John Burgoyne, (head of the Department of Management Learning at the University of Lancaster in the United Kingdom) who both emphasise that learning is an area of 'personal competence' that underpins everything managers do.

To eliminate any confusion as to terms in the rest of this chapter, the Task Force identifies four sources of learning for managers, namely:

- the job they do (work role);
- the people they interact with (work relationships);
- formal training; and
- formal education.

These four sources are incorporated in the planning model of management development which the Task Force commissioned.

10.4. The planning model of management development

A broader view of management development, with a strong focus on learning from work experience, underpins the planning model of management development produced by Telechy for the Task Force Research Program. According to Telechy (1995) the model, "... is specifically designed to address – within the corporate, strategic and management goals of an enterprise – the managerial career development requirements of individual managers, through planned access to both on and off-the-job learning experiences". The model emphasises lifelong learning from various sources including:

10.4.1. Learning from the work role.

Learning from a work role occurs when a manager undertakes and completes a variety of challenging job tasks. Many management jobs are rich in learning opportunities, particularly in periods of significant organisational reform and change. As well as the learning opportunities provided by a different job, managers learn from special assignments, special projects, short term placements in other positions, work on task forces, on and offshore study tours and so on.

10.4.2. Learning from work relationships.

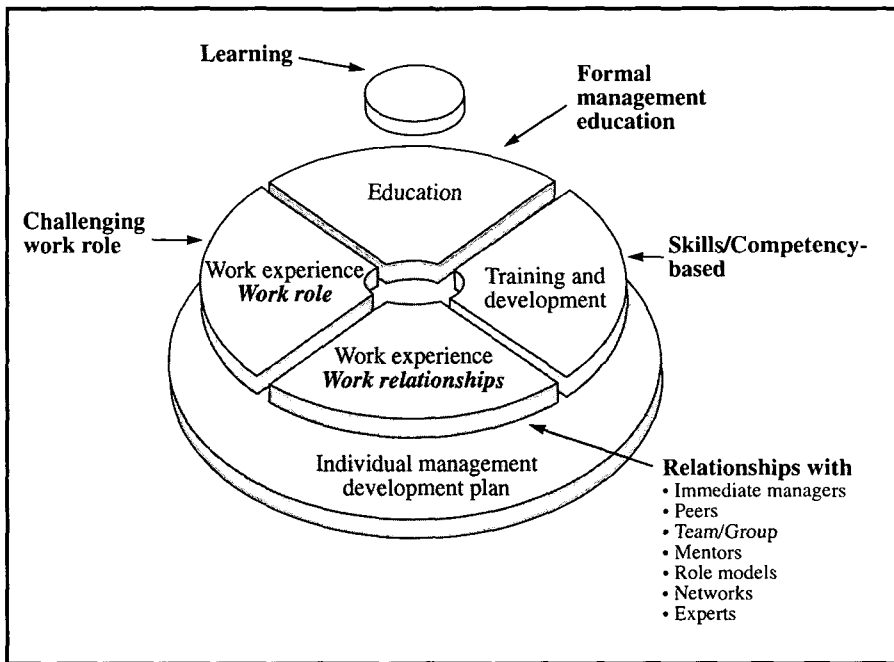
Learning from work relationships occurs when opportunities for challenge are provided by a variety of close colleagues. Potentially, the most important learning opportunities for managers are put in place by their senior manager. If the latter is a good coach who gives regular stretch and challenge to the more junior manager, then a primary learning partnership is forged.

As well, mentors can provide a significant learning experience for managers who wish to develop such a relationship. Good mentors, who are successful highly experienced managers and 'tribal elders', are effective learners and coaches in their own right. They are committed to helping individuals to learn and are prepared to take an active interest in an individual's career development by providing guidance, support, encouragement, tutoring, feedback and advice.

10.4.3. Learning from training and development.

This well known, more traditional source of learning for managers, refers to a range of competency-based courses and programs which are becoming increasingly modularised. These courses aim to equip managers with specific work-related management skills, knowledge and competencies.

Exhibit 10.1 Planning model of management development



Task Force Research: Telechy 1995.

10.4.4. Learning from formal management education.

This is also a traditional source of learning for some managers. It refers to tertiary and higher education programs of study delivered by accredited institutions including TAFE and university business schools and which leads to a formal award such as a Management Certificate, Diploma or MBA.

10.4.5. The need for continuous improvement – learning from all sources

The new mindset for management development requires a far greater focus on continuous improvement by all managers. While work experience plays a critical role in this process, learning from all sources needs to be highly valued and carefully planned. The importance of having a mix of developmental experiences is emphasised in the Task Force's research (Barraclough 1995; Boston Consulting Group 1995).

Assignments and placements designed to develop the skills, qualities and judgment that will be important in a senior role is probably the most powerful development tool available to businesses. Leading businesses have always used it, and it is likely to be of particular importance over the next ten years".

Task Force Research: Boston Consulting Group 1995.

10.4.6. A new definition of management development

In order to reflect these issues, and reduce confusion, the Task Force uses the term management development to include all aspects of management learning including training, education and development. A new definition of management development is proposed, based on the definition of management skills formation used by the 1990 Australian Mission on Management Skills.

“The total, continuous improvement process through which managers develop their competence for successful personal and enterprise performance. This includes learning through a variety of formal and informal, structured and unstructured experiences including learning from the work role and from work relationships; from self development; from formal training; and from tertiary and higher education programs”

Task Force Definition of Management Development.

10.5. Individual and enterprise responsibilities for management development

As learning is primarily an activity of the individual it is pertinent to ask where the responsibilities lie between individual manager and enterprise.

The Task Force considers that an effective management development system can be characterised in terms of the key responsibilities of the stakeholders as follows.

Stakeholder	Key Responsibility
Managers	Primary responsibility for their own learning and self development
Enterprises	Primary responsibility for providing management development to encourage learning and self development by all managers
Providers	Providing high quality management development for individual managers and enterprises
Governments	Promoting and reinforcing best practice management development standards

If these responsibilities are sensibly described, then best practice management development at enterprise level depends at least in part on the quality of external providers and the quality of government funded support. *But the primary focus must be on the individual manager and the enterprise which employs that manager.*

10.5.1. Responsibility for management development at individual manager level

Pedler, Burgoyne and Boydell (1986) suggest that any effective enterprise system for management development, "... must increase the manager's capacity and willingness to take control over and responsibility for events, and particularly for themselves and their own learning". Similarly, Gunzburg (1994) has described the key characteristics of effective learners in these terms:

- continual search for diversity, risk taking and challenging experiences;
- strong desire to learn on a continual basis;
- taking personal responsibility for learning;
- awareness of personal learning strengths and weaknesses;
- effective use of modelling – of observing and learning from others (both positive and negative);
- effective search for and use of feedback processes; and
- willingness and capacity to challenge personal paradigms and assumptions.

In work conducted for the Task Force, Telechy (1995) refers to lifelong learning as an important issue "... essential to any individual who wishes to make the most of the developmental opportunities that might be available throughout his/her managerial career". Longer-term trends in careers involving multiple organisations and multiple fields also indicate the need for individuals to be self-directed. Individual managers then, must take responsibility for their own learning.

"... a growing number of firms are seeking to increase the return on their human resource investments by switching to training programs that are targeted to the specific needs of their operations and their individual managers (customised programs). Other forces, however, are leading firms to reduce their focus on formal management development programs, essentially devolving responsibility for skill development to individual managers (Sherman 1993). This latter strategy is, in part, a reaction to economic stresses and the large cost of operating such programs, but also reflects longer-term trends, as individual career paths become less certain".

Task Force Research: Rand 1995.

10.5.2. Balancing responsibility for management development between managers and enterprises

Even though individual managers must take primary responsibility for their own development, this shift does not diminish the role of the enterprise in encouraging management development. An appropriate balance must be struck between individual managers and their enterprises to ensure that responsibility for management development is shared appropriately between both parties. And ultimately the enterprise must take the responsibility for clearly articulating the skills management required from the individual manager.

The enterprise is often represented in this partnership by a manager's senior manager. The Telechy (1995) study found that learning from work relationships was of critical importance to the surveyed managers, often with the senior manager essentially playing the role of coach. The managers also described their relationships with coaches and mentors as fundamentally trust relationships. In effect, the 'coaching' relationship between senior manager and manager represents the *primary learning partnership* which, if successful, provides considerable learning opportunities for the more junior manager.

“The managers reported that – particularly early in their careers – coaches, mentors and role models played significant roles in creating and stimulating learning opportunities. Coaches provided developmental opportunities, mentors provided guidance and support, and role models provided ideals to emulate”.

Task Force Research: Telechy 1995.

Organisations which value learning also encourage and reward line managers who develop and coach their subordinates. For example, Boak (1991) suggests that aspects of encouraging a positive attitude to individual learning include:

- explicit recognition that everyone has something to learn;
- identification of personal learning needs, and progress towards meeting them is encouraged;
- there is recognition of learning opportunities;
- senior managers accept and make positive statements about their own learning needs;
- curiosity and innovation are encouraged; and
- failure (in operational terms) is tolerated.

In the Australian context, many companies neither live up to these ideals nor form effective learning partnerships between their managers. However, both in Australia and internationally, there is growing recognition that change is needed – not for altruistic reasons but because the

business environment of the future demands it. This conclusion is supported by Task Force consultations and research (Barraclough 1995; Boston Consulting Group 1995).

“Senior managers seemed to be ‘good at selecting the style of future drivers of their business, but don’t spend time in their development’. These comments are consistent with reports that some senior managers...are reluctant to commit time to coaching and building relationships with more junior managers.

“Participants recommended that senior managers should be made accountable for developing their subordinates and successors. One CEO commented that ‘it is the task of the leader to develop peoples potential to achieve the objectives of the organisation. Leaders have to create an environment in which an individual can develop and grow.”

Task Force Research: Barraclough and Co 1995.

10.5.3. Promoting individual and enterprise responsibility for management development

The Task Force considers that management development is essentially an enterprise issue. If the Board of Directors of a company, and its Chief Executive Officer, are not persuaded about their responsibilities for management development and about the value of enhancing, leadership and management skills of their managers, then effective management development will not occur.

Substantial incentives are already emerging for building stronger responsibilities for management development, management skills and management performance. The need to be more globally competitive has already been identified as a force for change at enterprise level. Pursuing best practice and making a commitment to the quality journey also act as important incentives to chief executives for accepting management quality as a critical success factor; for improving management development practices; and for promoting the value of management development as a partnership between managers and their enterprises.

10.6. Best practice management development

Rand (1995) in its five country research reveals that firms who are leaders in management development share common practices and processes that are worth noting by Australian enterprises. These include:

- linking management development to corporate objectives;
- building in assessment;
- adapting provision of management development to changing business demands; and
- recognising economies of scale in management development.

Section III: A template for change

Task Force consultations also reveal that a new paradigm of enterprise best practice management development has emerged, based on the principles of the wider best practice movement. High quality leadership and management skills are essential for underpinning the move to enterprise best practice. In particular, commitment and leadership of the Chief Executive Officer and commitment to continuous improvement are two basic principles of best practice set out by the Australian Best Practice Demonstration Program (1994). The model of manufacturing best practice proposed by the Australian Manufacturing Council includes leadership and people as two of its seven key components. Leadership is seen as central “because it drives the change process” (AMC, 1994). In addition, ‘re-engineering’ the management development function can be achieved using the best practice framework. The definition of best practice management development proposed by Ivanoff and Prentice (1994) for the Task Force underlines the following key principles:

- (i) it is comprehensive and focuses on learning from a wide variety of sources including the work role, work relationships, training and education;
- (ii) it links with other human resource management and management practices as part of an overall management system;
- (iii) it is a cooperative process involving managers at all levels;
- (iv) it focuses on the importance of continuous improvement, or lifelong learning, for all managers;
- (v) it recognises the significance of diversity and, in particular, the need to achieve a gender balance within enterprise management ranks;
- (vi) it reinforces the importance of planning all aspects of management development via medium term strategic or corporate plans and short term business or management plans;
- (vii) it is enterprise or business driven and links directly with critical enterprise and business outcomes; and
- (viii) it requires evaluation of management development outcomes to ensure they meet required enterprise performance standards.

These principles closely align with those identified by the National Staff Development Committee (TNSDC) of the National Vocational Education and Training System which includes TAFE institutions and private providers throughout Australia. The TNSDC has established the scheme in each State and Territory and has initiated case studies in eight selected TAFE Institutes and Colleges in the first instance. Funding of \$1.3m is being provided to this scheme by the Australian National Training Authority, with State and Territory training authorities providing dollar for dollar support. The following management development principles were identified as part of the National Management Development Scheme:

- 1. Management development must be linked to strategic plans.**
- 2. Management development must meet organisational, team and individual needs.**
- 3. Management development must be competency based.**
- 4. Management development must employ a variety of learning modes and environments to match learner needs and the vocational context.**
- 5. Management development should articulate with other forms of recognised professional development.**
- 6. Management development should recognise prior learning.**
- 7. Management development should incorporate equity.**
- 8. Management development is a career long activity.**

National Staff Development Committee 1994.

10.6.1. Key elements of best practice management development

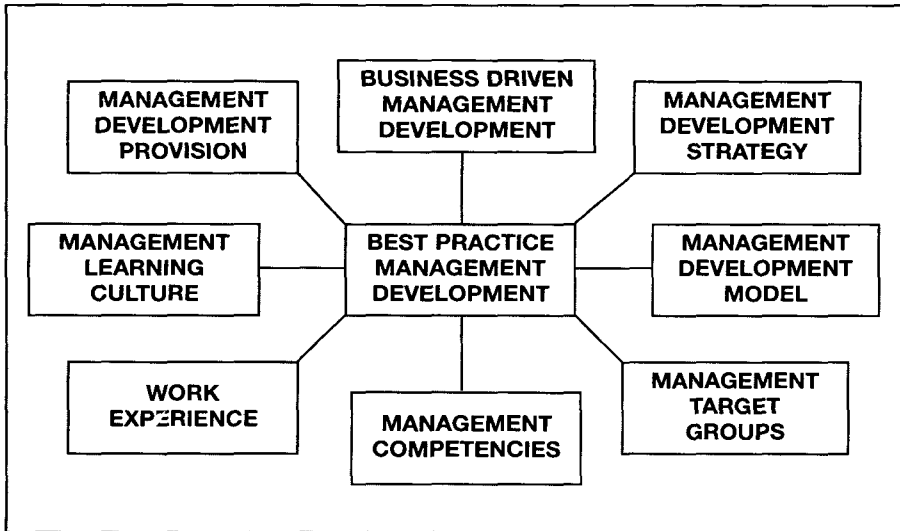
During the Overseas Study Tour, Task Force members gathered comprehensive information about management development strategy in enterprises in North America, Europe and Asia. A number of leading Australian enterprises in each State were also visited.

Korea's Samsung Corporation operates a number of technology training centres and a Human Resource Training Centre. Samsung's management development programs include modules specifically targeting CEOs and 21st Century leader programs. The main focus of these development programs is on developing soft skills.

Task Force Research: Overseas Study Tour 1995.

A picture of best practice management development emerged from these extensive consultations with more than one hundred enterprises and leading management development thinkers. There are ten key elements to this picture:

Exhibit 10.2 Key Element of Best Practice Management Development



10.6.2. Key element one: an enterprise strategic plan drives the management development agenda

Whereas leading enterprises overseas and in Australia achieve this, key element most companies do not. The Task Force Overseas Study Tour (1995) states that for leading enterprises:

“... in all enterprises visited, management development practices were driven by business requirements ... It is clear that best practice management development is dependent on a clear and direct linkage to an enterprise business plan.”

In contrast, Barraclough (1995) reported that for Australian enterprises:

“... management development was not perceived as a strategic issue. The shortcomings of Australian managers are to a large extent reflected in the management development process which is generally seen as being haphazard, unsystematic and uncoordinated. Fundamental to this problem is that responsibility for management development is not seen as a strategic issue by senior management”.

Rand (1995) reached similar conclusions for its international sample:

“Although this may appear a truism, many firms still have only a vague link between their business strategy and their management development program, and human resource policies more generally. In order to make this link a reality, leading firms make management development a boardroom priority”.

10.6.3. Key element two: a management development strategy that provides a framework for all management development activities for up to five years

The Task Force Overseas Study Tour (1995) found that most enterprises studied in North America, Europe and Asia did not have formal, documented strategies or plans driving management development activities:

“Sometimes there was a training plan which directed training activities for managers and employees. But there is increasing evidence to suggest that a more strategic perspective is emerging as the next stage in the strengthening and maturing of enterprise support for management development”.

Best practice management development requires a management development strategy to integrate all management training, education and development activities and ensure they are driven by the strategic or corporate plan. It enables enterprise or business outcomes to be identified which can only be achieved through a rich variety of management development activities. It also enables the development of clear performance objectives. In this regard, Rand (1995) states:

“... establish clear performance objectives prior to undertaking a major management development effort and then hold providers accountable for measurable improvements in these outcomes, and evaluate company management development expenditure relative to strategic objectives”.

10.6.4. Key element three: a management development model that emphasises learning from a rich variety of sources

The planning model of management development discussed earlier is a useful device for helping to reinforce the rich variety of learning opportunities available to every enterprise manager.

Given that managers usually understand that learning occurs when ‘one is thrown in at the deep end’ or ‘from the school of hard knocks’ it is surprising that planned management development activities do not reflect learning from work experience to any great extent. Telechy (1995) suggests that at last there is “... a shift away from an exclusive focus on formal classroom study with no direct application to managers’ jobs, and towards a growing and more balanced recognition that most of what managers learn derives from the context of the management job itself”.

10.6.5. Key element four: management development linked to the entire management system

Management development should always be seen as part of a wider human resources function or, where there is no such function, part of the wider management system of an enterprise. For example, if an enterprise management selection process results in the appointment of poor quality individuals to management positions, no amount of management development will fix the problem.

Systems thinking is one of the five learning disciplines identified by Senge et al (1994). At a more practical level, this point is reinforced by Ivanoff and Prentice (1994) who note that:

“... best practice management development cannot itself be achieved unless quality selection practices, appropriate reward mechanisms, achievement of diversity standards, and a quality performance management system are all in place”.

10.6.6. Key element five: responsibilities for management development shared between managers and their enterprise

The achievement of best practice management development requires an enterprise to introduce incentives and to provide appropriate skills development support to encourage managers to accept primary responsibility for their own development. The enterprise management development strategy provides the mechanism for promoting and supporting this important cultural change.

The change requires new skills, particularly in the area of coaching. Managers must be capable of coaching those who report to them and be able to help more junior managers enhance their skills and improve performance. On this issue, Rand (1995) notes, “... while most respondents cited the ability to develop the skills of subordinates as essential for effective managers, few were able to cite concrete examples of ways in which organisations rewarded or even systematically encouraged such behaviour.”

10.6.7. Key element six: management competencies that are identified for all management levels

One of the important findings from the Task Force Study Tour was the “... general agreement in all the countries visited that identifying key management competencies provides a useful enterprise management development tool.” According to the Task Force Study Tour Report (1995):

“Key management skills and competencies are used by some enterprises to signal the changes in behaviour required to meet an emerging business innovation or change such as the need for broader cross functional management skills in the case of a business process re-engineering initiative.

“They are also used as building blocks for the design of in-house and external management training and education programs. Management competencies provide an opportunity to focus on learning outcomes and to assess productivity of learning”.

10.6.8. Key element seven: priorities for management development that are agreed by the stakeholders

An enterprise management development strategy should identify which management groups need to be given priority for management development. Much depends on the core management competencies for a specified group or groups of managers, that need to be addressed as a business priority.

For an enterprise planning to expand its business offshore, these competencies could be skills for international operations, and the primary target in the short term may be executives and senior managers. If an enterprise plans to decentralise its operations and devolve authority and responsibility, then the frontline manager would usually be the primary target.

During the Task Force Study Tour, the following four major trends were identified as having implications for determining management development priorities in an enterprise:

- there is a strong focus on improving the competence and performance of frontline managers;
- middle management roles are decreasing with a consequent reduction in the pool of middle managers available for promotion to senior executive positions. As a result, middle managers are facing increased pressure and need strong support to keep their performance at high levels and build their skills for greater responsibility;
- high potential managers, and employees who have the potential to become managers, need special development opportunities many of which derive from work experience; and
- the key career transitions from non-manager to manager; from technical, specialist or professional role to manager; from local manager to expatriate manager; and from senior manager to general manager, need pro-active developmental support.

10.6.9. Key element eight: work experience is recognised as a primary development opportunity

The Center for Creative Leadership in the United States has probably done more to promote and research this issue than any other single institution. The Center considers that challenging job assignments are a primary source of learning for executives and managers (McCall 1988).

For example, work experience is a key tool which many leading organisations use to develop the international skills of their managers. Larger Australian corporations and the new group of emerging exporters have found that, 'there is nothing like being there'. In other words, the best path to improving a manager's capacity to build international operations is to expose them to overseas environments. This is reinforced by the Task Force Study Tour's findings that many enterprises in Germany, Korea, and Japan deliberately send employees offshore as one of the main ways of strengthening their skills for international operations. The European Economic Community (EEC) strongly supports work experience via exchange programs or partnership arrangements between countries.

“As part of its overall approach to management and enterprise development 880 employees from NEC’s total Japanese staff of 42,000 are on assignments in overseas posts at any one time. NEC employees make about 10,000 overseas trips each year.”

Task Force Research: Overseas Study Tour 1995.

From the viewpoint of best practice management development, an enterprise must use work experience as a major developmental tool, with careful consideration being given to its benefits for managers. Clearly, enterprises cannot play the organisational equivalent of musical chairs, but carefully planned moves for particular managers at the appropriate time can provide significant learning opportunities.

10.6.10. Key element nine: an enterprise culture that encourages all managers to learn and pursue personal continuous improvement

Learning is an important component of best practice management development. Enterprises which promote management learning, using a variety of learning tools, and which systematically develop a learning culture that encourages and rewards learning are taking important steps to strengthen their competitive advantage. They have started the journey towards a “learning organisation”.

“If we are to survive individually or as companies, or as a country, we must create a tradition of learning companies. Every company must be a learning company.”

**Sir Geoffrey Holland, past Director, United Kingdom
Manpower Service Commission cited in Task
Force Research: Overseas Study Tour 1995.**

Phrases like continuous learning and lifelong learning are well known in the management literature and have been used more frequently in recent years. But even so, the Task Force has found that within enterprises *learning* is still considered to be an unfashionable term. It is not yet seen as having direct relevance to productivity or to improving business performance. It is also surprising that the quality movement itself, which places a high value on continuous improvement of enterprises, has not embraced the need for managers to pursue *personal* continuous improvement.

The fact that continuous management learning is not widely accepted by enterprises is reinforced by the Task Force Study Tour Report (1995) as follows:

“Dr Honey believes learning is still not respectable as a subject area for managers and business people to study ... it is a struggle trying to move enterprises away from traditional notions of training which is usually course based, to the more realistic acceptance of learning in all its forms. In order to get an explosive growth in productivity, learning needs to be as firmly placed on the enterprise agenda as finance”.

But strengthening the link between individual and enterprise learning is also critical as Ivanoff and Prentice (1994) suggest:

“Embedding learning into an enterprise culture, and how this is achieved, is seen as the critical issue. Professor John Burgoyne of the University of Lancaster says: we notice that managers can only go so far in developing management skills. They must move to whole company learning to help the organisation as a whole to change, develop and know its own skills base.”

“Learning in organisations means the continuous testing of experience, and the transformation of that experience into knowledge – accessible to the whole organisation, and relevant to its core purpose.”

Senge et al. 1994.

As part of this culture, some simple tools identified during Task Force visits and discussions can provide encouragement and support to help managers learn. These tools include methods such as:

- learning specified as a key area of competence for all managers;
- enterprise incentives that encourage managers to learn;
- readily available self-assessment instruments;
- manager learning contracts with a short-term focus; and
- manager development plans with a long-term focus.

10.6.11. Key element ten: management training and development programs that improve management performance

During overseas study tours and consultations in Australia, Task Force members found some common themes emerging about the provision of training and development programs, including courses, workshops, seminars, and conferences. As well, Rand (1995) provides some valuable insights into these common themes. Enterprises should expect:

- clear performance objectives to be established with a strong focus on evaluation and improving management performance;
- program content to reflect real issues facing the firm and a process to implement what is learned;

Section III: A template for change

- programs to build on work experience and not duplicate past learning;
- provision to be adapted to changing demands;
- feedback to be obtained from a wide variety of actors (participants, suppliers, customers);
- value for each dollar invested in a program with expenditure evaluated relative to strategic objectives; and
- in-house programs to be articulated with formal academic programs such as management certificates, diplomas and MBAs.

Rand (1995) also suggests that a firm's entire human resource function could be turned into an independent subsidiary (eg, Motorola University) which must compete for internal and external customers. A less radical approach would be to treat the human resource function as a self financing unit that charges other departments for its services. Underlying all these trends is a clear requirement that programs provided by leading enterprises must be enterprise driven. Programs must demonstrate that they can build management competence and performance progressively and thus contribute to business outcomes.

10.6.12. Conclusions on best practice management development

The Task Force's main findings and conclusions relating to best practice management development at enterprise level can be summarised as follows:

- enterprise best practice management development strengthens enterprise competitiveness;
- enterprises using information about what constitutes best practice in management development will enhance their own management development practices;
- enterprises wishing to become 'learning organisations' will make progress by implementing best practice management development;
- publicising best practice management development at the national level by way of published case studies, seminars and workshops will assist enterprises to understand and implement its key elements; and
- the Best Practice Demonstration Program will itself be enhanced if greater emphasis is placed on management development as one key component of enterprise best practice.

Above all, the Task Force considers that Australia's economic performance would be greatly enhanced if more of our enterprises adopted best practice management development. Irrespective of the Task Force's specific recommendations below (see Recommendation 16), more Chief Executive Officers and senior managers should address how their companies can adopt best practice in this area.

10.7. Policy options for improving management development in Australia

In formulating its recommendations, the Task Force was mindful of Reark's (1995) study of several hundred medium to large Australian companies. Reark compared their findings with earlier studies and concluded that little improvement had been seen in the last five years. For that reason, together with the ample evidence of systemic failure in the management development system discussed above, the Task Force concluded that Commonwealth Government initiatives to improve the situation were warranted. To the Task Force, the real question is not whether to intervene, but which interventions will prove effective and for which target groups of managers.

