



Evaluation of UK Futures Programme

Final Report on Productivity
Challenge 5: Developing leadership
and entrepreneurship skills in small
firms through anchor institutions

Briefing Paper
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Final Report on Productivity Challenge 5 -
Developing leadership and entrepreneurship skills in small firms: how can anchor institutions support the development of small firms in their local economy?

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1 Introduction

To boost productivity, the UK needs to pay due attention to improving the skills of our workforce and to putting them to better use. Matching productivity in the US would make each family in the UK £21,000 better off. Productivity relies on a dynamic economy where good ideas spread rapidly, workers are well matched to jobs, firms can scale up, and where people move into jobs that use their skills¹.

The UK Futures Programme (UKFP) adopted an innovative approach to tackling workforce development challenges. The programme was funded by the UK Commission for Employment and Skills (UKCES) and ran for 26 months (from April 2014 to June 2016).

The UKFP offered small scale investments, targeting specific workforce development challenges and, where appropriate, a location, occupation or sector where there was greatest scope for learning. The programme took a Research and Development (R&D) approach to devising and testing skills solutions, it sought innovation and was tolerant to risk taking to promote greater levels of learning about what works, what does not, and how to apply that learning. The aim was to influence the application and implications of this learning in both strategic / policy decisions, and the action taken by employers and intermediaries.

The UKFP saw UKCES and industry co-creating projects to research, develop, pilot and/or scale innovative solutions to identified current and emerging workforce development issues that restrain business performance.

Through the Programme, UKCES was aiming to:

- Support collaborative approaches to workforce development issues amongst employers and, where applicable, wider social partners
- Encourage innovative approaches to addressing workforce development issues
- Identify ways to address new or persistent market or system failures which act as a brake on UK workforce competitiveness

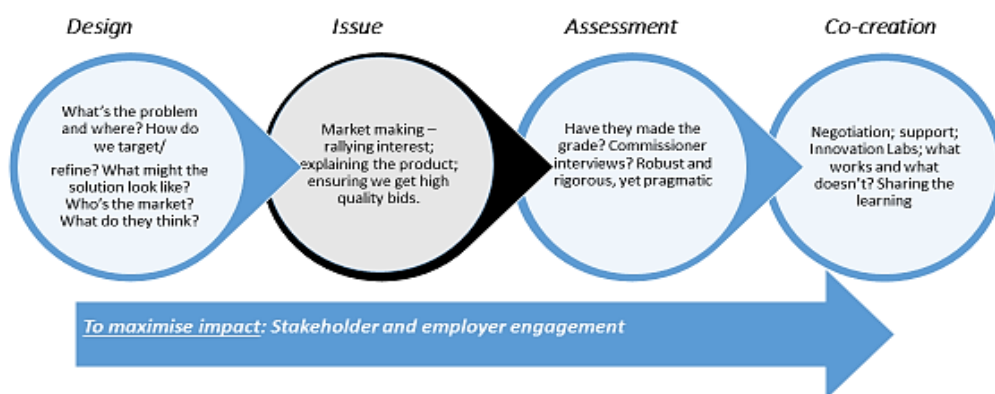
¹ HM Treasury (2015) *Fixing the foundations: Creating a more prosperous nation*, HMSO

- Identify 'what works' when addressing market failures in relation to workforce development, for adoption in policy development and wider business practice.

The UKFP identified a series of 'Productivity Challenges' which, if solved, had the potential to increase the skills of the workforce and ensure that they are put to good use. Five Challenges were launched and all were completed by mid-2016. Each Productivity Challenge co-invested in a number of projects, identified through a competitive process, which explored different aspects of the Challenge theme / workforce development challenge(s).

Each Productivity Challenge followed a staged process through which UKCES first identified the workforce development challenge from a combination of research, the knowledge of its Commissioners and staff, and then market testing and consultation with employers and intermediaries to refine that challenge. UKCES then carried out a market making activity to encourage project development and applications that demonstrated shared risk and active cash and / or in-kind investment by employers to the benefit of the design, delivery, reach and / or communication of the proposed solution. These applications were then assessed. The successful projects received co-creation support to nurture learning, collaboration and innovation within and across the projects. This process is shown in Figure 1-1.

Figure 1-1: UK Futures Programme stages



Source: UKCES

1.1 Productivity Challenge 5: Developing leadership and entrepreneurship skills in small firms: how can anchor institutions support the development of small firms in their local economy?

The evidence suggests that one of the fundamental problems holding back the growth of smaller organisations is a lack of leadership and management capability to drive performance and enable them to succeed. Small firms make up the vast majority of UK business, 99.3% of UK businesses employ fewer than 50 people. As these businesses grow, the owners face pressures to create management structures that help them to delegate some degree of decision making to their staff. A lack of appropriate management and leadership skills within these firms holds back their performance.

