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How to develop leadership capability and improve business performance – a proven case

Description of a leadership development programme for SME owner managers based around the concepts of 'action learning'

Skills for Business is an employer-led network consisting of 25 Sector Skills Councils and the Sector Skills Development Agency. Through labour market intelligence, the identification of skills needs at all levels and its influence on the UK's education and training infrastructure, the network aims to increase productivity in business and public services.

Foreword

By Mark Fisher – Chief Executive Officer, Sector Skills Development Agency

I am very pleased to have been asked to provide a few words of introduction to what I believe is a crucial guide for small business managers.

Small businesses of less than 50 employees make up 99% of the 3.8 million businesses in the UK. This is 56% of UK employment and a very significant part of the Skills for Business Network (SfBn) employer base. Research shows that being a manager of one of these companies is one of the most difficult yet rewarding of jobs. Issues of leadership and management, survival and innovation all compete for attention on an hour-by-hour basis.

It can be very difficult then for these managers to divert their attention away from the crisis of the moment to think longer term about where the business is going and what they want out of it. And it's doubly difficult to find someone who they can trust to understand the issues and has the personal experience to help.

That's why I'm delighted to introduce this initiative developed by the SfBn. It's specifically aimed at helping the small business owner or manager. It's based on tried and trusted techniques ('action learning'¹) but specifically tuned to the small business environment.

As you'll see, we've had some excellent business results from the pilots that have been run so far and these are confirmed by similar programmes run by three well-known universities.

This is a great example of cross-sector working. We've found that by mixing managers from different sectors the collective effectiveness of the group is significantly increased.

In the medium term we'll be working with our partners and stakeholders to make these workshops widely available across the UK. But right now, if you have an interest in this area, you can take the material and recipes that follow to build and run your own programmes. You'll find 20 guidelines that will help you avoid some obvious and some non-obvious pitfalls. But more importantly they'll give you positive steps to successful implementation.

Mark Fisher

Executive summary

This document is designed for multiple audiences and can be read at three levels.

- The main body of the report summarises the good practice guidelines and the project management. See [pages 2 to 10](#).
- Then follow Additional Detailed Documents 1-9, which provide detail for those wishing to work in more depth. See [pages 11 to 39](#).
- Finally, there are signposts to the websites that include **all** the materials and reports generated during the lifetime of the project.

This document is about developing leadership skills for SME owner managers in the UK.

It combines a set of good practice guidelines and a detailed project report which explains what has been achieved during the Skills for Business Network project on developing a leadership model. Entitled 'Action Learning for Leaders', this project extended over the period from April 2004 to March 2006.

The need was based on the premise that there is a shortfall in leadership capability of UK businesses by comparison with our international competitors. This directly influences the growth and development of 'UK Plc'. Many government and non-government reports have alluded to this diagnosis over the past decade (CEML, Porter, etc.) and consequently improvement of leadership skills is a government priority.

The objective of this project was to identify a tried and tested approach to leadership development, presented in a relevant and understandable manner for the target group.

The original target group was defined as being SME owner managers in the UK. It soon became apparent that the problem was more acute within micro businesses. These account for 99% of the 3.8 million businesses in the UK.

The project commissioned research from Henley Management College to examine the key issues facing SME owner managers and what might be a suitable remedy to address their needs. The report concluded that the leadership challenges facing the SME organisations in the UK were overwhelmingly concerned with leading change in their organisation. Personal challenges concerned implementing change initiatives and communicating these to staff. The report suggested that the way to address these needs was through 'action learning', combined with e-learning and learning in networks.

The project team designed a generic 'action learning' programme and sought to pilot this with three groups of SME owner managers around the UK. The pilots ran in Glasgow, Nottingham and Guildford between May 2005 and October 2005.

The results were rigorously evaluated. The process of 'action learning' and on the job coaching proved to be very successful. Some of the comments from the participants included:

- 'I have benefited greatly from this programme and have been able to bring the benefits directly back to my business'
- 'The programme has really helped me to gain the confidence and achieve changes'
- 'This has contributed to us now achieving a bid success rate of 1 out of 2, when previously we only succeeded in 1 out of 7 bids'

- 'This programme has helped me to reflect on my position and consider my options for the future'
- 'This has already helped to increase my new orders by 50% and there is a feeling that all the staff are more motivated'
- 'I have created a business plan based on 25% increase in turnover for 2006 and a plan of action on how to achieve this'
- 'This programme has probably saved my company from potential oblivion on my retirement'.

A key output of the project was the production of 20 detailed 'Good Practice' guidelines for designing and running 'action learning' to develop leadership competencies for SME owner managers. The 20 points of the model are clustered around:

- Getting the right participants
- Professional facilitation
- Preparation prior to the programme
- The dynamics of the programme itself
- The launch process
- 'Action learning' focus
- Coaching
- Close-out and post-programme planning
- Evaluation

Other issues identified during the evaluation were how to scale up this approach to become a UK-wide initiative for SME leadership development. These focused on:

- Ownership and funding
- Engagement of SME owner managers
- Facilitators
- Co-ordination, communication and marketing

Conclusions and recommendations on how to deal with these issues are included in the detail of the report.

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Main Report

Introduction

What is this document?

This document is a report containing the key learning from the Skills for Business Network 'Leadership Model Project'. It is designed to be used by a wide range of interested parties and stakeholders.

Who should read this document?

The interested parties and stakeholders will include:

1. Employers, in particular small business owners and managers
2. Sector Skills Councils
3. Policy setting governmental departments and bodies
4. Funding organisations
5. Learning and development brokers
6. Advisors to small business owner managers
7. Providers of learning events
8. The sponsors and the managers of the project

How is the report compiled?

The report brings together the details of the project and the outputs. These include good practice on how to effectively deliver leadership development for SME owner managers. The good practice guidelines describe a methodology that can provide immediate tangible benefits for their businesses and personal leadership skills development for themselves.

In order help you use the report at the detail relevant to you the material is set out at three levels:

1. For **general awareness** – summaries of all the key elements are set out in the main body of the report on [pages 2 to 10](#).
2. For more **depth and understanding** about specific aspects – Additional Detailed Documents, which are appended on [pages 11 to 39](#).
3. For planning implementation and **detailed work** – signposting to all the detailed reference documents generated by the project on the relevant websites.

Good practice

The proposition

The principal conclusion from the project is that the most effective way to improve leadership capability of SME owner managers is through a well-designed and delivered 'action learning' programme. The pilot workshops conducted during the project demonstrated that SME owner managers were very enthusiastic about this learning approach. The evidence collected showed that their personal leadership skills were enhanced and real tangible business benefits achieved.

The proven benefits

Some of the case studies of the participating organisations are set out in the [Additional detailed document 1](#) at the back of the report.

Key business benefits reported by the participants on the workshops were:

- Improved profitability
- Culture change in their business
- Reduced wastage and improved production
- Improvement in successful bid rates for new business from 1 out of 7 to 1 out of 2
- Staff restructuring
- Improvement in staff morale and motivation
- 50% increase in orders
- 25% increase in turnover
- Survival of the business

Leadership skills development by the participants included:

- Enhanced confidence
- Improved delegation
- Promoting and managing change
- Negotiating
- Communicating with the business
- Balancing work/life priorities

The proposed model

The [Additional detailed document 2](#) sets out the 20 key elements that are a standard for good practice when planning, organising and delivering a leadership 'action learning' programme for SME businesses. We refer to this as the leadership model.

In summary, the key components of that model that need to be considered are:

- Getting the right participants
- Professional facilitation
- Preparation prior to the programme
- The dynamics of the programme itself
- The launch process
- 'Action learning' focus
- Coaching
- Close-out and post-programme planning
- Evaluation

How can the model be used?

A wide range of interested parties and stakeholders may be interested in using this model. For example:

Employers, in particular small business owners and managers

- It will help them to understand what is a proven process to develop their leadership capabilities and to deliver real and immediate business benefit.
- It will enable them to understand what is involved in the learning process and the sort of commitment they would need to make.

Sector Skills Councils

- It will enable SSCs to influence employers, stakeholders and government to adopt the use of this 'action learning' model to develop leadership capabilities of SME owner managers.

Policy setting governmental departments and bodies

- As evidence of good practice, it will deliver improved management and leadership skills for SMEs to improve the profitability and productivity of UK businesses. This has been a key policy requirement of DfES and DTI over the past decade.
- It will inform priorities when government is considering funding for skills development and business productivity improvement of SME owner managers.
- It will influence the thinking of RDAs and RSPs when they are considering management and leadership priorities in UK regions and how best to deliver the skills development to these priority areas.