After deliberations which included evaluation of the Training Guarantee Levy, the Task Force concluded that the situation was serious and urgent enough to justify direct interventions to boost the skills of managers and improve management development practices. If greater numbers of managers can be trained in the new management skills, particularly soft skills, and can be exposed both to international best practice and international environments, then this will have an immediate impact on their skills and the performance of their companies. Moreover, it will open the way for greater adoption of best practice management development. First, this will occur because more managers will realise the need for it, especially for their enterprises to become globally competitive. Second, to a degree, more managers will have the skills to begin coaching and mentoring their employees, and subsequently, as their career progresses, their subordinate managers.

Of particular interest to the Task Force are frontline managers; the junior and supervisory managers who form Australia's largest cadre of managers. In the frontline manager position, individuals are experiencing their first encounter with managing, both projects and other employees. They are just beginning to experiment with being given authority, managing people individually or in teams, and learning the higher levels of business practice. These managers are ready for management and leadership development but they typically have had little or no formal education, and Task Force research indicates they are often overlooked by their organisations when it prepares training plans. Set against the potential impact these managers can have on quality, customer service, employee relations and productivity on the shopfloor; these findings indicate a critical weakness in the Australian economy. The first of the Task Force's major recommendations in this chapter addresses the training of frontline managers.

Another area of importance to the nation is exposure to international business. The low exposure of Australian managers to the ways other nations and cultures do business is amply demonstrated by both Task Force research and numerous other reports over many years. The Task Force believes there is merit in emulating those nations who send their managers to other countries to study industries and markets, and to gain an appreciation of other cultures. Furthermore, focusing such efforts on the Asia-Pacific region could also have important benefits in building long-term relationships and raising the profile of what Australian enterprises have to offer. It would also promote the principles of regional

co-operation and development envisaged by the APEC agenda. The second major recommendation proposes structured industry based study tours for significant numbers of Australian managers.

In line with their findings on the limited adoption of best practice in Australian enterprises, the Task Force also considers that the promotion and dissemination of information about best practice management development is important. Enterprises need to be continually made aware of and updated on best practice management development strategies and best management development practices. The third major recommendation concerns best practice materials.

10.8. The frontline manager program

A frontline manager is a person who is responsible for the coordination of the work of others and is the first level of such coordination within an organisation. Frontline managers have a variety of titles including:

- **manager;**
- **coordinator;**
- **supervisor;**
- **team leader;**
- **leading hand;**
- **project leader;**
- **accountant;**
- **engineer;**
- **administrator; and**
- **sales supervisor**

A frontline manager's roles can include some or all of the following responsibilities:

- **selection and induction of team members;**
- **the allocation of work to team members;**
- **the performance of the team against established performance targets or standards;**
- **the welfare and safety of the team;**
- **the training and development of team members;**
- **advising on the pay and incentives to be paid to team members;**
- **the degree to which team members demonstrate corporate values; and**
- **coordination of the work of the team with the work of other teams.”**

Of the over 400,000 frontline managers in Australia, the Task Force estimates that some 180,000 individuals have not been formally trained for their role and many others have only been exposed to ad hoc training activities. Even those who have been formally trained in a structured manner will not necessarily have been trained in the skills needed for the future. Hence, the program to upgrade the skills of frontline managers will require a significant level of resources if it is to be effective. Fortunately, many of the necessary resources already exist within the TAFE system and through programs provided by industry associations and other private providers. What is required, however, is a re-orientation of many of those programs, so that they provide emphasis on the competencies considered to be most relevant for the modern frontline manager.

“The Email Appliance Group takes the view that everybody is a leader and therefore the emphasis in training in the company is on the development of leadership skills. The company focuses on enabling, empowering and entrusting its employees.”

Don McNeil, Chief Executive, Email Appliance Group.

10.8.1. ACTRAC project

The relevant generic competencies have been the subject of an extensive research and development effort, under the auspices of the ANTA funded Australian Committee on Training and Curriculum (ACTRAC), in its work on the National Generic Management Skills Project. This project has used as its baseline the Management Charter Initiative developed in the United Kingdom and has adapted that work to the Australian context. In the Task Force’s view, the work undertaken by ACTRAC provides a sound foundation for the implementation of a major program to upgrade the skills of frontline managers. The modules being developed by ACTRAC also reflect world best practice and the skills associated with the new frontline manager.

10.8.2. Quality principles and the frontline manager

Industry visits undertaken by Task Force members in Australia and overseas, have found that there is a strong linkage between commitment to quality principles within an enterprise and a consequent recognition of the associated human resource development requirements. Firms embracing total quality management principles beyond the quality accreditation phase find that those quality management principles cannot be effectively implemented within the enterprise, unless there is an associated commitment to development of teams, teamwork and an increased empowerment of the workforce in general. This also dictates the need for those enterprises to ensure that their team leaders and frontline managers have skills relevant to this form of work organisation. Skills in areas such as coaching, mentoring, facilitating, teamwork and devolution of responsibility are critical to the successful implementation of quality principles within an enterprise. These skills can be in sharp contrast with the traditional skills associated with the firstline supervisor (controlling, directing, maintaining discipline, etc).

From both consultations and research, the Task Force has concluded that, while it is important to provide training to frontline managers, it is no use doing so if the enterprise is not prepared to embrace the new role of the manager. The Task Force is of the view, therefore, that a prerequisite to an enterprise's participation in a national program to upgrade the skills of frontline managers should be a requirement that the enterprise can demonstrate its commitment to quality management principles and the associated human resource development. This would ensure that public funds invested in the frontline manager program are directed into those enterprises which are more likely to be able to benefit from them.

10.8.3. Scope of program

While the competency based approach to learning is inconsistent with time based learning, the Task Force believes that a general indication of the maximum resources which would need to be devoted to the off-the-job component of the program, would be the equivalent of a maximum of 20 days, spread over a 20 week or 40 week period. By spreading the off-the-job learning over a twenty or so week period (ie, one day per week off-the-job), that learning can be significantly enhanced by providing an opportunity for its integration with on-the-job projects and action learning processes. In some cases, it may be preferable for the program to be conducted over a forty week period for example, which would mean that participants would spend half a day per week in off-the-job learning activities. The Task Force believes that such flexibility within this program is important to ensure that the program meets the needs of individual enterprises and individuals within those enterprises.

The value of the program to enterprises will be significantly enhanced by also ensuring that the core skills are adopted and presented in the context of the business activity of the enterprise and which also takes account of the desired enterprise culture. These core skills can then form the basis for the development of further relevant competencies.

10.8.4. National Certificate

The Task Force is of the view that participants who successfully complete the program should be awarded a nationally recognised certificate. One suggestion to which the Task Force is attracted is a National Certificate in Workplace Leadership. The combination of off-the-job and on-the-job learning could make such an award a recognised national certificate of Australia's vocational education and training system. Because of the competency based approach, recognition of prior learning will also be incorporated within the program. This will obviate the need for persons who can demonstrate competencies within areas covered by the program to undertake training which duplicates their existing knowledge. Although customised for the needs of individual enterprises, the existence of a National Certificate in Workplace Leadership will guarantee that frontline managers meet nationally determined minimum competencies.

10.8.5. Delivery mechanisms

It is important to recognise the value of having a range of delivery mechanisms for such a program. However, the main focus should be on face-to-face or possibly open learning delivery, with a primary emphasis on the development and application of competencies at the workplace. It is proposed that the program, as far as possible, be delivered on-site and in-company, where the number of participants permit such delivery. In other cases, establishment of clusters of organisations to facilitate work place delivery should be promoted.

A major feature of the delivery of this program will be the use of management competencies through demonstration in the workplace. The ACTRAC materials provide the basis for personnel within the enterprise to have a major role in this assessment. These personnel, however, will require assistance and advice from properly trained consultants in this area. The Task Force is of the strong view that the participation of enterprises in the assessment process provides for the maximum integration of those competencies within the context of the enterprise.

As discussed in Chapter Eight, the role of the consultants is critical to the process, particularly in training enterprise personnel in relation to the assessment role. The Task Force believes that the TAFE system and other providers will require significant re-orientation to ensure that their staff have the skills to act as effective consultants to enterprises in this area.

10.8.6. Accreditation of providers as a means of ensuring high quality delivery of the program

It is proposed that organisations involved in this delivery should be formally accredited at two levels. Firstly, the organisation should be accredited as being capable of delivering the frontline manager program. Secondly, individual consultants involved in the program should also have a form of registration which testifies to their competence for their roles. It is envisaged that the state training authorities within the framework of the accreditation processes would accredit programs delivered by organisations and would then also establish a mechanism to register approved consultants in the programs. The workplace assessors competency standards which are currently in use could be further developed for use as part of this program and as the basis for registration of consultants. It is envisaged that the overall coordination of the program at a national level could be undertaken under the auspices of the Australian National Training Authority (ANTA) in conjunction with the Australian Council for Management Development (see Chapter Twelve).

10.8.7. Encouraging enterprise participation

A body which will have the capacity to draw the existence of the program to the attention of industry will be AusIndustry, established under the Department of Industry, Science and Technology. The Task Force has been impressed with the work of the National Industry

Extension Scheme, in terms of the impact which NIES has had in encouraging enterprises to improve their performance, particularly through continuous improvement techniques. With the broadened role of AusIndustry it would appear to be both an ideal means of promoting the Frontline Manager Program and, just as importantly, integrating the program into the business improvement programs available generally through AusIndustry.

In a similar vein, the Task Force believes that there is a significant role for industry associations, industry training advisory boards (ITABs), organisations such as the Australian Institute of Management and trade unions to promote the benefits of frontline manager training and development. The industry associations in particular will also have a major opportunity to involve themselves in the delivery of the program. Many of these associations already provide training programs for their member enterprises. However the Task Force believes that there is scope for greater involvement of these associations in frontline manager training.

10.8.8. Development of course materials

There will be a need to ensure that the ACTRAC materials are fully developed for use as open learning and face-to-face based course materials. These materials will initially be available in print form. However, it is proposed that funding be provided over the life of this project for their eventual publication in an interactive CD-Rom based format.

In addition, because of the unique nature of this program, there will be a need to provide funding for initial briefing and orientation of personnel involved in the delivery of the program from the range of program deliverers, including TAFE, industry associations and private providers. The investment made in ensuring that these personnel are fully conversant with the nature and objectives of the program is seen as being a critical aspect of ensuring its successful implementation.

10.8.9. Sources of Funding

Enterprises will be required to release their employees to undertake the off-the-job component of the program, thus making a significant investment in the development of their frontline managers. As mentioned above, this investment can be expected to be up to a maximum of twenty days per participant.

The Task Force believes that because of the strategic importance of frontline managers to the business success of enterprise and to Australia's overall international competitiveness, the Federal Government should be prepared to make a major commitment to the upgrading of the skills of frontline managers. The Task Force believes that some of the growth funds allocated to the Australian National Training Authority could be directed to the frontline manager program, through the profile negotiation processes conducted between ANTA and the state training authorities. It is envisaged that there will be a requirement, however, for additional funding from the Commonwealth Government to ensure that the number of places proposed above can be achieved.

The Task Force is attracted to the proposal in the Fitzgerald Report on the national training reform agenda, relating to the concept of 'user-buys'. We believe that this area of frontline manager training could be a most appropriate opportunity to introduce the user-buys concept. Enterprises which meet the prerequisites for participation in the program, and which complete appropriate documentation to the satisfaction of state training authorities, should be provided with a grant to purchase their frontline manager training program from any accredited provider.

The Task Force considers the Frontline Manager program central to the economic progress of Australia.

Recommendation Eleven

Frontline Manager Program (Band I)

It is recommended that there be a national training program for frontline managers.

Implementation Strategy

Details include:

- Participants will not have had any formal management training and will be working in enterprises which are able to demonstrate the application of quality principles in their operations and their human resource development processes;**
- An estimated total number of 180,000 frontline managers in Australia are without formal management training. It is estimated that approximately 80,000 to 100,000 of these will qualify by working in quality committed enterprises. Target is to provide access to management training for 80,000 over a five year time frame or in an early stage of its operation;**
- Participants to be released, at cost of employer, for up to 20 days structured training spread over a 20 to 40 week period. Approximately 10 curriculum units would be involved in course;**
- Training to be funded by the Commonwealth in a manner which allows the enterprise to select the provider which most suits its requirements;**
- Delivery, preferably on site, via a variety of mechanisms. Open and distance learning course materials to be provided;**
- Course materials to be based on work already undertaken by the Australian Committee for Training Curriculum and to be competency based. Initially the materials will be print based but with funding proposed to make them available on electronic and CD Rom format;**

- TAFE will be a major deliverer of the program and will be supplemented by industry associations and private providers. Implementation of Recommendation 3, *Upgrading of TAFE's capacity to deliver management development courses*, is critical to the success of this proposal;
- The program is to be called the "National Certificate in Workplace Leadership" and would be integrated into the national qualifications framework to ensure articulation with other programs; and
- Proposed funding includes provision for the deliverer to customise their program to meet enterprise requirements and to undertake assessment of competence.

10.9. Structured industry based study tours

The Task Force believes that a major deficiency in terms of Australia's ability to develop international trade is the relative isolation and lack of exposure to overseas business practices, cultures and opportunities of most Australian managers. The Task Force Overseas Study Tour (1995) found that a key element of the development of managers in non-English speaking countries is the attention which is paid to providing opportunities for managers to gain an appreciation of the key markets their enterprises are targeting for business development. Such programs are seen in Germany, Korea and Japan, all nations which are arguably performing better in world markets than Australia.

Amecon, a major defence ship building company in Melbourne, has sent 150 personnel from all levels in the company to Germany for periods of one month to two years, as part of a program to expose its workforce to international best practice in the industry. The company believes that this international exposure and the experiencing of another culture, will be beneficial in its quest to expand into Asia.

**Task Force consultation with John Ogden,
Chief Executive Officer, Amecon.**

The Task Force believes that a national program to provide similar opportunities for Australian managers to gain an appreciation of the markets which Australian enterprises are seeking to develop would have a significant impact on Australian business success. A program of this nature would also assist in building better links with APEC countries and increase the visibility and perceived willingness of our enterprises to engage with the Asia-Pacific region. Accordingly, the Task Force proposes that a major national program to

provide opportunities for up to 1,500 Australian managers to undertake a structured overseas study tour each year be established.

It is proposed that Austrade be given responsibility for the coordination and implementation of this program, but that the actual delivery of the program be through accredited industry associations. This will ensure that the expertise of Austrade is married with specific industry needs as identified by the industry associations.

Industry associations would be required to make an application to Austrade for funding for study tours within this program. Companies participating in the program would be required to meet 50 percent of the direct costs of the study tour, with the Commonwealth Government matching this contribution and also paying for the agreed administrative overheads of industry associations.

Austrade would be required to present an annual report on this program to the Australian Council for Management Development (see Chapter Twelve). Participating companies should be required to identify their objectives in participating in each program and their expected outcomes. Individuals undertaking the program should be required to provide a report upon the completion of the study tour. Such reports might be made available for other companies in the industry so as to maximise the benefits of the Commonwealth Government's investment in the program. This would be of particular benefit to those smaller companies unable to release managers for study tours because of resource constraints.

It is further proposed that this program should be primarily focused on the Asian Pacific area and could involve collaboration with other APEC countries, so as to provide enhanced programs in those countries and also facilitate the possibility of exchange programs within Australia. The facilitation of exchange programs within Australia could also be incorporated within Austrade's role, as it would provide an opportunity for the further development of international contacts for Australian businesses and improve the export opportunities for those businesses. The Task Force believes that Austrade should be provided with additional funds for the specific purposes of both the international study tour program and the likely exchange programs.

The study tours should place a particular emphasis on small to medium enterprises. Whereas the Task Force realises that larger enterprises can certainly benefit from such a program, the Task Force also considers that these larger firms would have the financial means and global focus to already be involved in such a program, from an internal initiative. Small to medium enterprises, with limited financial means and primary concern for immediate operations, will most benefit from this program.

The Task Force considers that this recommendation has significant potential to increase the exposure of Australia's managers to the global business environment, and in the longer-term to develop stronger trade links with the Asia-Pacific region.

Recommendation Twelve

Structured Industry Based Study Tours (Band I)

It is recommended that there be an industry based program to provide opportunities for up to 1,500 Australian managers to undertake structured international study tours each year.

Implementation Strategy

Details of the program include:

- To be administered by a body such as Austrade, in close association with industry representatives and associations, with annual reporting to the new management body;
- Primarily focused on the Asia Pacific area. It would involve collaboration with APEC countries with the possibility of exchange programs that would assist Austrade's role by further developing international contacts for Australian businesses so as to improve international business opportunities;
- Actual delivery of the program would be through accredited industry and professional associations and other organisations/sources approved by Austrade. These bodies, in association with intended participating companies, would apply to Austrade for funding. Proposals would be evaluated on the basis of the intended learning outcomes for the industry, the enterprise and the individual manager;
- The sponsoring body would tailor a program of two to three weeks duration, to meet the needs of the particular industry and would promote it within that industry;
- The market for the program would be potential and existing exporters and companies involved in international trade with a particular emphasis on small to medium sized enterprises (SMEs);
- Program participants would be drawn from different levels of management within the participating companies, either on the same or different study tours, but no individual could go on more than one such tour; and
- Participants would be expected to comprehensively report on the findings and learning outcomes of their study tour. These reports would be made available, via the sponsoring body, for other companies in the industry so as to maximise the benefits of the Government investment in the program.

10.10. Benchmark information and best practice materials for small, medium and large organisations

The Task Force believes that for each Australian enterprise, management development *should be a critical success factor*. In other words, achieving best practice management development should be one of a small number of key strategic priorities for an enterprise, regardless of its size. The decision to allocate such a high strategic priority to management development is one, as we have seen, for Boards, Chief Executive Officers and, in the case of smaller enterprises, owner managers. It is not a decision that can or should be imposed from outside.

The Task Force sees best practice case studies as an important tool for assisting in the development of managers. They should cover both case studies on best practice in business management generally and case studies relating to best practice management development. This material should relate to small, medium and large enterprises and be available for use by the full range of management development and education processes.

Whilst this will be of considerable value to managers who are assessing more formal and structured models of management development, Task Force research and consultations clearly indicate that the overwhelming majority of small business owner managers do not, at least initially, participate in or learn by such methods. Given the large and growing proportion of the economy devoted to small business, this strongly indicates a need for mechanisms capable of providing small business owner managers with access to this best practice management information.

The Task Force has found that the most frequently used sources of management advice and learning for small business owner managers are their accountants, lawyers and bankers. These advisers are usually approached in response to specific issues or problems being encountered by the small business owner manager. This provides a key opportunity to introduce best practice management concepts and examples, but it must be done in an applied manner so as to be relevant to the initial problem-related needs of the small business owner manager.

The Task Force believes that a small business adviser's ability to solve the immediate problem and to subsequently improve the management skills of their client would be greatly enhanced if they had access to an appropriate diagnostic tool which would provide an avenue for reference to and use of best practice management case studies.

With this in mind, the Task Force recommends that best practice management development in small, medium and large enterprises be promoted by way of case studies, seminars and the provision of information for benchmarking purposes. The case studies should focus on two areas. Firstly, there should be case studies on best practice management development at enterprise level. Secondly, case studies should be prepared on best practice in business management generally. In addition, financial information for small businesses in the form of industry specific financial benchmark information should be gathered and distributed.

Recommendation Thirteen

Benchmarking and Best Practice Materials (Band I)

It is recommended that, as a part of the government's business improvement services, a data base be developed containing: industry specific financial benchmark information relating to small and medium sized enterprises; best practice case studies in business management, and management development relevant to small, medium and large businesses.

Implementation Strategy

The data base would include:

(a) Industry Specific Financial Benchmark Information

- For use by small business advisers and support agencies to assist small and medium sized enterprises with advice relating to expenditure, income, debt levels, etc;
- The benchmark data would be used as a diagnostic tool to identify areas of an enterprise's financial performance which differ substantially from their industry's norms, which indicate the need for further investigation;
- The Canadian Government has recently implemented a similar system using taxation data to provide business information, such as size, turnover, stock-in-hand etc, on a wide range of different industries;
- Initial investigations have indicated that the Australian Taxation Office (ATO) does collect a wide range of information relating to the required benchmarks, and that the information is classified to the required level of detail to enable analysis of specific industry sectors. The ATO has confirmed that this information could be extracted for use by another Government agency; and
- It is proposed that the ATO data would be passed to the Department of Industry, Science and Technology for output in a format useable by small business advisers and delivered through AusIndustry's BizLink system.

(b) Case Studies of Best Practice in Business Management

- The case studies would be prepared according to the same industry classifications as the financial benchmark data;

- **Problems diagnosed by reference to the financial benchmark data could be referred for possible solutions to the case studies;**
- **Case studies would be developed under the auspices of, but not necessarily by, Industry Training Advisory Boards; and**
- **Case studies would also be available for use in management school curriculum development.**

(c) Case Studies of Best Practice in Management Development

- **The case studies would include best practice examples of management development in small, medium and large business;**
- **They would be concise and written in a manner accessible to the general public;**
- **They would be drawn from a wide range of industries;**
- **Where possible, they would be sourced from relevant industry and professional associations;**
- **They would also be available through the Australian Best Practice Program and AusIndustry;**
- **They would also be used in the Australian Best Practice Demonstration Program to upgrade the emphasis on management and management development within the Best Practice model itself and via promotional programs and industry seminars; and**
- **They would also be available for use in management school curriculum development.**

10.11. Supporting recommendations

In addition to the major recommendations outlined above, the Task Force also believes that two other areas which are crucial to enterprise performance need to be addressed. The first area, management competencies, has been discussed earlier in this chapter. In the opinion of the Task Force, enterprises must develop fully comprehensive competencies which are derived from their corporate strategies. The following recommendation seeks to assist enterprises in achieving this goal. Additionally, the global environment of business requires enterprises to commit to a goal of continuous improvement and quality performance. Quality performance is an integral component of business success and must be addressed by Australian enterprises.

The following two recommendations support and enhance the three major recommendations already discussed. The Task Force believes these supporting recommendations will strengthen the performance of Australian enterprises.

10.11.1. Management competencies framework

The frontline manager program and various other initiatives to strengthen the skills of Australian managers require a common language and framework for discussing which skills to improve. Competencies provide this common language and framework and can be used to communicate how managers throughout the enterprise need to operate in order to be as effective as possible. They can also be used by training providers and government support agencies tasked with developing initiatives in these areas. The key findings in relation to management competencies identified from the Task Force Overseas Study Tour reinforce this common language:

- competencies are widely recognised as a key development tool for enterprises with application to all levels of management;
- competencies provide the focus within enterprises to link management development to business strategy and direction; and
- any national initiative to develop generic competencies must be industry driven with strong government support and must provide scope for enterprise specific applications.

The development of the relevant management competencies can be seen at three levels:

- generic;
- industry; and
- enterprise.

In addition, these competencies can cover various levels of management, for example:

- frontline managers;
- middle managers;

- senior executives; and
- Chief Executive Officers.

As discussed in Chapter Five the nature and mix of the competencies required to develop relevant skills for particular industries and levels of management will vary widely. There is therefore a great need for the formulation of a comprehensive framework so that all parties can understand specific applications and communicate training needs clearly between each other.

Furthermore, Task Force research indicates that, while many Australian enterprises are positive about the concept of competencies, a significant number have reservations about implementation (Midgley & Co 1995). One reason advanced for this is the difficulty of identifying and applying the competencies relevant to the enterprise's strategic plan. A better framework for management competencies in Australia, if appropriately disseminated, would also assist enterprises as well as training providers and support agencies.

In this regard, dissemination could be via a suitably flexible software package for distribution to enable enterprise managers to identify and record their own industry and enterprise specific competencies and merge them with the generic competencies provided. The result would be a tailor-made set of competencies for an enterprise based on generic material but reflecting industry and enterprise requirements.

The Task Force therefore recommends that existing and new initiatives in the area of competencies be drawn into a unifying framework.

Recommendation Fourteen

Management Competencies Framework (Band II)

It is recommended that there be a definition, development, maintenance and promotion of flexible management competencies for use in all industries, including small business, by managers operating at all levels.

This would build upon the following existing work:

- National/State Training Board's and ITAB's development of industry based management competencies; and
- Competencies developed by the Small Business Management Competencies Standards Body (SBMCSB).

Implementation Strategy

Details of this proposal include:

- Core generic competencies to be built on the work undertaken by ANTA/ACTRAC bodies;
- Strong industry influence via industry bodies and ITABs;
- Ongoing research/development process to ensure the competencies reflect world best practice;
- Coordination of management competency development between industries to minimise unnecessary duplication;
- Incorporation of existing small business management competencies into the wider competency framework and includes development of relevant qualitative competencies such as entrepreneurial skills in small business; and
- Preparation of a flexible software package containing generic competency material and enabling the identification and merging of industry and enterprise specific management competencies.

10.11.2. People and quality

The Task Force has formed the view that the issue of quality can be a very effective lever in improving management performance and effectiveness. This is particularly so with those enterprises which commit themselves to quality management principles and go beyond the quality certification phase. The Task Force has found that those enterprises which adopt that commitment and seek to move to a mode of continuous improvement, can only do so in a sustained way by incorporating the issue of the development of people within their quality management approach. This has meant for those firms that sustained improvement in quality can only occur within an environment where employees are

empowered to contribute to the decision making process, leading to quality improvement. As quality is seen as a vehicle for organisational reform and for the achievement of teamwork and the development of management skills which emphasise the role of the manager as being a coach rather than a cop.

The Task Force is so impressed with the leverage available through quality that we believe that a major program should be implemented to encourage Australian enterprises to embrace quality management principles and take their enterprises beyond the quality certification phase. There is, however, some resistance among Australian enterprises to embracing quality to this extent because of the costs involved in pursuing that strategy. The Task Force believes that there is as much leverage for improved enterprise performance for those firms which embrace quality as there is for those firms which embrace research and development as an element of their business strategy. The Task Force would argue that the leverage available from a commitment to quality may well be greater than that available from a commitment to research and development. In any case, the Task Force believes that there is a strong case for the Government to consider ways in which Australian enterprises can be encouraged to embrace quality beyond the certification phase. The Task Force is impressed with a proposal being developed by the Australian Quality Council for the establishment of a program to recognise those firms which meet the requirements of a "quality committed enterprise". The Task Force believes that a concept like this provides a very sound basis for demonstrating a company's commitment to the development of its people through improved management development and performance.