The latest Employers Skills Survey, carried out by UKCES, finds that small firms are significantly less likely to provide management training than their larger counterparts. Across the UK, 33% of firms with less than 50 staff provided management training, whilst 72% of those with more than 50 staff did. This varies across the four UK nations (ranging from 30% in Scotland to 34% in Wales). The 2015 The Department for Business Innovation and Skills' report on Leadership and Management Skills in small and medium sized enterprises (SMEs) provides new evidence on how leadership and management skills are relatively underdeveloped in many small firms². This, combined with a widespread failure to adopt management practices, is constraining the performance of a large number of small firms in the UK. Leadership and entrepreneurship skills were the focus of this Challenge as they are the skills most strongly associated with good management practice and small firm performance. The report³ argued that these skills have the greatest positive impact on staff management practices which then lead to greater turnover, growth or productivity.

Many approaches have been adopted to improve the leadership and entrepreneurship skills and performance of small businesses. The specific approach tested through Productivity Challenge 5 was to work through Anchor Institutions (AIs). AI is a description for organisations that have an important presence in the local community and are tied to specific locations by a combination of factors, including invested capital, mission and relationship to customers and employees. These institutions may also have high levels of employment and significant purchasing power. Being an AI involves making some strategic contribution to the local economy, and is likely to be a

² Department for Business, Innovation and Skills. (2015) *Leadership and Management Skills in SMEs: Measuring Associations with Management Practices and Performance*. Department for Business, Innovation and Skills, Research Paper 211. London

³ *ibid*

secondary aim rather than the main focus for the institution. They may also be a major employer, purchaser, property developer or have a focus on workforce development.

This challenge sought to test how far AIs could and would be willing to use their role and status within the local economy to engage with small firms and then to support them to develop improved leadership and entrepreneurship skills. No single type of AI was favoured, the Challenge was interested in how different AIs might respond to the challenge.

1.2 Evaluation of the UKFP

UKCES commissioned SQW to carry out a real-time evaluation of the programme. The aims of the evaluation were to:

- Develop a rich understanding about ‘what works’ in addressing workforce development issues
- Understand the conditions that can stimulate workplace innovation and learning
- Actively enable continuous improvement of the investment approach
- Communicate the learning in a way that can readily inform and influence policy and wider practice.

These aims, which guided the evaluation, can be grouped into two broad areas. Firstly, they are concerned with learning what works, what doesn’t work, under what circumstances and why in relation to the solutions that are being tested in addressing workforce development issues; and secondly they are focused on exploring the operation of the UKFP and its implications on UKCES delivery and wider policy.

At the point of assessment, UKCES identified a set of expected learning themes / research questions that they expected the evaluation to be able to explore during the lifetime of the projects. The research questions were reviewed and evolved over time; they were used to shape the activities undertaken by the evaluation team to learn what works. These are shown in Figure 1-2.

Figure 1-2: Research questions for the UKFP Productivity Challenge 5

Skills

Improving leadership and entrepreneurship

- What does a good leadership/entrepreneurship programme look like for small firms? Does it encompass management, leadership or entrepreneurship? Does it include 'softer' personal development? What language do firms respond to?
- What duration of training is effective – maximise learning, minimising drop out and facilitating engagement?
- What works in building employer networks that strengthen skills provision and raise aspirations in the community, and which include small firms?
- How can employer networks facilitate the delivery of effective solutions to raise entrepreneurship and leadership skills?

Engagement

How to engage small firms?

- What are the best methods (channels or routes) for an AI to engage with small firms? Do AIs have the capability to do this? How can they use other small firms or other organisations (and which types of organisations: other businesses, in same sector or other?; Chambers, Councils, education providers, banks, others) to engage hard-to-reach firms?
- What messages engage small firms? Is it the messenger or the message? Is it the business case/bottom line?
- What works in enabling small firms to engage with leadership and entrepreneurship development? What are the barriers that small firms face in engaging with leadership and entrepreneurship development? How does the project mitigate those barriers?
- To what extent does the local factor influence participation? How can localism foster/harness participation?

AI role

How can AIs support local small businesses?

- How can AIs raise the aspirations of small firms when it comes to leadership and entrepreneurship skills? What works in strengthening the relationship between anchor institutions and the local business community / small firms?
- What wider benefits can an AI bring to the project?
- What benefits do they stand to gain from playing such a role?