Funding organisations

- It will allow the funding organisations such as the LSCs to select the most effective methodologies for delivering proven results in developing leadership skills for small businesses.
- It can be used as a specification when asking providers to tender for leadership training for SMEs.

Learning and development brokers

- It will provide all the necessary information about this type of programme and its benefits for brokers to use when advising businesses on their learning and training needs.
- It is a **proven** process that delivers immediate results and meets the special needs of busy SME owner managers.

Advisors to small business managers

- It will provide trusted advisors, such as accountants and bankers, with evidence about how this type of learning can benefit small business owners.

Providers of learning events

- It will enable them to understand how to design and deliver 'action learning' leadership development for SMEs.
- It will act as a guideline for them when tendering for business to RSPs and RDAs.
- It will enable them to understand what skills they need to be able to facilitate this type of learning event. This is not a didactic training course and requires particular expertise and experience in the skilful use of questioning.

Where to go for more information

Whilst the model is openly available, it is the intellectual property of the Sector Skills Development Agency, which can be contacted directly for further information about how to use the model. The SSDA website is www.ssda.org.uk

A further source of information, and the repository of all the detailed reports and data collected during the project, is available on www.ssda-mandl.org.uk

This concludes the section on Good Practice.

Project Report

How did it start?

The SSDA began creating the Skills for Business Network (SfBn) in 2003. A number of cross sector boards were established to work on a range of cross sector issues. These boards were staffed by SSDA representatives and Sector Skills Council members.

The Management and Leadership Board (M&L Board) was responsible for this project. It was asked to manage four 'added value projects'.

The four projects were:

1. The Leadership Skills Model (the subject of this document), later renamed Action Learning for Leaders
2. The Management Skills Model, later renamed Solutions 4 Business
3. Development of National Occupational Standards for management and leadership
4. The Gateway Project

For more information about the M&L Board and these projects, please refer to <http://www.ssda-mandl.org.uk/>

Sector Skills Councils were asked to volunteer to lead these projects. Steering groups of a cross sector nature were established to manage the process. The M&L Board supervised the overall project work.

CITB-ConstructionSkills volunteered to lead the Leadership Model project and, based on an outline specification of the project, established a project plan and secured the necessary SSDA funding to proceed with the project in Q1 2004.

The need for the project was based upon the premise that there was a shortfall in leadership capability of UK businesses by comparison with our international competitors. This directly affects the growth and development of 'UK Plc'. Many government and non-government reports have alluded to this diagnosis over the past decade (CEML, Porter, etc), making improvement of leadership skills a government priority.

The issue was most acute for SME business organisations. There were numerous courses, programmes and materials available, but these were mostly for larger organisations. It appeared there was very little material or learning processes relevant to time-poor SME owner managers.

The focus of this project, which commenced in the middle of 2004, was to identify a tried and tested approach to leadership development that could be presented in a relevant and understandable manner for the target group.

Although the target group were SME owner managers, it became apparent that the real problem lay more with the micro businesses. This sector accounts for over 90% of UK companies and accounts for nearly 60% of all employment. It was believed that establishing a process to improve leadership skills for this group would add most value to 'UK Plc'.

How was the project managed?

The project was led by CITB-ConstructionSkills.

A steering group included:

Asset Skills

e-skills UK

Improve Ltd

Skillfast-UK

Skillset

Skillsmart Retail

The project reported to a Skills for Business Network Cross Sector Board. Initially this was the Management and Leadership Board. This Board has subsequently been merged into the Cross Sector Business Board.

The project manager worked with the steering group to agree tasks and targets, as well as developing ideas and proposals that were fine-tuned by the steering group. Action was then instigated and supervised by the project manager who reported progress to the steering group at quarterly meetings.

Key decision points were taken to the Cross Sector Business Board for agreement and members were updated regularly with reports and presentations from the project manager at board meetings.

A feature of the project has been that it has been flexible in relation to the original project specification. As the project evolved and more data was collected, it became apparent that subtle changes were needed if the project was to deliver pragmatic results for the Skills for Business Network. These variations were debated and supported by the steering group and the Cross Sector Business Board. This has resulted in a feeling of joint ownership and contribution to the project's outputs.

Project schedule and deliverables

The original plan was set out to the Management and Leadership Board in September 2003. Three phases of the project were proposed:

September 2003 to March 2004 – Researching and establishing a package to test. Identifying participants and facilitators to be involved in the pilot workshops.

April 2004 to March 2005 – Pilot workshops with 20 SME owner managers and the development of an intermediary good practice guide.

April 2005 to March 2006 – Testing and revising the model with two further cohorts of SME owner managers.

[Additional detailed document 3](#) shows the original specification for the project.

In fact, the project did not start in earnest until Q1 2004 and was further delayed by the sudden illness of the CITB-ConstructionSkills project manager. When a new project manager was appointed in March 2004, the project was rescheduled to run from this time.

April 2004 to March 2005 – Research

April 2005 to March 2006 – Pilot phase

April 2006 to March 2007 – Phase 3 which has been redefined and focused on how to scale up the pilot activity into UK-wide activity.

[Additional detailed document 4](#) is the project proposal for phase 2 of the project, presented to the SSDA, endorsed by the steering group and presented to the Cross Sector Business Board in 2004.

The key deliverables from the project to date have been:

1. A research report from Henley Management College about SME leadership development issues
2. A tried and tested leadership development model for SME owner managers
3. This report, which outlines good practice guidelines combined with a full project report that captures the learning from this project

These documents are available on <http://www.ssda-mandl.org.uk/>

The research

The research phase of the project began in April 2004. The work was put out to tender using CITB-ConstructionSkills' tendering processes and procedures.

The tender award was made to Henley Management College.

Henley conducted its research during May to September 2004 and produced a final report in October 2004.

The research identified the key issues facing SME owner managers in relation to their leadership development and examined what materials and resources were available to them. It also identified some of the resources that may be available in the marketplace to facilitate learning. It recommended that the methodology that best met the needs of this target group of SME owner managers is 'action learning' supported by e-learning and coaching.

[Additional detailed document 5](#) is the Management Summary from the report, setting out its key findings and recommendations.

In another cross sector sponsored project, 'The Management Model' (now known as the 'Solutions 4 Business' project), the research carried out by consultants Pye Tait established many similar findings to the Henley research regarding the nature of the issues and priorities facing SME owner managers in the UK.

[Additional detailed document 6](#) is the executive summary from the Pye Tait report.

Based on the report from Henley Management College, the project manager for the Action Learning for Leaders used his experience of this type of learning activity to design a generic model for the pilot activity of Phase 2 of the project. This was endorsed by the steering group and was used as the specification for tendering out pilot programmes to potential providers.

[Additional detailed document 7](#) is a copy of the generic model.

The pilot workshops

The project plan was to run a series of pilot workshops based on the generic model with some 20 SME owner managers. The key issues to be considered were:

- Where to run the pilots?
- How to facilitate the pilots?
- How to select suitable participants?
- How to evaluate the overall programme?

Where to run the pilots?

The steering group suggested that pilots were run in Scotland, Wales and England. This decision was endorsed by the M&L, which suggested that Glasgow, Cardiff/Swansea and Nottingham would be the most suitable locations because they would provide sufficient concentrations of businesses to support the trial.

How to facilitate the pilots?

Initially, a network of facilitators from CITB-ConstructionSkills was contacted to establish expressions of interest to run these pilots. Other SSCs were asked to provide names of other facilitators and a list of 16 providers was drawn up.

CITB-ConstructionSkills' procurement department supported the invitation to tender and established procedures were followed throughout the process. Four providers were interviewed by the steering group (acting as the tender board). It became clear that two of the potential providers did not fulfil the requirements. Both were tendering for the Welsh pilot. Two back-up bids were then considered, of which one was acceptable. The outcome was a need to relocate the pilot in order to keep the project on time.

The final locations were Glasgow, Nottingham and Guildford.

The problems in identifying and selecting appropriate facilitators for this type of learning event have been highlighted in the evaluation. It has also informed some of the input to the 20 point 'Good Practice' guidelines.

How to select participants?

The M&L Board had agreed to be the source for finding participants. At this stage 15 SSCs were represented on the Board but by the end of the selection period only 11 candidates had been identified. This was acknowledged as a significant employer engagement challenge for SSCs.

In order to maintain momentum and remain on time with the project, the project manager was requested to seek other sources. Using Business Link, Centre for Enterprise, Chambers of Commerce, Henley Management College and private providers, 23 candidates were eventually sourced.