Recommendation Fifteen

People and Quality (Band II)

It is recommended that programs that promote quality in human resource development be adopted to complement the existing quality standards.

Implementation Strategy

Details of this recommendation are as follows:

- **Organisations such as the Australian Manufacturing Council have identified the need to develop more comprehensive national and international quality standards to link together quality certification and human resource development. International bodies such as the Confederation of British Industry are also supporting moves to provide a stronger link between quality and human resource development;**

(continued)

- **Examples of such programs include the *Investor in People* concept operating in the UK, and the *Quality Committed Enterprise* initiative currently being developed by the Australian Quality Council (AQC), which is based on the human resource development criteria used in the existing Australian Quality Awards;**
- **At a Commonwealth level, criteria relating to quality human resource development should be included in the Purchasing Australia's *Endorsed Supplier Arrangements* due for review in the latter part of 1995; and**
- **The following initiatives should be implemented to promote its adoption:**
 - **adaptation of Commonwealth and State Government purchasing policies to include criteria relating to quality human resource development; and**
 - **requirement for recipients of Government funded management development programs to comply with criteria relating to quality human resource development.**

Chapter Eleven

Better management skills			
Upgrade the capability of TAFE and business support	Harness the talents of diversity	Achieve best practice management development	Reform management education
Develop a positive enterprise culture through education and training			

11. World class management education

- 11.1. Purpose of the chapter
- 11.2. The importance of reforming management education
- 11.3. The changing environment of management education and its impact on quality
- 11.4. Quality from informed choice in a client-driven market
- 11.5. Options for new funding mechanisms
- 11.6. Untied scholarships will lift quality and responsiveness
- 11.7. Information and quality control
- 11.8. Rankings, ratings and accreditation are the key options
- 11.9. The drive for improved quality
- 11.10. Targeting quality
- 11.11. Research funding and quality academics
- 11.12. Supporting recommendations

11.1. Purpose of the chapter

The purpose of this chapter is to take up the fifth and final challenge identified in Chapter Five, namely to reform the provision of management education in Australia and, in so doing, improve the knowledge and skills of our current and future managers. Twelve recommendations are put forward to address this challenge. The first set of four recommendations seeks to improve the provision of management education by making it more responsive to the market and more concerned with the quality of the education delivered. The second set of eight recommendations supports the first by providing additional curricula and materials, infrastructure support and proposed reforms to the operation of management education institutions.

In this chapter, we first reiterate the importance of reforming management education, particularly postgraduate management education, before discussing the changing environment faced by providers in the rapidly growing Australian market for MBA graduates. Next, arguments are presented as to why more market-driven providers and more informed customers are a pre-requisite for achieving world class management education. This leads to a discussion of funding options and the Task Force's first recommendation – to replace block funding for postgraduate management education with progressively untied scholarships.

We then discuss how the market for management education might be better informed through accreditation systems and detailed guides. The need to create at least one world class management school in Australia is discussed at length, as is the need to improve the quantity and relevance of research into management. Finally, the various supporting recommendations are outlined.

Following Recommendation Nineteen, the chapter turns to the current lack of information regarding the quality of Australian management schools. This lack of information underpins the next major recommendation; establishing an independent accreditation system for management schools and providing a readily available supply of information about management schools in Australia. The chapter then acknowledges that Australia does not currently host a world class management school and recommends that the Commonwealth develop a National Management School and concurrently offer financial incentives for quality improvement for the remaining management schools. The last of the major recommendations seeks a significant push towards increasing research funding and the supply of quality academics.

Next, the chapter explores the seven supporting recommendations, which encompass developing linkages with local industry and the Asia Pacific region, ensuring the contemporary relevance of management school curricula and improving the human resource development of academics.

11.2. The importance of reforming management education

In Chapter Five, the Task Force defined the management education sector to include all the postgraduate, undergraduate and TAFE programs which are solely concerned with the topic of management or which have a significant component of management within them. Task Force research indicates that by 1998 there will be 23,000 postgraduate, 123,000 undergraduate and 348,000 TAFE students undertaking programs in business administration and economics (Monash University 1995). This is a significant proportion of all those students undertaking post-secondary education and a major source of young managers and potential managers for Australian enterprises. In addition, a rapidly growing number of managers are undertaking executive courses, short courses and customised programs offered by management schools.

Despite the nation's considerable investment in the provision of management education, Task Force consultations and research led to concerns as to whether the sector is adequately addressing:

- educating for the new paradigm of management:
 - the increasing importance of 'soft skills';
 - internationalisation; and
 - cross-functional integration;
- diversity;
- links to industry and enterprises; and
- delivering world class programs.

The Task Force has concluded that much more attention needs to be given to the management skills of the future in the design of program content, course delivery and the teaching methods employed by management educators. While some providers have begun to address these issues, many have not. Equally, although the number of female students in management education is on the rise, many providers have yet to tackle the barriers which women face when pursuing management education in the tertiary sector. This is particularly evident at the postgraduate level where the proportion of women undertaking masters by course work had only risen to 29 percent in 1993.

Management is an applied discipline and educational institutions should therefore be expected to have strong links with business and industry. Yet students, management experts and industry considered that this was not the case in most Australia institutions, even at the postgraduate level where many providers promote their programs as 'relevant' to the needs of industry.

Above all else in Chapter Five, the Task Force expressed major concerns about the quality of management education across Australia. If the nation is to build world class

enterprises through improving the skills of its managers, then we need world class providers of management education to achieve this goal. On the basis of its consultations, the Task Force concluded that, while Australia has individual educators who are world class, few, if any, of our providers are world class in all they do.

In Chapter Five the Task Force reached this conclusion with respect to both the vocational education and training sector and postgraduate management schools. The challenge to reform management education in the vocational education and training sector is addressed in Chapter Eight which, together with specific initiatives discussed in Chapter Ten, seeks to reform the delivery of TAFE programs and improve the training of frontline managers. In this Chapter the Task Force has chosen to primarily focus on postgraduate management schools, although some of its recommendations also concern undergraduate programs.

11.2.1. A focus on postgraduate management schools

Given that management schools only educate around 17,000 students at present, it is pertinent to outline why the Task Force has concentrated most of its recommendations in this area. The reasons for this include:

- the rapid growth of Australian management schools;
- the importance of the MBA model worldwide;
- employment destinations of graduates;
- the impact on enterprises through research and consulting;
- the impact of previous Commonwealth Government inquiries; and
- indications from consultations are that it is the area of greatest industry interest and concern.

11.2.1.1. The rapid growth of Australian management schools

Although Australia was a late entrant into the management school field, the number of schools has grown rapidly. Indeed, from 1988 to 1994 the number of public and private providers has more than doubled from 17 to 38 (Ashenden and Milligan 1994). The number of students has also grown dramatically – at a rate of increase higher than the rapid growth in tertiary enrolments which also occurred over this period.

11.2.1.2. The importance of the MBA model worldwide

Globally, the Master of Business Administration, which originated in North America, has become the dominant model for the highest level of management education, although it is acknowledged that MBA programs are offered in a wide variety of ways by a very diverse set of institutions. Task Force research indicates that Asia too is following this trend – with the notable exception of Japan.

11.2.1.3. *The employment destinations of graduates*

The best graduates of MBA programs in Australia, as overseas, are employed by leading organisations in the corporate, financial and professional sectors. The knowledge and skills that management schools impart to them have significant impact on the competitiveness of Australian enterprises, with clear implications for economy as a whole.

“Pundits who worship at the altar of practical experience fail to recognise a basic point; that business schools should teach skills that jobs cannot ... the ivory tower has its place – even in the greediest of pursuits.”

The Economist, August 1994.

11.2.1.4. *The impact on enterprises through research and consulting*

The leading management school academics, through their research and consulting activities, have an impact which is much broader than the classroom. Research can inform the future practice of enterprises and consulting can have immediate payoff to companies. Furthermore, through the supervision of doctoral candidates many of these academics also train the educators of the future.

11.2.1.5. *The impact of previous Commonwealth Government inquiries*

Previous governments have also thought this sector to be critically important – commissioning major inquiries in 1968 (the Cyert Committee) and 1982 (the Ralph Committee). The Task Force considered it timely to evaluate the impact of these reports on the conduct of management education in Australia.

Overall, Australian management schools have the potential to play a leading role in improving the nation’s leadership and management skills and to have an impact on corporate performance much greater than the numbers of their students would suggest. This underpins the Task Force’s concern for the quality of management school education and research and their focus on this sector.

Chapter Five sets out the Task Force’s view that the funding mechanism of management schools, in relation to postgraduate courses and programs, is a primary cause of the problems it sees in this sector. These problems include the proliferation of substandard MBA programs, the relatively uninformed and uncritical perceptions of their customers, the slow response of Australian schools to changing requirements by way of updating and improving their curricula and educational methods, and the absence of strong links between management schools and industry.

The seriousness of these problems has led the Task Force’s Higher Education Sub-Committee to spend considerable time consulting with, and deliberating on, the management school sector and in formulating a number of recommendations appertaining to it. In addition, because of the centrality of the sector, the Task Force’s

other Sub-Committees have also developed complementary recommendations for management schools in areas relevant to their terms of reference.

11.3. The changing environment of management education and its impact on quality

The Task Force is reporting at a time of rapid, significant and continuing change in the management education delivered by the higher education sector. Since 1988, the number of Australian management schools has undergone a dramatic expansion. Every member of the Unified National System (UNS) with the exception of Flinders University and the University of Ballarat now offers an MBA as well as executive courses, short courses and customised programs in management. In addition, an increasing number of private providers outside the UNS now offer graduate programs, including MBAs. Indeed, the Association of Professional Engineers, Scientists and Managers, Australia is now one of the largest providers of MBAs. Task Force research indicates that the numbers of students undertaking postgraduate programs in business and related disciplines is expected to double by the end of the decade. (Monash University 1995)

Substantial diversity is now evident in almost every aspect of management courses available at an undergraduate and graduate level and in award and non-award programs. Australian management schools are represented by a plethora of organisational forms which characterise management education in a way dissimilar to the traditional North American two year full-time MBA.

Best Practice Example – Deakin University

Since its foundation, Deakin University has been recognised as the most creative and adventurous distance education provider. It uses various mixtures of books, study guides, computers, modems, audio and video tapes, phones and faxes to make home study easier. Deakin includes a special program called Headstart to help external and off-campus students make the best of their tertiary studies. Its MBA program is offered mainly by distance education as over half the students live outside Victoria. Many working students living close to Deakin choose distance education because of its convenience.

The Task Force does not believe that any one organisational form presents an ideal model for the delivery of management education. Each has its strengths and weaknesses in catering to the needs of its target market. The Task Force is concerned, however, that, in some cases, the efficiency of course delivery in individual institutions is affected by lack of attention to organisational form. Variety does not necessarily ensure quality.

Evidence amassed by the Task Force in the course of its investigations indicates that many of the courses in management education currently on offer are of a standard below world best practice. To the Task Force, 'quality' in management education means that curricula are relevant to the future needs of industry, that instruction is delivered by the most effective method for the topic, that faculty are up-to-date, and that faculty and institutions are both well linked to industry and responsive to its changing needs. 'Quality' is seen in the best overseas management schools, and in some areas of Australia's leading management schools, but there is a need for this to be emulated throughout all Australian schools.

11.3.1. Need for quality

The search for improved quality underpins all the Task Force's recommendations in relation to management development. Critical mass is also important, in terms of providing sufficient resources to sustain high quality programs which are relevant to industry, and in meeting the demands of growing student numbers. A rich vein of quality offerings and outcomes, is essential if the pool of managers produced by university management schools is to lead Australian industry into the twenty-first century.

Australia is a member of a highly competitive and dynamic global economy. The need to maintain competitiveness in the global market requires that access to higher management education is expanded – since relatively few of our managers are highly educated in comparison to our competitors – but that we do so in a manner which ensures that the quality of this education also matches or exceeds that available overseas.

Of course, this concern for high quality is shared more broadly in the tertiary sector as a whole, both in Australia and overseas. *Higher Education: Quality and Diversity in the 1990s*, released by the Hon Peter Baldwin MP in October 1991 identified the need for credible quality assurance arrangements for Australia's education system (consistent with developments in many OECD countries) and for arrangements for systematically encouraging excellence in teaching as well as research. This move to quality outcomes has been embraced in the higher education system by institutions and by the system's main financier – the Commonwealth Government – via the quality review process, whereby additional funds are made available to institutions which can demonstrate effective quality assurance practices and excellent outcomes.

The Task Force has been impressed by the progress of quality review and believes that it could be effectively applied on a discipline basis to management schools as a means of encouraging rapid improvement of their programs, thereby ensuring superior management education outcomes. While the Task Force acknowledges that there are beacons of best practice in management schools across the nation, it is of the view that the quality of many offerings, curricula and outcomes can be substantially improved. Moreover, Australia's management schools do not, in the main, provide a world class education.

11.3.2. World class management education

Australia's management schools require substantial improvement if they are to be comparable with the world's best. The Task Force believes firmly that, despite claims by individual schools, the nation does not house a world class management school, or even one that at this point comes close to the best in the world. This should not be surprising to anyone given the age, funding and facilities of the Australian schools in comparison to the world's leading institutions. Nor should the Task Force's belief be taken to imply that the typical Australian management school is of poor quality compared with the typical Asian, North American or European institution. By that benchmark, Australian schools compare favourably. No, it is by a more rigorous benchmark that the Task Force has formed its view, the benchmark of world best practice as exemplified by the top management schools in the world; schools such as Northwestern and Wharton in North America and INSEAD in Europe. In that comparison, no Australian school measures up.

In the increasingly global business environment which is outlined in Chapter Three of this report, this is indeed a problem for Australia as it seeks to enmesh its enterprises and industries in the world market, particularly in the Asia-Pacific region.

Management education, at the higher education level, is also a global market. European and North American management schools are competing for business in Asia. This is an important issue for Australia's universities as Asia is an important market for their services. Asia supplies quality students to Australia both for programs delivered domestically and abroad.

Asian nations, such as Singapore, Malaysia and Hong Kong, are investing heavily in upgrading the quality of their education systems (including management education). They are collaborating with high quality universities from Europe and North America. They are offering highly competitive salaries (often double those in Australia) and conditions to attract quality academics to teach and research in their institutions. Institutions such as the National University of Singapore and the Chinese University, Hong Kong are emerging on the world stage.

Australian universities must compete more effectively or we will not only lose some of the best quality Asian students but will see more of our own best students move to study off-shore (albeit this does bring advantage through a diverse and international experience). The potential loss of faculty to other institutions, and the inability of Australian schools to recruit world class faculty, are also threats to management education in this country. As will be canvassed in the following pages, the Task Force is firm in its view that the achievement of a world quality management school or schools should be a key priority for Australia over the next decade.

11.4. Quality from informed choice in a client-driven market

The Task Force has concluded that the best and fastest way to ensure improvements in the quality of tertiary management education in Australia is to allow customer demand to impact directly upon management schools. Currently, many of Australia's management schools do not operate in a customer-driven market. Subsidies by way of funding from the Commonwealth Government and the fact that full fees are not universally levied mean that a real level of efficiency and sensitivity to demand in the marketplace is not really promoted or sought. Furthermore, during its consultations the Task Force was surprised to discover that only a few institutions had an adequate definition of 'full' fees in an economic sense.

Full fees are prices which cover:

- (1) all operating costs;**
- (2) maintenance and upgrading of infrastructure;**
- (3) development of new services; and**
- (4) reasonable returns on investment.**

This is a major concern to the Task Force. It is not merely a matter of some remote economic argument about user pays. For many years, a significant public subsidy has meant that management schools in Australia have not had to be sensitive to the needs of their customers because their main source of income is not the customer, but a distant third party. Market signals in Australia are confused by the subsidies that Australian institutions receive from government. These subsidies are delivered primarily on the basis of student numbers rather than the quality of outcomes. Of course, this problem is faced by postgraduate programs in other areas as well.

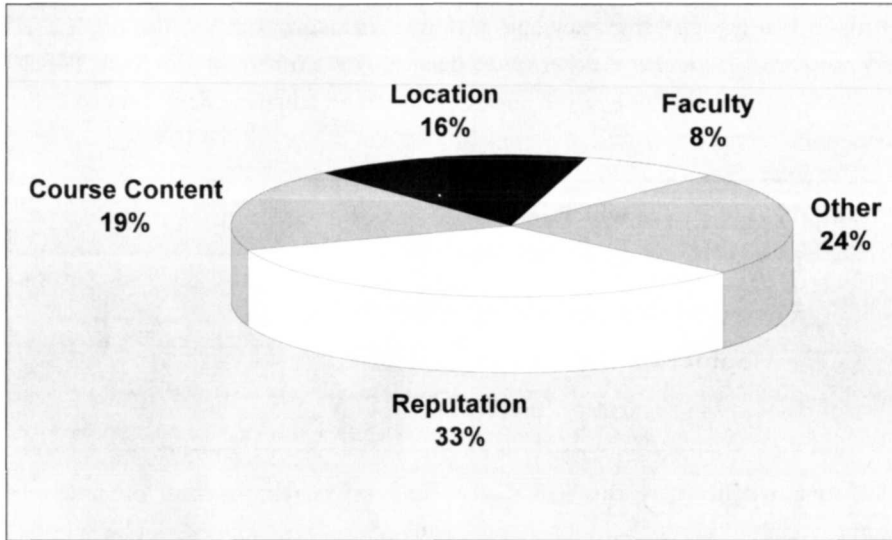
At the same time, Task Force consultations and research indicate that student choices of management schools are limited by a lack of information about their options, and are made more on the basis of convenience than perceptions of quality. Without readily available information, students cannot make informed choices and the quality of education remains largely unaffected by the demands of the market place. Furthermore, the fact that students of institutions have not had to pay full fees reduces the incentive for them to become informed and make a good choice.

Allowing management students choice and economic power as customers of education will subject management schools to the forces of driving demand. It is to be expected that informed students will seek out and demand quality if allowed and further, that management schools will be forced to change in accordance with student and industry needs.

An objection to this approach might be along the lines that students are ill-informed about the needs of industry and therefore not well placed to demand 'relevant'

education. However, most Australian students are working in business and industry, have several years of work experience, and are attending postgraduate education part-time. They clearly have some knowledge of the needs of Australian enterprises. Furthermore, research carried out in the more competitive North American and European management education markets indicates that intending students pay considerable attention to whether a school has a good reputation with the business community.

Exhibit 11.1 Criteria for choosing business



Economist Intelligence Unit 1993.

While price-quality signals and information are related, they are both factors which can work towards a client-oriented market for management education. The Task Force is concerned above all that the power of the student as a full fee paying client be allowed to improve the quality of management education. Changes in funding direction seem the most efficient method to achieve this, but will have a greater impact if students are better informed of their choices.

11.5. Options for new funding mechanisms

The Task Force notes that the current Commonwealth policy over the last two years has been targeting undergraduate education resulting in the increasing commercialisation of postgraduate education. It also notes that from 1994, the twenty percent cap on the proportion of fee-paying postgraduate students within Commonwealth funded load has been removed and, as a result, universities have become free to charge fees for both course work and research degrees with no regulation applying to the level of fees charged.

The rationale behind this has been to provide institutions with the added flexibility to expand their course offerings to postgraduate students in areas where they believe there is a market for such services and to test the market by charging fees that are less than full cost recovery. This is intended to increase access to postgraduate education without

eroding access to places for new students within Commonwealth-funded load. The Task Force notes that a review of the way in which universities have responded to the de-regulation of fee charging arrangements for postgraduate students is nearing completion.

Whilst the Task Force acknowledges that some institutions, to a greater or lesser extent, have taken advantage of the opportunity to charge fees for postgraduate management courses, consultations undertaken by the Task Force indicate that some institutions have been more prepared than others to take advantage of this option. Some management schools remain reluctant to introduce fees for postgraduate management courses. Indeed, Task Force consultations indicate that some will not take advantage of any regulatory change that enables universities to voluntarily charge full fees for postgraduate courses.

The Task Force concluded that there are a number of reasons why management schools have not introduced fees for postgraduate courses. Based on direct consultations these include:

- some universities are still in transition and are still addressing such issues at a policy level;
- competition is an issue that some do not want to address until the whole issue of quality infrastructure is finalised; and
- a number believe that the establishment of an MBA program is highly desirable from a public recognition viewpoint and implied status.

Despite these stated and surmised reasons, the Task Force concluded that the continued existence of subsidised postgraduate programs will retard the development of an efficient market, simply by limiting the fees and revenues of those management schools which wish to move in the direction of full fees.

How to better fund management education in Australia, particularly MBAs and similar degrees, was the most frequently raised issue during two years of the Higher Education Sub-Committee's discussions and consultations. Funding issues go to the very heart of the operation of the nation's postgraduate management schools and raise the questions of public versus private funding and the extent of government support for management education. Further, funding can determine the quality of outcomes in university management education, especially in an environment which is characterised by a rapid growth of providers, courses and students in recent years.

The continuing deregulation of the postgraduate area of Australian higher education, without a corresponding and compulsory move to full fees, has resulted in fragmentation in the supply and quality of management education. Following its consultations, the Task Force believes that this fragmentation has led to a considerable dilution of effort across the system and an inefficient use of scarce resources. Almost every institution has moved to provide postgraduate management education programs, some of which are not necessarily justified by economics nor responsive to industry needs. While geographic convenience may be one positive result of this development, the Task Force is of the

view that quality of these programs is not uniformly high by world standards, and in some instances, unacceptably low.

There is no definitive evidence to prove that the best funded management schools offer the best quality management education and therefore produce the highest quality graduates. Anecdotal evidence and Task Force analysis suggests that some of the best schools are also the best funded, either by direct payment from students or by contributions from private sources such as enterprises, industry groups and public and private foundations. Almost all management schools consulted by the Task Force indicated that, despite some fee income from students and limited funds from the corporate sector, their operations were constrained by a lack of funds. The Task Force believes that the nation's management schools need to be on a sounder financial footing if they are to provide quality education to the nation's future managers and leaders.

In an informed and unsubsidised market, higher quality postgraduate providers would attract full fee paying students and adequate revenues to invest in further improvement and strengthening of their services. Lower quality providers would see revenues decrease – forcing them to improve their services, merge with others or withdraw from the market. Of course, as most management schools are strategic business units of universities, the universities themselves may choose to subsidise their schools from other revenues and funds. However, given the great demands on university funds, even were this the case, it is unlikely that a university would subsidise a poorly performing management school for too long before effecting changes to its operations.

In debating how best to effect a more efficient market in postgraduate management education the Task Force considered three options:

- continued evolution along the current lines;
- removal of all block funding and an immediate move to full fees; and
- replacement of block funding by student held scholarships.

11.5.1. Continued evolution along current lines

It has been argued to the Task Force that Australian management schools are moving toward full fees already, therefore negating any need for initiatives on funding. However, the Task Force has concerns as to the urgency of this process, the degree to which 'full' fees are correctly assessed, and whether all schools are indeed moving in this direction. Furthermore, if block funding subsidies for management education continue to be provided as a component of overall university funding, then individual universities may choose to continue to pass this subsidy on to their management schools creating market inefficiencies. Or universities may choose to apply the funding to other areas which, while it would result in a more efficient market for management education, would defeat the Commonwealth Government's intent to invest in this vital area. The Task Force remains unconvinced that continued evolution along current lines will achieve world class management education.

11.5.2. An immediate move to full fees

Removal of all block funding for postgraduate management education would force universities to either choose to continue to subsidise their management schools from other funds or fully expose their schools to the market. As noted, the overall pressures on university funds would imply that such subsidies would be unlikely to remain in place for an extended period. Hence, an efficient market would be created relatively quickly.

However, this might well be at some cost. In the Task Force's opinion some management schools would have great difficulty adjusting to the new environment at the speed required. Moreover, potential students and employers might find the sudden increase in price levels hard to accept and fund, leading to a reduction in the numbers undertaking management education. Given Australia's competitive environment, this would be a bad outcome. There would also be issues of equity and access for economically or socially disadvantaged groups in society who would find it hard, if not impossible, to meet the new price levels.

Finally, while the Commonwealth Government would be relieved of the burden of management education, it is not clear this is a desirable outcome for the nation. It is true that significant benefits accrue to those individuals who undertake management education, and the enterprises that employ them. However, in Chapter Six an argument was advanced that there are benefits to the nation as a whole by investing in management development (of which management education is an important element). This is particularly the case for Australia which starts from a position of competitive disadvantage in management skills. The Task Force therefore considers that, while removal of all postgraduate funding might be a desirable longer-term goal, it is neither feasible nor desirable in the immediate future.

11.5.3. Replacement of block funding by scholarships

In the light of this reality, the Task Force has formulated a funding option which can present a compromise between full fees for postgraduate courses and direct government subsidies. It recommends that funding be ultimately untied from individual management schools and returned to the student. This would be in the form of generic scholarships, available to each student on the basis of merit and amounting in total to a value equivalent to that available to schools on an equivalent full-time student measure. This would be a break from the existing Australian Postgraduate Award Scheme and from the current approach to block operating grants which gives the higher education institution (the provider) the autonomy to distribute funds between faculties and schools based on their own assessment of priorities and needs. Instead, the Task Force proposes that the autonomy to allocate funds be progressively given to the customers in the form of competitive scholarships.

Only by allowing students to demand quality inputs and offerings which are relevant and competitive will more quality inputs, processes and outputs become a priority for all schools. A move to untied scholarships can be a key lever in improving quality across all schools.

11.6. Untied scholarships will lift quality and responsiveness

Changing from a block funding approach of direct subsidy to one whereby students bring a school's funding with them will require large shifts in the management of management schools. The Task Force believes these shifts will be towards better quality and responsiveness, but recognises that they must occur gradually. The recommendation therefore stresses that scholarships be earmarked for use in management schools and be tied to each university, in the same proportion as government funds are currently allocated now, at least for the first two years.

After two years, the scholarships would be progressively untied and students be allowed to choose freely between places of study. Scholarships would be awarded by an agency independent of management schools and would be tenable at any management school.

Of course, good argument can be advanced to support similar approaches to those recommended to all postgraduate programs.