Source: SQW

The evaluation of PC3 was based on a qualitative methodology, and used a variety of research methods to collect data. The following data collection approaches were used by the evaluation team:

- desk-based reviews of project documentation, including stage end reports (monitoring reports completed by the project leads)
- interviews with key UKCES staff
- mid-point interviews with project leads
- end-point interviews with project leads
- deep dive interviews, including:
 - attending a project event and interviewing employers and training providers

- attending a project steering group and consulting delivery staff
- observations and data collection at two co-creation labs.

The next section of this report describes the projects funded and their achievements. The following section details the evaluation findings about what works and what does not against the research questions for Productivity Challenge 5 projects. The implications and applications of the learning are discussed in the final section.

Throughout the two final chapters a series of summary tables highlight the key learning on what has worked or not, and the key messages that Productivity Challenge 5 has highlighted for AIs, providers of small firm support and policy makers.

2 Productivity Challenge 5: The projects

UKCES selected eight projects to co-invest in and work with in Productivity Challenge 5. Projects were led by AIs of varying type:

- **University** - Inverness College UHI, Newcastle University, University of Sunderland and the University of Teesside
- **Business support organisation (primarily)** - Causeway Enterprise Agency and St Helens Chamber of Commerce
- **Skills development organisation (primarily)** - Regional Learning Partnership South West & Central Wales
- **Local authority** - Doncaster Metropolitan Borough Council

Productivity Challenge 5 ran between August 2015 and June 2016⁴, with a total UKCES investment of £1,048,984 and total co-investment of £627,023 (including cash and in kind).

Of the eight projects, one sought to pilot a leadership development programme with micro businesses in the region. The project would apply an existing purpose driven leadership programme designed for large firms to micro firms. Providing support specifically for micro businesses would also fill an identified gap in local provision. The project sought to engage already known and new micro businesses in the programme which would be delivered in two cohorts.

The project successfully delivered the programme to 40 micro businesses. In the first cohort 15 micro businesses benefitted and in the second cohort 25 micro businesses benefitted. As of June 2016 the first cohort had completed the programme and the second cohort was part way through. The outcomes for the first cohort show that the programme increased the leadership ability and confidence in decision-making and problem solving of participants.

The second project was delivered by a partnership of two AIs and a local small firm. The project sought to upskill and enhance the leadership and entrepreneurship capabilities of leaders in small businesses locally. The project used a recognised best practice programme and adapted it to local conditions. The programme was delivered

⁴ Projects originally intended to run until August 2016 but the UK Government's decision to dissolve UKCES meant that projects' end dates were brought forward.

over four days and to support their development further, end user could choose to access additional support.

The project delivered the programme to 45 small businesses split over three cohorts. Overall, the project improved the attitude of businesses engaged towards leadership and entrepreneurship training. The project intended to keep working with the businesses engaged to embed and widen the project's impact.

Another project sought to develop and pilot a programme that would address a lack of entrepreneurial aspiration and low take-up of training across a rural region. Due to the rural nature of the region, the programme was offered in both online and face-to-face delivery formats. To achieve their aim, the project engaged partners, including other AIs and local businesses.

The project successfully engaged the target number of small firms (40) and commenced delivery of a six module programme. As of June 2016, four modules had been delivered and the remaining two were scheduled to take place. Although the first cycle of support had not been completed, the project had anecdotal evidence to suggest that it had increased the leadership and entrepreneurship of small firms who engaged. This was irrespective of the delivery mode.

The fourth project was led by a university and it sought to deliver a programme to enhance the leadership and entrepreneurial skills of owners and managers in small firms. The programme was based on extensive research and it sought to develop relationships between small businesses and large firms by engaging them in a workshop and facilitated support.

The project was part way through delivery in June 2016 but there was some anecdotal evidence to suggest that it had enhanced the leadership and entrepreneurship capability of small firms. The small firms and large firms paired also indicated that they would continue to work together following completion of the programme.

The fifth project focussed on engagement and sought to work with small firms to establish what leadership and entrepreneurial skills support should look like. Prior research by the AI identified that there was a gap in provision and regional funding tended to exclude very small firms, and the project sought to work with small firms to shape new or existing offers.

The project engaged small firms across a broad area and achieved buy-in from those in urban and rural settlements. The project identified small firms' preference for peer-to-peer support and coaching and mentoring from others who had first-hand experience of running a business. The project also identified opportunities for the creative sector across the region, and tested and refined messages that would be attractive to them. The project was still establishing what their activities post-UKFP funding would be, but was hopeful that the learning would continue to influence support in the region going forwards.

Another project focussed on addressing the specific barrier of time that small businesses encounter when trying to access support. The project sought to match medium sized businesses with small businesses so that mentoring relationships could develop and also offer seminars for group learning. The mentoring would upskill the leadership and entrepreneurial skills of the small businesses. Their participation in the project would also contribute to finding ways to address productivity and economic growth challenges in the local area.