The starting numbers were:		At the mid-point of the pilots, the numbers were:	
Glasgow	– 9	Glasgow	– 8
Guildford	– 9	Guildford	– 8
Nottingham	– 5	Nottingham	– 3

The 19 who had been involved at the mid-point stage were still fully engaged at the end of the project.

The evaluation from the pilots was, without exception, very positive, fit for the needs of SME owner managers and delivered both the personal learning and immediate tangible business benefits they were seeking.

The key issue of attracting and engaging the right participation was highlighted in the evaluation.

Evaluation of the programme

The steering group required a comprehensive approach to evaluate the pilots.

The agreed strategy was to:

- acquire an evaluation by each of the providing facilitator groups
- get an overview third-party evaluation
- complete the steering group's own analysis.

The tender for the third-party evaluation was awarded to Henley Management College, which was required to complete a mid-project report so that the trial proceedings could be assessed, with the opportunity to take remedial action if necessary.

At the end of the project all the evaluation reports were discussed and conclusions and recommendations agreed at a workshop held on 2 November 2005.

It was also decided to take the evaluation details to a wider stakeholder workshop in which policy makers, funders, brokers, advisors, providers and facilitators could all be present. 50 participants attended this session on 23 November 2005. It was possible to cross-check the validity of our proposed good practice guidelines model with several other providers of 'action learning' programmes to SME owner managers. These included Exeter, Lancaster and Surrey University Business Schools, which had been working with several hundred participants. They fully endorsed our model, providing reassurance given the relatively small sample in this project. [Additional detailed document 2](#) details this model.

[Additional detailed document 8](#) is the executive summary of the third-party evaluation from Henley Management College.

The steering group identified other key issues that would need to be addressed if this product was to be a UK-wide initiative. These were:

1. Ownership and funding
2. Engagement of SME owner managers
3. Facilitators
4. Co-ordination, communication and marketing

[Additional detailed document 9](#) addresses these issues and summarises the input from the working groups that held at the stakeholder workshop on 23 November 2005.

Close out

This document is the final output to close out Phase 2 of this project. A project proposal for Phase 3 is currently under consideration by the SSDA.

This concludes the main body of the Project Report.

Additional detailed documents 1–9

1. [Success stories demonstrating the benefits of 'action learning' for SME leadership development](#)
2. [The 20 point 'Good Practice' model](#)
3. [Management and Leadership Board Added Value Activity Project Plan – Leadership Model – Original Plan](#)
4. [Management and Leadership Board Added Value Activity Project Plan – Leadership Model – Second Year Plan](#)
5. [Management summary from the research report by Henley Management College](#)
6. [Executive summary from the Pye Tait research on SME management training needs and issues](#)
7. [Generic model for an 'Action Learning' programme when setting up the pilot workshops](#)
8. [Executive summary of the evaluation report produced by Henley Management College](#)
9. [Key issues identified for scaling this model up to a UK-wide programme](#)

1. Success stories demonstrating the benefits of 'action learning' for SME leadership development

Below are summaries from 15 participants of the pilot workshops. These are short case studies describing the business benefits and personal skills development experienced by the participants. These are extracted from the Henley Management College evaluation report, which can be found at www.ssda-mandl.org.uk/

Business A predicts future profitability:

'I joined the programme because I wanted help in taking my company (financial services) to the next stage of creating a stable, profitable business. This would then allow me to hand over the running of my business within the next 5 years. I have found the programme extremely useful, especially the sessions where the participants are discussing each other's problems. I have benefited greatly from this and have been able to bring the benefits directly back to my business. My challenge was the lack of profitability in my business despite having more work than we could handle. During the programme, I have resolved to charge fees for the work I do and offer staged payments to clients, rather than relying on commissions as before. I was worried in case I would lose clients, but they have all accepted the new structure without any problems. This will significantly help my profitability and enable a future handover.'

Business B has developed a more open management style:

'I was appointed MD two months before the programme and wanted help to gain the confidence to change the company. This programme has really been invaluable. I have now increased the level of promotional and PR activities – we produce newsletters and ask for referrals. I now give staff briefings to keep them all informed and we are starting to document our procedures. I am now working on a culture change to create a more open style of management and increased staff empowerment. I have found the group feedback sessions really useful in helping me to develop my ideas. Thank you!'

Business C has reduced wastage and improved production:

'I joined the programme after it had started but soon found it very helpful. I had not been in this role long and was having problems. I am now being appreciated as a leader. I have delegated almost 80% of my old roles and people are now coming to work earlier, probably as a result of changing my style. I seem to be more approachable – people are asking me for help with their problems instead of hiding them. The point of the course seems to be about dealing with 'you', not the shop floor. I have been able to remove my self-made blocks. The business has benefited from reduced wastage and improved production. The programme has really helped me to gain the confidence and achieve these changes.'

Business D has improved motivation of its workforce:

'Since starting on the programme, I have been taking actions to ensure effective delegation to three senior managers. I have introduced templates for documents and capturing information so that this is now visible. I have become aware that many of my people are 'unconsciously competent'. I have also changed the rewards and incentives scheme to help motivate the people in my company.'

Business E has significantly improved its bid success rate:

'I have been working on assessing our projected performance and have mixed financial and marketing indicators to come up with an overall performance indicator. I have been monitoring hits on our website and enquiries through our website. When we reviewed the website, we thought that it did not appeal much to our customers, so we have changed the presentation and now include news and stories of relevance to our customers. We have also written a joint case study with one of our customers, so that we really promote and communicate what we are good at doing. We include referrals and recent successes. This has contributed to us now achieving a bid success rate of 1 out of 2, when previously we only succeeded in 1 out of 7 bids. I am still working on the challenge to buy out my ex-partner's shares.'

Business F has become much more customer focused:

'Since starting the programme, I have focused on how to hand over my business on my retirement. I have appointed a General Manager on a 3-month trial, and have taken the decision to be deliberately inactive on day-to-day business matters. I have moved out of the main office into a small side office to help encourage delegation and empowerment. I have been spending my time writing operating manuals and process documents to preserve my knowledge and help the business in the future without me needing to be there. The staff had been very product-focused, but are now developing a greater customer service focus and working hard to understand customer needs. On reflection, I really think that the job description for the SME CEO should be different.'

Business G has prepared for a big sales push:

'When I started the programme, I had some real people problems and sales were flattening out instead of increasing as planned. I have now employed an external consultant to produce a business plan and he is working via a business angel to secure funding. I am working with two of the people in my learning set as I rewrite my marketing materials. I have fired one salesman and recruited another, so that I am ready to go for a big push on sales in September and am feeling really confident.'

Business H now has a more committed management team:

'My challenge concerned my co-director, who was being an obstacle in the way of growing the business as I wanted. I have worked through a 10-year plan for the business with my partner, based on current performance. This was very effective in showing him that the dream of selling up and retiring early to live in the Caribbean would not happen unless we changed the business fundamentally. On current figures, there would be nothing left of the business in 10 years. My partner is now committed and on board to help me make strategic changes. This has been a major achievement.'

Business I has better options for the future:

'When I started at my company, I did not effectively negotiate and document a promised increase in my shareholding after an agreed number of years. The other directors founded the company but now view it as a pension fund and are not really interested in the day-to-day business. Any changes I suggest are rejected and I am really considering whether this is the right job for me. I would like to buy them out, but they insist that the business is worth a lot, yet the accountant values it at virtually nothing. People have talked about this perceived 'sweat value' as 20 years of emotional value, blood, sweat and tears, which means a lot to the founders of the business, but is of no value in financial terms. This programme has helped me to reflect on this position and consider my options for the future.'

Business J has improved quality and profitability:

'My problems concerned my director who contradicted me and changed his mind, undermining my credibility with the staff. We had low morale in the factory and I wanted to improve this by focusing on improving quality and encouraging teamwork. The programme has really helped me understand how I can achieve this and I have felt confident to stand up to my director by having a reasonable discussion and asserting myself. I have also significantly improved relationships with the staff, who will now approach me with problems rather than hiding them from me. In this way, we have been able to look for a solution rather than allocate blame. We are already seeing improved profitability due to less quality problems.'

Business K has improved efficiency and reduced wastage:

'I have been working on a major project review, where we have been concentrating on how to order promptly and make effective use of materials. By doing this, we hope to address the problems of wasting expensive materials and therefore increase profitability. This has also included a full review of our safety procedures.'

Business L is expanding its customer base:

'When I started the programme, I had a very basic website, even though it would be the ideal way for me to promote my products and take orders (clothing company). I have now employed a professional website designer who is producing a very good technical and exciting website so that I can really expand my customer base. I can then concentrate my direct sales efforts on big, special orders. It has been very helpful to talk this through with the others in my group; some have already tried this and others had similar questions to mine.'

