



RESEARCH REPORT

Leading Small Business in Wales: The LEAD Wales Programme 2010-2012



Swansea University
Prifysgol Abertawe



PRIFYSGOL
BANGOR
UNIVERSITY



Andrew Henley
Karen Jones
Heather Norbury
Sally Sambrook
2012

Contact details

LEAD Wales Swansea

Room 107 Technium Digital
Swansea University
Singleton Park,
Swansea,
SA2 8PP

info@leadwales.co.uk

01792 606738

LEAD Wales Bangor

The Administrative Centre
Bangor Business School
College Road
Bangor,
LL57 2DG

lead@bangor.ac.uk

01248 382530

Executive Summary

The LEAD Wales programme is funded by the European Social Fund, the Welsh Government, Swansea and Bangor Universities to provide a programme of leadership development for owner-managers of small and medium sized businesses, including some managing directors of social enterprises in the West Wales and the Valleys Convergence Region. This report provides an assessment of the programme's impact based on the experiences of over 300 participants between 2010 and 2012, of whom 166 have completed the programme.

The programme adopts a model which was developed by Lancaster University Management School, previously rolled out across the North West of England, and funded by the former North West Regional Development Agency. Programme design was informed by prior research into the small business owner experience. This highlights that small business growth is often constrained by leader isolation, haphazard delegation skills, limited capacity for strategic thinking, and suspicion of formal management education. The programme design incorporates a range of learning methods, including formal masterclasses, but emphasises situated and experiential learning through the inclusion of action learning, coaching and business shadowing and exchange exercises.

Participants who have undertaken the programme, to date, are spread across the age range and have a range of educational backgrounds. 60% have no previously background in higher education. 36% of participants are female. Participants are drawn from across the full range of business sectors and are broadly representative of the business population in Wales. Manufacturing businesses are over-represented. Average business size is 15 employees. Some participants are drawn from social enterprises.

The majority of participants are “growth-orientated”, reflecting the recruitment aims of the programme. Some are looking to develop turnaround strategies to deal with recent trading challenges. However, in line with earlier research, many report feeling that growth is constrained by an inability to focus on strategy. Some were looking to regain lost enthusiasm. The vast majority report that their initial expectations from the programme were met. Participants report being positively surprised by peer-to-peer networking benefits, having not initially anticipated acquiring these.

In terms of reported impacts on the participants as business leaders, the most common findings are that programme participation has improved personal self-confidence levels and helped many business owner-managers achieve improved work-life balance. Here the explicit “time-release” design of the programme forces participants to confront the concerns that lie behind poor delegation and excessive focus on business minutiae. Further benefits concern leadership style. Participants report achieving improved self-awareness of their leadership role within their organisations and engaging in critical reflection on their leadership style. In particular, participants report gaining improved communication skills, both with employees and with other external stakeholders. The introduction of improved communication methods and practices are reported.

45% of participants report that the programme contributed to the development of a strategic plan for their business. Participation in the programme is associated with an average increase in business turnover of £93,000 per annum. This equates to a growth of 26%. From this, the average participant business has created 2.3 new jobs. To date, it is estimated that participants have added 300 new jobs to the Welsh economy.

A range of learning methods is clearly valued by participants. Formal masterclasses are popular; however action learning set participation and peer-to-peer learning interactions are also identified as highly effective. For a smaller number of participants significant benefits were gained from one-to-one shadowing and exchange activity. It is, however, clear that successful leadership development activity for small business owners depends critically on a balance and range of learning activity, in order to exploit the range of preferred learning styles that participants bring. A formal “top-down” approach to learning is unlikely to be effective on its own with small businesses.

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1 Introduction

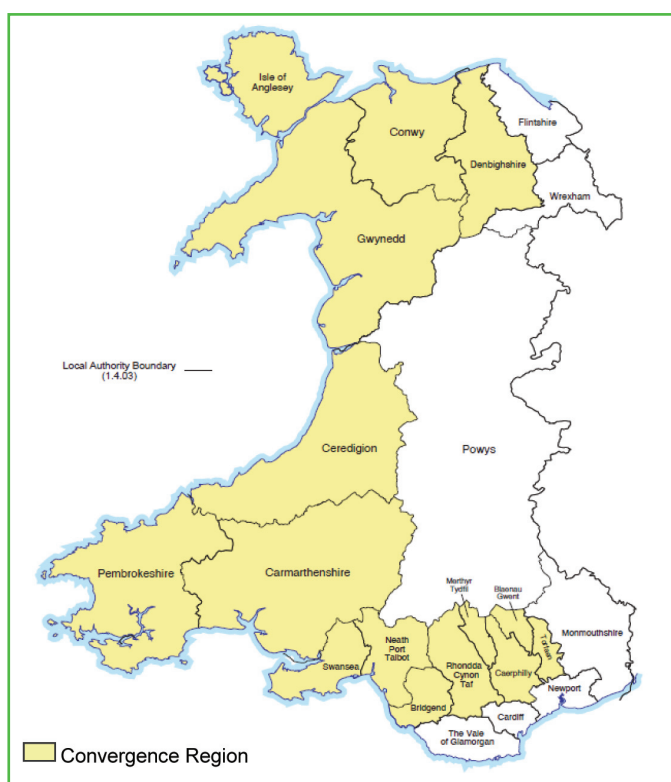
The LEAD Wales programme is a leadership and business development programme for owner-managers of small and medium sized enterprises (SMEs), including some managing directors of social enterprises, in Wales. The programme is funded through the European Social Fund for the West Wales and the Valley Convergence region over the period 2009 to 2015.

Programme participation began in January 2010 and to date over 300 participants have completed or are undertaking the programme.

This report has been written by members of the LEAD Wales delivery team, with responsibility for research and evaluation. It aims to provide an interim assessment of the benefits and impact of the programme. This assessment is based on both quantitative and qualitative data, drawn from individual baseline and exit questionnaire responses, and in-depth interviewing of participants shortly after programme completion. In addition, these data sources are supplemented by information from a series of participant feedback and reflection sessions which take place as the programme proceeds.

The findings in this report should be regarded as provisional since they are derived from information drawn largely from the first 166 participants to complete the programme. These represent only 28% of the total 600 businesses targeted to complete the programme by 2015. Nevertheless, we believe that the early findings in this report provide important insights into the potential value of extended

management and leadership development support for SME owners which can inform future policy for SME support and specific design of particular programmes. This report complements other recent analyses on the impact of management and leadership development.¹



¹ For example: Elina Meliou and Barry Kennard, *The Impact of Leadership and Management Development on Organisations*, Leadership and Management Wales, 2012; Richard McBain, Abby Ghobadian, Jackie Switzer, Petra Wilton, Patrick Woodman and Gemma Pearson, *The Business Benefits of Management and Leadership Development*, Chartered Management Institute, 2012.

2 Background to the LEAD Wales Programme

“Running a business is lonely because it’s all down to you.”

“I know one of the things I was bad at before and I’m still not brilliant at, but I’m getting better, is asking people to do jobs.”

“... if there was one major weakness it has been my leadership skills, but I think I’m addressing that now. I really am. I think it highlighted, you know, you’re not an island; you’ve got to have help. You know you can’t just say ‘oh I’ll do it myself’.”

LEAD Wales adopts a design that was developed between 2004 and 2006 by Lancaster University Management School.² The LEAD (“Leading Enterprise and Development”) model was delivered to over 1000 SME owners and managers across the North West of England between 2008 and 2012 with funding support from the former North West Regional Development Agency. In Wales, LEAD is delivered through centres in the School of Business and Economics at Swansea University and the Bangor Business School at Bangor University; however, some LEAD Wales groups are also delivered remotely in other locations within the West Wales and the Valley Convergence Region.