The project was still delivering activities as of June 2016, the target number of 20 small businesses and 12 medium sized businesses had been achieved and mentoring was underway. Early findings suggest that the leaders of the small businesses were making changes to their processes to improve business performance and also developing as 'entrepreneurial leaders'.

The seventh project focused on two sectors, manufacturing and cultural/creative, that were important to the local economy. The project sought to use a new innovation resource that offers space, support and equipment to engage businesses. Access to the resource would be possible once small businesses had engaged with the core offer of leadership training. The AI leading the project was a university and they hoped at the outset to engage 48 owner/managers of small businesses across the two sectors.

The project achieved good engagement from small businesses in an initial design event, this event was to shape the content of the leadership training. However, few businesses followed through and engaged with the training that was developed. The small number of businesses that did engage reported that the workshops helped them to think innovatively about their business and helped to develop their leadership skills.

The eighth project was delivered by a University and built on an existing small firm growth programme. The project would enable additional small firms to benefit from the

existing programme and coaching. The project would seek to develop sustainable relationships with the small firms to support them with future skills needs.

Overall, the project successfully engaged small firms in the growth programme and developed relationships between small firms and coaches. The one to one business coaching was found to be particularly effective and has enabled businesses to improve their processes. The small firms involved have also developed a network of peer-to-peer support. At the end of the programme the small firms were to join the alumni network of small firms to benefit from continued peer-to-peer support.

The experience of the projects in developing this range of solutions, has generated important learning against the research questions, including how leadership and entrepreneurship skills might be developed in small firms generally and about the role of local anchor institutions. This learning is described in the following section.

3 Evaluation Findings

This section details the evaluation findings against the research questions in **Error! Reference source not found.** in the first chapter. It comprises three parts: how far skills have been enhanced and what contributed to this; the ways in which AIs were able to engage small firms and other partners; and the wider lessons about the role of AIs in supporting their local economies.

Throughout the chapter we summarise what has and has not worked at the beginning of each section and then expand on this in the following text.

3.1 Distance travelled in improving leadership and entrepreneurship

A core part of the Challenge was to improve the leadership and entrepreneurship skills of small businesses. This section described the key learning about what worked or not in this regard.

The leadership and entrepreneurship capability amongst small firms in respective local areas was thought by the projects to have started from a low base. Nearly all projects thought they had increased the leadership and entrepreneurship capability amongst small firms in their respective local areas to some extent. However, the improvement was relatively small, reflecting the timescale and number of businesses reached by each project.

All of the projects thought that they would increase the leadership and entrepreneurship capability amongst small firms in their respective local areas over the next twelve months. The projects thought that this would be achieved by a variety of means which included engaging more businesses, engaging further with existing businesses and refining their programme to achieve greater impact based on learning acquired through the UKFP

Across the eight projects there was learning about what a good leadership and/or entrepreneurship programme for small firms looked like. The lessons are in Table 3-1, and explored in greater detail below.

Table 3-1: What does a good leadership/entrepreneurship programme look like for small firms

What worked	Why/how did this work
Recognising the starting point of participants	Different businesses required different levels of input, and this had to be accommodated to retain their interest

What worked	Why/how did this work
Planned and structured sessions	This created an environment that was conducive for learning by giving participants confidence and setting their expectations
Flexibility	Projects found that having flexibility, in terms of the days on which training is delivered, and the content itself, aided the delivery of an effective programme, this meant courses could be tailored to the businesses attending
Peer-to-peer support	Giving small businesses the opportunity to make connections with other small or large businesses created a sustainable peer-to-peer support mechanism and enabled action learning
Mentoring and coaching	Projects found that these activities worked well, both small firms and larger firms benefitted from learning from each other's experience
Role models	Role models boosted end users' aspiration. Role models emerged naturally from peer-to-peer support, mentoring and coaching activities, and external speakers. They were typically a person who the end user could relate to due to similarities between themselves and/or their businesses
Soft skills content	Projects at the outset thought that having aspects that covered, for example, growth and fixed mind-sets was a risk, but in practice they worked well and small businesses responded positively
Clear, accessible language which avoids academic terminology	A good programme used language that end users could identify with, this included using non-technical language to describe academic approaches
Face-to-face delivery	All projects used face-to-face delivery and feedback from end users is that the method worked well
Opportunities to share learning and experiences	Projects observed that some of the most effective learning came from end users being able to learn from one another. An example of this is action learning, although projects avoided using this term