The Task Force appreciates the difficulties of limiting this approach to a single area of study. In particular, universities may choose to offer MBA courses under a different name (eg, Master of Commerce), or jointly with other disciplines (eg, Master of Management and Engineering) as a means of side-stepping the issue. However, the Task Force believes that this can best be addressed by nominating all postgraduate courses with a management component of 35 percent or more as being affected by this policy option.

The Task Force is also aware of the *Resource Allocation in Higher Education* paper prepared by a joint working party of the Department of Employment, Education and Training and the Higher Education Council of the National Board of Employment, Education and Training and the subsequent *Report of Submissions and Consultations*. In particular, it notes the finding of the *Resource Allocation* paper that:

“ ... the funding arrangements for Australian higher education institutions incorporate certain rigidities which limit the capacity of the system to adjust and meet emerging needs in a situation of zero or marginal resource growth.”

One option canvassed in the paper is reducing Commonwealth Government subsidies for non research-based postgraduate education and redirecting these funds to finance new places in undergraduate programs. The paper proposes that this could operate on either a targeted basis, such that more funds would be withdrawn from institutions which are most able to market graduate courses, or on a system-wide basis. The Task Force suggests

that the Government consider a third option under which student load is withdrawn for certain courses as a means of testing the viability of a system-wide approach. Management education could effectively be used for this pilot purpose.

The Commonwealth Government has made it clear in recent years that the expansionary period of higher education funding in Australia is over. And it has indicated that the bulk of any new funding must be, at least in the short term, directed to lifting the quality and quantity of vocational education and training. In such an environment, the Task Force believes that the most appropriate way to overcome funding issues in management education is to apply market forces. The public has made significant investments in postgraduate management programs over the years through block grants to universities. The Task Force is of the strong view that, for reasons of funding efficiency and quality in postgraduate management education, it is time to establish a more direct link between the customer and the provider.

A more market oriented system, besides ensuring responsiveness to student and industry needs, would also free up schools to recoup the *real* costs of educating postgraduate management students and create a more competitive market, which would in turn lift the quality of offerings and assist in attracting talented overseas students.

It is logical also that a proportion of these scholarships be allocated on the basis of access and equity in order to allow full social and economic advantages to flow from a system that would return the power of choice to the student.

The Task Force notes that Recommendation Sixteen involves no additional funding from the Commonwealth, simply a transfer of block funding to scholarships.

Recommendation Sixteen

Fees and Funding Mechanisms for Management Schools (Band I)

It is recommended that the Government funding mechanism be refocused and redesigned for business and management postgraduate education in order to more closely align supply and demand:

- To sharpen and focus the market, the funding which presently is provided to universities for graduate management education, including MBAs, should be converted from a block funding approach focused around EFTSUs to a set of earmarked scholarships which would be of exactly equivalent value;
- In the case of management education, these scholarships would be earmarked for use in management schools and tied to universities;
- The management schools would at first assign these scholarships to meritorious students of their choice for use in the payment of course fees;
- After two years, the extent to which these scholarships are tied to each university would be reduced and they would be progressively untied;
- A schedule of the reduction of the extent to which these scholarships were tied to management schools would reflect a reduction of 20 percent per annum from 100 percent to 0 percent over a five year period. Untied scholarships would be awarded to students not by management schools but by an independent agency to which students would apply. These scholarships would be tenable by students at any management school; and
- A proportion of scholarships would be awarded on the basis of access and equity.

The rationale behind this recommendation is to make management education demand driven with a market focussed graduate management education system acceptable to all of the major stakeholders. Task Force consultations with management school deans and Vice Chancellors indicate that some management schools will not take advantage of legislative change which enables universities to charge fees for postgraduate courses.

Ultimately, the Task Force believes this model should apply in all areas of postgraduate course work programs.

11.7. Information and quality control

Task Force consultation and research have indicated that there is a dearth of information readily available about the relative quality of management school offerings in Australia. This is unusual compared to the situation in North America where the availability of such information for students and enterprises is extensive and commonplace.

Part of the reason for this may be that historically there has been little competition between Australian universities for students. This situation has changed in recent years as institutions have become more competitive in their quest for both students and Commonwealth funds.

While students and enterprises may have access to considerable information which individual management schools provide via their brochures and information seminars, there is a lack of comparative data for institutions. This restricts the ability of students and enterprises to make informed decisions based on quality and comparative advantage, which the Task Force believes should be the key criteria for selection of schools and courses.

This lack of information is confirmed by Task Force research which indicates that most Australian students enrolled in graduate management education courses use proximity to work or home as the prime criteria when deciding which school they will attend (AFMD/Reark 1995). Unfortunately, in these instances, quality does not appear to be the key consideration. In fact, data indicate that students generally believe that there is little difference in the quality of courses. As noted above, the low cost of management education is a partial explanation for students not seeking out or valuing more comprehensive information.

In addition, overseas students need to be able to make a choice based not only on price, but on the performance of schools relative to other offerings in Australia and overseas. If information is not readily available regarding comparative quality, overseas students may turn to alternative markets such as the United States of America or Europe to receive their education.

In short, there is a great need for publicly available, comprehensive information regarding all aspects of management education courses so that the market can operate efficiently.

11.8. Rankings, ratings and accreditation are the key options

Rankings, ratings and accreditation of management schools are options which the Task Force has considered to overcome the dearth of reliable and meaningful comparative information about courses and management schools and correct an area of clear market failure. Both these methods are used in the world's most competitive market for management education, namely North America, a market which also supports most of the world's highest quality management schools. Accreditation by the American Assembly of Collegiate Schools of Business (AACSB) is a long-established feature of the North

American market, as are the well known rankings by *Business Week* and *US News and World Report*.

11.8.1. Rankings and ratings

In principle, the Task Force supports the processes of rankings and ratings. A ranking or rating system for Australia's management schools would ensure that the market is well informed about management education offerings and that consumers are provided with a guide to quality and the comparative strength of management schools. This could also have the effect of creating a more competitive export market for management education.

The Task Force believes that rankings or ratings should be undertaken against various criteria, with the emphasis on winners. Criteria could, for example, include research, teaching, quality of academic staff, range of electives, student placement and cost. This is consistent with the Task Force's belief that there is no single best model of management education. On the contrary, the Task Force has concluded that the diversity of offerings is a positive feature of the Australian management education sector, provided that appropriate standards of quality are established and maintained. While this is not always feasible, the Task Force also believes that criteria should focus on educational outcomes to the greatest extent possible.

However, the Task Force does not intend to recommend that the Government, or any organisation which may continue the work of the Task Force, compile a rankings or ratings guide, or that funds be made available to facilitate this. The Task Force believes it is inevitable that private organisations will undertake such an exercise at some future time in the same manner as is common in North America and other countries. There is clearly strong demand amongst potential students and employers of graduates for improved, comparative information.

11.8.2. Accreditation

“Competition – the marketplace – obviously plays a powerful overall role in determining quality. However, competition alone does not necessarily ensure the motivation to achieve continual improvement and in fact in some situations may have the reverse effect. A school, under certain circumstances, may maximise revenues and volume by reducing its own standards of quality; there is, unfortunately, a market for low-quality “easy to get in and easy to get through” programs. In short, competition by itself does not guarantee high quality; accreditation is needed along with it.”

Porter and McKibbin 1988

The Task Force has examined a number of accreditation options which have been developed to increase the available market information and, at the same time, increase and improve quality in management schools. In so doing, the Task Force recognises that most current forms of accreditation have strong elements of quality assurance in them, and provide a simple indication to the market that the institution meets minimum standards of performance. To the customer, the accreditation of an institution signals that they are guaranteed that the management education they will receive there is at least of a good and current standard.

The accreditation option which has so far received the most favourable response among the management schools, industry associations and peak bodies consulted by the Task Force has been appropriate adaptation of a system similar to the new approach recently developed by the AACSB. This development occurred against a background of the long and relatively successful history of voluntary accreditation of management schools in North America. However, while the previous accreditation system had been credited with several improvements to curricula and processes (Porter and McKibbin 1988), in recent times it has also been criticised for enforcing uniformity and thereby losing the benefits of diverse educational services. Accordingly, the AACSB has moved to a mission-based accreditation system which essentially allows each management school to establish its own market goals and then accredits against the systems and processes which are in place to achieve those goals. In this respect the AACSB accreditation system is infused with the philosophy of total quality management.

The AACSB system is administered by an independent body funded by the participating institutions. A system such as this judges institutions against their own criteria and within their own market segment (which enables diversity of offerings), with minimum benchmarks to be met by all institutions before accreditation is granted (which promotes quality). It therefore allows regional schools to be accredited against their local mission and national schools against theirs, and does not reduce diversity in the services offered to the overall market.

The Task Force recommends the development of a similar system in Australia, suitably adapted to meet the needs of professional accreditation. The system would be voluntary and only see the accreditation of Australian-based courses. Such an option would constitute professional accreditation of courses in the management field, as routinely happens in other professional fields in higher education institutions. The Commonwealth would not be asked to accept responsibility for the process except by way of seed funding. The system would be developed in consultation with management schools, and in recognition of existing processes of general academic accreditation in place in higher education institutions.

Elements of the accreditation process would include:

- a badge of professional accreditation for schools, valid domestically and internationally; and
- overseas marketing assistance by the Commonwealth Government made available only to accredited schools.

In addition, Commonwealth scholarships could be redeemable only at accredited schools. Accreditation might also be a minimum criterion for awarding Government funds to management schools on the basis of excellence (see 11.10.).

Issues which could be taken into account in the quality assurance and accreditation process include:

- teaching performance;
- internationalisation of programs;
- collaboration between schools, internationally as well as domestically;
- research activity;
- the relevance and quality of curricula and course delivery processes;
- academic standards;
- industry links; and
- management for diversity.

As part of this proposal, the system would be reviewed within five years following its establishment in order to determine its effectiveness and the need for it to continue. Consideration might also be given to extending the system to two tiers of accreditation as recommended by Porter and McKibbin in their seminal report on management education in the United States of America (1988). The two tiers they recommended were: (i) entry-level or minimum accreditation; and (ii) higher or full accreditation.

11.8.3. Additional market information

There is no point evaluating and accrediting management schools if this information is not readily available to students choosing where to enrol. Furthermore, employers of graduates are also seeking information about management programs and their quality. More information about the quality and variety of management education should therefore be made available so students can reward quality in education.

At the same time, the Task Force considers that information about management education should be comparative in nature and be of a higher standard and more reliable than it has been to date. For example, there have been a number of publications produced by the Graduate Management Association of Australia and *The Australian Financial Review*. It is to be expected that the establishment of the new management development body recommended in Chapter Twelve – the Australian Council for Management Development – will facilitate improvements in information quality and distribution.

Improved market information on management education could be encouraged through such publications as Ashenden and Milligan's, *Good Universities Guide to Management Education*. This guide gives detailed information and comments about the character and quality of each of Australia's university providers of management education together with an in-depth profile of their 50 or more flagship MBA programs. The guide was initially produced under the auspices of the Task Force.

Recommendation Seventeen

Information and Quality Control for Management Schools (Band I)

(a) Accreditation of Management Schools

It is recommended that a professional accreditation system be established in order to give Australian higher education management suppliers a quality assurance indicator which will assist their export efforts and be generally informative to the domestic and export markets.

Implementation Strategy

Details of the system include:

- The accreditation system would be a mission-based system adapted from the United States' AACSB system;
- Australian-based courses only would be accredited;
- The accreditation body would be a council of the new management body (Australian Council for Management Development);
- The accreditation body would be independent and drawn from management schools, industry and government; membership of the board would revolve over three years;
- The accreditation body would draw up guidelines to appoint groups responsible for individual accreditation processes; and
- The accreditation system would be reviewed within five years of its establishment to determine its effectiveness.

The proposal is designed to encourage Australian management schools to achieve minimum professional standards in their course offerings.

(b) Market Information

It is recommended that information on the supply of higher education management courses, routinely collected in aggregated form as part of the operations of the accreditation body, be publicly available for consumer information purposes through the use of the information base on management education which will be developed by the new management body (Australian Council for Management Development).

11.9. The drive for improved quality

Changed funding mechanisms, improved information in the market and a mission-based accreditation system will do much to lift the quality and responsiveness of management schools. However, while a more efficient market for postgraduate management education is a prerequisite for the emergence of world class institutions, it is not a guarantee. Given the urgency of Australia's need for improved management skills and the long lead time before graduates of this sector reach positions of influence in the business community, the Task Force considers that further initiatives are warranted. In particular, they recommend investment by the nation in the creation of a world class school and quality funding to target specific improvements in other institutions.

11.9.1. World class management schools for Australia

A world class management school might be defined as one delivering quality teaching and research equal to any school ranked in the top 20 worldwide.

The existence of a world class management school in Australia is not just desirable but important because it would significantly enhance the ability of Australia to develop an increased number of world class managers and business leaders. These managers and leaders would be better able to compete at home and internationally, and better equipped to take on and deal with emerging business challenges. A world class school would also, through research, consulting, the training of new academics via doctoral programs and curriculum transfer to other schools, directly impact on leading enterprises and other management education providers.

Despite some strong offerings at a number of domestic management schools, evidence from Task Force consultations indicates that Australia does not presently host a world class management school, although a number of schools are actively aspiring to this standard. The absence of a world class management school in Australia is not surprising given the small size of the Australian economy and the comparative age and endowment of Australia's management schools. Another mitigating factor is the relatively scant attention which most enterprises and organisations in Australia have afforded to the value of management education and development. Many of Australia's enterprises have themselves not attained world best practice standards of management development.

If world best practice is the benchmark, then Task Force consultations and analysis indicate that Australia has a way to go if its management education system is to produce one or more world class schools. The Task Force concluded that the principal issue is one of scale. Analysis commissioned by the Task Force indicates that the average size of a world leading North American or European school is 110 faculty and 900 students (full-time equivalents). This is considerably larger than either of the two national schools which were created by previous inquiries into management education in Australia. The Australian Graduate School of Management in Sydney and Melbourne Business School have 47 and 37 core teaching staff respectively (Ashenden and Milligan 1994).

While a more efficient market might lead to the concentration of resources around one or two schools, and the gradual emergence of schools of the requisite scale and quality, the Task Force is of the view that this would take some time. Nor is this desirable outcome guaranteed by market forces. Management schools are only units of larger institutions which may pursue their own agendas, and many potential graduates and enterprises also have some way to go before they are fully informed about quality and world best practice.

11.9.2. Australia needs a world class management school

The Task Force has concluded that it is a highly desirable target to develop at least one world class management school in Australia in the next decade. Such a facility is needed to develop world class academics for a management education sector which will double in the near future. The facility would be active in strengthening the management research base in Australia and could serve to make it easier for Australia to attract and retain high quality academics from offshore to teach and research here.

A world class management school would also provide benchmarks for other local schools to strive towards, thus acting as a stimulus to raise overall quality and standards of both teaching and research. Curricula developed within the school would be used in other management schools as a means of improving the quality of offerings sector-wide.

The Task Force is also concerned that there is a growing competitive threat in Asia with a number of countries (notably Hong Kong and Singapore) currently investing heavily in building world class schools. These promise to restrict Australia's potential market for management education in the region. In meeting this challenge, the Task Force recommends that the National School establish a clear presence in the region as soon as possible after its establishment. Other competitive threats which are emerging are the delivery of management education within Australia by schools from other countries frequently via such delivery mechanisms as video, satellite and Internet. In many ways, the market for management education is now global and to compete Australia must also be able to deliver world class education.

The argument for a world class school is not a case for elitism or for the closure of minor or lower quality schools but rather a reason to seek better and more sophisticated co-operation and co-ordination between existing schools. Existing management schools do not have the scale to become world class on their own. A multi-state alliance of the best management schools would have clear benefits in breaking down traditional regionally-based markets, which may well satisfy students' geographic needs, but may not be in the national interest in achieving the highest quality outcomes.

11.9.3. The preferred model

The Task Force believes that the establishment of a world class management school capable of delivering internationally competitive executive courses, short courses, in-

company training, MBA and doctoral programs has considerable appeal and is achievable. It can be established by tendering for a National Management School with centres in more than one city. The school would offer the following :

- multi-state coverage;
- use of open learning, satellite communications and modern education technology;
- an Asia-Pacific emphasis, perhaps reinforced by the introduction of a prestigious Asian management school into the network within three years;
- the embodiment of world class curricula of sufficient breadth and depth to address the business needs of the Twenty-First century; and
- the incorporation of best practise standards in terms of teaching, research and consulting.

Courses at the national school would be available on either a part-time or full-time basis. However, a strong emphasis would be placed on full-time education. Students would have the choice of studying all subjects at the one location or transferring between campuses. It is envisaged that the national school would aim to graduate at least 500 students a year. The establishment of a world class doctoral program in management education would be a key aspect of the national school. This would be designed in part to encourage Australian management academics and other management educators to upgrade their qualifications.

Commonwealth Government seed funding would be provided to the successful tenderer for five years, after which time the national school would be expected to be self-sufficient. The Task Force envisages that a National Management School would instigate a drive for quality that would resonate throughout all of management education and development in Australia. It is anticipated that this would be a key aspect of its mission.

11.10. Targeting quality

Task Force members believe that all schools in Australia must set their own targets for achieving improvements in the quality of their offerings. This can occur if they are more responsive to the needs of their clients, including students, and mindful of developments internationally.

However, the Task Force believes that the Commonwealth Government can also play a valuable and positive role in assisting institutions to hasten the move towards a greater focus on quality across the spectrum of their operations by earmarking a percentage of existing funds to be distributed on the basis of quality measures and assessment.

The Committee for Quality Assurance in Higher Education, which has conducted two rounds of quality reviews to date, found that there is not one all-embracing definition of quality. The Task Force has also found this to be the case in management education.

However, enough consultation and analysis has been conducted to indicate to the Task Force that gaps and bottlenecks exist in many institutions in relation to attracting quality staff and academics, developing and maintaining fruitful links with business, developing relevant curricula, establishing international links, attracting new funding sources, marketing programs and measuring graduate outcomes.

Redirecting the funding for management education towards students, allowing them the economic power to demand and follow better quality is a cross-sectoral, all embracing initiative. However, it will not necessarily remedy key deficiencies immediately because of the need for the market to become better informed. So in order to address quality bottlenecks and close gaps, Task Force members concluded that specific and directed action is also required. It recommends a two-pronged drive for quality which would attend to discrete areas which can be identified as needing improvement.

To this end, the Task Force favours the distribution of an earmarked amount of existing higher education funds to management schools on the basis of quality and improvement processes designed to achieve and deliver quality outcomes. This recommendation is similar to the process pursued by the Committee for Quality Assurance in Higher Education, where the Committee advises the Government on how to distribute additional funds to institutions which can demonstrate effective quality assurance practices and excellent outcomes. The criteria for allocating funds has been based on institutions being able to prove quality or point to quality improvements across a wide range of measures.

The detail accompanying the report of the Committee for Quality Assurance in Higher Education is encouraging because it indicates consideration of many measures of quality inputs and outputs. This approach is favoured by the Task Force as it allows for a range of quality measures which can take into account the diversity of offerings across Australia's management schools.

The Task Force, after analysis, favours the application of quality-based funding in management education via a progressive amount of funds distributed through two streams:

- one on the basis of existing quality and best practice; and
- a second stream distributed on the basis of proven improvements in quality.

The Task Force recommends that a system of quality-based funding be included in the 1996-98 triennial funding program for higher education.

Recommendation Eighteen

The Drive for Improved Quality for Management Schools (Band I)

(a) National Management School

It is recommended that the Commonwealth develop a National Management School with satellite centres in at least two capital cities:

- The objective of this proposal is to support quality research, curriculum development and delivery and attract world class academics and students. These elements are needed to underpin a substantial improvement in the quality of management education in management schools across the board. In addition, within a few years there will be one or more top class regional schools in Asia which will draw off both the international students which Australia now attracts, as well as the better Australian students.

Implementation Strategy

- A process of Commonwealth tendering should be used to select the appropriate consortia of schools;
- The National School would offer executive programs, customised programs, short courses and MBAs;
- Open learning, satellite communications and the information superhighway should be evaluated as possible delivery methods; and
- A critical long term strategy for such a school would be the development of collaborative or closer links with the top regional schools in Asia, in keeping with the current long term developmental directions of APEC.

(b) Quality Incentives for Management Schools

Incentives for the improvement of quality in Australian management schools other than the National Management School should be put in place by DEET via a process similar to that of the quality assurance process in higher education.

- The National Management School would not be eligible for these funds; and
- Funds would be allocated by way of an annual review and selection process based on guidelines to be developed in consultation with stakeholders.

11.11. Research funding and quality academics

Research into management is essential for developing leading edge practices in the business sector. To date, funding for research into management has been principally provided by the Australia Research Council (ARC), the nation's major funding body for university research. Funding through this means has been limited to Australian academics and has excluded private bodies such as the Australian Institute of Management and industry in general. The Commonwealth Government also provides research funding through operating grants to universities and through targeted research granting schemes including those allocated on the advice of the ARC and the Co-Operative Research Centres Program (CRCs).

The Task Force has concluded that there is a need for an ongoing Government commitment to applied research into management. This must change if Australia is to strengthen its management education, attract quality academics to the system and create world class management schools. Indeed, one of the primary reasons for changing existing arrangements is to provide more opportunities for Australia's applied researchers to identify international best practice in leadership and management.

An increase in applied research opportunities will bolster local knowledge of Australian and regional management issues and will also assist Australia in strengthening its competitive position and creating more wealth and jobs. A more competitive applied research environment in the management education sector will also add to the attractiveness of Australia as a destination for quality overseas academics, leading to an increase in the national stock of expertise, applied research and consulting skills.

The Task Force's favoured option to improve applied research into management is via the establishment of a new mechanism to facilitate the funding and conduct of applied research. This would be primarily in the form of a research program, administered by the new body recommended in Chapter Twelve – the Australian Council for Management Development (ACMD). Existing research funds would continue to be allocated as per current process through the Australian Research Council.

The ACMD would continue the work of the Task Force by initiating applied research into management and leadership skills and providing an excellent vehicle for generating higher qualities and quantities of relevant applied research. It is important here to distinguish between the industry-driven, highly *applied* research which the Task Force seeks to promote through the ACMD and the more scholarly research which would continue to be supported by the ARC under existing arrangements. The issue here is not one of academic and scientific rigour but of goals. ACMD-sponsored research would focus on integrative business problems and decisions; ARC research would focus on discipline-based topics. Both should be expected to meet the highest standards of excellence in international terms and offer value to Australia.

Best Practice Example – Centre for Corporate Change, AGSM, University of NSW

The Centre for Corporate Change was established in 1991. It is unique in Australia in its mission to conduct world class research on organisational change and makes a significant contribution to policy development and practice. The Centre maintains a network of national and international, business and academic contacts and also hosts international visitors for up to one year. Within the team of researchers, ten professional multidisciplinary researchers are employed. Most projects undertaken are conducted in close collaboration with leading corporations and research findings are distributed to practising managers and academics. A current project is examining managerial and corporate competencies to help managers deal with change more productively.

The Task Force also proposes that this initiative include schemes to increase the quantity and quality of academic staff who work in the field of management, for example through a series of earmarked PhD scholarships at the National Management School and elsewhere. The Task Force also favours joint university and industry projects devoted to specific fields of applied management research. These centres would promote research into specific fields of management such as internationalisation, entrepreneurship, and management for diversity, all of which are of importance in improving the skills of Australia's managers.

Recommendation Nineteen

Research Funding and the Supply of Quality Academics (Band I)

It is recommended that a new applied management research program be set up and administered by the new management body (Australian Council for Management Development) to significantly increase the amount of knowledge generated through applied research in management.

- More funding needs to be allocated to applied management and leadership research within higher education;
- This initiative would include an applied research program and joint university/industry projects devoted to specific fields of management research;

(continued)

- **The initiative would also include schemes to increase the quantity and quality of management development professionals who work in this field, for example through a series of earmarked PhD scholarships at the National Management School and elsewhere; and**
- **Existing research funds would continue to be allocated as per current process through the Australian Research Council.**

11.12. Supporting recommendations

The Task Force and its Sub-Committees identified a number of additional recommendations which would strengthen the drive to achieve high quality management education relevant to modern business needs. These can be categorised into three groups; namely as initiatives to: (i) improve the linkages between management schools and their environment; (ii) improve the relevance of curricula to the business needs of the next century; and (iii) improve the development of academics.

11.12.1. Linkages with industry and the Asia-Pacific region

On the basis of both consultations and research the Task Force concludes that high quality management education can be achieved only if Australian management schools are better linked to Australian industry and to the dynamic economies of the Asia-Pacific region.

11.12.1.1. Industry links with management schools

The Task Force sees the establishment of strong links between management schools and the business community as critical to the ability of schools to effectively service the needs of business. In its consultations, the Task Force found that there is general concern in the business community that some undergraduate, postgraduate and non-award programs no longer reflect the changing nature of markets, competition and international best practice in the management of enterprises. Institutions can guarantee the relevance and effectiveness of their products and services only by having access to the “real world” needs of enterprises and by ensuring that they are armed with knowledge garnered from within Australia and overseas.

Consultations with industry and universities indicate that, whilst business and management schools both appear on the surface to pay considerable attention to this issue, in many cases a real commitment is lacking from both parties. Whilst management advisory committees are almost universally in place, these generally meet infrequently and exert little influence over the management schools either in overall policy terms or at a more micro level such as course design and content.

Means of establishing linkages between the business community and management schools other than through advisory boards tend largely to be overlooked, although examples of best practice do exist. The Task Force has concluded that business and management schools should both pay increased attention to such issues as exchanges between academic staff and the business community, secondment programs, the provision of work experience including project work for management students, the establishment of research partnerships with interested companies, formal and informal interaction between students and business representatives through lectures and dinners and the establishment of industry mentoring programs for management students.