The design of the LEAD programme was informed by research into the leadership and management experiences of SME owners.³ This research highlighted the following as defining characteristics of leadership in small businesses:

- A sense of isolation experienced by many business owners, particularly those operating as sole owners;
- A suspicion towards formal taught programmes, such as MBAs, since these are perceived as focused around the needs of middle managers in large organisations who may have much higher levels of previous engagement with formal education, particularly management education;⁴
- A limited confidence to achieve effective delegation of responsibility to employees; and
- Constraints on strategic thinking imposed by the pressure of day to day operational issues.

These considerations led to the development of a ten month long programme built around a framework of activities designed to enhance situated learning (learning created from the activity, culture or context) and to promote the creation of a range of spaces for learning. These encompass both formal learning, as well as, learning from experiences [“experiential”] and peer-to-peer learning.⁵ The range of learning activity within the programme includes masterclasses [covering both leadership

² Colin Wren and Jonathan Jones, *Ex Post Evaluation of the LEAD Programme*, Lancaster University Management School, July 2006.

³ Steve Kempster and Gerald Watts, *The Entrepreneur as Leader: an exploration of leadership development amongst small business owner-managers*. Paper presented at the 25th ISBA National Small Firms conference, 2002.

⁴ Allan Gibb, Meeting the development needs of owner managed small enterprise: a discussion of the centrality of action learning, *Action Learning: Research and Practice*, 2009, 6(3): 209-227.

and business related topics], action learning sets⁶ and coaching, as well as, business shadowing and exchange projects within the peer group. Regular opportunity is provided for learning and reflection, in place of the more formal assessment activity that might take place in a traditional accredited management development programme. Participants have membership of a secure e-forum which allows access to programme resources and opportunity for discussion and are encouraged to maintain a shared ethic of honesty and confidentiality. Participants are recruited in groups of between 20 and 28. Participants are eligible if they have an ownership stake in a small or medium sized enterprise (defined as less than 250 employees), or work as managing director of a social enterprise. Upon completion of the LEAD Wales programme, accreditation is provided by one of the independent UK management education accreditation bodies.

Activities designed to enhance situated learning and to promote the creation of a range of learning spaces encompassing both formal learning, as well as, experiential and peer-to-peer learning.

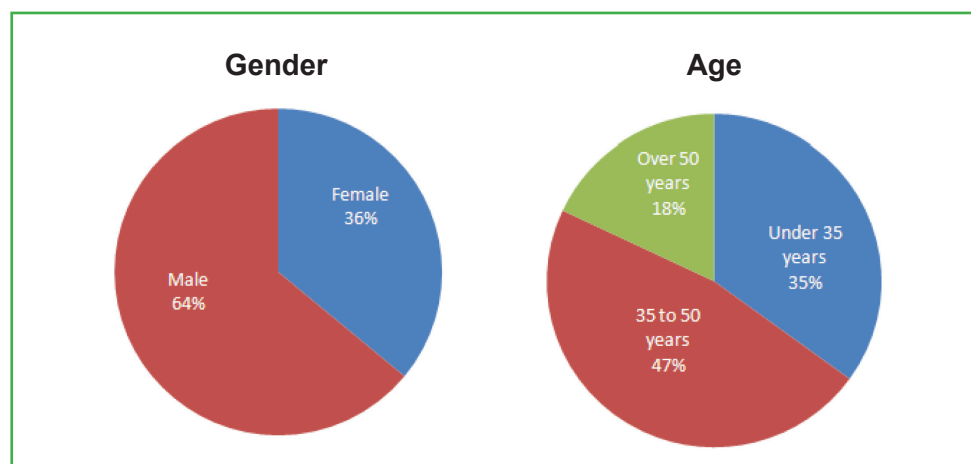
⁵ A full description and assessment is provided in Sue Smith, *SME Leaders' Learning in Networked Learning: An Actor-network Theory and Communities of Practice Theory Informed Analysis*, PhD thesis, University of Lancaster, 2011.

⁶ Action learning sets are an approach to learning based on facilitated small group work in which participants take turns to present a business issue and others support exploration of options for tackling the issue using open ended questioning.

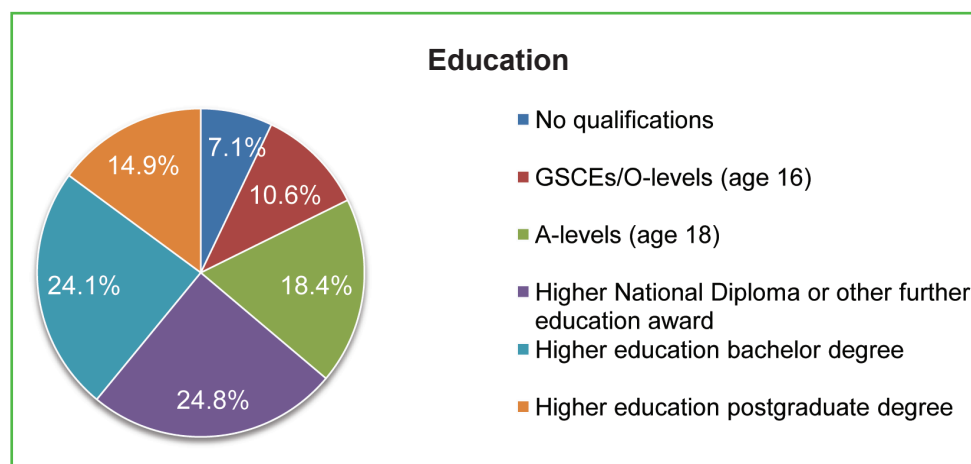
3 A Profile of LEAD Wales Participants

"The other thing that I think was really important was the other members, their experiences, the way they did things. One of the surprises was the 'youngsters' as I would call them, the guys 25 and below. The energy and input that they were able to contribute, the ideas and 'gung-ho' spirit. That really energised me and their contribution was remarkable for their years and I thought that was fantastic."

Between January 2010 and March 2012 a total of 306 participants began the LEAD Wales programme, creating 13 different groups. Of these, 8 groups, comprising 166 individuals, have completed the programme. This equates to a completion rate of 92% of those initially enrolling. LEAD Wales participants create a diverse network of owner managers and social enterprises.



Of those beginning the programme, 64% are male and 36% female. Participant ages range from early 20s to over 70. The largest group of participants are between 35 and 50 years of age.