What worked	Why/how did this work
Shorter rather than longer delivery	There is little conclusive evidence of one length of programme being better than others. This partly reflects that projects were delivering different things. However, in all there was a sense of pace and momentum being required to maintain attendance.
What did not work	Why/how did this not work
Offering courses to very wide cohorts of small firms risked reducing attractiveness or impact	This limited the scope for role model and peer-to-peer relationships as different types of business had different needs, which might be better served by speaking to others in similar positions / sectors
Delivering both leadership and entrepreneurship provision	The needs of small businesses were quite basic which meant the majority of projects delivered leadership and management training, rather than entrepreneurship

Projects often found that businesses ‘*don’t know what they don’t know*’, and this made it difficult to design the programme at the beginning. Moreover, there was often reported to be a range of needs, but with many requiring quite basic support, such as how to go about recruitment. Projects therefore stressed the need to **understand the needs of those attending and tailor courses appropriately**. This was challenging as it could take time for key needs to emerge, but was an area where AIs could draw on their wider experience to develop and flex a programme, anticipating and interpreting needs that participants might not have recognised.

Overall, projects found that **businesses welcomed well planned and structured sessions**. This included being clear about the purpose of the session and having an agenda. This contributed to creating an environment with a professional feel that was conducive for learning and networking. It also gave end users confidence in a programme. Also, when creating a conducive environment, one project found that the room used had an effect on outcomes. The project found an informal setting with soft furnishings created an informal tone, when compared to another cohort where the initial meeting was held in a boardroom setting. This suggests that consideration should be given to the type of room setting and the project objective, for instance a boardroom setting might be appropriate if the intention is to have a formal tone to project activities.

Projects thought that it was important to have a degree of **flexibility** built into their programme. This enabled them to adapt their programme to the needs of the businesses that engaged, had they been fixed then the programme might have been less effective. For example, one project had consciously sought not to include any academic management models in their programme, but when they understood the needs of their participants decided to introduce several of these, albeit simplifying the academic jargon around them. This shows the benefit of the flexibility which the testing and learning approach, one of the design principles of the UKFP model, afforded the projects.

Whether projects were delivering training or undertaking engagement activities a consistent message was that **small businesses welcomed the opportunity to develop peer-to-peer relationships**. A good programme had time and space for businesses to do this. These relationships built trust and confidence amongst the small firms in the project, once developed they enabled open conversations about issues and concerns to take place. One project had a residential element, whereas other projects allowed time during group sessions for conversations to take place. There was no evidence to suggest specific conditions were needed for these relationships to develop, rather small businesses just needed to be given the opportunity to meet one another. Feedback from end users to projects suggests that these relationships will continue beyond the UKFP.

Projects observed that **effective learning for end users came from enabling them to learn from one another's experiences**. In many cases this was facilitated by an action learning approach which is a "*continuous process of learning and reflection, supported by colleagues, with an intention of getting things done*"⁵, it requires people to work together on real or simulated scenarios. Universities recognised that what they were offering was action learning and would use the term to describe their activities, whereas other non-academic projects would use approaches similar to action learning but would not identify with the term. There was a project that also used a pluralist learning approach. This is an approach that enables people to '*take action and develop new ways of thinking through social interaction*'. This approach was thought to have a number of benefits including not contributing to 'learned helplessness' which is a risk in heavily facilitated programmes. Overall, using an underpinning approach that enabled end users to work together and learn from one another was effective.

⁵ Beaty, L. and McGill, I (2001). *Action Learning: A practitioner's guide*. Routledge

Mentoring and coaching was an activity that was found to be effective. The type of relationship that projects sought to establish varied in some cases. The relationship was to be shorter term coaching as opposed to longer term mentoring. There was also a mix of using mentoring or coaching experts and other small or large business owners or managers. There was learning from a small number of projects that small businesses prefer having a coach or mentor that had first-hand experience of running a business. A project found that where a small business was paired with a larger business both parties benefitted as often they had the same issues and could work through options together, benefitting from each other's insight. Finding the right mentor and introducing them at the right time was also important:

"It was important to introduce mentors later on, once we knew what they [end users] wanted [support with]. The right mentor was not always the obvious choice, it depended on what they [end users] wanted and the knowledge that mentors offered rather than necessarily size or sector"

Project lead

It was also apparent that the larger firms could benefit from being involved in these types of programmes, and this was a key motivator for large firm involvement in the projects. This came about through staff development for managers and giving them a new challenge or new insights. Where the latter was a focus it was important that projects provided feedback to the firm/manager. A secondary benefit was gaining access to small firms who might be suitable suppliers. Although this was not an initial aim or outcome, it is perhaps not surprising that it occurred.

Role models appeared to boost aspiration amongst end users. Role models emerged from peer-to-peer support, mentoring and coaching activities and were occasionally people who were engaged as external speakers. In all cases the role model was a person who owned or managed a business that was successful and not too dissimilar from the end user's. This suggests that there might be merit in bringing together businesses and people that are not too dissimilar, although consideration should be given to mitigating against businesses engaging solely to get access to people or businesses for commercial purposes.