Best Practice Example – Macquarie University

The GSM maintains industry links in a number of ways:

- **The activities of Macquarie Graduate school of Management Pty Ltd ensure constant relationships with a broad spectrum of industry in programs offered at the school and also programs offered in-house.**
- **The school's specialist Postgraduate Diploma programs have largely been designed in conjunction with representatives of the industry concerned. For example, with the Postgraduate Diploma in Media Management, extensive surveys within the media industry and work with the Australian Film, Television and Radio School served to provide a curriculum appropriate to that industry.**
- **The GSM's Operations, Logistics and Technology Management Postgraduate Diplomas rely heavily on ongoing industry contact and support to modify the curricula and maintain the relevance and quality for stakeholder groups. This is done by means of: (i) steering committees consisting of eminent business people who meet regularly to evaluate programs and content; (ii) a number of industry supported prizes including Beiersdorf Australia, The Logistics Management Association and The Chamber of Manufacturers; and (iii) Focus groups of current and past students are held each year to gain input to continuously improve the teaching.**
- **A number of in-house programs are run each year specially for individual businesses. Course content is slightly modified to the particular industry involved, for example by the use of relevant case studies or by the inclusion of a report which is relevant to the business concerned. Areas which have been involved include banking, insurance, management and media.**
- **A consulting project has been running as part of the full-time MBA where students act as consultants to prominent organisations.**

The Task Force is concerned that the business community, with notable exceptions, shares equal blame with management schools in failing to forge closer links with each other. This problem was identified in the Commonwealth Government's 1988 *White Paper on Higher Education* and the Task Force has concluded that the situation as it relates to management schools, has not altered significantly in the last seven years.

The Commonwealth has addressed the issue of fostering closer industry/university links through such mechanisms as the Co-Operative Research Centre program and reforms which allow institutions to retain funds obtained through joint venture activities with industry. Some management schools have already established formal partnership agreements with specific companies. The Task Force encourages other schools to consider this approach.

The Task Force also acknowledges the role of the Australian Postgraduate Awards (Industry), which endeavor to prepare high calibre postgraduate students in industry-based research, while building up long-term relationships between universities and industry via these research efforts. Some awards under this scheme have been for research into management. The Task Force encourages both the continuation of the scheme and urges PhD students in management to consider submitting applications as a means of developing a closer understanding of business within an applied environment.

The Task Force also welcomes the fact that the 1995 National Priority (Reserve) Fund includes a priority aimed at improving links between industry and higher education.

Overall though, while there are exceptions, universities and their management schools remain largely isolated from the communities they serve. This calls into question their relevance to the contemporary needs of modern business and industry.

The Task Force believes all management schools should consider placing experienced executives on their staff, possibly via Executive-in-Residence schemes. More importantly, boards with strong industry representation need to be integral to the operation of management schools. They need to be actively committed to the management school and regularly participate in the management of management schools. This role should be extended to include involvement in curriculum development and quality assessment.

Recommendation Twenty

Industry Linkages for Management Schools (Band II)

It is recommended to management schools and to the private sector that industry linkages between the two be upgraded to address the need for committed and regular interaction between management schools and the business community.

- Whilst there is a range of mechanisms employed in fostering interaction, a persistent problem has been the lack of interest at senior executive levels in medium and large enterprises in regular and systematic involvement on boards and advisory committees;
- Universities need to ensure that such roles for business people are meaningful and influential in improving curricula, delivery mechanisms and university administration in order to maintain the commitment of effort and time from the business sector; and
- Major business organisations and their constituents need to support interaction between business and universities by ensuring that an adequate supply of senior executives fill important roles in university decision-making, such as positions on advisory committees and boards and by facilitating transfers for periods of work of both academic staff and business people.

11.12.1.2. International linkages

Task Force consultations and research have thrown doubt on whether Australian academics and students are sufficiently attuned to the need for the nation to compete successfully in global markets and particularly in the Asia-Pacific region.

Export strategies pursued by some educational institutions have exposed them directly to markets and Australian and other enterprises operating in other countries. In most cases, this has had a very positive impact on their own view of the international marketplace and the role of the enterprise within that environment. However, this sensitivity to and awareness of international competition and Australia's role in the global economy is not broad based.

The Task Force has examined the relevance of curriculum, course delivery and business and institutional links and has concluded that more needs to be done to increase interaction between Australian academics and students and their counterparts offshore. Australia needs business leaders and managers who can understand the markets in which they are operating, whilst establishing deeper and stronger relationships with potential trading partners in the region.

One means of achieving these goals would be to increase the exposure of Australian management academics and students to the region. Another would be to assist students and academics from the region to visit or obtain education within Australia. There are a variety of ways in which all of this might be achieved. For example:

- academics gaining exposure to Australian exporters and overseas operations through mechanisms such as consultancies, exchange programs and secondments;
- students being provided with experience in Australian export companies through project work;
- course offerings focusing on internationalisation, cross cultural management and diversity issues as criteria for management school accreditation;
- developing mechanisms for voluntary audits of curricula on international and cross cultural management and diversity issues by experts;
- encouraging overseas students to attend Australian management schools through scholarships and aid programs;
- encouraging Australian students and graduates to undertake work placements in enterprises in emerging economies;
- ensuring that overseas students are more aware of offerings in Australia by:
 - co-ordinating the offshore marketing activities of Australian management schools; and
 - providing improved information about courses and institutions offered in Australia.

Of the available approaches, the Task Force considers that the following initiatives would be particularly valuable to implement.

11.12.1.3. Using UMAP as a vehicle for improvement is paramount

The Task Force acknowledges the enormous potential which the University Mobility in Asia and the Pacific (UMAP) program can play in extending and enhancing co-operation between higher education institutions in the region.

The program's aim of improving the understanding of participants of the cultural, economic and social systems of the Asia-Pacific region by increasing the mobility of higher education students and staff and improving the quality of higher education in the region is consistent with the importance placed on the internationalisation of Australian managers by the Task Force.

The program in its present form envisages two-way exchanges, primarily for undergraduate students in all disciplines, to undertake one, or more, semester of study towards their degree in universities overseas. Important elements of such exchanges include fee waivers, student mobility grants which contribute towards the costs incurred

by Australian students; and full academic recognition given for overseas based study on agreements between institutions. Australia initiated a UMAP trial program in 1993.

The Task Force sees the UMAP program as an important and effective means of developing the capacity of Australian management students to operate competently in the Asia-Pacific region. It strongly supports the continuation of the scheme. It is concerned, however, that access to the program is restricted to undergraduates. There is considerable benefit in extending the scheme to graduate management students, and in particular, MBA candidates.

11.12.1.4. Aid-related scholarships

The Task Force also acknowledges the valuable work of the Australian International Development Assistance Bureau through the Australian Sponsored Training Scholarship (ASTAS) and the Australian Development Co-operation Scholarships (ADCOS) in providing education and training opportunities in Australia for students from developing nations within the Asia-Pacific region.

ADCOS awards are allocated on the basis of academic merit within identified streams of study for each participating country. Awards are available for study at TAFE and in universities at undergraduate and postgraduate level. In some countries, scholarships are offered in two streams: targeted and non-targeted. Targeted scholarships are limited to individuals from particular backgrounds. The Task Force sees ASTAS and ADCOS as valuable to ensuring a flow of management students to Australian management schools and, in the case of ASTAS awards, for limited job placements.

These initiatives can also help capitalise on the importance which Asian enterprises and individuals place on alumni and professional networks and can help open investment and trading doors for Australia. For these reasons, the Task Force sees targeting of management studies as a priority area for the ASTAS and ADCOS schemes to be of mutual benefit for Australia and participating nations.

The Task Force recognises that the ASTAS and ADCOS schemes, which are essentially aid schemes, do not allow for participation by students from developed countries in the Asia-Pacific region, particularly Australia's major trading partners (eg, Japan and the Republic of Korea). Postgraduate course work students offshore, in particular MBAs, also do not have access to any other Australian scholarships. Consequently, the Task Force suggests that the existing Overseas Post-Graduate Research Scholarship scheme be modified to allow access to course work students and extended to cover Australia's major trading partners.

11.12.1.5. Business 'Peace Corps'

The ability of Australian managers to better understand nations in the region – especially some of the emerging economies – could be enhanced by a Task Force proposal which has its origins in the United States of America. The concept revolves around offering

developing nations access to the services of MBA students or graduates, who would spend some time placed in recently established or privatised organisations and enterprises in nations such as Vietnam, Laos, China, Malaysia and Indonesia.

The scheme is designed to increase cross cultural understanding and provide structured experience for MBA graduates whilst fostering potential trade opportunities and diplomatic ties between participating countries and Australia. The Commonwealth would administer the program, via tender, including liaison with host governments, identification of host companies and provision of relocation assistance and salary top-ups where necessary. The extent to which salary and administrative overheads will be picked up by the host Government or company would be subject to negotiation. Management schools would assist in advertising the scheme amongst final year students and recent graduates. The Task Force suggests that consideration also be given to the placement of final year MBA students in companies.

This recommendation is modelled on the United States of America's MBA Enterprise Corps which was formed by a consortium of 16 schools headed by the University of North Carolina's Management School. Funding is provided by the Agency for International Development and the Kenan Institute of Private Enterprise. In its first year of operation (1991), the Corp sent 41 MBA graduates to Czechoslovakia, Poland and Hungary where they spent a year working for government agencies and newly privatised businesses. The MBAs drew up business plans, located finance and developed export operations.

11.12.1.6. Australian International Education Foundation

Another challenge to be met is the poor marketing of Australian management courses overseas, particularly in the Asian region. Task Force research and consultations indicate that some low quality products are reflecting badly on Australian education exporters in general. There is also evidence of market confusion, created by poor marketing efforts on the part of some management schools. The Task Force therefore welcomes the Commonwealth Government's initiative in establishing the Australian International Education Foundation (AIEF). The existence of the AIEF will help to address these deficiencies, particularly by co-ordinating marketing campaigns throughout the region.

The AIEF's mission is to:

- enhance the perception of Australia as a major contributor to higher quality education and training in the region;
- maximise the contribution that education and training make to national and regional development; and
- maximise the opportunities for Australians to participate in international education, training and research markets.

The Task Force is particularly supportive of the role of the AIEF in:

Section III: A template for change

- assessing international education and training markets and developing policies and programs to support more effective participation in these markets by Australian management schools;
- developing national plans for education and training interaction and marketing, including the generic promotion and marketing of Australian education and training services;
- promotion and development of Australian education and training services both onshore and offshore; and
- linking Australian international education and training activities with commercial activities across all industries.

Another important way of ensuring that overseas students are more aware of offerings in Australia is to make sure they have better and more extensive information on the programs available in Australia than hitherto.

On this basis, the Task Force recommends that informational material on management school offerings be regularly disseminated in overseas markets particularly within the Asia Pacific region by publishers of management guides and by the Commonwealth through Embassies, High Commissions, Consulates, Australian Education Centres and other relevant bodies.

Recommendation Twenty-one International Links for Management Schools (Band II)

It is recommended that management schools, the higher education system and TAFE speedily upgrade the quality and quantity of international links and information exchange.

Implementation Strategy

Implementation details would include:

- **Support for initiatives of the Australian International Education Foundation to rationalise and streamline sales of education services;**
- **Placement of academics in export companies/multinationals;**
- **The offering of management education courses which provide opportunities to students to work in export companies on specific projects;**
- **The provision of curricula management courses emphasising the links between cross cultural development/ diversity/ trade issues;**

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- The establishment of mechanisms for voluntary audits of curricula on cross cultural management/diversity/trade issues by overseas practitioners within the new management body;
- Encouragement of the use of course offerings emphasising cross cultural management, diversity and trade as a criteria for ratings;
- Provision of scholarships for management students to study overseas which include return to Australia upon completion as a condition;
- Establishment of a program similar to that operating in the United States whereby recent MBA graduates are placed in recently established or privatised companies in developing countries (eg, Vietnam, Laos, Malaysia, Indonesia and China);
- Upgrading the University Mobility in Asia and the Pacific (UMAP) Program; and
- The routine distribution of informational material on management school offerings to the Asia Pacific Region. An example of such material is the *Good Universities Guide to Management Education* developed by the Task Force and Ashenden Milligan in 1994.

11.12.2. Contemporary relevance of curricula

11.12.2.1. Postgraduate curricula.

The Task Force's Higher Education Sub-Committee has analysed whether curricula, course designs and structures in Australian management schools are consistent with achieving quality outcomes relevant to the modern needs of business and industry. This complements similar analysis by the Task Force's Management Skills in Australia Industry Sub-Committee in relation to curricula and course designs in industry programs. As a result of these analyses, the Task Force considers that a national effort to upgrade curriculum material and develop relevant Australian case studies would have a significant impact on efforts to upgrade the quality of postgraduate management education.

Task Force members are of the strong view that curricula in Australia's management schools needs to be relevant to the business needs of the Twenty-First century.

To this end, the Task Force believes that schools should adopt best practice approaches to curricula emphasising Australia's business needs of the next century and comprising :

- greater emphasis on small to medium enterprises and frontline managers, including project work in real business environments;

Section III: A template for change

- functional requirements, eg., finance, marketing, human resource management, accounting, economics and information technology;
- greater emphasis on internationalisation throughout the curricula;
- greater emphasis on leadership and strategy;
- greater emphasis on entrepreneurship;
- more case study material reflecting issues of relevance to Australian business and industry and Australia's international environment, particularly Asia;
- greater emphasis on 'soft skills' including communications and team building;
- a stronger emphasis on on-the-job experience, placements and /or assignments; and
- greater emphasis on diversity issues including gender and cross cultural management throughout all relevant curricula.

The Task Force also advocates the development and dissemination of curricula in the key areas identified above via a process of competitive tenders. An independent steering committee composed of industry and management school representatives would drive this initiative which could be administered by the new management body recommended by the Task Force.

The Task Force also believes that management schools should establish appropriate course development mechanisms designed to offer greater flexibility to meet the needs of women and part-time students. It also favours the use of modern education technology to meet the needs of isolated students and to improve program choices for students who are forced to select management schools on the basis of location and convenience.

Best Practice Example – Melbourne Business School, University of Melbourne

The teaching methods of the Melbourne Business School are unique when compared to those offered by other Australian management schools. The emphasis is on integrating classroom activities with the student's organisation through assignment work. Employers allow students one day a week to work on problems directly related to their courses. This may involve students moving around various departments to work on short term assignments. The participants of the MBS Executive MBA are all sponsored by a private organisation and are given time off from their firm, up to two days a week, to complete course assignments.

11.12.2.2. Undergraduate curricula

The Task Force believes that management education in undergraduate programs should emphasise those aspects of management with which students are more likely to identify

prior to entry to the workforce. While essential people skills should be included in undergraduate curricula, the Task Force believes that those areas of management education which are most likely to have a positive impact on undergraduate students are functional requirements such as:

- finance;
- marketing;
- human resource management;
- quality;
- entrepreneurship; and
- commercial law.

The emphasis on these areas is consistent with the Task Force's view that, in future, large numbers of university graduates and school leavers will require skills to allow them to create their own career in small to medium business. This is important because the labour market is becoming more complex, the demand for skills more difficult to predict and some reduction in job opportunities in large corporations is occurring.

The major skills here are those related to entrepreneurial endeavours. These need to be backed up with an understanding of finance (for example, an ability to understand cash flow, profit and loss statements and balance sheets), quality and legal principles. An understanding of basic marketing places emphasis on a customer orientation and teaches revenue generating skills. Exposure to and understanding of quality in management will have two benefits. First, it will reinforce the importance of quality and the need for consistency in procedures to deliver customer satisfaction. Secondly, a better knowledge of quality can act as a means of conveying the importance of a team based approach to the organisation of work and the associated empowerment of individuals. The Task Force believes this exposure will provide a sound basis for the subsequent development of people management skills in these graduates.

The Task force believes that an understanding of these areas will greatly enhance the job prospects of graduates, particularly in the professional disciplines such as medicine, dentistry, law and engineering.

The Task Force is aware that there is a growing trend towards this in the higher education sector, with this being actively encouraged by professional organisations. For example, the Institution of Engineers, Australia requires undergraduate engineering degree courses to contain a minimum of ten percent management studies. The Task Force applauds such initiatives. However, it draws attention to the need for the components of such management studies to be relevant to the interests of undergraduate students, so that the benefits arising from these studies can be maximised.

The Task Force also acknowledges that other professional bodies require a proportion of management studies in undergraduate degrees. It believes that as a minimum requirement, all undergraduate degrees should have a minimum of twenty percent of

final year studies focused on management issues in the fields identified above. It sees management skills as being so critical to the future of Australia that, if necessary, those skills should be inserted in programs at the expense of additional "technical" skills.

Recommendation Twenty-two

Curricula in Postgraduate and Undergraduate Management Education (Band II)

It is recommended that state-of-the-art management and leadership educational curricula be developed and disseminated to management education providers and other interested parties.

Implementation Strategy

- There are economies of scale to be achieved by developing and disseminating curricula centrally through the new management body (the Australian Council for Management Development);
- The Task Force has already commissioned some curricula which can be integrated into the new body of work;
- Newly developing fields of management, particularly in fields related to international business and emerging integrative disciplines, would have priority for development;
- Curricula would comply with best practice models of curriculum development emphasising business needs of the 21st century including :
 - functional requirements (eg, finance, economics, human resources management);
 - greater emphasis on SMEs and frontline managers including case studies/project work in companies;
 - greater emphasis on communications / team building / IT / languages / leadership / diversity / international perspective;
 - on-the-job experience and assignments; and
 - international assignments.
- Curricula would be developed from an Australian perspective; and
- Curricula would include undergraduate and postgraduate business management and leadership studies. Universities would be encouraged to upgrade both the quantity and quality of undergraduate offerings particularly, but not restricted, to professional undergraduate programs.

11.12.2.3. International business skills

The Task Force believes that there is urgent need to enhance the skills of Australian managers in areas which are relevant to the international business opportunities which the Asia-Pacific century presents. This emphasis on international business skills must permeate the post-secondary education system in particular. In this respect, the Task Force believes that the provision of well developed course materials for use by Australian education providers could significantly assist the development of international business skills amongst TAFE and university students.

The Task Force proposes that the Commonwealth Government, through Austrade, should finance the development of an International Business Skills course unit, which would be available through TAFE colleges, private providers and universities. The course materials should be developed so that they can also be incorporated within an open learning environment. These course materials should then be available for any organisation which wishes to offer international business skills as part of its program. It may be appropriate to develop the unit at three levels – a basic unit at TAFE Certificate level, an undergraduate unit and a postgraduate unit. It is proposed that the ongoing implementation of this program should be under the auspices of the Australian Council for Management Development. The Council would involve representatives from Austrade and senior managers from companies successful in international business, along with international business educators.

Recommendation Twenty-three

International Business Skills Program (Band II)

It is recommended that there be a program to increase knowledge of export related matters amongst students with potential as exporters in relevant professional and advanced vocational courses.

Implementation Strategy

Details of the program include:

- **Development of curricula and course materials, which could be delivered through an Open Learning approach, at three levels:**
 - *basic*; one unit of study for inclusion in existing appropriate TAFE Certificate courses;
 - *intermediate*; one unit of study for inclusion in existing appropriate University undergraduate courses; and
 - *advanced*; one unit of study for inclusion in existing advanced postgraduate management courses.

(continued)

- These course materials would then be available for any organisation, including TAFE colleges, private providers and universities, which wishes to offer the Exporter Education Unit as part of its program; and
- The process would be overseen by representatives of Austrade, senior managers from successful exporting companies, export educators and curriculum development experts.

11.12.2.4. MBA students consulting with small to medium enterprise owners and managers

As flagged earlier, management schools need to recognise far more comprehensively the small business sector and newly developing sectors like tourism and services. Initiatives to encourage this are important. The Task Force would like to see Australian MBA students offered an opportunity to work with small business owners and managers in a consultancy capacity and gain credit in their MBA course for their consulting work. The United States Government's Small Business Administration (SBA) has, for twenty years, conducted the Small Business Institute (SBI) program in United States universities. As part of the SBI program, the management schools of universities are put in touch with a number of small businesses which the SBA wishes to assist.

The SBI program has been very successful in the United States of America as an educational experience for MBA students and for the owners and managers assisted. It is of interest to note that small business owners and managers very seldom complain about the quality of advice received.

A similar program could be incorporated into MBA programs in Australia to assist students and small business owners and managers. It is expected that, as a result of this initiative, Australian MBA students will gain a very valuable insight into small to medium enterprises, and owners and managers will be provided with a very cost effective consulting service.

Recommendation Twenty-four MBA students consulting with small business owner managers (Band II)

It is recommended that the Commonwealth provide seed funding to encourage universities to place MBA students with small business owner/managers, for specific management-related project work associated with the small business, as a standard subject offering.

(continued)

The objective of the proposal is to provide structured experience for MBA students in small businesses whilst exposing small business managers to free business advice and support. The experience would give students practical skills and the small business owner/managers access to management expertise to improve the performance of their business.

Implementation Strategy

Implementation details would include:

- **Activities being overviewed by experienced university management educators to ensure quality control;**
- **Requiring the cooperation of stakeholders, including universities, small business and professional association representatives, curricula developers and Government; and**
- **Universities being encouraged to introduce such programs via limited Government assistance targeted at establishment costs over a two year period, followed by an evaluation of effectiveness.**

11.12.2.5. Collaboration between management schools

The benefits of local management schools increasing the level of co-operation between themselves and other management schools has been a consistent theme during the Task Force's consultations and discussions with business, industry and the higher education sector. Indeed, there is growing awareness in the higher education and business communities that collaborative arrangements are becoming a strategic and highly beneficial element of management and leadership education in Australia.

The Task Force sees strong mutual benefits in promoting collaboration. Better collaboration between management schools within Australia and in our region offers considerable opportunities to improve the quality of courses through economies of scale and by capitalising on the strengths of individual institutions.

One of the most recent examples of collaboration is CAMS – the Consortium of Australian Management Schools – which comprises the universities of Adelaide, Deakin, Sydney, Queensland, Tasmania and Western Australia. The Network of Australasian Management Educators (NAME) is another promising consortia of management schools currently in its embryonic stage of development (Griffith, Macquarie, New England and Wollongong Universities.).

CAMS and NAME could evolve to be very strong players in local and international education markets. Consortia like these provide an excellent vehicle to maximise use of resources and, if managed in an innovative manner, can ensure that students and enterprises have far better access to a wider range of course offerings and management education opportunities.

The Task Force believes that most Australian management schools would benefit from increased collaboration with other schools domestically and internationally. In this regard it proposes two initiatives to facilitate collaboration; the first concerning articulation between programs and institutions and the second providing for a national investment in the infrastructure for communication and teaching technology.

11.12.2.6. *Articulation*

The issue of articulation has attracted increasing attention in recent years. Within this context, the Task Force welcomes the AVCC Credit Transfer Project which developed recommendations concerning the minimum level of credit which should be granted to students entering higher education courses and who have previously completed a TAFE associate diploma. The project's working party considered guidelines relating to the field of management and recommended that students with a completed associate diploma in business be granted at least one year of credit towards a bachelor degree in a similar field. Further support for credit transfer is being provided by the Commonwealth Government through the establishment of the Credit Transfer Agency, being piloted from March 1995. This is likely to improve the extent to which credit is granted for formal and informal learning and will enable access to a national database on credit transfers and recognition of prior learning arrangements.

The Task Force supports such initiatives as initial steps in addressing the issue of articulation. It is firmly of the view that improved mechanisms for articulation between providers are required to facilitate greater mobility amongst students, particularly those relocated at the request of their employers, and as a means of improving links between institutions in the education sector.

The Task Force is also concerned that greater attention needs to be paid by business schools to the issue of recognition of prior learning. The Task Force recognises that most Australian institutions have a policy in relation to credit transfer and recognition of prior learning. It also notes that the AVCC is encouraging institutions to adopt more systematic approaches to credit transfer for prior credentialled learning but is concerned that the issue of RPL is still largely unresolved. The Task Force believes that the issue demands greater attention within business schools with a view to more routine incorporation of RPL into selection processes.

Recommendation Twenty-five Articulation for Management Schools (Band II)

It is recommended that management schools continue to be encouraged to systematically and quickly improve articulation:

- **From diploma and certificate level into undergraduate business studies and ultimately into graduate business studies, principally MBAs;**
- **Between private management education providers and the unified system at an undergraduate and postgraduate level; and**
- **Between management schools within the unified system.**

It is also recommended that management schools better and more routinely incorporate Recognition of Prior Learning (RPL) into selection processes.

11.12.2.7. The importance of technology

Along with the collaboration between schools comes an associated partnership of technology. Co-operative and more innovative use of technology to deliver courses has the potential to further improve efficiency, for example through open and distance learning and utilising modern communication and information systems. In many ways, application of these technologies to management education may be well suited to the vastness of the Australian continent and could well be the way of the future.

The Task Force is strongly of the view that advanced computer and communications technologies such as open learning and the information superhighway should be upgraded for teaching and learning in general in management schools. Such applications would encourage greater flexibility in course delivery to meet the needs of women, part-time and isolated students and those students who select management schools primarily on the basis of convenience and location. Such an approach would also enable access to overseas resources and facilities.

Within this context, the Task Force notes that the Commonwealth has funded the establishment of the Open Learning Electronic Support Service (OLESS) as part of the Open Learning Initiative to provide electronic access for students to information, learning and teaching resources. The Task Force believes it would be appropriate for the Commonwealth to broaden the service to provide management education to professional bodies.

Access to management education is vital to the success of small to medium enterprises. Electronic access to teaching and learning resources will provide opportunities for those managers and potential managers who are unable to access these resources on-campus

because of special circumstances. Commonwealth seed funding would encourage the early development of these management training resources.

Recommendation Twenty-six

Communication/Teaching Technologies for Management Schools (Band II)

It is recommended that the Commonwealth provide seed funding to establish an open learning network for the delivery of management education to professional small to medium enterprises such as legal, accounting and health care firms:

- **There should be an emphasis on the continual updating of existing skills through the provision of information packages to network subscribers; and**
- **To be coordinated between the Open Learning Agency of Australia and management school providers.**

11.12.3. Human resource management of academics

11.12.3.1. The supply of quality academics

The recruitment, training and development of academics is the key factor in creating a world class management education sector in Australia. The lack of flexibility in employment conditions and salary arrangements for academics working in management education in many higher education institutions is an issue of particular concern to the Task Force. Tenure, assessment, staff development and promotional procedures are also pressing concerns.

Whilst acknowledging that progress is being made in many universities, Task Force consultations have highlighted that many management schools hold serious concerns about their ability to recruit and retain quality staff. Wage differentials between the private sector and universities in Australia is one problem. Another problem is the differential between academic salary packages in Australia and some other countries. Because they lack the ability to offer competitive salary packages to academics working in management education, Australian management schools are not generally able to effectively compete with North America, Europe and Asia to attract high quality staff.

Failure to address the difficulty which Australian management schools have in attracting, developing and retaining quality academics could result in a severe shortage over the next fifteen years as demand increases and many academics retire.