Business M has learned from sharing experiences with other participants:

'This programme worked very well for me. I think it was fascinating how we shared some very sensitive and confidential information concerning other directors, shareholdings, customer problems etc. It was essential that there were no consultants who might exploit this information and also no direct competitors. The group needed to maintain full confidentiality and trust in each other. This was a vital ingredient to our success.'

Business N has increased new orders by 50%:

'Since starting the programme, I have taken several actions. I have worked to improve internal communication and now produce newsletters, staff briefings and meet with people much more often. I am trying to adopt a more open style of management to encourage staff empowerment. I hope that this will ensure less reliance on me as an individual in the future and thus help create a healthier work/life balance for me. I have increased my marketing, promotional and PR activities. This has already helped to increase my new orders by 50% and there is a feeling that all the staff are more motivated.'

Business O has planned for a 25% increase in turnover this year:

'This programme really gave me confidence. I have changed the structure of my company and now have two people in senior management positions to help build a chain of command. I have also implemented a sales incentive programme to help motivate staff and am in the process of relocating the office to create a better working environment and one where communication will flow more easily. The working environment has become more structured and we have weekly team briefings and staff training sessions. I also have a weekly meeting with my two senior managers. There is a new sales incentive package to give the opportunity to earn financial rewards. I will continue to write down my personal goals and assess periodically how I am working towards these. I have created a business plan based on 25% increase in turnover for 2006 and a plan of action on how to achieve this. I am delegating more of my responsibilities and this has enabled me to step back from the day-to-day working of the business and have more time for planning how to drive the business forward over the coming years. I think that the programme has given me the confidence to step back and feel that I do not personally have to do everything!'

Business P will now survive beyond the retirement of its current owner:

'The principal benefit of the programme to the business has been to enable me to focus and establish a personal plan to introduce and initiate changes leading to a mutually acceptable exit from the business on my retirement. Prior to the programme I was having difficulty resolving many of the potential and real problems. By documenting a personal plan and building the company future around this, it has helped me to develop a personal and company vision for the future. This led to developing the management team and ongoing delegation of various tasks. The real benefit of the programme was the strength of the team formed with the other participants and the flexible approach to the delivery. This programme has probably saved my company from potential oblivion on my retirement.'

2. The 20 point 'Good Practice' model

The following model comprises 20 components that have been identified following the piloting of a leadership development programme managed by the Skills for Business Network project team. This programme, run between April and October 2005, delivered direct tangible business benefits and impressive personal learning and development outcomes for the SME owner managers who attended.

This model has been created from the data contained in four evaluation reports. Three were produced by the organisations that delivered the pilots and one was an overall evaluation by Henley Management College. These were debated in detail at a workshop on 2 November 2005 attended by all the facilitators and the Skills for Business Network project steering group, and a consensus was reached about these key components. Some further small amendments were made at a stakeholders' workshop held on 23 November that included some 50 participants representing government and non-government agencies, providers of 'action learning' programmes and SSC representatives. Details of the workshops and all the reports are available on: www.ssda-mandl.org.uk/

Details of the model are set out below.

1. Qualified participant

The target population for this programme is a (micro) SME owner manager. The individual needs to be someone who has real influence in the business, can make decisions and commit resources. In exceptional cases it may be acceptable to include nominees from the principal of an organisation if they meet the influence criteria above.

It is important that all participants make a commitment at the outset to remain involved for the duration of the programme.

2. Bringing a business issue

Every individual attending must bring a personal business or organisational problem or issue with which they are grappling.

An 'action learning' approach must be based around trying to resolve a real business issue or concern. As this model is focusing on leadership, the issue should be strategic and concerned with leadership, business direction, organisational change and so on, rather than being operational or managerial in nature.

The facilitator should determine if the issue or problem is strategic enough to develop leadership capability. This may require some iteration with the participant as issues are often symptomatic rather than the core (strategic) problem. (Refer also to 5 below.)

3. Leadership skills diagnostic

It is important that each participant should complete a skills diagnostic to establish base knowledge and gaps in their experience. This is important data for the facilitator in designing the shape of the programme. It should be completed as part of the screening process prior to selection and could form the focus for the discussion along with the business issue at the pre-launch meeting at the client's site. (Refer to 5 below.)

4. Facilitators

The facilitators for the programme should be near to the set as local knowledge of the business environment and infrastructure will help establish credibility. It is also important to minimise travelling time for group work and individual coaching sessions as required.

A minimum of two facilitators are needed for the programme to allow for flexibility and back-up. Ideally, they should have complementary styles and skills.

The facilitators need good facilitation skills and should have experience of working with SME organisations and owner managers in a business consultancy capacity, as opposed to being training providers only. (Refer to 15 below.)

5. Pre-launch meetings with facilitators

Prior to start-up, it is important that facilitators meet potential participants at their normal place of business. This enables the facilitator to ensure that the participant is qualified to take part in the programme and to be confident that they would benefit from the experience. This is an important part of gaining the commitment of the participant to the programme. (Refer also to 1, 2 & 3 above.)

6. Duration of programme

The ideal timeframe for an 'action learning' based programme is 9 to 12 months. This will depend, however, on how many participants are involved in the project, the type of issues being addressed and the relative knowledge and experience of the group. Six months is a minimum period that should be considered (and should exclude the main summer or winter holiday periods). Another desirable objective is to leave the group as a self-sustaining set at the end of the programme. (Refer also to 19 below.)

7. Evaluation

It is important to build into the programme an evaluation process that will measure participants' reactions to various elements of the learning process. Learning and transfer of learning into their business should also be assessed. Any impact on business performance should be captured as the programme develops and particularly after the programme is completed. This information can be used for improving learning processes and will provide important case study data on the overall effectiveness of this type of development. Such information can be used to persuade other SME owner managers to become involved in the future.

8. Venue for the programme

An appropriate learning environment such as a business/conference centre with appropriate on-site support should be chosen.

9. Set size

The ideal set size is 9 to 12 qualified participants. This accommodates predicted non-attendance of all participants at some stage due to holidays, personal issues and business demands. (Refer also to 1 & 2 above and 11 below.)

If the set is below this number, absences will reduce the group to an unworkable level and the programme should be discontinued. With such low numbers, there will not be the diversity of expertise required to enable the group problem-solving sessions, which rely on skilful questioning and sharing experience.

A set size of 9 to 12 also allows for sub-sets of 4 to 6 participants, which are ideal sizes for the discussion sessions.

10. Set location

The set must be locally based. In many cases, more than one hour travelling time may result in a failure to stay on the course, particularly if it is an extended 12-month programme. This will, however, depend on geography and accepted travel times and distances for the area.

11. Set composition

The set should be diverse and not include local business competitors. It may be across different industries (cross-sectoral) or be occupational clusters. Whatever the case, there needs to be a balance with not too many from one background. This degree of mix is important to bring new perspectives to the problem solving sessions. (Refer to 9 above.)

12. Regularity of set meetings

Set meetings should be planned on a regular basis to suit the needs of participants. The recommended frequency is every four to six weeks, depending on the overall length of the programme and the needs of the learners. Key holiday periods should also be taken into account to ensure maximum attendance levels. (Refer to 6 above.)

13. Team building

In order to set the tone and allow participants to reflect on, and openly share, their own experience and applications, it is important to create mutual trust at an early stage in the group. Teambuilding, including social activity, is vital at the outset of the overall programme. Pre-workshop social events are good ice-breakers and team building exercises at the launch workshop are very powerful tools.

14. Launch workshop

A full day workshop is recommended to launch the programme. This is an ideal opportunity to consolidate teambuilding and reinforce expectations. It is important to include group-facilitated discussion and questioning about the participants' business issues.

It is a good idea to agree all meeting dates and put them into diaries at this workshop. (Refer to 12 above.)

15. Knowledge transfer and facilitated group questioning

A best practice programme should include both of these components. (Refer to 16 and 17 below.) They should, however, be clearly separated.

16. Facilitated group questioning

Facilitated group questioning is fundamental to 'action learning'. This activity is very powerful and should form the basis of this leadership development model. Real facilitation skills in managing the questioning process are needed. An appropriate facilitator workshop should be made available to less experienced facilitators wishing to work with this model (Refer to 4 above.)

17. Knowledge transfer sessions

Knowledge transfer and input sessions should be explicitly linked to the individual and group business issues brought by participants. Knowledge transfer must be participant-driven rather than facilitator-led.