Soft skills content was found to be a beneficial part of a programme, and perhaps more so than projects thought it would be at the outset. An example being content that explored Carol Dweck's theory about growth and fixed mind sets⁶. Although the project knew that businesses engaging with the concept could lead to good outcomes, they

⁶ Dweck, C.S. (2012) *Mindset: How You Can Fulfil Your Potential*. Constable & Robinson: London

were initially apprehensive that small businesses would not engage with the content and saw it as a risk to maintaining engagement. Feedback from small businesses was that this session was one of the most useful they attended and the project saw the businesses take on more of a growth mind set.

Similarly, the focus for many projects had, as intended, been on leadership and entrepreneurship issues. These were seen to cut across many different types of issues. As one project noted:

“the businesses know the technical part of the job, but not the business part. That is where we can help.”

Project lead

A good programme used clear and accessible language. Projects found that not doing this and using academic or technical terminology was a barrier to end users as they did not identify with the language. This was challenging for some, particularly the universities as it meant changing their normal ways of working. For some, at least for a while, it ‘felt’ less professional, and was perhaps more challenging in written materials than verbal communications. Moreover, they often saw a need amongst participants for inputs drawing on academic work, but had to present this differently. Using the principles of plain English was found to be an effective approach to simplifying language.

All of the projects used face to face delivery methods, and only one offered online learning alongside their face to face delivery. Collectively the projects thought that **face to face delivery was well received by the small businesses**. The project that used both methods operated across a rural area and experienced no difference in uptake or retention between them. Interestingly, the online cohort while engaging with the learning and networking options that they were offered also then pushed for a face to face gathering with others on the project. This may suggest that there remains a thought that face to face contact is required at some point, possibly to cement relationships and networks, but that much can be achieved online (and at lower cost) before that stage is reached.

There was no single duration of programme that was found to work best. Overall projects thought that a good programme had a duration that was appropriate for what was trying to be achieved, in some cases this was quite short e.g. a couple of days, in other cases it was longer e.g. multiple interactions over a few months. Projects thought that solutions were likely to be of an appropriate length if they were focussed on what

the core activities were and what they hoped to achieve, and so participants saw each element as relevant. Projects found that fine-tuning was needed to find the appropriate length for a solution. There were two projects that found that having six weeks in-between sessions was too long and end users became disinterested. For the next cohort the projects decided to make the programme more focussed and have two to three weeks as a maximum between activities. This had a number of benefits which included increased ongoing engagement and more active engagement during sessions.

With regard to what worked less well, a couple of projects also reflected that having offered their programme to a broad range of small firms, they might in future be more targeted and **segment the market more**. While this might make recruitment more challenging, they thought that it might better meet the needs of participants. The two sets of groupings raised were:

- Manufacturing business perceiving (and probably having) different needs or needs that required different solutions to some services businesses
- Newer businesses being different to more mature businesses

Segmenting the market increased the scope for businesses to positively identify with one another and for role model relationships to develop. Segmentation of the market should be considered carefully as depending on the needs of the end user it is not always necessary, for example one project found that two businesses in completely different sectors developed a good relationship as they have a similar non-sector specific issue.

The majority **of provision focussed on leadership and management skills, but did not spread in to entrepreneurship** as the title of the Challenge had implied. The needs of small businesses were found by projects to be fairly basic. Some of the most popular provision was focussed on marketing and the use of social media for example. There was also provision to help small businesses create or refine business plans and strategies. This reflects that many participants were small businesses who simply wanted to run the business better (not necessarily grow or scale up in any significant way).

3.2 Engaging small firms

UKCES sought to identify what the most effective methods of engaging small firms were. The key lessons from projects are summarised in Table 3-2, and explored further below.

Table 3-2: Engaging small firms

What worked	Why/how did this work
Language	Using plain English aided buy-in, over complex language or assuming businesses knew acronyms or what 'leadership' meant for them could lead to disengagement as they would think the offer was not suitable for them Also using modest language which did not overplay "growth", Small businesses seemed more focussed on improving or dealing with issues, rather than necessarily growing
Building trust and credibility through conversations, often face to face	Businesses need to be confident that the programme and those delivering it would meet their needs. This required personal interaction, including giving them the chance to ask questions Maintaining a personal relationship could also maintain end user engagement
Low price – at least to start	This ensured the cost was not prohibitive and because businesses had paid they were thought to be more likely to maintain their engagement
Start with a small programme	This ensured time and/or cost were not barriers, this engaged businesses and enabled them to see the benefits. Projects could then engage the businesses in subsequent activities
Opportunity to meet people they might learn from / do business with	Projects found that small businesses valued peer-to-peer support networks, enabling these to develop aided engagement as they would attend because it was an opportunity to meet new or existing contacts
Businesses which have not engaged before can be attracted, but only if restrictions on eligibility are changed	Unlike EU funding, the only stipulations made by the UKFP were that end users were small firms and not previously engaged. Projects were able to engage businesses who otherwise might be excluded from offers of business support