While the application of fringe benefits tax has reduced the ability to 'package' salaries as effectively as previously, the Task Force observed that a number of universities seem to

regard the concept of salary packaging as entirely inappropriate for their management academics. On the other hand, a smaller number of universities offered a totally flexible approach to their professorial appointments in management. The Task Force notes, however, that many management schools had not sought professional advice about salary packaging. Clearly, since salary packaging is a standard feature of the senior ranks of the private sector and in the various government senior executive services, there seems to be no powerful argument to prevent management schools from offering fully optional salary and benefit packages for their staff.

The ability to attract and retain high calibre staff in management schools is very often determined by the level of remuneration and benefits which a school can offer. Historically, this has been encapsulated by margins for skills and bonuses for performance. More recently, organisations have used methods such as market levers as a primary determinant for salary and reward levels. The concept, therefore, of classifying professors at a standard level or narrow range is singularly inappropriate for organisations that are striving to attract or retain world class academics.

Many private sector organisations have grappled with the concepts of equity and market forces when determining executive salary levels. A number of remuneration consultancies exist to provide advice in this area on an international basis, which is where the competition for key staff exists. The Task Force believes that more management schools should consider making use of these consultancies.

Senior academic staff at management schools should be regarded as executives, and be assessed as such. Their salary packages should not be solely linked to industrial award mechanisms which set levels which are not world competitive. The Task Force noted a small number of institutions which encouraged flexible consultancy arrangements and offered bonuses. The Task Force applauds these efforts. Although in theory, universities are freer now than previously to develop flexible arrangements, in practice most management schools seem unable to respond to market needs because of the university environments in which they operate. Australian universities need to seriously consider this issue if they wish to build world class management schools.

11.12.3.2. Tenure

Many universities acknowledge the shortcomings of the present system of tenure. Some leading management schools have now rejected tenure in favour of contract employment. Management schools reported during consultations that the benefits of contracts are that they seem to reward both the academics and the school, while enabling better quality academics to be attracted through competitive remuneration.

The Task Force believes that the most favoured approach by management schools would see academics offered a choice between a contract with the incentive of added remuneration, and tenure at award rates. Comparisons were cited with the senior executive services of some governments in Australia whereby performance-based pay has

been offered within a variety of parameters. For example, the Victorian Government offers contracts of varying length with a performance bonus being paid in the aggregate on the conclusion of the contract.

During its visits, the Task Force collected many complaints from schools chasing world class status who have found that tenure, in some instances, stymied their efforts to reach world class benchmarks. Some schools indicated that because of tenure, they maintained employment of marginal performers. The move to employment contracts in management schools, coupled with appropriate contractual salary loadings, contained much merit and is worthy of further investigating by each institution.

Best practice model for tenure and contracts

Tenure

Tenure to be given for ten years rather than tenure for life.

Performance-based pay linked to key result areas.

Focused on research, with performance assessed on research outcomes and publications.

Contract

Shorter term horizon eg, three or five years.

Performance-based pay linked to key result areas.

Higher proportions of salary at risk through performance-based component than for tenured person.

May be focused on research, teaching, administration or a combination.

Highly specific and quantifiable outcomes compared with a person on tenure.

11.12.3.3 Recruitment and selection practices

Almost all management schools in Australia are facing many difficulties recruiting academics. In a number of cases, management schools have been forced to select academics to fill positions even though these academics have not met key selection criteria. Alternatively, schools have been forced to leave positions vacant for a year or more.

In many instances, there is little interest in positions due to poor salary packaging, however there are also problems caused by the recruitment practices common in many universities.

The Task Force in its university visits encountered a variety of good practices but in the main found protracted recruitment methods; decisions made when none should be made;

little evidence of salary packages being offered; lack of flexibility in contracts; recruitment methods being used which were not fully evaluated regarding their specific worth; and over emphasis on unstructured interviews notwithstanding their inability to predict any future success in the majority of cases.

To redress this situation, the Task Force urges all management schools to adopt best practice recruitment procedures commonly used in the private sector.

Best practice model for academic recruitment

- **Detailed information package should be compiled for prospective candidates (including job description, selection criteria and information on school and university).**
- **Detailed discussion should be held regarding the appropriate salary package given the market, the components of the salary package and whether or not the position was to be offered on contract and/or tenure.**
- **The recruitment method to be used needs to be pre-determined.**

Where the level of the position indicates that search consultants would be cost effective, tenders should be let to three consultants.

- **The selection committee should consist of no more than three people, notwithstanding the interests of equity. A person seen as the guardian of equity such as the Human Resource Director should be on the committee, the other two of whom should be key academics. The selection committee may be a sub-committee of a larger body, but the larger body should not be empowered to conduct detailed interviews unless specific concerns are held with the recommendations of the initial committee.**
- **An appropriate detailed timetable should be set (this does not seem to be a feature of current practice).**
- **Operating methodologies should be determined such as:**
 - (a) **Structured interview proformas to be developed against selection criteria.**
 - (b) **Structured referee questions to be developed against selection criteria.**
 - (c) **If the candidate's performance at a seminar is part of the process then appropriate evaluations of the seminar to be determined rather than this device being used on its own.**
 - (d) **Review of publications and research (past, current and planned).**

(continued)

(e) Review of teaching and supervision of postgraduate students.

- **The individual's subsequent performance appraisal should be linked to the recruitment process.**
- **All staff involved in the selection process should be trained in the appropriate skills for recruitment and selection.**
- **A process review should be conducted every two years by human resource experts.**

11.12.3.4. Better teaching in management schools

Generally, academics are allowed to teach without formally developing skills in that area. During its consultations with the higher education sector and businesses and business groups, the Task Force collected considerable anecdotal evidence of poor standards of teaching being tolerated in a number of management schools. It also found little evidence of systematic performance assessment of academics in many management schools.

To remedy this gap, some schools have attempted to develop relatively limited systems, which the Task Force found generally failed to add much value to an objective and useful assessment of teaching performance. These systems tend to be based solely on student feedback. While the Task Force obviously believes it is important to seek the views of the student 'customers', it also considers that a wider range of information should be available. Schools overseas use additional feedback mechanisms such as peer review of teaching content and innovation and, on occasion, objective measures of student learning. Australian management schools should devote priority to these areas as part of their quality assurance processes.

The Committee for the Advancement of University Teaching (CAUT) is working to supplement the efforts being made by Australian universities to ensure learning holds a central place in the academic culture despite much increased student numbers. The Committee offers competitive awards for innovation in teaching known as National Teaching Development Grants, and also funds innovative development projects commissioned by the Committee.

To date, relatively few proposals for Teaching Development Grants have been received from academics. CAUT has recognised the failure of academics from the social sciences, law, the humanities and medicine to take advantage of the scheme, and is actively encouraging more interest from these areas. The Task Force wishes to lend its voice to these efforts by encouraging management school academics to submit applications for Teaching Development Grants as a means of developing innovative approaches to the teaching of management.

The Task Force therefore recommends that the Committee for the Advancement of University Teaching should seek further applications for grants for projects related to the teaching of management. Outcomes can be transferred more broadly to other disciplines as appropriate.

11.12.3.5 The development of quality academics

The apparent lack of development opportunities for Australian academics in many higher education institutions also prevents real growth in the supply of quality local academics. The Task Force's Higher Education Sub-Committee found that there is generally insufficient focus in Australia on the continuing education and development of academics.

Existing practice generally sees academic assistance and development focused on PhD studies and attendance by academics at international conferences. Furthermore, the value of conference attendance is rarely evaluated, or results disseminated to other academics. Unlike lawyers and accountants, the continuing education of academics has not been formalised. Mechanisms such as 'sabbaticals' are still used in many management schools, despite the absence of consistently full, objective and frank evaluations of their value.

The development of Australian management academics sometimes occurs through research and publication. These pathways are especially strong in Australia's leading management schools and are assessed by scientific and international peer review of academic contribution. This is to be encouraged as it provides a strong test of whether the work meets world standing. However, the Task Force urges management schools to broaden the range of pathways for development and criteria for assessment.

In particular, the Task Force views more private and public sector placement of academics as part of the professional development and continuing education as a must if they hope to remain at the forefront of their individual fields of expertise. Extensive interaction and experience in the public and private sectors is a feature of best practice in academic development in many institutions in North America and Europe, and must be developed in Australia if the quality of staff and offerings is to be strengthened. Similar remarks can be made about the role of leading edge consulting in ensuring the currency and relevance of management academics and their teaching.

Most importantly of all, management schools need to manage their academics for peak performance. Task Force consultations indicate that a minority of institutions have loosely tied performance management to elementary performance appraisal schemes. Some well thought through schemes exist but these appear to be uncommon in the university sector.

According to international best practice, a performance management program should be totally embracing of an individual's career from recruitment onwards. This requires carefully constructed and regularly updated development plans for each academic, including identification of key result areas. Performance-based pay is generally thought to be a strong motivator, because some component of the overall contract is put at risk. In

such a program performance appraisal should be conducted in a 360 degree format and the individuals conducting appraisals should be trained in appropriate interview and feedback techniques. The appraisal would be conducted initially by the individual's superior. In addition to this interview, during which key result areas are examined, peer discussions should also be held with two others, one of whom should have a broad knowledge of the specific field of the academic.

Best Practice Model – Performance Management

- 1. Establish key result areas and development plans (possibly separate).**
- 2. Establish incentive model ie 10-15 percent minimum senior lecturer and above.**
- 3. Appraise every six months – 360 feedback – superior, expert peers and students.**
- 4. Pay remuneration.**

One of the main advantages of any sound performance management system is the ability to link performance strategies to development planning and subsequent appraisal. Outstanding and superior performance should also be tied to rewards but the lack of incremental advancement through structured pay scales and limited promotion opportunities may militate against this. The Task Force believes a performance bonus of at least ten percent should be the minimum offered. It further believes that this should be paid at all levels from lecturer upwards.

The Task Force considers that much more attention needs to be paid to performance management if world class management education is to be achieved in Australia.

Recommendation Twenty-seven Human Resource Management of Academics (Band II)

It is recommended that priority be given in management schools and universities to the improvement of human resource management process.

Implementation Strategy

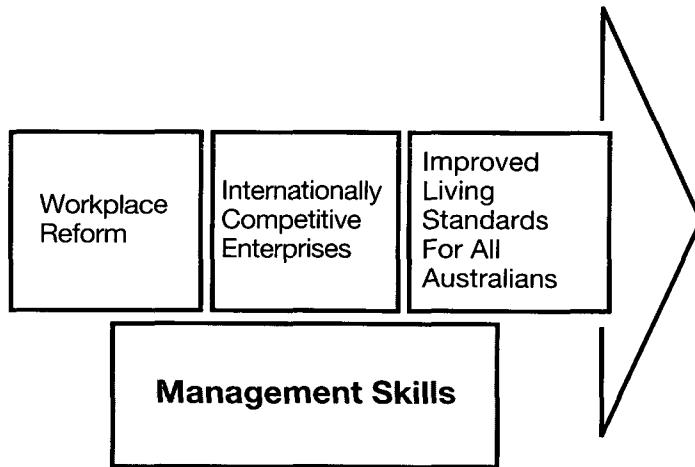
Implementation details would include:

- Utilisation of best practice approaches to tenure. Recommended approach to incorporate a choice between a contract with the incentive of added remuneration and tenure with award rates;**

(continued)

- **Utilisation of best practice recruitment procedures incorporating the following elements:**
 - Recruiting committees to be composed of no more than three people;
 - Interviews to be structured against pre-determined criteria;
 - Full process reviews to be undertaken by HRM experts;
 - Training in selection interviewing to be a prerequisite for recruits;
 - Teaching/research to be differentiated in terms of remuneration and contracts;
 - Total package flexibility including salary;
 - More private sector oriented search techniques; and
 - Masters accepted for positions currently reserved only for PhDs;
- **Development and publication of benchmark indicators for human resource management;**
- **More emphasis on the value of continuing education for academics incorporating:**
 - Facilitation of placements in enterprises;
 - Public and private sector placement in management schools; and
 - Recognition of difference between teaching and research positions.
- **Greater consideration to the introduction of DBAs (Doctor of Business Administration); and**
- **Encourage the Committee for the Advancement of University Teaching (CAUT) to seek further applications for grants for projects in areas related to the teaching of management.**

Chapter twelve



12. Australian Council For Management Development

- 12.1. Purpose of the chapter
- 12.2. Rationale for the ACMD
- 12.3. Priorities and objectives for the future
- 12.4. Structure and membership of the ACMD
- 12.5. Proposed operation of the Council

12.1. Purpose of chapter

The purpose of this chapter is to describe the Australian Council for Management Development (ACMD), a new body the establishment of which is recommended by the Task Force. The role of the ACMD is threefold. First, to implement Task Force recommendations by consulting with the relevant parties and allocating funding in ways authorised by the Commonwealth Government. Second, to provide advice to government and industry as to whether needed improvements in management skills are being achieved and whether agreed national and industry strategies to improve skills are effective. Third, to question what new priorities and targets should be set as the future of Australian enterprises evolves.

In the philosophy of continuous improvement, the ACMD serves as a catalyst and promoter of better practice, and as a source of advice and ideas as to how priorities may change as skills in existing areas improve and new demands on management emerge.

The chapter first sets out a more detailed rationale for the Council before discussing what the medium-term priorities and objectives should be. It then outlines the structure and membership of the Council. Finally, various issues concerned with the operation and funding of the Council are addressed.

12.2. Rationale for the ACMD

Management performance is a key factor in improved economic growth and enhanced industry performance. It is also vital for maximising employment opportunities in Australia, and a higher standard of living for Australians.

Improved management performance will help to deliver sustained economic growth through stronger and more internationally competitive enterprises and increased productivity across all industries in the economy. It will also assist in delivering the full benefits of microeconomic reform in areas such as workforce restructuring, infrastructure efficiencies and more effective competition arrangements. The potential gains can only be optimised if improvements to management performance are attained throughout the economy and sustained on a continuous basis.

Improved management performance also enhances job opportunities through encouraging enterprise creation, reducing enterprise failure and increasing Australia's exports of goods and services. It will also lead to an upgrading of skills throughout industry and at all levels of management, which will in turn provide a more diverse and satisfying range of employment. Other desirable effects include small enterprise development in Australia's regions that will have a positive impact on individual localities.

But Australian industry is diverse and complex and the demands of the future are many and varied. And Australia currently lacks a body or mechanism to provide advice and guidance in the critical area of leadership and management skills. To the Task Force it is

vital that Australia has a body with the prestige and resources to address the broad scope of our industry and the demands of the Asia-Pacific century and to provide sound advice to business and industry, government and the education sector.

12.3. Priorities and objectives for the future

12.3.1. Medium-term priorities

Australia's trading environment is rapidly changing due to the reduction in trade barriers and the emergence of new markets and competitors, especially in our neighbouring Asia-Pacific region. This will present many new export opportunities but will also expose traditional offshore and domestic markets to strong competition from a wide range of new and existing exporting economies.

Management performance and development processes must be rapidly upgraded if we are to equip Australian managers with the skills to operate successfully in this internationally competitive business environment.

International best practice should be used as the benchmark for Australian management development with a greater emphasis being placed on developing skills for international operations, advanced technological and technical processes, innovation, quality and the management of change.

Management development processes must also focus on people as critical assets in modern businesses, and on the effective utilisation of all elements of Australia's diverse workforce. To this end, policy should be developed to encourage women to play senior roles in management and on corporate boards. Management development must also tap the skills of our multicultural workforce to take advantage of their overseas market and cultural knowledge and experience. Management development processes enabling the utilisation of a diverse range of people are a source of comparative advantage for Australia when competing in the global economy.

Improvements must also be made by encouraging and developing leadership capabilities at all levels within enterprises, particularly that of frontline managers. Research shows that opportunities for leadership development are limited and that the majority of frontline managers receive little formal leadership or management training. Particular emphasis needs to be given to management development for small and medium sized enterprises as they already employ the majority of the workforce.

12.3.2. Objectives of the Council

The primary objective of the Council is to promote improved management performance in Australian industries and enterprises in the context of a global economy and international best practice, and thereby to improve Australia's international competitiveness.

The Council would act as the major policy advisory body to government on management performance and development in industry and enterprise, particularly on education and training policy as it relates to Australia's managers and entrepreneurs. It would build on the findings and recommendations, and the significant outcomes from the Task Force as well as output from other relevant government and industry bodies as appropriate. It would also allocate funds for improving management performance and development in Australia according to priorities developed in consultation with key industry stakeholders, within the context of macroeconomic policy. It would work closely with and through all relevant industry and government bodies.

Promotion of best practice management development would be seen as a key strategy for the Council in improving management performance.

Best practice management development is a comprehensive, integrated and co-operative enterprise approach to the continuous improvement of all managers. It is the way best practice enterprises plan and organise their management training, education and development practices to help managers deliver world class standards of performance.

The promotion of the value of management development would be primarily focused by the Council at enterprises, with a particular emphasis on small to medium businesses, as the outcomes directly influence their performance and international competitiveness. Support would be sought from Australia's business leaders to ensure that the process is industry driven.

There would be particular emphases on globalisation of industry, increased commitment to people and quality through continuous improvement, enhanced technology and innovation, effective management of diversity and change management. The Council would also support and co-ordinate directed applied research into leadership and management development best practice, nationally and internationally.

International best practice would be used as the benchmark for these management development initiatives. The Council would monitor and report on their implementation and facilitate longitudinal benchmarking of management performance in Australia, and of its economic value to the economy. Information about best practice management development would be widely disseminated and a national data base of management education and training initiatives, including case studies, would be developed.

Management competencies will play a key role in future management development. The Council would sponsor and assist in the development and use of generic, industry and enterprise related management competencies. The Council would also encourage the development and utilisation of modern learning techniques and utilisation of new teaching

and learning technologies, to encourage flexible and responsive management development.

These initiatives would complement the existing focus on vocational education and training by strengthening skills formation processes for managers.

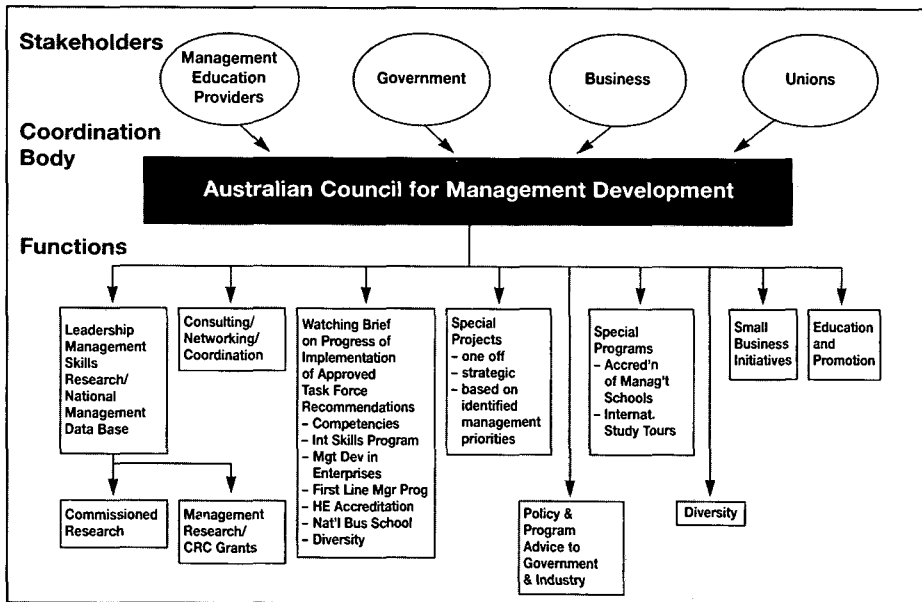
Due to the wide range of different interests and to the need for management development to be responsive to the needs of industry, the Council would promote the value of partnerships and strategic alliances between all stakeholders. The objective would be to build and encourage self sustaining management performance and development networks. These networks would include enterprises, industry organisations, professional associations; industry providers and government bodies and would operate at regional, national and international levels.

The Council would also seek to foster an enterprise culture in Australia that supports and promotes the exercise in the community of independent entrepreneurial behaviour, as it relates to the business and management context.

12.4. Structure and membership of the ACMD

The proposed structure would be as follows:

Exhibit 12.1 Structure of the Australian Council for Management Development



Membership of the Australian Council for Management Development would be high level and small enough to be effective in terms of decision making (eight to twelve members).

It would include representation from appropriate business, industry and government bodies and individuals, with the predominant focus on business representation. Not all bodies would necessarily be able to be represented at any one time if the group is to be kept small enough to be effective. However over time a range of groups would be considered for representation, and opportunities will exist by way of specialist committees to enable an appropriately broad input to the Board.

Members would be selected by the appropriate Minister.

Given that a primary role of the body is to influence mainstream process, appointment criteria would include cross membership with appropriate implementation and funding bodies in the management development field including the Australian National Training Authority, AusIndustry, etc.

Other criteria that need to be taken into account include geographic coverage, demonstrated professional or business interest of the individuals nominated in relation to management development (as well as their representation of appropriate organisations), and appropriate diversity interests.

Appointment would be for three years, with half the board turning over on an 18 month cycle (the initial membership would include half members appointed for a full term, half for a half term). Members would be able to be reappointed by the Minister up to a maximum of two full terms.

12.5. Proposed operation of the Council

12.5.1. Staffing

The Task Force believes that the ACMD should contract out its major activities and only maintain a relatively small core staff.

12.5.2. Duration and reporting

The Council would be established for an initial period of five years.

The Council would publish an annual report on its activities.

12.5.3. Funding resources

The Council would be established with the expectation that most programs and initiatives that they recommend would be implemented by consultation and agreement from within the allocations of existing bodies.

For Council operation, it is suggested that initial funding would be required to undertake its co-ordinating and facilitating role. In addition, the Council should receive specific research and project funds from government which would be used to engage external researchers and consultants to undertake research and project work, as well as other program funds as outlined in Task Force recommendations.

Funding would decrease over time in line with the development of private sector support.

12.5.4. Review of operations

The Council would be subject to a review of its role and performance in achieving outcomes over a period of five years. This review would take place in the fifth year of the ACMD's existence.

Recommendation Twenty-eight

Australian Council for Management Development (Band I)

It is recommended that a high profile national focus on excellence in leadership, management performance, and management development is developed and maintained through the establishment of an Australian Council for Management Development.

Implementation Strategy

The Council should:

- Comprise high profile leaders from a range of key stakeholder groups, and individuals able to contribute to innovative initiatives for improving leadership, management performance and management development;**
- Be strongly supported by government and industry at the highest levels, to oversee and promote the development of Australia's management performance and improved management quality;**
- Work with major stakeholders including government and industry, but be independent of government;**
- Be an independent, not-for-profit body established by the Commonwealth Government;**
- Provide a national focus for improving management development and performance in Australia;**
- Act as the major policy advisory body to government, private enterprise and providers on management performance and development in industry and enterprise;**

continued

- **Promote Australia's international competitiveness by encouraging Australian industries and enterprises to enhance the skills and performance of their managers;**
- **Encourage best practice management development in industry and among enterprises, including small/medium enterprises;**
- **Allocate funds in accordance with priorities for improving management performance and development in Australia, developed in consultation with critical industry players, within the context of macroeconomic policy;**
- **Support major initiatives and practices with a view to promoting world best practice in management in Australian industry and enterprises;**
- **Work and network with key stakeholders and implementation agencies – industry and enterprises; industry providers; government bodies and unions; and**
- **Build on the findings and recommendations, and the significant work of consultation and research of the Industry Task Force on Leadership and Management Skills, and of other relevant government and industry bodies as appropriate.**

Appendices

- 1. Task Force Recommendations**
- 2. Australian Council For Management Development**
- 3. List of Consultations**

Appendix One: Task Force Recommendations

Appendix One: Task Force Recommendations

The Task Force has divided its recommendations into Band I and Band II initiatives. Band I recommendations are seen as exerting maximum leverage on improving the skills of Australian managers. Band II recommendations are initiatives which the Task Force considers it would also be valuable to implement to support and enhance their Band I recommendations. Within each Band (I or II), all recommendations have equal priority.

1.	Development of an Enterprising Culture – Within Formal Education and Training (Band I)	363
2.	Development of an Enterprising Culture – Through Community Education (Band I)	363
3.	Leadership Initiative (Band II)	364
4.	Upgrading of TAFE’s Capacity to Deliver Management Development Courses and Incentives to Improve Quality (Band I)	365
5.	Accreditation of Small Business Trainers, Educators, Counsellors and Advisers (Band I)	365
6.	Small Business One-to-One Qualified Mentoring/Advising (Band II)	366
7.	Piloting the Training and Support of Small Business Owner Managers via the Latest Technologies (Band II)	367
8.	Piloting the Networking of Small Business Support Agencies and Training Providers via the Latest Technologies (Band II)	367
9.	Development of Articulated TAFE/University Undergraduate Courses in Small Business Management (Band II)	368
10.	Management for Diversity (Band I)	368
11.	Frontline Manager Program (Band I)	370
12.	Structured Industry Based Study Tours (Band I)	371
13.	Benchmarking and Best Practice Materials (Band I)	372
14.	Management Competencies Framework (Band II)	373
15.	People and Quality (Band II)	374
16.	Fees and Funding Mechanisms for Management Schools (Band I)	375
17.	Information and Quality Control for Management Schools: Accreditation and Market Information (Band I)	376

18.	The Drive for Improved Quality for Management Schools: National Management School and Quality Incentives (Band I)	377
19.	Research Funding and the Supply of Quality Academics (Band I)	377
20.	Industry Linkages for Management Schools (Band II)	378
21.	International Links for Management Schools (Band II)	378
22.	Curricula in Postgraduate and Undergraduate Management Education (Band II)	379
23.	International Business Skills Program (Band II)	380
24.	MBA Students Consulting with Small Business Owner Managers (Band II)	381
25.	Articulation for Management Schools (Band II)	381
26.	Communication / Teaching Technologies for Management Schools (Band II)	381
27.	Human Resource Management of Academics (Band II)	382
28.	Australian Council for Management Development (Band I)	383

1. Development of an Enterprising Culture – within Formal Education and Training (Band I)

It is recommended that the formal education system be used to:

- Expose students at primary, secondary, vocational and tertiary levels of education to the value of enterprising and entrepreneurial behaviour; and
- Provide units in entrepreneurship and small business formation and management in vocational and professional courses.