Topics for input sessions may result from the facilitated group questioning sessions. These input sessions should be interactive and may be presented to the whole group, part of the group or as part of a one-to-one coaching session. They may involve the introduction of publications, references and other data sources or could be made available through websites. Experts may be brought in if facilitators lack necessary knowledge. Group members may take responsibility for accessing specific knowledge areas and feeding this back to the group. (Refer to 4 above.)

18. Coaching

Coaching is an essential element of this programme. One-to-one sessions are vital and the duration and frequency should again be participant-driven. At least one face-to-face meeting should take place on the participant's site in addition to the initial pre-course meeting. Thereafter, a combination of other communication methods may be used, such as email, web or telephone, as required or preferred by the participant. It is advised to use carefully selected, experienced, local businesspeople to act as mentors to support ongoing learning.

19. Close-out workshop

The programme requires a close-out workshop to mark the end of this phase of the learning process. It is important to capture the key learning for the individuals and the subsequent impact on their businesses. It is also an opportunity to celebrate success; in many cases, this may be the first or only formal recognition the participant will receive. This workshop is likely to be an important source of success stories and case studies.

20. Post-programme process

At the outset of the programme, participants need to be made aware of what is likely to happen at the end of the programme. Personal development plans should be in place. Ways of staying in contact with each other and with the facilitators should be considered, including the possibility of the group evolving into a self-sustaining set at the end of the formal programme. (Refer to 6 above.)

In order to evaluate the long term effect, there should be some means of revisiting personal learning and impact on the business six to nine months after the end of the programme. Again, this would be a powerful source of case studies and success stories.

3. Management and Leadership Board Added Value Activity Project Plan – Leadership Model – Original Plan

Project outline

Leadership Model – a definition

The Skills for Business Network does not aim to build new management models from scratch; rather, it seeks to identify the 'best of breed' models and delivery methods that are currently available. Its goal is to ensure these are both made known, and made available, to our target audience. (For this project we have a particular focus on SMEs but will also take input from medium and large companies.) However, where there are gaps, we will develop solutions to fill them.

So, when this document refers to the 'Leadership Model' we mean the model or models that will be chosen (and possibly enhanced) and how we intend to make them easily available to SME managers, trainers and other stakeholders.

Ultimately, a key part of the project is to provide an intelligent front end or diagnostic tool that communicates with managers about their day-to-day issues and problems in language they understand. It will then guide them to the best available solution.

The differences between the basic management model and the Leadership Model and how the two models should interact

Put simply, the basic management model focuses on practical, tactical issues that will help managers be more effective and productive. The Leadership Model focuses more on direction setting and strategy. Inevitably they overlap and it is a requirement that the two lead SSCs talk regularly to ensure seamless and consistent deliverables.

Purpose

Leadership skills involve:

- creating a sense of vision in a fast changing environment
- motivating teams of people and leading them through change
- being innovative in products and services and ways of working.

Research by CEML has shown that leadership skills are in short supply throughout organisations. The Leadership Model will develop and test a collaborative approach to leadership development activities.

The objectives of the Leadership Model are:

- to draw together a panel of expert learning facilitators
- to design an approach to collaborative leadership development
- to pilot the collaborative approach with two groups of managers from across a range of sectors
- to review the success of the pilots and develop a plan to roll out the model, if appropriate, including identifying support for further activity in Year 3 and beyond
- to produce a Skills for Business Network 'Guide to Leadership Development'.

Activities

Year 1 Activities – March 2004 to September 2004

The activities to be undertaken during Year 1 are:

1. **Top leadership issues:** identify the top leadership issues as seen by SME managers so that we remain customer driven and satisfy their needs and wants
2. **Leadership development** – what's available? Review of existing information on leadership development provision
3. **Facilitators** – who is available? Research into collaborative learning facilitators, in order to draw together an expert group to support the development of the Leadership Model
4. **Development activities:** develop a package of leadership development activities
5. **Recruit pilot group:** recruit an initial pilot group of 20 managers from across a range of sectors to be involved in initial piloting of the model. The initial pilot group should include managers from organisations of a range of sizes to explore the opportunities to facilitate collaboration between small, medium and large organisations
6. **Costed plan for years 2 and 3:** based on the experience of, and feedback from, this exercise, develop a costed plan on which to base the deliverables of years 2 and 3.

Year 2 Activities – September 2004 to August 2005

During Year 2, activities will involve:

1. initial testing of the model with the 20 managers
2. review of the initial test and refinements to the model
3. recruiting a further cohort of managers to test the refined model
4. developing draft Skills for Business Network guide to leadership development, based on the tests undertaken and information from other suppliers of leadership training and development
5. identifying the most effective way of communicating with managers who need this leadership development (portal, press, advertisement, media, SSCs etc.).

Year 3 Activities – September 2005 to August 2006

During Year 3, activities will involve:

1. testing of the revised model with a further two cohorts of managers
2. final review and refinement of the Leadership Model
3. production of final Skills for Business Network 'Guide to Leadership Development'
4. the development of a roll-out plan, for activities continuing from April 2006 onwards.

Stakeholders/Contributors

The development and delivery of the Leadership Model will involve close working with a range of organisations. This will include:

- organisations specifically involved in the development and delivery of leadership development support, including private providers, HEIs and other educational institutions
- funding agencies for post-16 education and learning across the UK
- providers of support to SMEs
- the major management institutes
- employer bodies.

As with all other activities relating to management and leadership, it will be critical to ensure that the project complements other activities that are being undertaken across the UK.

Process outputs

The Leadership Programme will ultimately deliver:

- a tried and tested approach to leadership development, which can be offered on a collaborative basis and is appropriate to organisations across all sectors and of a variety of different sizes
- a Skills for Business Network guide, which will provide a profile of the activities tested, enabling intermediaries and potential users to compare approaches on the basis of their strengths and weaknesses and applicability to different organisations.

Targets/Outcomes

Detailed targets will be developed during the initial design and development of the Leadership Model and will be agreed with the Management and Leadership Board prior to commencing the formal piloting process.

Indicative costs are given for years 1, 2 and 3 below.

Activity	Year 1 to March 2004 (£000)	Year 2 2004/05 (£000)	Year 3 2005/06 (£000)
Project Management, Monitoring and Evaluation Background Review Develop Facilitator Group Package Development Recruitment of Pilot Group			
Testing (x2), Review, Guide Development, Monitoring and Evaluation			
Testing (x2), Final Review, Final Guide and Roll-out plan			
Total	50	180	180

Monitoring and evaluation

Monitoring of the project will be through reporting of progress to the Management and Leadership Board and/or a subgroup of that board over the course of its implementation.

Evaluation will be carried out at two levels:

- assessment of the contribution of the Leadership Model to the achievement of the Management and Leadership Board strategic objectives
- assessment of the contribution of the Leadership Model to the achievement of the Skills for Business Network performance indicators, in line with the overall evaluation framework included in the Management and Leadership Implementation Plan.

This project plan will be subject to review and updating during the course of its implementation. All changes to the project plan will be agreed by the Management and Leadership Board.

4. Management and Leadership Board Added Value Activity Project Plan – Leadership Model – Second Year Plan

Project outline Phase 2

Leadership Model Phase 1 – Research – Progress so far:

Year 1 Activities – April 2004 to March 2005

The first phase of this project has delivered the following:

1. **Top leadership issues:** Research by Henley Management College (HMC) has identified the top leadership issues in the UK as seen by SME managers
2. **Leadership development** – what's available: HMC has reviewed existing information on leadership development provision
3. **Facilitators** – who are available: HMC has researched into collaborative learning facilitators and defined the sort of facilitation needed to support a programme of learning for SME owner managers;
4. **Development activities:** From the HMC recommendations a package of leadership development activities has been developed
5. **Recruit pilot group:** A pilot group of some 18–24 SME managers from across a range of sectors is currently being sought to be involved in initial piloting of the Model. Three AL sets are planned to be held in separate areas of the UK to ensure that the model is representative of needs across the country;
6. **Costed plan for years 2 and 3:** Below is set out, based on the experience of and feedback from this exercise so far, a costed plan on which to base the deliverables of years 2 and indicative costs for year 3.

Phase 2 Piloting the Model

Year 2 Activities – April 2005 to March 2006

During Year 2, activities will involve:

1. initial testing of the Model with the 18–24 managers
2. review of the initial test and refinements to the model
3. recruiting a further cohort of managers to test the refined model
4. development of a database of intermediaries
5. development of draft Skills for Business Network guide to leadership development, based on the tests undertaken and information from other suppliers of leadership training and development
6. identifying the most effective way of communicating with managers who need this leadership development (portal, press, advertisement, media, SSCs etc.).