Well organised and scheduled in advance	Having activities scheduled helped to achieve and maintain engagement. Well organised practicalities e.g. access to car parking also aided engagement
Having retention strategies	Taking time to telephone people to remind them about upcoming sessions, or creating buddying relationship helped ensure high repeat attendance
What did not work	Why not
Too heavy an emphasis on academic approaches	Disengaged businesses as they could not see its relevance to their day to day operations
Involving businesses in programme design as a way of attracting them to the programme	Few of the businesses that were involved in design of the programme stayed with it to the end. There were various reasons for this including work and personal reasons. This was the case for one project
Impersonal marketing	This included cold calling and flyers, neither method contributed to engaging end users

Communicating the project clearly included avoiding the use of acronyms and jargon, including academic jargon. Around half of the projects experienced a small number of end users being confused or unsure about an offer due to the language used. All of the projects advocated using plain English when communicating the offer to end users to help maximise take up. This included explaining what projects meant by the term 'leadership', as not all small firms identified with the term and knew what it meant for them. Projects also learnt not to assume what knowledge end users had of local policy or organisations, one project found an end user who they thought would be aware of the Local Enterprise Partnership (LEP) was not. In this case the project reflected on their communications and removed any assumptions about end users' knowledge. They learnt that an incorrect assumption could act as a barrier to engagement.

The language used in promoting the programmes was deemed crucial by many of the projects. They initially struggled with this, perhaps reflecting that some projects were targeting this particular market segment for the first time. Initially they sought to emphasise the opportunity to 'grow your business' or used academic and theoretical terminology, including the use of the term 'leadership'. However, this didn't work for some projects. On enquiring, they found many businesses were very small and less

interested in employing more people; than in being 'better run', more stable, less troublesome. Changing the marketing message to reflect the latter proved to be attractive. One project, for example, then changed its marketing message in line with this, and with positive results.

When marketing a programme, projects found **it was important to engage with end users on a personal one-to-one level**. Personal marketing was resource intensive but projects found it was the most effective at engaging end users. A particular benefit of this approach was that it provided an opportunity for dialogue and for questions to be asked and answered:

"because you came round and asked, you appeared credible and we trust the organisation; we did not read any literature"

Project End stage report

Maintaining a personal relationship was also important for ensuring ongoing engagement. A project delegated responsibility for keeping in contact with end users to different members of their operational team. These individuals would call the end user between sessions and ask about additional support needs and gently remind them about upcoming sessions. This was found to be effective both for maintaining engagement and marketing add-on support offers.

There was variation amongst the projects in terms of whether they charged or not for their offer. Overall projects thought that **it was important to ensure that cost was not a barrier to participation**. Projects also thought that having an initial low cost would aid engagement as end users would be more likely to try the programme being offered and see if it suited them. In the future projects thought that they might have to charge more for their solution, as UKFP funds had subsidised the cost of all the solutions to some extent, however keeping the initial cost low was a priority. To achieve this projects thought that it would be possible to offer an initial free or low cost programme (in some cases because other grant funded, free programmes were available and small firms would not be able to distinguish between free and charged programmes), and then charge end users for add-on benefits, for example one to one coaching. It could also be expected that take-up of the higher cost add-ons might be greater than if they were part of the initial offer, as end users would have hopefully had some benefit from the initial offering. Of the projects that charged for their programme, one charged modestly for some courses within the programme whilst others were free of charge. The project experienced similar uptake for the various courses which

suggests end users will pay upfront and solutions do not necessarily have to be free of charge.

Similar to not creating a cost barrier, projects found that it was **important not to create a time barrier**. Offering a programme that was initially short in length, aided engagement as projects found end users would '*give it a go*'. Had some programmes been longer in length, then projects were less sure that end users would have engaged. As end users engaged and, for the majority, had a positive experience and benefitted, they might subsequently be willing to give up more of their time and engage with additional events. A project commented that a short initial offer created a "*thirst for more*". Offering short courses also contributed to keeping initial costs low, which as explored above aided engagement. A project reflected that when considering the time commitment, it was important to consider the intensity of the programme and the duration. Going forwards they intended on keeping the contact time in the programme the same, but spread it out over six months rather than three months to reduce the intensity without having to reduce the content. Considering time and intensity is particularly important for programmes that serve small firms as those attending have limited time as their owner/manager role is all-encompassing.