Although prior research has noted that SME owners may lack formal business education, there is, in fact, a wide range of educational achievement amongst those completing the programme. Nearly 18% lack any formal qualifications or only achieved qualifications up to the compulsory school leaving age of 16. However, 39% possess a higher education qualification and a sizeable minority of these possess postgraduate qualifications. Although qualifications levels are on average good, and certainly higher than in the general population, many

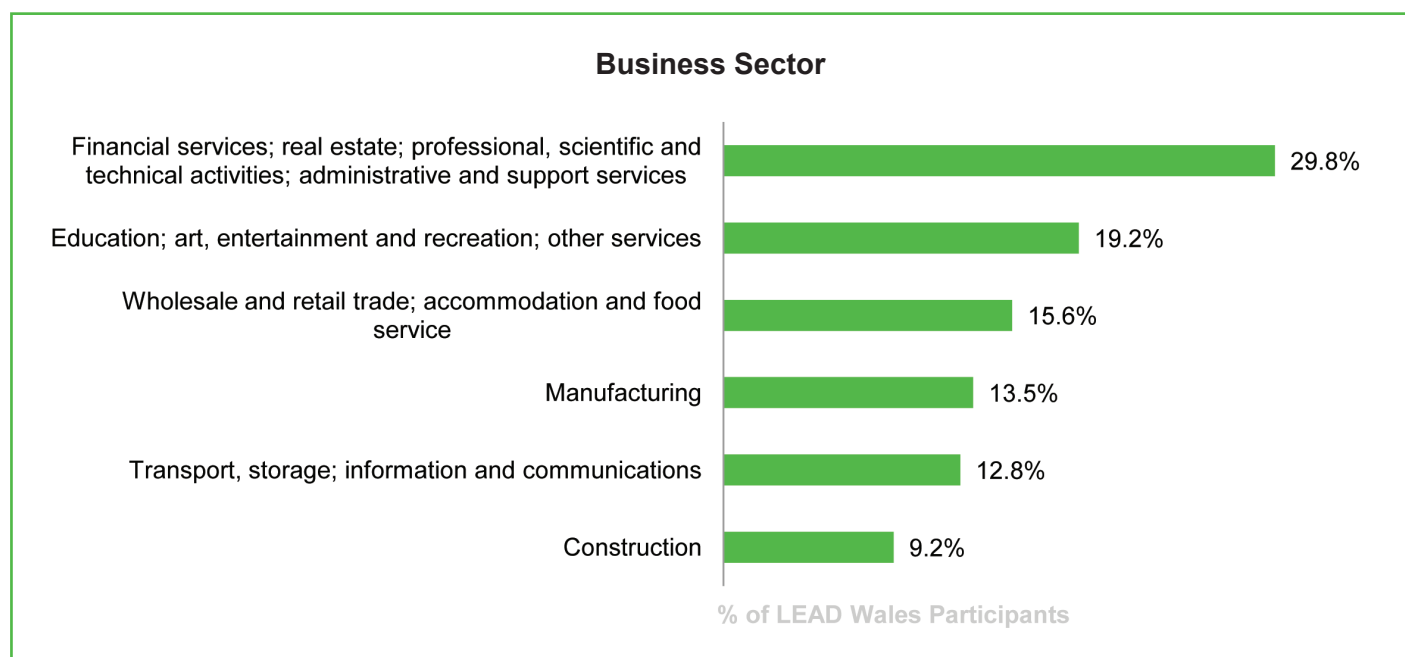
“Even though we were so different, you know from all different walks of life, we were all unified by having this common bond of all being owner managers with that somewhat entrepreneurial spark or drive.”

participants also report informally that they felt they lacked specific business management qualifications.

Recruitment of participants to the programme aims to achieve a high degree of diversity within each groups. The rationale for this is to avoid concerns which may arise if participants find a competitor in the same group. However, it is also to allow business leaders, who usually do not get the opportunity to meet or work together, the opportunity to share different experiences and be exposed to a broad range of peer-to-peer learning.

Across the programme, 77% of participants are drawn from service sector businesses with professional services strongly represented. This proportion is almost exactly in line with the proportion of small and medium sized employers, excluding agriculture, in service sectors in Wales⁷ 14 per cent and 9 per cent of participants come from manufacturing and construction businesses respectively.

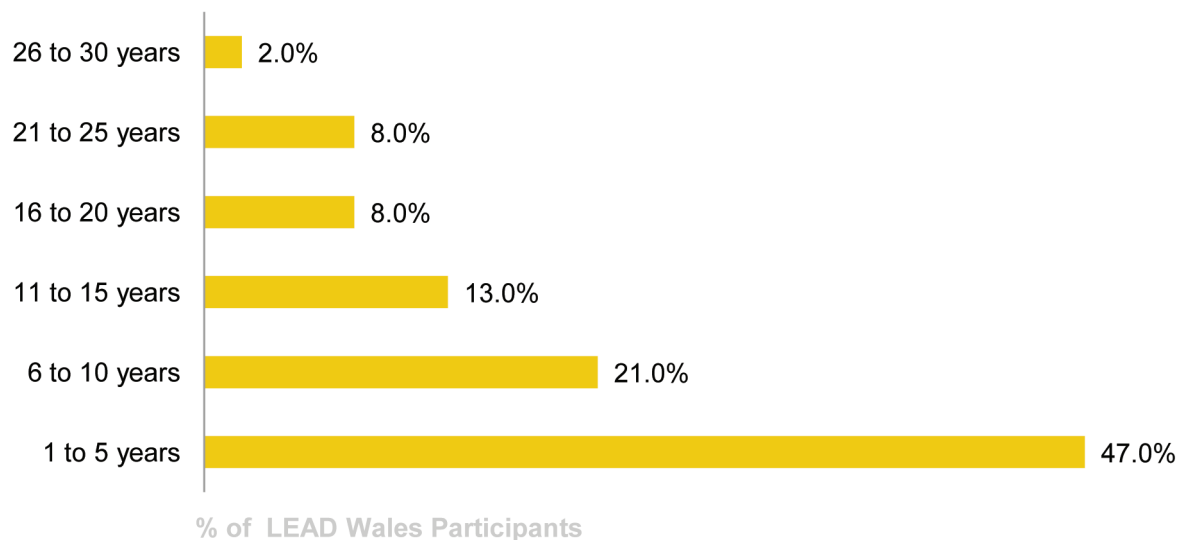
Across Wales as a whole, small and medium sized manufacturing employers account for just under 8 per cent of the total, excluding agriculture. Manufacturing businesses are therefore over represented on the programme by a factor of almost two. Construction sector businesses are correspondingly under-represented.



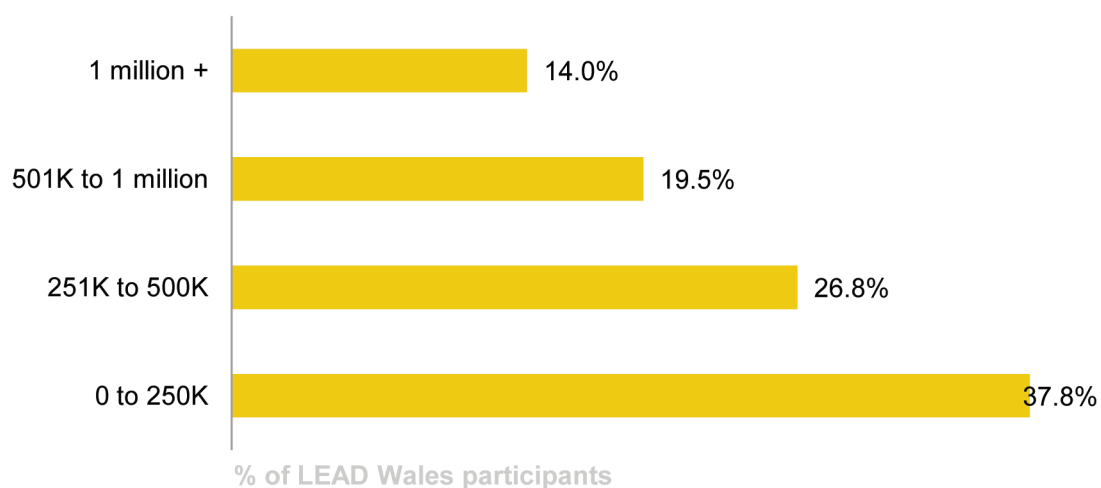
⁷ UK Department for Business Innovation and Skills, Business Population Estimates, 2011

Across participants there is also a range of prior business experience, from only a few years up to thirty years. A significant minority of participants (47%) had been in business for five years or less. In addition to the variety in years of business owning experience, for a majority (61%) of participants their current business is the only business they have run. Set against this, 36% of participants were “portfolio” entrepreneurs, running more than one business at the same time.