Implementation Strategy

Implementation details would include:

- Curriculum designers, business educators and teacher training specialists to work with industry representatives to develop the material: content of the program to reflect best practice in enterprise;
- Support from both Commonwealth and state systems responsible for education and training: also TAFE and universities;
- Review of primary, secondary, vocational and higher educational curricula to identify new units of study to be developed and existing units that could be adapted;
- Staff development of teachers at all levels of the education system; and
- Monitoring of outcomes to maintain program currency.

2. Development of an Enterprising Culture – through Community Education (Band I)

It is recommended that there be a major community education program designed to promote the value of enterprise and entrepreneurial behaviour.

Implementation Strategy

Implementation details would include:

- Separate strategies targeted at:
 - Regional development pilot projects;
 - Strategic events; and
 - Mainstream media programs on TV and radio with supporting telephone contacts, fact sheets, and relevant materials for distribution to viewers and listeners;
- Development of networks, both of people and organisations, willing to advise on and contribute to this change process;
- Partnership arrangements with industry, professional associations, state and local

governments to assist in the operation and funding of the program;

- Development by consortium of industry representatives, small to medium enterprise developers, and media specialists; and
- Research into effective community education techniques used in other parts of the world, or in Australia.

3. Leadership Initiative (Band II)

It is recommended that a program be put in place to develop, disseminate and promote relevant competencies in leadership to complement management development and also for use in the general community.

Implementation Strategy

Details of the program are as follows:

- A leadership program in each state modelled on the Williamson Foundation Leadership Program, which is in turn modelled on Leadership Chicago, which is:
 - linked to identified leadership competencies to ensure an appropriate level of rigour and effectiveness; and
 - consists of core state based programs with participants assembling in Canberra for a combined annual national element of the Leadership Program.
- An annual national leadership program which:
 - involves selected participants from each state program;
 - is of approximately 5 days duration;
 - is staged at a key locality to give maximum public exposure; and
 - is run in close association with, and with increasing levels of sponsorship from, prominent industry and community organisations.
- The Williamson Foundation could act as an agent to establish state and national leadership programs. This would include:
 - research into and use of world's best practice techniques for developing leadership abilities;
 - development of program and resource material;
 - building network of presenters, advisers, supporters, promoters and possible financial sponsors;
 - development, maintenance and linking of alumni with the wider community;
 - promotion development and operation of performance measurement mechanism; and
 - maintenance of accountability.

- The program would be evaluated to gather information on competencies gained and outcomes delivered.

4. Upgrading of TAFE's Capacity to Deliver Management Development Courses and Incentives to Improve Quality (Band I)

It is recommended that the National Management Development Scheme for the Vocational Education and Training sector be expanded to assist the organisation reform of TAFE colleges so they become examples of best practice in the way they manage their own organisation and to improve the capacity of staff to deliver best practice management development programs and services.

Implementation strategy

Initiatives would include:

- Professional development of senior TAFE managers, focusing on the rationale for organisational reform, and their responsibility for leading the reform and skills development processes required in their college;
- A program targeted at selected TAFE colleges which develops relationships between senior and other managers as a way of driving organisational reform and achieving strategic objectives within that college. These examples would then be used as best practice case studies for use throughout the TAFE system to promote wider organisational reform and for application to other enterprises;
- Incentives for the improvement of quality in TAFE institutions implemented via a process similar to that of the quality assurance process in higher education with funds allocated by way of an annual review and selection process; and
- Professional development of TAFE personnel, to provide them with the skills required to create and deliver management development programs and services used by private sector enterprises to assist in their own reform processes. The skills of TAFE personnel delivering these programs must reflect world best practice in relation to management development, due to the wide spread impact they will have on management reforms at the enterprise level. This is particularly important in relation to the support of the frontline manager initiative.

5. Accreditation of Small Business Trainers, Educators, Counsellors and Advisers (Band I)

It is recommended that a comprehensive accreditation process be established for small business trainers, educators, counsellors and advisers so as to upgrade the quality of small business advice.

Accreditation would establish a high standard for the skills required by small business

trainers, educators counsellors and advisers. It would also provide small business owner managers with a consistent and easy method of identifying suitably skilled trainers, educators, counsellors and advisers.

Implementation Strategy

Implementation details would include:

- Accreditation to be voluntary but government related small business training would give preference to accredited providers;
- Accreditation to require providers to demonstrate knowledge and availability of the full range of the Government's business improvement services. This could also enable the providers to be accredited as agents for AusIndustry's business improvement services; and
- Accreditation process would build on and link with existing accreditation processes, eg, State Training Boards, professional associations, etc.

6. Small Business One-to-One Qualified Mentoring/Advising (Band II)

It is recommended that a system of financial assistance be provided to small business owner managers by way of a certificate of entitlement to purchase accredited one-to-one mentoring/advising to complement, or as an alternative to, formal training assistance through the government's business improvement services.

Such assistance would address the reluctance or inability of many small business owner managers to seek advice for business problems as they arise and for long term management skills development. It would provide owner managers with an entitlement to consult with an expert and trusted source of support, over a substantial period, as an encouragement to longer term use of professional advisers in solving business problems and developing management skills.

Implementation Strategy

Implementation details would include:

- Accreditation of small business mentors/advisers. This complements and relates to Recommendation 5, *Accreditation of Small Business Trainers, Educators, Counsellors and Advisers*;
- Development and publication of a list of accredited small business mentors/advisers;
- Selection and referral by appropriate bodies such as AusIndustry, of small business owner managers who would be likely to benefit most from mentoring/advising assistance;

- Small business owner managers would receive advice from an accredited mentor/adviser up to the value of the certificate of entitlement and over a defined time period; and
- Such assistance would be paid for by the Commonwealth in a manner which allows the consumer to choose the provider, and would be time limited.

7. Piloting the Training and Support of Small Business Owner Managers via the Latest Technologies (Band II)

It is recommended that a pilot program be conducted to test the networking of up to 100 small business owner managers with a range of business trainers and advisers (assume 20), for a period of 6 months, via use of advanced computing and telecommunication technologies.

The objective is to test an alternative to traditional methods for supporting and training of small business owner managers.

Implementation Strategy

Implementation details would include:

- The pilot program could be managed, although not necessarily implemented by, a body such as the Open Learning Technology Corporation, Open Net, or an appropriate business support agency;
- The pilot program would utilise the full range of existing and emerging technologies such as desktop video conferencing, online information services, electronic bulletin boards, E-mail, etc;
- Maximum use would be made of linkages with other information resources such as AusIndustry's BizHelp service; and
- Technical advice would be available to pilot participants.

8. Piloting the Networking of Small Business Support Agencies and Training Providers via the Latest Technologies (Band II)

It is recommended that a pilot be conducted to link up to 30 small business support agencies, training providers and counsellors, for a period of 6 months, via use of advanced computing and telecommunication technologies.

The objective is to test the effectiveness of a range of technologies in their ability to increase co-ordination and information exchange between small business support agencies.

Implementation Strategy

- The pilot could be managed, although not necessarily implemented by, a body such as the Open Learning Technology Support Centre, Open Net, or an appropriate business support agency;
- The pilot would utilise the full range of existing and emerging technologies such as desktop video conferencing, online information services, electronic bulletin boards, E-mail, etc;
- Maximum use would be made of linkages with other information resources such as AusIndustry's BizHelp service;
- Communication between support agencies would be promoted by a small network of facilitators; and
- Technical advice would be available to the pilot participants.

9. Development of Articulated TAFE/University Undergraduate Courses in Small Business Formation and Management (Band II)

It is recommended that articulated TAFE / university courses in small business formation and management be available to students throughout Australia.

TAFE in NSW has developed an associate diploma qualification in small business which articulates with a number of business courses in NSW universities.

The intention of this recommendation is to promote the availability of such an articulated study program to students wishing to study small business formation and management at TAFE and eventually at university level, in all states in Australia.

This would mean the development of new, or modification of existing TAFE/university courses along the lines of the NSW model, in states where no appropriate articulated course structure currently exists, and the development of appropriate credit transfer arrangements in states where they do.

10(a). Management for Diversity (Band I)

It is recommended that private sector and government give higher priority to strategies to improve utilisation and management of Australia's diverse population in Australian business and industry. Details include:

- Management for diversity in general should be the focus of improved strategies;
- Women should be a particular target group, and the multicultural workforce;
- The primary emphasis should be on action by the private sector; and
- Task Force discussion material outlines a range of specific strategies related to management for diversity for implementation by the private sector including best practice and improved human resource development models.

10(b) National Strategy for Women: Women in Private Sector Management, Corporate Boards and Academia (Band I)

- In the case of gender, and given the poor level of success to date in opening up management and corporate boards to women, a National Strategy should be developed by the private sector in conjunction with government, within a systematic national framework.

Implementation Strategy

- Such a strategy should include broad targets over five years, to be developed and promoted by business and industry sector bodies such as the Business Council of Australia, the Australian Chamber of Commerce and Industry, the Australian Chamber of Manufacturers, the Chamber of Manufacturers, and the Australian Institute of Company Directors. Enterprises themselves should be encouraged to set specific targets in line with the thrust of national targets;
- At the end of five years, significant progress should have been achieved. However to highlight the need for firm action in this matter, if at the end of five years significant progress has not been demonstrated, more stringent measures should be considered by Government, including quotas (developed according to the particular circumstances of industries or enterprises, ie not 50 percent across the board) and exclusion of underperforming companies from tendering for government contracts; and
- To support this initiative a similar strategy should be developed for the faculty profiles of tertiary management education institutions.

National Strategy for Women: Women on Boards of Management (Band I)

The Australian Institute of Company Directors should be resourced to:

- Establish benchmark data on women on boards in Australia, as well as longitudinal data to be annually updated and published widely; and
- Develop a data base of women suitable for board appointment for use by any private sector organisation.

National Strategy for Women: Targeted Management Development for Women in Management Courses, Training and Business Support Programs (Band I)

- Management training and development programs and agencies should target women for development. In particular, management school courses not currently graduating a minimum of 40 percent women should be upgraded through national targeting of scholarship schemes, with priority given to

postgraduate professional courses: a fees arrangement for five years whereby government and/or universities subsidise the system to enable industry to support two female employees for every male, might be considered; and

- Government training and business support processes and programs where numbers do not reach a minimum of 40 percent should also recognise women as a target group for enhanced development.

10(c) Improved Agency Support for Promoting Diversity (Band I)

Implementation of diversity strategies in the private sector should involve upgraded assistance and advice from government agencies:

- The Affirmative Action Agency education and support role should be upgraded, appropriate resources put into disseminating information and tools to assist enterprises, and monitoring of progress for women in management carried out through adaptation of existing Agency statistical systems;
- The educational support role and resources of the Productive Diversity program of the Office of Multicultural Affairs should be upgraded so as to make multicultural management strategies more broadly known and accessible by the private sector;
- The Best Practice Program should specifically target best practice in management for diversity; and
- Government services operated through Austrade and AusIndustry should develop specific strategies to use Australia's cultural and linguistic diversity effectively in trade and industry development programs, and to target companies operated by women and those from Australia's culturally diverse community for export and business service support.

11. Frontline Manager Program (Band I)

It is recommended that there be a national training program for frontline managers.

Implementation Strategy

Details include:

- Participants will not have had any formal management training and will be working in enterprises which are able to demonstrate the application of quality principles in their operations and their human resource development processes;
- An estimated total number of 180,000 frontline managers in Australia are without formal management training. It is estimated that approximately 80,000 to 100,000 of these will qualify by working in quality committed enterprises. Target is to provide access to management training for 80,000 over a five year time frame or in an early stage of its operation;

- Participants to be released, at cost of employer, for up to 20 days structured training spread over a 20 to 40 week period. Approximately 10 curriculum units would be involved in course;
- Training to be funded by the Commonwealth in a manner which allows the enterprise to select the provider which most suits its requirements;
- Delivery, preferably on site, via a variety of mechanisms. Open and distance learning course materials to be provided;
- Course materials to be based on work already undertaken by the Australian Committee for Training Curriculum and to be competency based. Initially the materials will be print based but with funding proposed to make them available on electronic and CD Rom format;
- TAFE will be a major deliverer of the program and will be supplemented by industry associations and private providers. Implementation of Recommendation 4, Upgrading of TAFE's capacity to deliver management development courses, is critical to the success of this proposal;
- The program is to be called the "National Certificate in Workplace Leadership" and would be integrated into the national qualifications framework to ensure articulation with other programs; and
- Proposed funding includes provision for the deliverer to customise their program to meet enterprise requirements and to undertake assessment of competence.

12. Structured Industry Based Study Tours (Band I)

It is recommended that there be an industry based program to provide opportunities for up to 1,500 Australian managers to undertake structured international study tours each year.

Implementation Strategy

Details of the program include:

- To be administered by a body such as Austrade, in close association with industry representatives and associations, with annual reporting to the new management body;
- Primarily focused on the Asia Pacific area. It would involve collaboration with APEC countries with the possibility of exchange programs that would assist Austrade's role by further developing international contacts for Australian businesses so as to improve international business opportunities;
- Actual delivery of the program would be through accredited industry and professional associations and other organisations/sources approved by Austrade. These bodies, in association with intended participating companies, would apply to Austrade for funding. Proposals would be evaluated on the basis of the *intended learning outcomes for the industry, the enterprise and the individual manager*;

- The sponsoring body would tailor a program of two to three weeks duration, to meet the needs of the particular industry and would promote it within that industry;
- The market for the program would be potential and existing exporters and companies involved in international trade with a particular emphasis on small to medium sized enterprises (SMEs);
- Program participants would be drawn from different levels of management within the participating companies, either on the same or different study tours, but no individual could go on more than one such tour; and
- Participants would be expected to comprehensively report on the findings and learning outcomes of their study tour. These reports would be made available, via the sponsoring body, for other companies in the industry so as to maximise the benefits of the Government investment in the program.

13. Benchmarking and Best Practice Materials (Band I)

It is recommended that, as a part of the government's business improvement services, a data base be developed containing: industry specific financial benchmark information relating to small and medium sized enterprises; best practice case studies in business management, and management development relevant to small, medium and large businesses.

Implementation Strategy

The data base would include:

(a) Industry Specific Financial Benchmark Information

- For use by small business advisers and support agencies to assist small and medium sized enterprises with advice relating to expenditure, income, debt levels, etc;
- The benchmark data would be used as a diagnostic tool to identify areas of an enterprise's financial performance which differ substantially from their industry's norms, which indicate the need for further investigation;
- The Canadian Government has recently implemented a similar system using taxation data to provide business information, such as size, turnover, stock-in-hand etc, on a wide range of different industries;
- Initial investigations have indicated that the Australian Taxation Office (ATO) does collect a wide range of information relating to the required benchmarks, and that the information is classified to the required level of detail to enable analysis of specific industry sectors. The ATO has confirmed that this information could be extracted for use by another Government agency; and
- It is proposed that the ATO data would be passed to the Department of Industry, Science and Technology for output in a format useable by small business advisers and delivered through AusIndustry's BizLink system.

(b) Case Studies of Best Practice in Business Management

- The case studies would be prepared according to the same industry classifications as the financial benchmark data;
- Problems diagnosed by reference to the financial benchmark data could be referred for possible solutions to the case studies;
- Case studies would be developed under the auspices of, but not necessarily by, Industry Training Advisory Boards; and
- Case studies would also be available for use in management school curriculum development.

(c) Case Studies of Best Practice in Management Development

- The case studies would include best practice examples of management development in small, medium and large business;
- They would be concise and written in a manner accessible to the general public;
- They would be drawn from a wide range of industries;
- Where possible, they would be sourced from relevant industry and professional associations;
- They would also be available through the Australian Best Practice Program and AusIndustry;
- They would also be used in the Australian Best Practice Demonstration Program to upgrade the emphasis on management and management development within the Best Practice model itself and via promotional programs and industry seminars; and
- They would also be available for use in management school curriculum development.

14. Management Competencies Framework (Band II)

It is recommended that there be a definition, development, maintenance and promotion of flexible management competencies for use in all industries, including small business, by managers operating at all levels.

This would build upon the following existing work:

- National/State Training Boards' and ITABs' development of industry based management competencies; and
- Competencies developed by the Small Business Management Competencies Standards Body (SBMCSB).

Implementation Strategy

Details of this proposal include:

- Core generic competencies to be built on the work undertaken by ANTA/ACTRAC bodies;
- Strong industry influence via industry bodies and ITABs;
- Ongoing research/development process to ensure the competencies reflect world best practice;
- Coordination of management competency development between industries to minimise unnecessary duplication;
- Incorporation of existing small business management competencies into the wider competency framework and include development of relevant qualitative competencies such as entrepreneurial skills in small business; and
- Preparation of a flexible software package containing generic competency material and enabling the identification and merging of industry and enterprise specific management competencies.

15. People and Quality (Band II)

It is recommended that programs that promote quality in human resource development be adopted to complement the existing quality standards.

Implementation Strategy

Details of this recommendation are as follows:

- Organisations such as the Australian Manufacturing Council have identified the need to develop more comprehensive national and international quality standards to link together quality certification and human resource development. International bodies such as the Confederation of British Industry are also supporting moves to provide a stronger link between quality and human resource development;
- Examples of such programs include the 'Investor in People' concept operating in the United Kingdom, and the 'Quality Committed Enterprise' initiative currently being developed by the Australian Quality Council (AQC), which is based on the human resource development criteria used in the existing Australian Quality Awards;
- At a Commonwealth level, criteria relating to quality human resource development should be included in the Purchasing Australia's *Endorsed Supplier Arrangements* due for review in the latter part of 1995; and

- The following initiatives should be implemented to promote its adoption:
 - adaptation of Commonwealth and State Government purchasing policies to include criteria relating to quality human resource development; and
 - requirement for recipients of Government funded management development programs to comply with criteria relating to quality human resource development.

16. Fees and Funding Mechanisms for Management Schools (Band I)

It is recommended that the Government funding mechanism be refocused and redesigned for business and management postgraduate education in order to more closely align supply and demand:

- To sharpen and focus the market, the funding which presently is provided to universities for graduate management education, including MBAs, should be converted from a block funding approach focused around EFTSUs to a set of earmarked scholarships which would be of exactly equivalent value;
- In the case of management education, these scholarships would be earmarked for use in management schools and tied to universities;
- The management schools would at first assign these scholarships to meritorious students of their choice for use in the payment of course fees;
- After two years, the extent to which these scholarships are tied to each university would be reduced and they would be progressively untied;
- A schedule of the reduction of the extent to which these scholarships were tied to management schools would reflect a reduction of 20 percent per annum from 100 percent to 0 percent over a five year period. Untied scholarships would be awarded to students not by management schools but by an independent agency to which students would apply. These scholarships would be tenable by students at any management school; and
- A proportion of scholarships would be awarded on the basis of access and equity criteria.

The rationale behind this recommendation is to make management education demand driven with a market focussed graduate management education system acceptable to all of the major stakeholders. Task Force consultations with management school deans and Vice Chancellors indicate that some management schools will not take advantage of legislative change which enables universities to charge fees for postgraduate courses.

Ultimately, the Task Force believes this model should apply in all areas of postgraduate course work programs.

17. Information and Quality Control for Management Schools (Band I)

(a) Accreditation of Management Schools

It is recommended that a professional accreditation system be established in order to give Australian higher education management suppliers a quality assurance indicator which will assist their export efforts and be generally informative to the domestic and export markets.

Implementation Strategy

Details of the system include:

- The accreditation system would be a mission-based system adapted from the United States' AACSB system;
- Australian-based courses only would be accredited;
- The accreditation body would be a council of the new management body (Australian Council for Management Development);
- The accreditation body would be independent and drawn from management schools, industry and government; membership of the board would revolve over three years;
- The accreditation body would draw up guidelines to appoint groups responsible for individual accreditation processes; and
- The accreditation system would be reviewed within five years of its establishment to determine its effectiveness.

The proposal is designed to encourage Australian management schools to achieve minimum professional standards in their course offerings.

(b) Market Information

It is recommended that information on the supply of higher education management courses, routinely collected in aggregated form as part of the operations of the accreditation body, be publicly available for consumer information purposes through the use of the information base on management education which will be developed by the new management body (Australian Council for Management Development).

18. The Drive for Improved Quality for Management Schools (Band I)

(a) National Management School

It is recommended that the Commonwealth develop a National Management School with satellite centres in at least two capital cities:

- The objective of this proposal is to support quality research, curriculum development and delivery and attract world class academics and students. These elements are needed to underpin a substantial improvement in the quality of management education in management schools across the board. In addition, within a few years there will be one or more top class regional schools in Asia which will draw off both the international students which Australia now attracts, as well as the better Australian students.

Implementation Strategy

- A process of Commonwealth tendering should be used to select the appropriate consortia of schools;
- The National School would offer executive programs, customised programs, short courses and MBAs;
- Open learning, satellite communications and the information superhighway should be evaluated as possible delivery methods; and
- A critical long term strategy for such a school would be the development of collaborative or closer links with the top regional schools in Asia, in keeping with the current long term developmental directions of APEC.

(b) Quality Incentives for Management Schools

Incentives for the improvement of quality in Australian management schools, other than the National Management School, should be put in place by DEET via a process similar to that of the quality assurance process in higher education.

- The National Management School would not be eligible for these funds; and
- Funds would be allocated by way of an annual review and selection process based on guidelines to be developed in consultation with stakeholders.

19. Research Funding and the Supply of Quality Academics (Band I)

It is recommended that a new applied management research program be set up and administered by the new management body (Australian Council for Management Development) to significantly increase the amount of knowledge generated through applied research in management.

- More funding needs to be allocated to applied management and leadership research within higher education;

- This initiative would include an applied research program and joint university/industry projects devoted to specific fields of management research;
- The initiative would also include schemes to increase the quantity and quality of management development professionals who work in this field, for example through a series of earmarked PhD scholarships at the National Management School and elsewhere; and
- Existing research funds would continue to be allocated as per current process through the Australian Research Council.

20. Industry Linkages for Management Schools (Band II)

It is recommended to management schools and to the private sector that industry linkages between the two be upgraded to address the need for committed and regular interaction between management schools and the business community.

- Whilst there is a range of mechanisms employed in fostering interaction, a persistent problem has been the lack of interest at senior executive levels in medium and large enterprises in regular and systematic involvement on boards and advisory committees;
- Universities need to ensure that such roles for business people are meaningful and influential in improving curricula, delivery mechanisms and university administration in order to maintain the commitment of effort and time from the business sector; and
- Major business organisations and their constituents need to support interaction between business and universities by ensuring that an adequate supply of senior executives fill important roles in university decision-making, such as positions on advisory committees and boards and by facilitating transfers for periods of work of both academic staff and business people.

21. International Links for Management Schools (Band II)

It is recommended that management schools, the higher education system and TAFE speedily upgrade the quality and quantity of international links and information exchange.

Implementation Strategy

Implementation details would include:

- Support for initiatives of the Australian International Education Foundation to rationalise and streamline sales of education services;
- Placement of academics in export companies/multinationals;
- The offering of management education courses which provide opportunities to students to work in export companies on specific projects;

- The provision of curricula management courses emphasising the links between cross cultural development/ diversity/ trade issues;
- The establishment of mechanisms for voluntary audits of curricula on cross cultural management/diversity/trade issues by overseas practitioners within the new management body;
- Encouragement of the use of course offerings emphasising cross cultural management, diversity and trade as a criteria for ratings;
- Provision of scholarships for management students to study overseas which include return to Australia upon completion as a condition;
- Establishment of a program similar to that operating in the United States whereby recent MBA graduates are placed in recently established or privatised companies in developing countries (eg, Vietnam, Laos, Malaysia, Indonesia and China);
- Upgrading the University Mobility in Asia and the Pacific (UMAP) Program; and
- The routine distribution of informational material on management school offerings to the Asia Pacific Region. An example of such material is the *Good Universities Guide to Management Education* developed by the Task Force and Ashenden Milligan in 1994.

22. Curricula in Postgraduate and Undergraduate Management Education (Band II)

It is recommended that state-of-the-art management and leadership educational curricula be developed and disseminated to management education providers and other interested parties.

Implementation Strategy

- There are economies of scale to be achieved by developing and disseminating curricula centrally through the new management body (the Australian Council for Management Development);
- The Task Force has already commissioned some curricula which can be integrated into the new body of work;
- Newly developing fields of management, particularly in fields related to international business and emerging integrative disciplines, would have priority for development;
- Curricula would comply with best practice models of curriculum development emphasising business needs of the 21st century including :
 - functional requirements (eg, finance, economics, human resources management);

- greater emphasis on SMEs and frontline managers including case studies/project work in companies;
- greater emphasis on communications/ team building/ IT/ languages/ leadership/ diversity/ international perspective;
- on-the-job experience and assignments; and
- international assignments.
- Curricula would be developed from an Australian perspective; and
- Curricula would include undergraduate and postgraduate business management and leadership studies. Universities would be encouraged to upgrade both the quantity and quality of undergraduate offerings particularly, but not restricted, to professional undergraduate programs.

23. International Business Skills Program (Band II)

It is recommended that there be a program to increase knowledge of export related matters amongst students with potential as exporters in relevant professional and advanced vocational courses.

Implementation Strategy

Details of the program include:

- Development of curricula and course materials, which could be delivered through an Open Learning approach, at three levels:
 - *basic*; one unit of study for inclusion in existing appropriate TAFE Certificate courses;
 - *intermediate*; one unit of study for inclusion in existing appropriate University undergraduate courses; and
 - *advanced*; one unit of study for inclusion in existing advanced postgraduate management courses.
- These course materials would then be available for any organisation, including TAFE colleges, private providers and universities, which wishes to offer the Exporter Education Unit as part of its program; and
- The process would be overseen by representatives of Austrade, senior managers from successful exporting companies, export educators and curriculum development experts.

24. MBA Students Consulting with Small Business Owner Managers (Band II)

It is recommended that the Commonwealth provide seed funding to encourage universities to place MBA students with small business owner/managers, for specific management-related project work associated with the small business, as a standard subject offering.

The objective of the proposal is to provide structured experience for MBA students in small businesses whilst exposing small business managers to free business advice and support. The experience would give students practical skills and the small business owner/managers access to management expertise to improve the performance of their business.

Implementation Strategy

Implementation details would include:

- Activities being overviewed by experienced university management educators to ensure quality control;
- Requiring the cooperation of stakeholders, including universities, small business and professional association representatives, curricula developers and Government; and
- Universities being encouraged to introduce such programs via limited Government assistance targeted at establishment costs over a two year period, followed by an evaluation of effectiveness.