Costed plan for Phase 2 – Year 2

Milestone	Activity	Costs	Completion date
1. Establishment of three 'Action Learning' programmes.	Tender process and award of contracts. Start-up workshops. Ongoing 'action learning' process. Close-out workshops. Evaluation report.		Tender process completed end January 2005. Start-up workshops in March 2005. 'Action learning' process completed by September 2005. Evaluation reports completed by November 2005.
2. Third -party evaluation process.	Tender out the evaluation contract. Award contract. Carry out evaluation. Present both written and oral presentation of results.		Tender by March 2005. Contract by April 2005. Carry out evaluation by November 2005. Present findings by December 2005.
3. Intermediary guide and database.	Tender out the Intermediary guide project. Award contract. Complete the guide and database for the Gateway. Present the guide in both written form and with close-out presentation/ demonstration.		Tender completed by November 2005. Contract awarded by December 2005. Draft guide completed by January 2006. Present results by February 2006.
4. Project management.	Manage the project steering group. Set up tenders and award contracts. Manage the contracts for quality, value and delivery. Financial management and reporting. Liaison with Employers. Liaison with third parties and government agencies.		From January to December 2005.
Total		£175,000	

Phase 3 – Finalising the Model

Year 3 Activities – April 2006 to March 2007

During Year 3, activities will involve:

1. testing of the revised model with a further two cohorts of managers if required
2. final review and refinement of the Leadership Model
3. production of final Skills for Business Network guide to leadership development
4. the development of a national roll-out plan, for activities continuing December 2006 onwards.

Indicative costs for Year 3 are set out below:

Activity	Year 2 2005/6	Year 3 2006/7
Running 'Action Learning' sets		
Third-party evaluation of process		
Intermediary guide and database		
Overall project management		
Total	£175,000*	£185,000

Please note:

*£43,750 contract start-up for Phase 2 – year 2 will be paid in financial year 2004/2005.

Stakeholders/Contributors

The development and delivery of the Leadership Model will involve close working with a range of organisations. This will include:

- Organisations specifically involved in the development and delivery of leadership development support, including private providers, HEIs and other educational institutions
- Funding agencies for post-16 education and learning across the UK
- Providers of support to SMEs
- The major management institutes
- Employer bodies.

As with all other activities relating to management and leadership, it will be critical to ensure that the project complements other activities that are being undertaken across the UK.

Process Outputs

The Leadership Programme will ultimately deliver:

- A tried and tested approach to leadership development, which can be offered on a collaborative basis and is appropriate to organisations across all sectors, with an emphasis on SMEs employing 25 or less

- A Skills for Business Network guide, which will provide a profile of the activities tested, enabling intermediaries and potential users to compare approaches on the basis of their strengths and weaknesses and applicability to different organisations.

Targets/Outcomes

Detailed targets will be developed during each phase of the piloting and will be agreed with the Management and Leadership Board prior to commencing each stage.

Staffing

Project management will be carried out for the Skills for Business Network by CITB-ConstructionSkills. This role will include co-ordinating activities and securing the involvement of appropriate individuals from across the network to support the activities required, both in terms of development and delivery. This will be done in conjunction with a steering group from within the Management and Leadership Board.

Development, promotion and delivery activities will be contracted to expert organisations and facilitators. It will therefore be necessary to develop an appropriate contracting arrangement with these suppliers to ensure appropriate co-ordination and management of activities and delivery of the Management and Leadership Board's requirements.

Monitoring and Evaluation

Monitoring of the project will be through reporting of progress to the Management and Leadership Board and/or a subgroup of that Board over the course of its implementation.

Evaluation will be carried out at two levels:

- Assessment of the contribution of the Leadership Model to the achievement of the Management and Leadership Board strategic objectives
- Assessment of the contribution of the Leadership Model to the achievement of the Skills for Business network performance indicators, in line with the overall evaluation framework included in the Management and Leadership Implementation Plan.

This project plan will be subject to review and updating during the course of its implementation. All changes to the project plan will be agreed by the Management and Leadership Board.

5. Management summary from the research report by Henley Management College

CITB-ConstructionSkills invited Henley Management College to undertake the research phase of the project work in support of the development of the 'Leadership Model'. This report presents the findings of the research study conducted by HMC between July and September 2004.

The principal objectives of this study were to investigate the current challenges being faced by SME organisations across all business sectors in the UK, in particular those in leadership positions within SMEs. The study then addressed the leadership skills development needs of these leaders and proposed a leadership development model.

In summary, the challenges facing the SME organisations involved in this study were overwhelmingly concerned with leading change in their organisation. Their personal challenges concerned implementing change initiatives and communicating and motivating these to the people in their organisation.

The study used a facilitated workshop process as an experimental method to investigate potential ways of developing skills. The approach of short topic sessions interspersed with small and large group discussions was indicative of the positive response of SMEs to 'action learning', where sharing problems and experiences was considered very favourably by those that attended. This approach, combined with e-learning and learning in networks, is strongly recommended to engage SMEs.

One of the key factors to emerge from this study was the importance of effectively engaging SMEs in any form of learning activities; therefore, this proposal addresses the role of 'intermediaries' to help manage this process.

The proposed approach to developing leadership skills acknowledges that, whilst there may be little difference in leadership theory between large and small organisations, the implementation of leadership is different. For many SME leaders, it was very difficult to separate their roles as leaders of the organisation and day-to-day operational managers of the business. Time pressure, delegation and succession planning proved to be of high importance to these leaders.

In view of these differences, the leadership development model has a different emphasis, being more focused on 'how to' apply and sustain leadership, and the approach suggested is based heavily on 'action learning', both face-to-face and e-learning, in light of several successful studies of 'action learning' for SMEs, previously conducted by Henley Management College and others.

The full research report by Henley Management Report can be found at www.ssda-mandl.org.uk/ under Action Learning for Leaders.

6. Executive summary from the Pye Tait research on SME management training needs and issues

Note:

For the convenience of readers, the authors have developed the abbreviation 'MSB' to stand for 'Micro- and Small Businesses'. The abbreviation is used throughout this report.

Aim

The central aim of the project was to investigate the background to, and the feasibility of, delivering an effective model for management development and leadership for micro and small business owners and managers.

The work involved significant desk work to identify models and benchmark systems as well as contact with SSCs and other providers where necessary. A parallel piece of work was conducted to establish the top ten sectoral development priorities.

Basic Management Model

The focus for the study was that of 'Basic Management' which, in this context, is defined to mean the lowest common denominator of business, i.e. micro- and small businesses.

These were defined in accordance with the EU standard definition (from January 2005) of up to 10 employees for a micro-business and up to 49 for a small business.

Characteristics of micro- and small businesses

The study revealed, at a very early point, that micro- and small businesses (MSBs) are fundamentally different to medium and large businesses. Their key characteristics (among others) include:

- A much lower priority accorded to 'growth' and 'profitability' as business objectives
- The multiple job roles exercised by almost all owners and managers of MSBs
- The older average age of managers and owners of MSBs. Over 60% of these managers are aged over 45
- The different personalities of MSB managers. Research has shown that they tend to be more independent in outlook and more non-conformist in approach than managers in medium and large companies. This tends to make them less impressed by labels and formal qualifications and more attuned to informal, personal approaches to development
- An apparently low rate of internet usage (45%) which, according to BT research, is probably boosted by increasing use of broadband connections at home. Even with 'just' 45% internet usage, however, the total of online MSBs exceeds 1.8 million businesses

- Research conducted by the Small Firms Enterprise Development Initiative (SFEDI)² shows that owner managers of small businesses tend to learn by experience and, for advice, are more likely to go to someone within their own network of accountants, bank managers and other professionals. Owners and managers of MSBs tend to use more empirical strategies for learning and developing than their colleagues in medium and large companies
- Micro- and small companies tend to regard their needs for support as being extremely sector, even sub-sector, specific. This is also demonstrated by the very different developmental priorities put forward on behalf of their MSBs by the SSCs.

Intermediaries and support agencies

The same SFEDI research shows that MSBs are much more likely to turn to trusted intermediaries – e.g. banks or accountants – than to formal support agencies, which they regard with some suspicion. The majority of owners and managers of MSBs believe that advice and solutions provided by support agencies are likely to be inappropriate to their needs.

Models and interventions

A model is a representation of an entire system and is, therefore, a higher order abstraction which stands independently of its components and mechanisms.

The authors researched components (interventions) and a selected sample of these has been included in the appendices under a number of distinct categories.