Years running a business

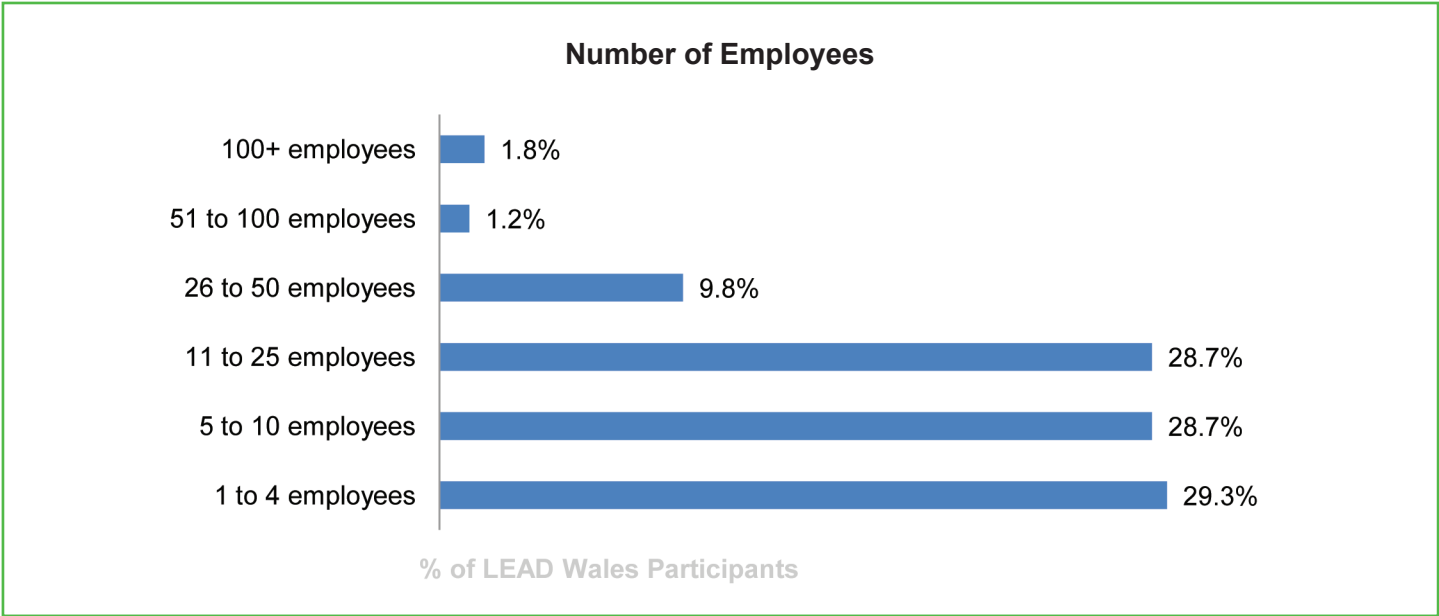


Turnover



On average, annual business turnover at the start of the programme was £1.8m; however, this average is skewed by a small number of relatively large businesses. In fact, over 60% of participants reported turnover of £500k or below per annum.

Employment is similarly skewed. The average number of employees at the start was 15; however, over 50% employ 10 or less. In summary, the majority of SMEs in the programme are small or micro businesses, and a significant number are run by owners who are relatively novice.

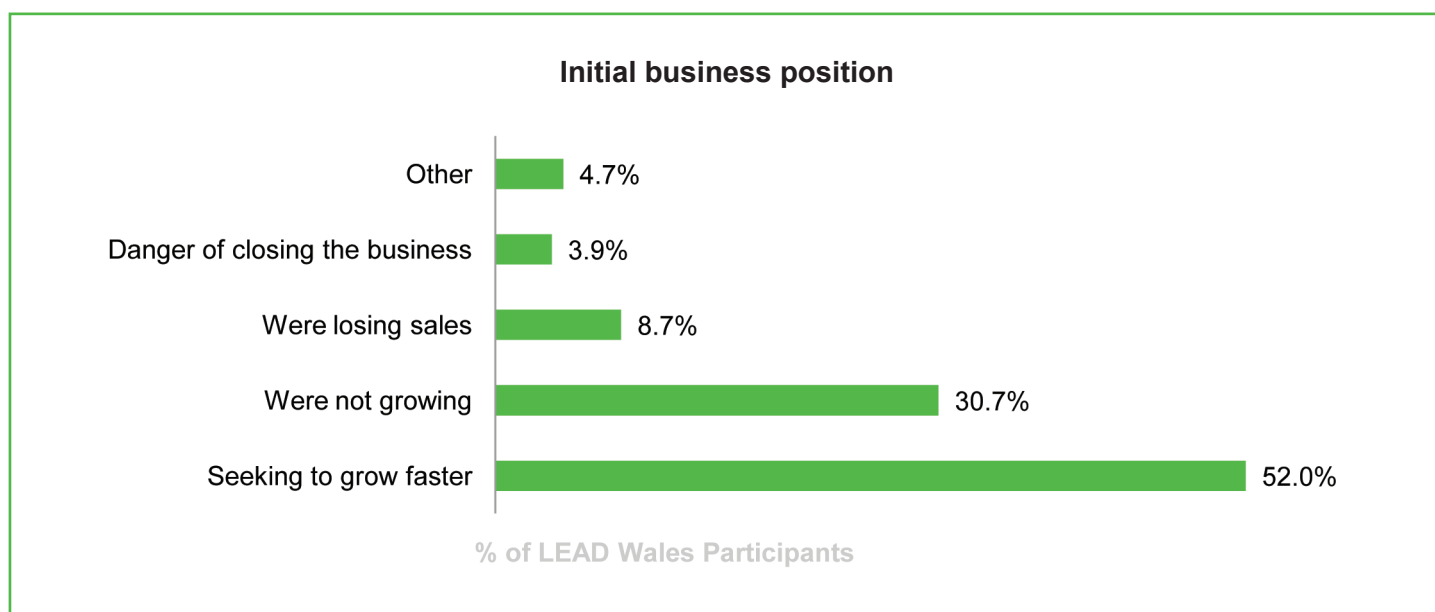


4 Participant Business Expectations

Reason for Joining

In practice, there might be many reasons for an individual to choose to join a leadership development programme. These might include a desire to acquire specific skills and knowledge for organisational development, a perceived need to network with like-minded individuals, or a desire to develop a stronger sense of strategic or personal direction, in some cases the possibility of business succession or exit. 62% of participants reported that they had in mind a particular business issue or challenge when they choose to join the programme.

The position of their businesses, as described by the participants themselves at the beginning of the programme, is summarised in the chart. Even though the majority of participants were seeking to increase the growth of their business, a significant minority were not growing, and a small proportion reported that sales were falling. In some cases, participants felt that there was a danger of the business folding. The ability to articulate growth aspirations was used as a criterion for participant selection. Therefore, it is not surprising that the majority were seeking or expecting business growth.



This information is supplemented by detailed responses from a significant number of participants. Many of these responses concern the desire for growth, an inability to know how to achieve growth, or a lack of strategic business direction. For example, some participants highlight over-reliance on single customers, threat from competitors or lack of strategic focus while others stated rapid expansion was presenting organisational growing

"My concern was how to position the business in light of the threat from much bigger businesses."