25. Articulation for Management Schools (Band II)

It is recommended that management schools continue to be encouraged to systematically and quickly improve articulation:

- From diploma and certificate level into undergraduate business studies and ultimately into graduate business studies, principally MBAs;
- Between private management education providers and the unified system at an undergraduate and postgraduate level; and
- Between management schools within the unified system.

It is also recommended that management schools better and more routinely incorporate Recognition of Prior Learning (RPL) into selection processes.

26. Communication/Teaching Technologies for Management Schools (Band II)

It is recommended that the Commonwealth provide seed funding to establish an open learning network for the delivery of management education to professional small to medium enterprises such as legal, accounting and health care firms:

- There should be an emphasis on the continual updating of existing skills through the provision of information packages to network subscribers; and
- To be coordinated between the Open Learning Agency of Australia and management school providers.

27. Human Resource Management of Academics (Band II)

It is recommended that priority be given in management schools and universities to the improvement of human resource management process.

Implementation Strategy

Implementation details would include:

- Utilisation of best practice approaches to tenure. Recommended approach to incorporate a choice between a contract with the incentive of added remuneration and tenure with award rates;
- Utilisation of best practice recruitment procedures incorporating the following elements:
 - Recruiting committees to be composed of no more than three people;
 - Interviews to be structured against pre-determined criteria;
 - Full process reviews to be undertaken by HRM experts;
 - Training in selection interviewing to be a prerequisite for recruits;
 - Teaching/research to be differentiated in terms of remuneration and contracts;
 - Total package flexibility including salary;
 - More private sector oriented search techniques; and
 - Masters accepted for positions currently reserved only for PhDs;
- Development and publication of benchmark indicators for human resource management;
- More emphasis on the value of continuing education for academics incorporating:
 - Facilitation of placements in enterprises;
 - Public and private sector placement in management schools; and
 - Recognition of difference between teaching and research positions.
- Greater consideration to the introduction of DBAs (Doctor of Business Administration); and
- Encourage the Committee for the Advancement of University Teaching (CAUT) to seek further applications for grants for projects area related to the teaching of management.

28. Australian Council for Management Development (Band I)

It is recommended that a high profile national focus on excellence in leadership, management performance, and management development is developed and maintained through the establishment of an Australian Council for Management Development.

Implementation Strategy

The Council should:

- Comprise high profile leaders from a range of key stakeholder groups, and individuals able to contribute to innovative initiatives for improving leadership, management performance and management development;
- Be strongly supported by government and industry at the highest levels, to oversee and promote the development of Australia's management performance and improved management quality;
- Work with major stakeholders including government and industry, but be independent of government;
- Be an independent, not-for-profit body established by the Commonwealth Government;
- Provide a national focus for improving management development and performance in Australia;
- Act as the major policy advisory body to government, private enterprise and providers on management performance and development in industry and enterprise;
- Promote Australia's international competitiveness by encouraging Australian industries and enterprises to enhance the skills and performance of their managers.
- Encourage best practice management development in industry and among enterprises, including small/medium enterprises;
- Allocate funds in accordance with priorities for improving management performance and development in Australia, developed in consultation with critical industry players, within the context of macroeconomic policy;
- Support major initiatives and practices with a view to promoting world best practice in management in Australian industry and enterprises;
- Work and network with key stakeholders and implementation agencies – industry and enterprises; industry providers; government bodies and unions; and
- Build on the findings and recommendations, and the significant work of consultation and research of the Industry Task Force on Leadership and Management Skills, and of other relevant government and industry bodies as appropriate.

A more detailed description of this proposal is contained in Appendix 2

Appendix Two: Australian Council For Management Development (ACMD)

It is recommended that a high profile national focus on excellence in leadership, management performance and management development be developed and maintained through the establishment of an Australian Council for Management Development.

1. Description

The Council should comprise high profile leaders from a range of key stakeholder groups and individuals able to contribute to innovative initiatives for improving leadership, management performance, and management development. It must be strongly supported by government and industry at the highest levels to oversee and promote the development of Australia's management performance and improved management quality. It must work with major stakeholders including government and industry, but be independent of government.

The Council should be an independent, not-for-profit body established by the Commonwealth Government.

It should provide a national focus for improving management development and performance in Australia. It should act as the major policy advisory body to government, private enterprise and providers on management performance and development in industry and enterprise.

It should promote Australia's international competitiveness by encouraging Australian industries and enterprises to enhance the skills and performance of their managers.

It should encourage best practice management development in industry and among enterprises, including small/medium enterprises.

It should allocate funds in accordance with priorities for improving management performance and development in Australia, developed in consultation with critical industry players within the context of macroeconomic policy. It should support major initiatives and practices with a view to promoting world best practice in management in Australian industry and enterprises.

It should work and network with key stakeholders and implementation agencies - industry and enterprises; industry providers; government bodies and trade unions.

The Council should build on the findings and recommendations, and the significant body of consultation and research undertaken by the Industry Task Force on Leadership and Management Skills and of other relevant government and industry bodies as appropriate.

2. Rationale

Management performance is a key factor in improving economic growth and enhancing industry performance. It is also vital for maximising employment opportunities in Australia and achieving a higher standard of living for Australians.

Improved management performance will:

- help to deliver sustained economic growth through stronger and more internationally competitive enterprises;
- increase productivity across all industries in the economy, including the small/medium enterprise business sector;
- earn the full benefits of microeconomic reform such as workforce restructuring, infrastructure efficiencies and more effective competition arrangements;
- enhance job opportunities through encouraging enterprise creation, reducing enterprise failure and increasing Australia's reports of goods and services;
- upgrade the skills base of Australian industry, not only in management but across the board; and
- develop Australia's regions through enterprise development including small/medium enterprise development.

3. Purpose

The primary purpose of the Council is to promote improved management performance in Australian industries and enterprises in the context of a global economy and international best practice so as to improve Australia's international competitiveness.

4. Management performance and development priorities

Management performance and development processes must be rapidly upgraded if we are to match the economic performance of our international competitors.

Management performance and development processes must:

- equip Australian managers with the skills to operate successfully in an internationally competitive business environment;
- adopt world best practice as the benchmark;
- give greater emphasis to international operations, advanced technological and technical processes, innovation, quality and the management of change;

- focus on people as critical assets in modern business organisations and on the effective utilisation of Australia's diverse workforce as a source of competitive advantage;
- encourage and develop leadership at all levels, particularly recognising the critical importance of frontline managers; and
- focus on the improvement of management performance in our small/medium size business sector. Initiatives of the Council should reflect these priorities.

5. Objectives

5.1 National Profile for Management Performance and Development

To provide a continuing national focus on the critical importance of management performance as a key factor in economic growth and industry performance, and management development as a direct contributor to improved management skills and enterprise performance.

To act as major policy advisory body to government on management performance in industry and enterprise in Australia, particularly on education and training policy as it relates to Australia's managers and entrepreneurs.

5.2 Management Development

To promote best practice management development as the most important strategy in improving management performance.

Enterprise the Primary Focus

To promote the value among enterprises of best practice management development as a critical success factor for enterprise success and international competitiveness.

Management Competencies

To sponsor the development and facilitate the use of generic, industry and enterprise specific management competencies among Australian enterprises.

Management Learning and Teaching

To encourage the development and utilisation of modern learning techniques that encourage flexible and responsive management development.

To foster the development and utilisation of new teaching and learning technologies in management development.

5.3 National Skills Formation

To complement the existing focus on vocational education and training by strengthening skills formation processes for managers.

5.4 Stakeholders and Target Groups

To promote the value of partnerships and strategic alliances between all stakeholders in management development and performance: enterprises, industry organisations, industry providers and government bodies.

To build and encourage self sustaining management performance and development networks both nationally and internationally.

To foster an enterprise culture in Australia which supports and promotes the exercise in the community of independent entrepreneurial behaviour as it relates to the business and management context.

5.5 Promotion of Best Practice Management Development

Best practice management development is a comprehensive, integrated and cooperative enterprise approach to the continuous improvement of all managers. It is the way best practice enterprises plan and organise their management training, education and development practices to help managers deliver world class standards of performance.

To promote the benefits of best practice in management development and enterprise performance throughout Australian industry, including:

- an upgraded focus on globalisation of industry;
- increased commitment to people and quality through continuous improvement;
- enhanced technology and innovation;
- effective management of diversity; and
- change management,

and to this end, international best practice will be used as the benchmark for the development of all Council programs and initiatives.

To capitalise on ongoing support for management development from Australia's industry leaders.

To promote the development and promulgation of annual benchmarks of Australian implementation of defined best practice measures in management performance and development.

To promote and disseminate best practice management development including Australian best practice case studies.

5.6 Small Business

To promote the value of management development to small business.

5.7 Research and Information

To support and coordinate directed applied research into leadership and management development best practice, nationally and internationally.

To encourage and facilitate longitudinal benchmarking of management performance in Australia, and of its economic value for the economy and to enterprises.

To establish and promulgate a national data base on management education and training initiatives.

6. Council Structure

The ACMD model structure is outlined in Chapter 12.

7. Membership

The board membership should be high level and small enough to be effective in terms of decision making (eight to twelve members).

It will include representation from appropriate business, industry and government bodies and individuals, with the predominant focus on business representation. Not all bodies would necessarily be able to be represented at any one time if the group is to be kept small enough to be effective. However, over time, a range of groups should be considered for representation and opportunities are likely to exist by way of specialist committees to enable an appropriately broad input to the Board.

Members will be selected by the appropriate Minister.

Given that a primary role of the body is to influence mainstream process, appointment criteria should include cross membership with appropriate implementation and funding bodies in the management development field including the Australian National Training Authority, AusIndustry, etc.

Other criteria which need to be taken into account include geographic coverage, demonstrated professional or business interest of the individuals nominated in relation to management development (as well as their representation of appropriate organisations), and appropriate gender/diversity interests.

Appointment should be for three years, with half the board turning over every eighteen months (the initial membership should include half members appointed for a full term, half for a half term). Members should be able to be reappointed by the Minister up to a maximum of two full terms.

8. Council Programs

The major functions of the ACMD are summarised in the diagram attached.

9. Staffing

The Task Force believes that the ACMD should contract out its major activities and only maintain a core staff.

10. Duration and reporting

The Council is to be established for an initial period of five years.

The Council will publish a report on activities annually.

11. Review of operations

The Council should be subject to a review of its role and performance in achieving outcomes over a period of five years. This review should take place in the fifth year of the ACMD's existence. Some possible performance criteria are appended.

12. Funding Resources

The Council should be established with the expectation that most programs and initiatives which they recommend or support would be implemented by agreement from within the allocations of existing implementation bodies.

For the Council's operations, it is suggested that funding would be required to undertake its coordinating and facilitating role. In addition, the Council should receive specific research and project funds from government which would be used to engage external resources to undertake research and project work as well as other program funds as outlined in Task Force recommendations.

Funding would decrease over time in line with development of private sector support.

Appendix Three: List of Consultations

Task Force – Consultation List

Domestic Organisations

Commonwealth Government

Austrade

Australian Bureau of Statistics

Australian Committee for Training Curriculum

Australian Consulate (Boston, United States of America)

Australian Consulate General (New York, United States of America)

Australian Consulate General (New York, United States of America)

Australian Embassy (Bonn, Germany)

Australian Embassy (Dublin, Republic of Ireland)

Australian Embassy (Tokyo, Japan)

Australian Embassy (Washington DC, United States of America)

Australian Embassy (Seoul, Korea)

Australian High Commission (London, United Kingdom)

Australian High Commission (Ottawa, Canada)

Australian Industry Development Assistance Bureau

Australian Manufacturing Council

Australian National Training Authority

Australian Sports Commission

Australian Taxation Office

Bureau of Industry Economics

Commonwealth Scientific and Industrial Research Organisation

- Corporate Services Department
- Division of Entomology
- Division of Plant Industry

Council for Equal Opportunity in Employment

Department of Administrative Services

Department of Employment Education and Training

- Economic Policy and Analysis Division
- Higher Education Division
- International Division
- Schools and Curriculum Division
- Vocational Education and Training Division
- Women's Bureau

Department of Industrial Relations

- Affirmative Action Agency

Department of Industry, Science and Technology

- AusIndustry
- Entrepreneurship and Small Business Office

Appendices

- National Industry Extension Service
- Small Business Unit

Department of Prime Minister and Cabinet

- Office of Multicultural Affairs

Export Access

Human Rights and Equal Opportunity Commission

Industry Commission

National Board of Employment, Education and Training

- Australian International Education Foundation Council
- Australian Research Council
- Employment and Skills Formation Council
- Higher Education Council

National Training Board

Reserve Bank of Australia

Young Achievement Australia

State and Local Government

Cairns City Council

Cairns Port Authority

Department of Business, Industry and Regional Development – Queensland

Department of Business and Employment – Victoria

Department of Business and Regional Development – New South Wales

Department of Education – Queensland

Department of Education – Western Australia

Department of Employment, Industrial Relations and Training – Tasmania

Department of Employment, Training and Further Education – South Australia

Hydro Electric Commission of Tasmania

Ministry of Education – Western Australia

Queensland Small Business Corporation

Shoalhaven City Council, City Administrative Centre

Small Business Centre – Victoria

Small Business Corporation of South Australia

Small Business Development Corporation – Victoria

Small Business Development Corporation – Western Australia

South East Queensland Electricity Board

Tasmanian Development Authority

Victorian Department of Education

Works Tasmania

Professional Bodies/Associations

Australian and New Zealand Academy of Management

Australian Association of Graduate Employers

Australian Association of Practice Managers

Australian Chamber of Commerce and Industry

Australian Chamber of Manufactures
Australian Foundation for Management Development
Australian Human Resources Institute
Australian Institute Management
Australian Institute of Health and Welfare
Australian Library and Information Association
Australian Organisation for Quality
Australian Professional Engineers, Scientists and Managers Association
Australian Quality Council
Australian Society of Certified Practising Accountants
Australian Textiles, Clothing and Footwear Industry Training Council
Australian Vice Chancellor's Committee
Business – Higher Education Round Table
Business Council of Australia
Business Development – National Institute of Technology
Chamber of Manufactures of NSW
Chief Executive Women
Commercial Teachers Association of Victoria
Council for Entrepreneurship Education
Economic Research Centre
Federation of Small Business
Franchise's Association of Australia and New Zealand Ltd
Graduate Management Association of Australia
Human Resource Development Bureau
International Management Centre
Melbourne Rotary Club
Metal Trades Industry Association of Australia
Motor Traders Association of Australia
National Electrical and Electronic Industry Training Committee Ltd
National Executives of Small Business Agencies – NSW
National Executives of Small Business Agencies – Qld
National Executives of Small Business Agencies – SA
National Executives of Small Business Agencies – Tas
National Executives of Small Business Agencies – Vic
National Executives of Small Business Agencies – WA
National Fire Industry Training and Development Project Inc
National Fishing Industry Training Committee
National Furnishing Training Council
National Maritime Industry Training Council
National Office Skills Formation Advisory Body
National Road Transport Industry Training Committee
National Small Business Centre
National Tourism Industry Training Committee Ltd

Appendices

Network for Fitness Professionals
Overseas Service Bureau
Small Business Management Competency Standards Body
Smith Read
South Australian State Congress of National Institute of Accountants
The Employers Federation of NSW
Victorian Employers Chamber of Commerce and Industry

Private Enterprises

The Allen Consulting Group Pty Ltd
Amrop International
Arthur Andersen
Ascent Learning
Australian Marine Engineering Corporation Ltd
Australian Newsprint Mills Ltd
Babinda Sugar Ltd
Bendix Industries (Qld) Pty Ltd
BHP Steel
Boyden International
Bradken Brisbane -Salisbury Plant (Division of ANI Corporation Ltd)
Business Review Weekly
Business Services Centre
Cadbury Schweppes Pty Ltd
CCH Australia Ltd
Coates Brothers, Australia Pty Ltd
Comalco Aluminium Pty Ltd
CRA Ltd
David Price Presentations
DDI International
Digital Equipment Corporation (Australia) Pty Ltd
Egon Zehndler International
Email Limited – Major Appliance Group
EMD Workforce development
Enterprise Design Associates
Commonwealth Business Development Bank
Ford Motor Company of Australia Ltd
Freight Management International Pty Ltd
General Electric Technical Services Company Inc
George Industries Pty Ltd
Gilmore Comfort Shoes Pty Ltd
Heidrick and Struggles Australia Limited
John D Keenan and Associates
John Pebbles and Associates

Kemalex Pty Ltd
Kenneths Australia Pty Ltd
Korn/Ferry International Pty Ltd
KPMG Peat Marwick
Larry Quick and Associates
Mahlab Group
Mediherb Pty Ltd
Metway Bank Limited
Michael Breen and Associates Pty Ltd
Monroe Australia
North Queensland Glass Distributors
Pacific Coal Pty Ltd
Pacific International Hotel
Palm Cove Travelodge Resort
Radiowise Media Networks
Sally Brown Pty Ltd
Southern Aluminium
Spencer Stuart
Sunlover Cruises
TASK Solutions
Team-Up Australia
The Campaign Palace
The Hayes Group
Visionary Customer Service
William M Mercer Pty Ltd

Universities

Australian Catholic University
Australian National University
Ballarat University
Bond University
Charles Sturt University
Consortium of Australian Management Schools
Curtin University of Technology
Deakin University
Edith Cowan University
Flinders University
Flinders University of South Australia
Griffith University
James Cook University of North Queensland
La Trobe University
Macquarie University
Monash University

Appendices

Murdoch University
Network of Australasian Management Education
Northern Territory University
Queensland University of Technology
Queensland University of Technology – Leadership Expertise
Royal Melbourne Institute of Technology
Swinburne University
University of Adelaide
University of Canberra
University of Central Queensland
University of Melbourne
University of New England
University of Newcastle
University of NSW
University of Queensland
University of South Australia
University of Southern Queensland
University of Sydney
University of Tasmania
University of Technology, Sydney
University of Western Australia
University of Western Sydney
University of Wollongong
Victorian University of Technology

TAFEs

Adelaide College of TAFE
Cairns College of TAFE
Canberra Institute of Technology
Department for Training and Further Education – South Australia
Hume Industry Development Corporation
Metropolitan Business College
National Generic Management Skills Project
New South Wales TAFE Commission
Northern Metropolitan College of TAFE
Office of Training and Further Education -Victoria
Queensland TAFE
TAFE, Training and Employment – Queensland
TAFE College Councils of Victoria
TAFE National Staff Development Committee
The West Australian Department of Training
Victorian Association of TAFE College Directors
Victorian Management Teachers Forum

Training and Education Services: Private Providers

Achaeus Institute for Venture Management
ACT Asset Management Service
Alexander Business College
Alpha Beta Colleges
Australian Graduate School of Engineering Innovation
Australian Management College Mount Eliza
The Association of Professional Engineers, Scientists and Managers, Australia
Australian Rural Leadership Program
Business Educators Australasia Inc
Careers English and Business College
Centre for Precision Technology Tasmania
Centre for Strategic Leaders
Edwards International Business College
Gantum Leadership
Institute of Value Management
Management Frontiers
Quantum Leadership and Vision
Territory Business Centre
Training Developers and Co-ordinators for the State Chamber of Commerce (NSW)
Williams Business Colleges
Williamson Foundation

Unions

Australian Council of Trade Unions
Australian Trade Union Training Authority
Australian Education Union (TAFE)

International Organisations

Governments

Canadian Labour Force Development Board (Ottawa, Canada)
Canadian Labour Market and Productivity Centre (Ottawa, Canada)
Central London Training and Enterprise Council – CENTEC (London, United Kingdom)
Department of Planning and Coordination (Seoul, South Korea)
Department of Real Estate and Development (Norway)
Economic Development Board (Singapore)
Industrial Development Authority of Ireland (Dublin, Republic of Ireland)
Industrial Policy Department – Ministry of Industry and Energy (Norway)
Korea Labour Education Institute (South Korea)
Korea Productivity Centre (Seoul, South Korea)
Minister's Secretariat (Tokyo, Japan)
Ministry of International Trade and Industry (Tokyo, Japan)

Appendices

Ministry of Labour (Tokyo, Japan)
New American Schools Development Corporation (United States of America)
NPB National Productivity Board (Singapore)
Toronto New Business Development Centre (Canada)
Training and Employment Authority (Dublin, Republic of Ireland)
United States Small Business Administration (United States of America)
United States Small Business Administration (United States of America)

Professional Bodies/Associations

American Society for Training and Development (Washington, United States of America)
American Management Association (New York, United States of America)
Australia/New Zealand Chamber of Commerce (Japan)
Canadian Centre for Management Development (Ottawa, Canada)
Canadian Manufacturer's Association (Ottawa, Canada)
Carl Duisberg Gesellschaft (Koln, Germany)
Chamber of Handicrafts (Cologne, Germany)
Chamber of Industry and Commerce (Koln, Germany)
Confederation of British Industry (London, United Kingdom)
Confederation of Norwegian Business and Industry (Norway)
Foreign International Trade and Training (Ottawa, Canada)
German Association for the Promotion of Further Training of Managers (Koln, Germany)
Human Resource Development Partnership (UK)
Irish Management Institute (Dublin, Republic of Ireland)
Japan Industrial Training Association (Tokyo, Japan)
Japan Management Association (Tokyo, Japan)
Japan Productivity Centre (Tokyo, Japan)
Management Charter Initiative, United Kingdom
National Association of Manufacturers (Washington DC, United States of America)
National Examining Board for Supervisors and Managers (London, United Kingdom)
Singapore Institute of Management (Singapore)
Singapore Institute of Personnel Management (Singapore)
Society for Human Resource Management (Washington, United States of America)
The Conference Board of Canada (Ottawa, Canada)
The Institution of Engineers of Ireland (Dublin, Republic of Ireland)
The SANN0 Institute of Management (Tokyo, Japan)

Private Enterprises

Allied Irish Bank Headquarters (Dublin, Republic of Ireland)
Bank of Ireland (Dublin, Republic of Ireland)
Boston Consulting Group Pty Ltd (Boston, United States of America)
British Petroleum (London, United Kingdom)

Delco Electronics (Singapore)
Deutsche Lufthansa AG (Köln, Germany)
General Sekiyu (Japan)
Hewlett Packard (Pty) Ltd (Singapore)
Hong Kong and Shanghai Banking Corporation (Singapore)
McKinsey and Co Inc Management Consultants (New York, United States of America)
NAO Manufacturing Center (Ottawa, Canada)
NEC (Tokyo, Japan)
Saturn Corporation (Tennessee, United States of America)
Samsung Corporation (Seoul, South Korea)
Service Quality Centre (Singapore)
Sterling – Winthrop Inc (Tokyo, Japan)
Teijin Limited (Tokyo, Japan)

Universities

Dublin University (Republic of Ireland)
Harvard Business School (Massachusetts, United States of America)
Lancaster University (UK)
Massachusetts Institute of Technology (Boston, United States of America)
National University of Singapore (Singapore)
Ohio State University (Ohio, United States of America)
School of Business, Metropolitan State College of Denver (United States of America)
Seoul National University (South Korea)
Sloan School of Management

Training and Education Services: Private Providers

Center for Creative Leadership (North Carolina, United States of America)
Columbus State Community College (Ohio, United States of America)
ESADE Management Centre (Barcelona, Spain)
Export Institute of Singapore (Singapore)
Fuji Training Institute (Tokyo, Japan)
INSEAD (France)

Individuals

George Boak, Northern Regional Management Centre, Newcastle, United Kingdom
Prof John Burgoyne, University of Lancaster
Prof Linda Hill, Harvard Business School, Boston, United States of America
Dr Peter Honey, Management Consultant, Maidenhead, United Kingdom
Mr Alister Mant, Manager Consultant, Brighton, United Kingdom
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Ministers

Hon Kim Beazley, MP, Minister for Finance and Former Minister for Employment, Education and Training

Senator Hon Peter Cook, Minister for Industry, Science and Technology

Hon Simon Crean, MP, Minister for Employment, Education and Training

Hon John Dawkins, Former Minister for Employment, Education and Training

Senator Hon Chris Schacht, Minister for Small Business, Customs and Construction

Glossary

AACSB	American Assembly of Collegiate Schools of Business
ABS	Australian Bureau of Statistics
ACMD	Australian Council for Management Development
ACTRAC	Australian Committee on Training and Curriculum
ADCOS	Australian Development Co-operation Scholarships
AFMD	Australian Foundation for Management Development
AIEF	Australian International Education Foundation
AMC	Australian Manufacturing Council
AMP	Advanced Management Programs
ANTA	Australian National Training Authority
APA	Australian Postgraduate Award
APEC	Asia Pacific Economic Co-operation forum
AQC	Australian Quality Council
ARC	Australian Research Council
ASTAS	Australian Sponsored Training Scholarship
ATO	Australian Taxation Office,
AVCC	Australian Vice Chancellors Committee
BCA	Business Council of Australia
BCG	Boston Consulting Group
BIE	Bureau of Industry Economics
CAMS	Consortium of Australian Management Schools
CAUT	Committee for the Advancement of University Teaching
CRC	Co-operative Research Centres Program
DEET	Department of Employment, Education and Training
DFAT	Department of Foreign Affairs and Trade
DSC	Diversity Sub-Committee
EEO	Equal Employment Opportunity
EFTSU	Effective Full Time Student Units
ESFC	Employment and Skills Formation Council
ETM	Elaborately Transformed Manufactures
HESC	Higher Education Sub-Committee
IMD	International Institute for Management Development
ITAB	Industry Training Advisory Boards
IRIC	Institute for Research into International Competitiveness
MBA	Masters of Business Administration
MSAI	Management Skills in Australian Industry Sub-Committee
NAME	Network of Australasian Management Educators
NBEET	National Board of Employment, Education and Training
NEWP	National Enterprise Workshop Program
NIES	National Industry Extension Service
OECD	Organisation for Economic Co-operation and Development

Glossary

PCEK	Pappas, Carter, Evans and Koop
RPL	Recognition of Prior Learning
SBSC	Small Business Sub-Committee
SEAANZ	Small Enterprise Association of Australia and New Zealand
SMEs	Small to Medium Sized Enterprises
TAFE	Technical and Further Education
TNSDC	National Staff Development Committee
UMAP	University Mobility in Asia and the Pacific
UNS	Unified National System

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