The traditional model of management development is one that should apply, with equal force and effectiveness, to micro- and small businesses. The issue for these businesses is not the model itself but the barriers that prevent small businesses from availing themselves of its benefits. These barriers are cultural/psychological and mechanical. In the latter category fall such things as time, direct cost, opportunity cost, lack of cover, inappropriateness of material/resources and lack of information.

Benchmarks

Pye Tait's work included an initial desk review of MSB support in a variety of countries – the USA, Hong Kong, Australia, France, Germany, and Sweden.

This work revealed no new models. Most countries handle MSB support in much the same way as the UK does – with a variety of interventions – but most also focus on formal teaching and courses.

The European Union's major study into support for MSBs is discussed in this report.

Essential components

In the absence of a working and effective model for management development and leadership in UK MSBs, the following would appear to be the elements on which one would have to focus in order to build such a model.

- **Content** – directed towards genuine business concerns not 'management' subjects
- **Language** – avoiding academic/formal language while at the same time avoiding being patronising

- **Delivery** – not simply flexible but, as far as possible, direct into the MSBs with or by trusted advisers and intermediaries
- **Access** – in common with all other developed economies (see Benchmarking section) the UK would be able to make use of the internet to directly deliver resources, information and material to between 1.8m and 2.2m MSBs, and to all major intermediaries (banks, accountants, consultants, etc.)
- **Cost-effectiveness** – an extremely important element, this can be achieved only by making maximum use of existing material as a starting point, and of existing intermediaries
- **Name/brand** – owners and managers of MSBs need to be provided with a title rather than yet another new brand; one that delivers clarity and simplicity and that does not appear to be part of a formal government programme.

The most vital needs in any new model are:

- clarity of initiative and content
- simplification of the multiplicity of initiatives and providers
- appropriate delivery
- highly targeted material and input (bite-sized chunks)
- lowest possible costs to the businesses.

Conclusions

The conclusions of the study can be summarised as follows:

1. The existing, traditional model of management and leadership development does not fit the needs of small and micro-business owners and managers
2. Micro- and small businesses have characteristics, very different to those of medium and large companies, that effectively preclude adoption of the traditional model
3. No standard or even widely recognised model is available that meets the needs of small and micro-business
4. The owners and managers of small and micro-businesses operate in a psychological and cultural environment and exhibit personality traits that make it extremely difficult to promote and implement the sorts of interventions that are currently available
5. The owners and managers of small and micro-businesses do not see themselves as being distinct from their businesses
6. In addition to cultural and psychological considerations there are mechanical issues that act as barriers to take-up of existing interventions. These include lack of cover, lack of time to go on courses, and lack of money
7. Qualifications and formal training and development are accorded low priority by the owners and managers of small and micro-businesses
8. Small and micro-businesses view their management developmental needs as being discrete business requirements that can best be addressed by close mentoring and guidance from trusted intermediaries such as bankers and accountants

9. Any successful model for the management development of the owners and managers of small and micro-businesses must be based on:
- small units of learning/development
 - material that is directed towards the business rather than the individual
 - material couched in appropriate language
 - material aimed at the sector or sub-sector
 - development targeted at solving specific business issues rather than broad areas of individual expertise
10. In the absence of a genuine alternative to the traditional model, a new model for small and micro-businesses is necessary which focuses on the need for developmental interventions which match (rather than fight) the economic, cultural and business conditions of these owners and managers.

Recommendations

Pye Tait recommends that the most serious consideration be given to establishing a long-term, strategic programme designed to introduce a new model of support and development for the owners and managers of MSBs.

The ultimate – long term – aim of this programme would be to introduce and embed a totally different developmental culture into micro- and small business based on three strategic elements:

- The use of an approach that emphasises **business problems and issues** and not academic management development vocabulary either from existing course structures or management standards
- The use, as far as possible, of the internet and of existing intermediaries to deliver new approaches to management development through solving business problems
- Approaching business problems in ‘bite size’ elements that are much smaller and more convenient to absorb than even most existing material
- The eventual translation of these elements of learning (for that is what they really are) into credits against appropriate qualifications and the introduction of an overt programme to ‘qualify’ managers of MSBs.

Elements of the work would include:

- Research to identify exact needs and the ways in which owners and managers of MSBs articulate their problems
- Portal – the development of a web portal **specifically for MSBs** and presented in an appropriate, non-intimidatory manner. The portal would act as a ‘business development’ tool and would not be focused on training or formal **personal** development. It would have competitions to engage and acquire mailing lists, useful hints and tips, bite-size material on business problems and issues, and, of course, links to all of the other sites carrying useful information
- Promotion – the portal would be promoted directly to MSBs via SSCs, trade bodies, professional bodies, and intermediaries
- Parallel work would also be instituted to examine the difficult area of developing a credit allocation process for the new smaller elements of learning.

The full research report from Pye Tait can be found on www.ssda-mandl.org.uk/ in the section under **Solutions 4 Business**.

7. Generic model for an 'Action Learning' programme when setting up the pilot workshops

The research report completed by Henley Management College in September 2004 reached a number of conclusions including:

1. The leadership learning needs of SME owner/managers tended to focus on leading change in their organisations. The specific areas identified were clustered around setting direction, communicating change and energising people, staying in business and their own personal skill needs. They were not motivated by traditional learning methodologies, gaining qualifications or engaging with academics or theoreticians. They found it difficult, if not impossible, to differentiate between their personal needs and those of their organisation. Their management and leadership roles were seen to be very much overlapping.
2. Their needs were expressed as 'how to' apply and sustain leadership rather than knowledge acquisition.
3. Given this background, HMC concluded that the approach most likely to be successful with this group would be 'action learning' combined with e-learning, learning networks and face-to-face coaching.
4. Some key elements in any programme would need to ensure a very active way to engage this group who are generally too busy to get involved with learning and development. It would require the identification and use of advising intermediaries (contact intermediaries) and expert intermediaries. 'Action learning' sets would need to be run on a very local basis and there would need to be financial incentives and funding for launching this programme and sustaining it early on.

Given the conclusions above, we would like to explore the feasibility of the following learning package:

An SME Leadership Development Programme

Aim

To increase the leadership capability of owner managers of SME companies in the UK by addressing specific strategic issues that they face, and enabling them to implement an appropriate programme of change to resolve those issues within their own businesses.

Objectives

By the end of the programme the participants will have:

1. identified a specific, real life, strategic business issue facing them and their organisation that is in need of immediate resolution
2. worked through a process with a small group, facilitated by an expert, to analyse the problem, develop the skills to address the problem, develop a plan to tackle the problem and implement a programme of change to resolve the problem
3. evaluated the impact of the process on themselves and their business to measure the effectiveness of the programme
4. identified a Personal Development Plan (PDP) to further enhance their business and leadership skills.

Methodology

This will be delivered by means of an 'Action Learning' programme that will have the following components:

1. An invitation to a briefing to finalise commitment from SME managers and owners and to confirm nominations for a programme(s)
2. The selection of small learning sets of owner managers (6-8 maximum) who will work together to learn the necessary skills to solve their own selected business problem(s). These groups will be likely to be geographically focused and cross sector in nature
3. The appointment of an expert learning facilitator who has experience in the small business sector and the skills to lead a group through the learning process of identifying and resolving strategic issues and then implementing necessary change within their organisation
4. Attendance at an initial start up workshop of their learning set, which will establish individual and group learning plans
5. Acquisition of the knowledge they need to work through their business problem through a variety of methodologies to suit the specific needs of the participant – input sessions, reference materials, coaching, computer-based learning modules, e-learning etc.
6. A process of joint problem solving and support/challenge with their learning set, facilitated by the expert facilitator on a face-to-face or networked basis
7. Implementation of solutions within their own organisation to address their selected problem
8. An evaluation of the impact of any solutions applied to their business
9. The development of a Personal Development Plan for themselves for ongoing learning and development of leadership skills.

Criteria for SME owner manager attending a programme:

1. Likely four to five-month involvement on the programme overall
2. The need to bring a real leadership business problem to the set
3. Ability to attend the set meetings (monthly?)
4. The need to attend the start-up workshop (1 day at least)
5. A willingness to do evaluation of the programme at four levels:
 - To what extent it was an enjoyable process?
 - What new learning did they acquire?
 - What learning did they transfer directly to the business?
 - What was the impact financially on their business?
6. The need to develop their own Personal Development Plan for ongoing learning.

Brief for those wishing to tender

Imagine you are the 'Expert Learning Facilitator' and you want to run one or more 'Action Learning' Groups in your town/area. You know that you'll receive referrals to populate the learning sets from Sector Skills Councils and Business Support Organisations.