"I was not able to clearly see how I could grow my business."

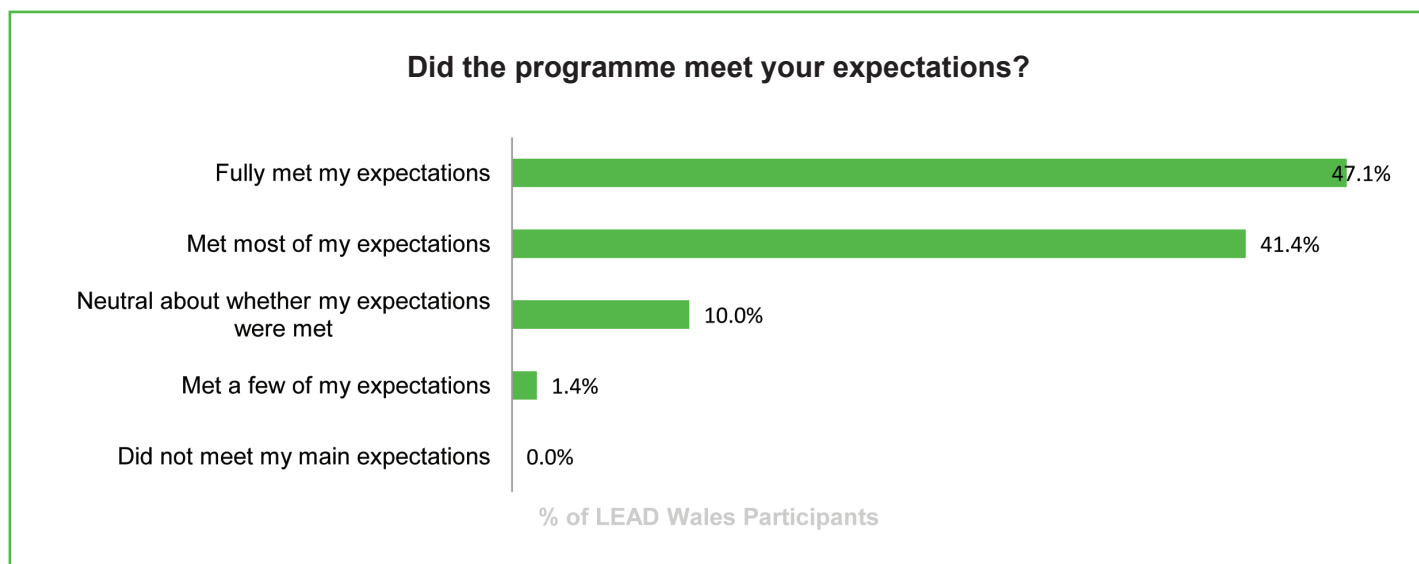
"I felt the business had stagnated because of my own lethargy and lack of focus."

pains. On the other hand, some reported that they were looking to achieve a stronger sense of direction following difficult recent trading conditions. For those achieving growth, concerns to manage more effectively or to simply "do things better" were reported.

In addition to strategic business motives, personal reasons were also highlighted. A common response was a sense of frustration or boredom. In other cases, the ability to achieve a better work-life balance was noted. Personal leadership skills were also noted and often these crystallise around a sense of low self-confidence, particularly when dealing with employees or fellow directors. This was often apparent at induction sessions when some participants would admit to feeling as if they didn't "belong" in a group of business leaders.

In summary, a majority of participants were growing, despite tough economic conditions, or were seeking to achieve growth and/or diversification into new activities. However, there is a strong sense that growth was being inhibited by a lack of strategic direction or focus or, in some cases, a lack of self-confidence. The majority appeared to be attracted to a leadership development programme because it offers the prospect of providing support for continued business development. However, for a minority of business owners, a desire to participate in leadership development is motivated by the need to develop a turnaround strategy or to clarify a succession strategy.

Expectations from Leadership Development



While the effectiveness of a particular programme might be assessed in a range of ways, it is important, as a first step, to identify whether participant expectations were met. For LEAD Wales, over 88% of participants completing the programme report that the initial expectations that they held at the start were either mostly or fully met.

"I started the LEAD programme several months ago, with a slightly cynical mindset. I wasn't convinced that the LEAD Wales team would be able to meet the improvements that they claimed would be made in my business. Since then, I have changed my opinions completely. Being on this course has changed my way of doing business for the better. I am more confident now in making decisions that would otherwise have caused anxiety and lost sleep. I have a better understanding of my own business and the market in which I operate."

"The most useful thing that I have found about the LEAD Wales programme is getting to spend time with other people who are in the same situation as me in a non-threatening, non-competitive environment. Many of these people have become role models for me and provide great inspiration every time we meet."

"I've been running a business for 20 years and I've never been able to talk to people like I did in the groups here. That is something that's a bit special. Certainly nothing I've seen before, anywhere I've been."

The statement on the left reflects the views of many participants that join the programme. A typical journey might begin with questions, nervousness, and anticipation. The shared learning process appears, for many, to transform relatively quickly into a positive sense of excitement about future learning and business potential. In practice, much of the positive nature of participation focuses around the creation of the learning network within each group and further within the sub-groups contained in each group.

Learning Networking

The effectiveness of a programme design which hinges on the creation of learning networking⁸ depends critically on participant openness and trust, and it is, therefore, important that these values are clearly established during introductory activities. This aspect of the programme appears to be one that many participants initially do not expect to arise, and is, therefore, often the subject of qualitative evaluation. A particular feature is that participants tend to comment favourably on the creation of opportunity to learn from others in similar situations.

Relationships from the LEAD Wales programme have led to business partnerships, joint ventures, purchasing commercial property together, and continued business support. Many who have completed the programme continue meeting on a monthly or quarterly basis to discuss business opportunities and challenges. It is clear that this aspect of leadership development, namely the opportunity to engage with and learn from peers, is one of the most highly valued and effective elements of leadership development for small business owners.

The effectiveness of a programme design which hinges on the creation of learning networking depends critically on participant openness and trust.

⁸ A complementary perspective here is that the programme serves to create "communities of practice", through which each group of participants jointly constructs knowledge and practice about entrepreneurial leadership.

5 Impact on the Business Leader

LEAD Wales Programme has had a significant impact on...



Feedback from participants supports the conclusion that leadership development activity for small business owners can have positive impact on, not only, the business itself but the personal and professional development activity of the individual leader. For example, the process of participating in the programme has been described as “energising” and “life-changing”.

93.4% stated that the LEAD Wales programme had a significant impact on their business.

"I hadn't had much confidence in my ability to do it [run a business] but I think what the course has given me was much more confidence in leading. I think also the ability to step back and think strategically as a leader."

"I am naturally confident but in the business setting I was constantly doubting myself. Since LEAD Wales, I believe I can do it and people will listen to me and respect me."

"The main thing has been the confidence - confidence to go where I hadn't gone before."



Wider impact on other business stakeholders, notably employees, may also result. The need to provide small business leaders with the space to reflect on wider concerns of leadership style and business strategy is a significant one - summarised effectively with the phrase “working on the business, not in the business”. This statement challenges participants to focus less on the minutiae of running their business and use their efforts to work on the growth and development of their company. Those participants who have grasped this concept and applied it back in their business tend to express a more positive personal outlook. The “word cloud” above summarises participants’ feedback to an open question regarding the affect the LEAD Wales programme has had on them, as a business leader. “Better” and “confidence” are key words participants used to describe their LEAD Wales experience.

The two most significant personal impacts appear to be on self-confidence levels and on management of work-life balance.

Self-Confidence

On an individual level, a strong majority of delegates experience a change in their level of self-confidence, were able to achieve a better work-life balance, and generally had a more positive outlook on life and business. Peer-to-peer approaches to learning, such as action learning sets, explicitly serve to raise communication skills. Confidence to present business issues in front of peers in turn raises confidence when dealing with external business stakeholders.

Data from the exit questionnaire shows that 70% of programme participants either “strongly agreed” or “agreed” with statements relating to personal self-confidence. Information obtained from exit focus-groups strongly supports this finding. Improvements in personal self-

"My stress has decreased and I am learning that my business can run even if my personal life gets hectic and I have to be away from the office."

"I've gained a better balance between life and business. I feel that I've really grown as a person and am now coping better all around."

"I've become more able to relax and enjoy and like you say, get a life. Before I was working seven days a week. I've done more[since LEAD Wales], taking time away to see family, going to see shows, I went to see stuff, actually enjoy myself."

confidence typically translate into an increase in confidence in running the organisation and in leading staff.

Improvement in business and personal self-confidence is apparent in reported business growth activity, associated with progress through the programme.

- 56% of completing participants report expanding their current business
- 35% report starting a new business
- 17% report activity to merge or partner with another firm

Confidence to present business issues in front of peers, in turn, raises confidence when dealing with external business stakeholders.

Work-Life Balance

Small business owners typically report long hours of work and find little, or sometimes, no time to devote to holidays. Running a business is not a "nine to five" job and working hours can add up. A majority of individuals begin the programme working six, sometimes seven days a week. In part, this reflects typically high levels of passion for and commitment to the business. However, this is also tempered by a sense of fear that the business will suffer damage in the event of their absence. Programmes, such as LEAD Wales, entail "time-release" from the business. (In the case of LEAD Wales, the commitment is for two days per month, for 10 months, and this advance commitment is perhaps the main reason why many suitable individuals choose not to participate.) "Time-release" explicitly forces the participant to reflect on the nature of their commitment to the business and to confront fear of absence. One consequence for some participants is a positive change in their ability to achieve a better work-life balance. This, in turn, may impact the business more widely since more work may be delegated and employees more empowered.

In addition to having more time for themselves, some participants, particularly in professional service businesses, also report that delegation of day-to-day tasks allowed them to work from home, as needed, and feel less stressed about being away from the business.

"Time-release" explicitly forces the participant to reflect on the nature of their commitment to the business and to confront fear of absence.

6 Leadership Style

"It has made me realise what kind of a business leader I am. Drawn out the positive and negative aspects of my leadership."

"I learned I was in the wrong place as a leader (far too democratic) and pushed to the extreme when upset. I was able to find a better balance. Now we hold more open meetings, telling staff more about company goals and growth. The staff is part of the company not just me running it on my own."

"It's provided me with valuable information on my leadership style. This has helped me utilise my leadership role effectively."

The primary focus of the LEAD Wales programme is to enhance small business owner-managers' leadership skills, in order to improve business performance. 54% of completing participants state that their participation in the programme had a significant impact on the way they provided leadership for their team and organisation. Many small business owners acquire whatever understanding they may possess about leadership style through personal experience of what does and doesn't work for them. However, ability to reflect on and make sense of past experience is often restricted. Some participants will even describe the process through which they have reached their present position as "accidental". This is in contrast with the experience of emergent leaders in larger organisations who may have been identified at an early stage and supported through a range of professional development and training activity.

Programme content seeks to help participants gain a greater understanding of different leadership techniques, to learn the value of situational leadership skills while reflection on their personal leadership style appears to be particularly relevant. Some of this content is delivered through the formal learning environment of a masterclass series. However, experiential learning facilitated through participation in peer-to-peer observation and exchange activity also appears to be effective.

"This management and leadership thing I always thought was the same. I think I'm trying to take more of a leader role than a manager one, very hands on in what I've done."

"I'm sort of shifting my view. I always thought of myself as an instructor and I'm shifting that now to more of a leader. So I'm doing a lot less teaching this year. Just freed up a lot more of my time to be able to concentrate on putting the right staff in the right place."

"The biggest learning for me has been delegation and; therefore, I've been able to grow the business and manage the increased workload."

Leadership versus Management

Participants typically describe some uncertainty in the early stages of the programme concerning the roles of leader and of manager. In part, this may reflect the unresolved nature of this distinction in academic and professional circles. However, it may also be a symptom of the absence of strategic vision that appears to characterise many small organisations which are managed in an operational sense rather than led in a strategic or visionary sense. The opportunity for small business owners to gain greater clarity in this regard often contributes to greater personal clarity about their own role in the organisation. In consequence, some participants comment on the extent to which they have succeeded in switching focus away from managing the day-to-day tasks to a leadership role that gives attention to future business growth, strategies, and leading their staff to future success. Other participants are able to articulate these principles more clearly even if they are less sanguine about the extent to which they have achieved a switch in role.

Delegation

Delegation is identified with loss of control and, therefore, risk. Small business owners may fail to appreciate mechanisms for mitigating the risk of delegation, even though they are likely to understand the potential benefits prior to any formal training. Techniques that allow small business owners to identify team roles, and place individuals in appropriate positions - methods commonly used in larger organisations - may yield considerable insight and business benefit. Delegation is identified by participants as an important contributory factor in having more time to focus on business development and strategy.

Getting the right people in the right job and trusting them is important for owner-managers. This allows them to feel more confident to step away and work on their goals. As previously stated, many SME owner-managers report that they work long hours, often apparently on tasks that could be delegated to their employees. Owner-managers who understand they do not have to do everything in their business have much more freedom to spend their time doing the activities necessary to grow their business. This ability to manage time better appears to contribute positively when prioritising their workload.

"I've encouraged staff to open communication and be more honest which increases their confidence to challenge me and not to accept the norm. Now more staff feel more confident."

"I've briefed everybody what the goals are and I've planned those goals out. I've started the appraisal systems which we have here, put those appraisals in, set those goals, delivered those. Now, I give a review at the end of each month."

"I learned that I can't service all clients on my own. I now deal with our key clients. Prioritize my day and streamline tasks. That has made a big impact."

"I appreciate the people, if you get them on board with what you're trying to do and your goals, and where you're trying to take the company, they'll often take things further than you actually expected to yourself and actually bring in ideas you didn't expect."

Communication

Effective communication is a critical factor behind successful leadership in any organisational context. In a small business, it is key to ensuring that employees are aware of goals, priorities, or changes. Participants provide a range of examples of how increasing both the quantity and quality of communication within their organisation has resulted in staff feeling more involved in business decisions.

As a result of completing the programme, many participants were able to identify the importance of communication in their company and changed the way they communicate with their staff in various ways. Specific examples of changed communication practices include the establishment of regular staff meetings, where none had previously taken place, and the introduction of more formal appraisal and employee goal setting systems to provide greater clarity about goals and objectives.

Some participants also report improvements in employee productivity as a result of explaining to their staff the reasons for, and value of, particular tasks and roles. Sharing of personal vision and business goals with employees is associated with an increase in teamwork, employees increasing their work responsibilities, and an openness of communication throughout the team. 34% of completing participants stated that the programme had a significant impact on building and managing effective teams.

7 The Business Environment and Economic Activity

"I have increased strategies and schedules. I now measure our [resources] to streamline and watch costs. I have let the staff take more control and let them try their own ways of solving problems or performing tasks."