Given the above brief, please come up with a brief proposal for running a local 'Action Learning' set.

- Outline the process you would go through. Do you agree with the timescale?
- How many days would you have to commit over the period, including preparation etc? What would you charge to run the programme?

8. Executive summary of the evaluation report produced by Henley Management College

The first objective was to assess the effectiveness of the 'action learning' process to deliver tangible learning and business benefits. This has been demonstrated by the very positive responses to the programme – the participants have scored the overall value of the programme as either 'very good' or 'excellent'. The overwhelming majority of positive comments relate to the 'action learning' and group aspects of the programme. The SMEs have found the concept of working with other owner managers informative, enjoyable and an effective way of working through their current leadership challenges.

There are significant business benefits reported during the programme. These include cost savings of £2000 per month for one business, a business and action plan based on a 25% increase in turnover for another, and two companies that have been 'saved' from potential failure – one due to the leader's lack of motivation and the other due to the leader's imminent retirement.

In addition to the many tangible business benefits, the individual participants have described personal improvements in many areas, including a better work/life balance, improved time management, greater confidence to change the company, improved delegation, increased personal motivation and instigating new initiatives to improve staff motivation.

Whilst all the programmes have powerful success stories, the participants have attributed these principally to 'action learning' and group aspects.

The parts of the programme that were criticised are mainly concerned with the formal training sessions on the pilot programmes. This indicates the serious challenge of presenting leadership and management topics to a potentially very broad and varied audience.

The second objective was to assess the development of the individual's leadership capability as a result of the programme and there are many positive comments and examples of participants reporting new business strategies with accompanying action plans, greater confidence and improved negotiation and communication skills, resulting in better relationships with other directors and staff members. The coaching sessions have been described as ways to help this personal development, by allowing more in-depth discussion of individual challenges.

The three pilots have all been delivered in different ways, with only the Glasgow pilot taking the 'action learning' approach for the duration of the programme. The Guildford pilot used 'action learning' for part of the programme and the Nottingham pilot only used 'action learning' towards the end of the programme. The facilitators generally received positive feedback on their ability to run 'action learning' and group sessions. These were frequently referred to as the highlights of the programmes. However, there was some criticism about their ability to deliver the taught components of the programme.

The project management of the pilot programmes was challenging, with problems recruiting participants, lack of understanding of 'action learning' amongst stakeholders and participants, and complaints about the programme. These problems have informed the future recommendations for the programme.

In view of the results of this pilot, it is recommended that this programme is continued. However, there need to be several improvements:

- The engagement of participants needs to be undertaken by well-informed and proactive contact intermediaries
- The participants need to be given a clear understanding of what to expect from an 'action learning' programme
- Facilitators need to be selected and supported to deliver 'action learning' and coaching, rather than training presentations
- The programme needs to be enhanced to include further workshops or reviews following the core 6 month programme.

The overall results indicate that this pilot has been successful both in achieving results through an 'action learning' programme, but also valuable learning to identify areas for improvement in the future.

The full evaluation report by Henley Management College can be found on www.ssda-mandl.org.uk/ under Action Learning for Leaders.

9. Key issues identified for scaling this model up to a UK-wide programme

OWNERSHIP AND FUNDING

Any UK-wide initiative should be proffered through a partnership arrangement. It is not practicable for one single agency to own this methodology. The Skills for Business Network is in a unique position to assist and influence national, regional and intermediary networks. It is the key player to bring in the employer perspective. Government departments DfES and DTI are essential partners if this is to become a UK-wide initiative. LSCs are vital routes for channelling funding. Business Links can provide advisory services and signposting and the Nations and Regions will influence the local focus.

There needs to be a collective and inclusive approach in order to spread the costs across a wide group of agencies. If this is to become a national initiative, it is essential to obtain a significant contribution from DfES/LSC/Business Link funding streams. It is likely that some SSDA funding would also be required. Employers would also be expected to contribute. It is believed, although not substantiated, that SMEs will make a contribution if a good business case is promoted. It is vital, through marketing materials, that there are clear examples of how this type of development programme has contributed to bottom line business results of participating organisations.

Conclusions

1. No one should or could own the idea of 'action learning'.
2. The government will have to provide the majority of the funding if this is to be a national programme.
3. Whoever provides the funding will have the most influence on how the programme is managed.
4. The funding stream should include a contribution from employers.
5. Skills for Business Network is in a unique position to assist and influence the total process.
6. There will need to be partnerships through recognised channels e.g. DfES, LSCs, RDAs, Business Links etc.
7. The programme will have to be promoted at a national strategic level.

Recommendation

The Skills for Business Network project team needs to engage with DfES and DTI to establish how this initiative could fit with the National Employer Training Programme (NETP) and how funding could be made available from this source.

ENGAGEMENT OF SME OWNER MANAGERS

The research from Henley Management College indicated that this group would not be easily engaged and it is appreciated that there are no easy answers to this issue. One of the first things that needs to be highlighted is that the terminology used to promote this programme needs to be business focused and use of educational or jargonised terminology (e.g. 'action learning set' or 'knowledge transfer') is avoided when communicating with the target group.

There is evidence that SMEs respond and engage best through word of mouth from credible and respected individuals endorsing 'action learning' and acting as champions. The messages to be disseminated have to focus on the impact of this type of development on business performance. Case studies need to be developed for use by business advisors for marketing purposes or made available directly through CD-ROM technology.

Existing respected business advisors (Business Link, accountants, bankers) need to understand what 'action learning' can do so they can direct SME owner managers to programmes that are set up locally.

In order to raise awareness for this type of development, a programme of roadshows, PR events and taster sessions could be provided. This could also include SME participants from completed programmes. This is something that Skills for Business Network could organise with SSDA funding.

Another source of influence could be to use major companies who may be in a position to suggest or recommend that smaller companies in their supply chain become involved in this sort of leadership development.

Conclusions

1. Use terminology at a level that is recognised by employers (de-jargonise).
2. Engagement should not be through a single channel. Use existing formal and informal networks of trusted advisors.
3. Use big companies to influence their supply chain.
4. Develop, publish and market the business case for this approach.
5. Explore direct marketing through existing institutional channels such as the VAT office and the distribution of publicity materials e.g. CD-ROMs.

Recommendations

1. In March, the Skills for Business Network project team need to follow up with the SMEs involved in the pilot workshop to collect data on sustained benefits and impact on their businesses. This will then be incorporated into a series of case studies to be used for marketing purposes.
2. The project team needs to define the intermediary channels, how best they can be used and what support they need to efficiently engage with SME owner managers and get them to participate in the programme.

FACILITATORS

The development of a framework of competency requirements would support the identification of potential facilitators. A number of organisations seem to provide benchmarking standards in personal and management coaching (e.g. EMCC). A number of universities and colleges have already screened potential facilitators and could make their names available (e.g. Henley, Surrey and Lancaster).

The facilitation role for this type of programme would require individuals with sound business knowledge and direct experience of working with SME businesses. These facilitators would also need to know other experts who might be used by the group in areas where the facilitators themselves do not feel competent to facilitate (because of technical aspects, psychology etc.). The core requirement for 'action learning' facilitators is a capacity to focus individuals and the group on exploring options through insightful questioning rather than concentrating on solutions.

Conclusions

1. There is a need to define the competencies in more detail for this type of facilitation.
2. Existing sources could be the foundation for a database of suitable facilitators.

Recommendations

1. Skills for Business Network project needs to define, in some detail, the competencies needed by facilitators to support this type of development.
2. The project team needs to identify which organisations already have databases of screened facilitators that could be accessed in order to fast track a national roll-out.

CO-ORDINATION, COMMUNICATION AND MARKETING

There has been considerable discussion and debate about how to co-ordinate, communicate and promote management and leadership initiatives on a cross-sector basis for the UK. One of the added value projects for Skills for Business Network was to evaluate the possible use of an electronic portal to provide this service. This was 'The Gateway Project'. After a thorough review the Skills for Business Network decided not to support the proposals of this project. Consequently, existing portals need to be used when promoting information, the business case and success stories relating to the Leadership Model. Some existing structures and networks that have been suggested include CIPD, CBI and TUC.

It is agreed that high quality, relevant information about 'action learning' needs to be contextualised and made accessible in the marketplace if a national programme is to be successful.

Conclusions

There is a clear preference for linking to existing portals rather than developing a purpose-built gateway.

It is vitally important to have some means to publicise and promote the availability of the programme, its business benefits and the financial support that exists for any SME wishing to participate.

Recommendation

The project needs to research whether there are possibilities for collaborating with other organisations with suitable information channels, in order to promote a national offering.