"I think possibly I look at what other people are doing and try to appreciate. I think I always try to put myself in the other person's shoes. I now do it in a slightly different way in that I am more aware of trying to find out what their goals are, what drives them, where they want to be and how they see their future progress - which I didn't really do much of before."

The “word cloud” below summarises participant responses to an open questionnaire item asking about the benefits of the LEAD Wales programme on their business. It is a truism to say that change in business is inevitable. However, the capacity of any organisation to cope with the changing business environment depends critically on the quality of its leadership. The significance of increased self-confidence is that it is likely to impact resource management and decision making, and increase the extent to which small businesses are able to embrace rather than resist change.



Comments about the more effective management of resources are typical for many participants, as are comments about increased ability to win new business.

"The Coaching and Action Learning Sets have provided me with clarity about our future direction and have helped me to formulate robust strategies that will undoubtedly assist in moving my business forwards."

"I have a 5 year strategy, so in 5 years time, the other people will be doing what I am doing and I'll do as much, or as little, as I'd like. LEAD made me really think about it. Not just vaguely think about it, which I've done in the past, but actually do something - Put some steps in place, take some actions so it can be achieved and will be achieved. That's a major thing that I feel I got from LEAD."

Strategic Thinking

Small businesses typically fail to "do" strategy very effectively. Formal strategies are rarely present and, indeed, may have limited value if business environments are fast moving and strategies are, of necessity, "emergent". Baseline data collected from participants suggests that many small businesses operate with some level of strategic confusion. For example, there may be confusion about whether the business seeks to focus on a particular niche or will pursue all business opportunities which present themselves. Strategic thinking can take a wide range of forms, from greater engagement with informal "sense-making" activity through to formal procedures and planning processes.

When many participants began the programme, they stated a goal of having more time to create business strategies and plan for the future of their businesses. It is not uncommon for participants to state later that it's the "first time the business feels organised and focused." However, the LEAD programme is not designed explicitly to support the formal creation of strategy and does not seek to lead participants through any form of "textbook" model of formal strategy analysis. The approach adopted is to encourage, through reflective thinking, an increased capacity to appreciate the current positioning of the organisation, and therefore, its current fit with the business environment. Whether this process then leads a particular participant towards adopting a more formal strategy process depends very much on the nature of the business (size, sector, etc.) and the preferred style of the leader. The opportunity to find a "sounding board" in the form of coaching or participation in an action learning set makes a significant contribution for some. Overall, 45% of completing participants reported that the programme had contributed significantly to the development of a strategic business plan.

Employment Change and Business Turnover

Participants on LEAD Wales are asked to provide data which allows changes in business turnover and employment to be monitored. Business growth, either measured through increased turnover or job creation, may not be attributed directly to programme participation, particularly as participants are recruited because they have growth aspirations. However, business growth through the programme provides a useful indicator of the extent to which the programme is supporting participants to achieve their growth aspirations. The majority of participants do report growth, either in terms of increase in staff or turnover or both.

Based on data from the baseline and exit questionnaires, there is an average increase of 2.3 jobs per business. Some of these jobs are part-time, and assuming that a part-time job is half a full-time one, this converts to 2 full-time equivalent jobs created per business. As a result, participants who have completed the programme have created a net increase of approximately 300 jobs (264 FTEs) within the Welsh economy.

"Yeah, we've taken on more staff. There was eight of us yesterday where there use to be three."

"That's a massive change, doubling workforce. We have 20 and I took 4 people on in one go and that was an absolute nightmare - just 25%. So what must doubling feel like?"

"We plan to open another branch this summer... would I have had the where with all to do it without LEAD? I don't know? Maybe I would have done, but I think it's all helped... I'm hoping to do more work online - and just looking at, constantly looking at possibilities and questioning what the next thing is - yeah so exciting!"

An increase of a couple of new jobs may not impose significant organisational change on medium-sized firms; however, it does represent a significant change for micro and small businesses. For a few of the participants, staffing levels doubled. That sort of change in employment can create a certain level of growing pains.

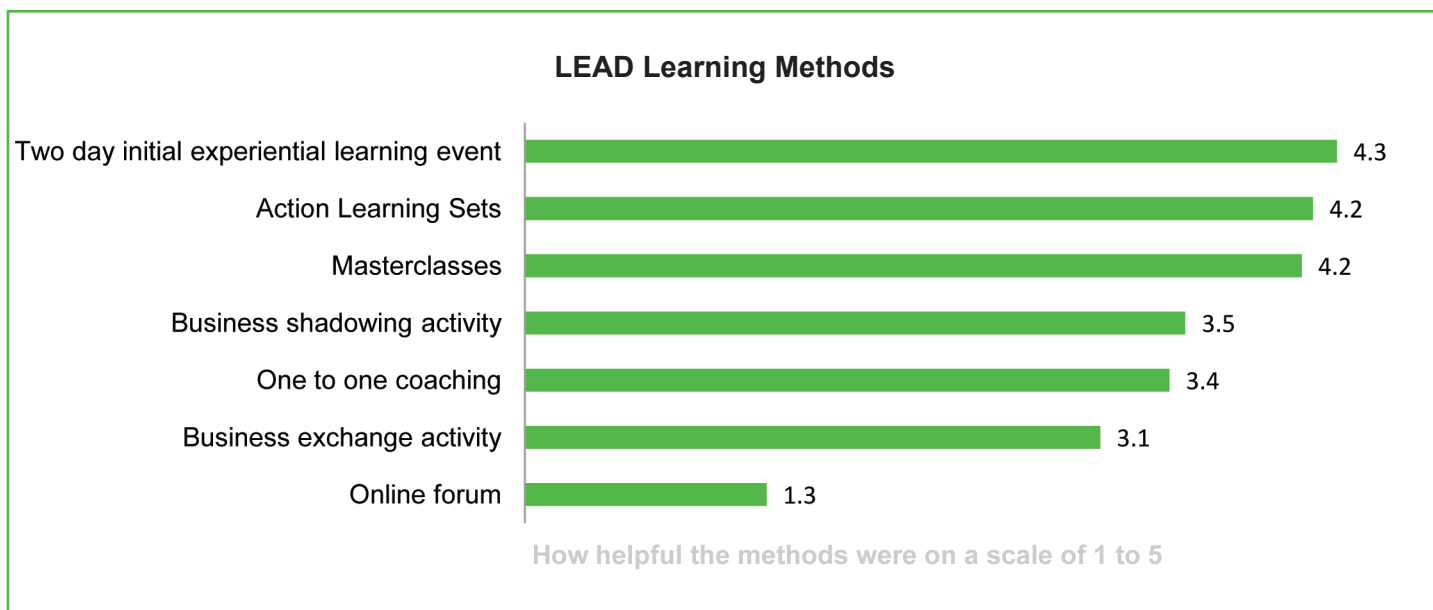
Participants who have completed the programme have created a net increase of approximately 300 jobs (264 FTEs) within the Welsh economy.

Joining the programme does not guarantee an increase in staff or turnover. For some participants, the programme focused attention on rationalisation or turnaround strategies. However, on average, businesses reported an increase of nearly £93,000 in annual turnover. While, in absolute terms, this is not large, given the average initial size of participating businesses, it reflects an average increase of 26%.⁹ Some participants report that they achieved this increase in turnover by acting on a business opportunity about which they had previously been hesitant. Action learning sets and one-to-one coaching appear to provide an environment where participants were able to freely discuss their hesitations and articulate a successful way forward. Some participants report that this led to new routes of distribution, reallocation of business resources, and partnerships.

On average, businesses reported an increase of nearly £93,000 in annual turnover, an increase of 26%.

⁹ Evaluation of 250 participants in the Lancaster-based LEAD programme between 2004 and 2012 has concluded that average annual sales turnover increased by 14%. In terms of absolute increase this is larger than in Wales, because participant businesses tend to be larger in North West England (Institute for Entrepreneurship and Enterprise Development, Lancaster University).

8 Learning methods and SME Owner Engagement



“LEAD has made me do things I would never have done. I wouldn’t have known how to do... I’ve really enjoyed it... I do feel a different person.”

“Action learning sets were excellent. Whether you had a problem that you were bringing to it or you were trying to help someone else, it was great to know that small business, we’ve all got the same sorts of problems going on.”

As noted in section 2, recent research has suggested that learning methods may be critical to successful leadership development activity for SME owners. SME owners may be suspicious of formal learning methods. They may hold perceptions that facilitators and teachers from higher education and other agencies lack experience with and understanding of the world of small business. These factors may limit willingness to engage. It has been suggested that entrepreneurs respond more effectively to “guide on the side” based learning rather than formal learning focused on the “sage on the stage”. A further consideration is that SME owners themselves may possess considerable reserves of experience-based knowledge and that this knowledge may be distributed and fragmented. Learning methods which seek to access and integrate this knowledge may, therefore, meet with success. To this end, action learning methods are increasingly favoured.

The LEAD model operates an integrated approach, blending a range of learning methods. It is likely to be the integration of different methods that unlocks learning. However, the use of a range of methods does allow a separate evaluation of each. Below illustrates the delegates’ view of the usefulness of the different methods used in developing their leadership abilities/capabilities. The methods were rated on a scale of 1 to 5 where 1 = “Unhelpful” and 5 = “Very Helpful.” The two day initial experiential learning event, action learning sets and masterclasses are the most helpful methods of learning.

“The action learning set for me was an eye-opener, being able to talk to people in the same role and that’s something I’ve never been able to do.”

“Shadowing and Exchange was really useful. I thought that was really useful to have someone coming into your business to say - look at it from a start and to be honest about it and say ‘Look at this, have you valued this’ - they really made me look at my business a lot more critically. I found it interesting to go into someone else’s’ businesses, as well, and see how they did things so I could take aspects of that and apply it mine.”

Most influential (top 2) programme elements	
Masterclasses	49%
Action Learning Sets	46%
Peer interactions	40%
One to one coaching	26%
Two day initial experiential learning event	14%
Business exchange activity	13%
Business shadowing activity	9%
External Accreditation	1%

In terms of relative influence of the different programme elements, respondents report that action learning sets and masterclasses were of greatest influence. This suggests that SME owners do, in fact, gain benefit from both formal learning methods and peer-to-peer learning. However, it appears important that participants are exposed to a range of masterclass presenters and subjects; considerable disagreement is observed from time to time amongst delegates about the value of particular masterclass sessions. Attempting to identify the value of particular topics to particular participants, in advance, is very difficult. This leads to the conclusion that effective programme design requires a range of topics to be covered and appropriate opportunity for participant reflection and discussion after each topic.

While a relatively smaller number of participants place the peer-to-peer shadowing and business exchange activities in the top two programme activities, for a significant minority of participants these experiences appear to be particularly powerful and have resulted in an open-ended peer-to-peer commitment to engage in mutual support.

SME owners gain benefit from both formal learning methods and peer-to-peer learning.

"I found the coaching and the ability to take some ideas out of the action learning sets feed those back to the coach and get that sorted out into a plan, I thought that was good."

Similarly, many participants report favourably on the value of the coaching activity within the programme, provided by professional leadership coaches. However, there is no guarantee in advance that any coaching pairing will be effective. To some extent it depends of the "chemistry" between coach and participant, as well as, the participants' openness to or perceptions of coaching. Effectiveness may also depend on the extent to which the participant is able to identify relatively quickly appropriate issues and topics to bring to the coaching discussion.

While participants place significant value on face-to-face peer interaction, the opportunity for interaction via an on-line forum is not particularly popular. This has important implications for potential effectiveness of distance- or "blended"-learning with small business owners. There may be a number of reasons for this, but it seems most likely that time constraints are at work. Participants respond well to the imposed discipline of time release from the workplace but are unwilling, or unable, to take time away from work to login and contribute to on-line discussion.

It should also be noted that the opportunity to gain an externally accredited management qualification is not a significant attractor for most small business owners. Portability of qualifications for career development purposes has limited direct appeal. However, a minority of participants, particularly those with prior experience in a professional or corporate environment do report that participation has stimulated interest in pursuing further, higher level qualification.

In summary, it should continue to be emphasised that effective programme design for small businesses relies critically on the integration of a range of different learning methods and activities, in order to exploit the range of learning styles that participants may bring, and to facilitate opportunity for peer-to-peer interaction, as well as learning from shared experience. A formal "top-down" approach to learning is unlikely to be effective on its own with small businesses.

*Effective programme design for small businesses
relies critically on the integration of a range of
different learning methods and activities.*

9 Conclusion

Although there are currently almost 200,000 small businesses in Wales, the experience of owning and managing these businesses is, for many, an isolating experience. Self-confidence levels may be low, and for those who employ other staff, the ability to achieve the best from those staff, however loyal they may be, can be hindered by limited management and leadership skills. Appropriate support for small businesses needs not only to address market failures in the provision of “hard” financial and infrastructure support, but also the issue of “soft” management and leadership skills. The experience of LEAD Wales and other initiatives designed to support skills development in small businesses suggests that these two aspects of support are complementary. Businesses will fail to make full advantage of “hard” support if they suffer from management and leadership skills gaps.

The LEAD Wales programme targets businesses and social enterprises which are “growth-orientated”. It is, therefore, encouraging that those business owner-managers who have completed the programme, do report growth in turnover and jobs, and levels of growth which, on average, are impressive. This growth has been achieved during difficult and challenging economic conditions in Wales and in the wider international economy.

Research and evaluation work on the connections between leadership skills and business performance is ongoing. Feedback to date from 166 individuals who have completed LEAD Wales points to the important impact of peer-to-peer networking and learning. This opportunity to break the cycle of owner isolation and constrained business performance appears to be significant. It creates a culture of mutual support and accountability. A recent report from Leadership and Management Wales concludes that development programmes need to combine classroom-based learning with longer-term coaching arrangements and that the benefits of investment in leadership development are typically medium and long term.¹⁰ Evidence from the LEAD Wales programme fully supports the first of these. An appropriate mix of learning methods is essential for leadership development to yield success. On the second point, it is too soon to provide firm evidence. Reported participant experience on the LEAD programme in Wales suggests significant perceived benefits after 10 months. However, there are strong suggestions in participant feedback of discrete changes in leadership behaviours which will yield significant future benefits. These include delegation skills, communication skills, confidence to engage in stakeholder networking, and ability to think strategically. Ongoing contact with LEAD Wales participants will allow this to be assessed over the future.

¹⁰ Elina Meliou and Barry Kennard, *The Impact of Leadership and Management Development on Organisations*, Leadership and Management Wales, 2012

Authors

LEAD Wales Research Team

Andrew Henley

Karen Jones

Heather Norbury

Sally Sambrook

LEAD Wales Swansea

Room 107 Technium Digital
Swansea University
Singleton Park,
Swansea,
SA2 8PP
info@leadwales.co.uk

www.leadwales.co.uk

LEAD Wales Bangor

The Administrative Centre
Bangor Business School
College Road
Bangor,
LL57 2DG
lead@bangor.ac.uk