Overall projects found that as the delivery of their programmes progressed it became evident that **providing opportunities to network and maintain relationships with peers was important**. These relationships emerged naturally from programme activities, and contributed to the ongoing engagement of end users as they would attend to meet up with peers they met at earlier events. A project commented that end users' reasons for maintaining peer to peer relationships were not solely commercial. The majority of relationships had been formed around issues or difficulties, for example to discuss recruitment or social capital aspirations. Although they were aware of a few end users seeking to do business with one another, or collaborate to create commercial opportunities.

A positive aspect of UKFP was the absence of restrictions about what type of business could benefit from programmes developed by projects. This was beneficial both for projects and end users. Projects found it aided engagement as there was a captive audience of small businesses, they might have wanted to engage in the past but were unable to because of their sector. These businesses welcomed that they could benefit from the support offered. This wide catchment needs to be set against the point made earlier about market segmentation, with the balance probably for a fairly relaxed policy within the defined segments.

A high quality offering that was planned well in advance of the delivery date aided engagement. All of the projects thought that this contributed to good engagement as the end users had sufficient time to schedule their work around events. Projects thought that this was particularly important for micro and small businesses where the owner/manager was likely to be a point of contact for their clients. **Ensuring that any training sessions offered were well planned also aided maintaining attendance**, projects thought that there was a risk that end users would disengage if they attended a session and the content was not what they expected. The content for each session needed to be communicated clearly to ensure this, and then delivered as outlined, albeit with some flexibility depending on the end users in attendance. There were also **practical components that if well planned contributed to good attendance**, for example free car parking and good quality catering. These practical components were softer incentives that appeared to have some weight in encouraging attendance. Projects had also taken care to have **strategies to maximise retention**. Robust scheduling and organisation contributed to these, activities also included ringing around people in the few days before to remind / encourage and offering 'mop-up sessions' if people had to miss elements. One interesting approach was to develop a buddy system whereby two people worked together at each session. Therefore, if one person didn't come they would be 'letting down' their buddy. Others used telephone calls in the day or so before an event to remind and encourage people to come along.

Projects found that **end users were less interested in programmes that promoted an academic theory or approach explicitly**, although in practice academic content could be useful if communicated in non-academic terms (as explained above). This was linked to the importance of finding the right language to communicate a programme. A project that offered a programme that included action learning found that end users did not identify with the term and showed a reluctance to engage. The project decided to not use this term when marketing the offer, although they would still deliver action learning. Feedback to the project suggests that end users highly rated the action learning sessions, however they might not have engaged had the academic label of action learning been used. The above would resonate with another project, however they found it was important to be clear and reference where academic theories were being used. This gave end users confidence in the solution and also provided a point of reference should they wish to find out more in their own time.

One project set out explicitly to involve a group of small firms in programme design, with the thought that this would ensure the programme better met their needs. They got a very good initial response: 48 businesses signed up and there was a waiting list for places. However, only 18 of these businesses subsequently registered on the programme, **demonstrating that involvement in design had not led to participation**. Moreover, only eight subsequently reached the end of the programme, with one issue being the dropout of some making it less appealing to others, as there were fewer people to learn from.

Impersonal marketing did not engage end users. Projects found there was limited engagement from businesses that had been cold called or handed a flyer. All of the projects in the Challenge aimed to engage a small number of businesses, and as mentioned above a direct personal approach was the most effective means of engagement. When marketing the programme one project found encouraging end users to “*treat themselves like they would a client*” was an effective marketing message that end users responded positively to.

3.3 How can AIs support local small businesses?

As part of the wish to develop skills in small firms the Challenge was also testing how far organisations could utilise their role as an AI to access this market and meet their needs. This second objective was less consistently prominent across the suite of projects, with some appearing to be more focussed on it than others. As a result, there is quite rich learning about what worked and what did not.

Table 3-3: The role of AIs

What worked	Why/how did this work
Having profile and credibility with the target audience	This helped to re-assure potential programme participants about the likely quality of the offer and provided the means to raise the interest of new groups of small firms
Having internal expertise	The AIs had each delivered similar activities to similar groups of businesses in the past. Therefore, they had knowledge that they could build on in designing and delivering programmes. In some cases, this also meant that they could deliver the programme themselves, although others had to bring expertise in

Having suitable premises	This made it easier to host events, and in some cases to use the venue as part of the draw to attract people
Having local and alumni networks	Als made use of existing contacts including their alumni network to reach out to potential participants, utilising the personal credibility of a wider set of individuals
Having access to key stakeholders and being able to influence their future plans and draw on their knowledge in developing programmes	This enabled the Als to have other stakeholders on their steering groups and encourage them to see what was being learned through the programme to influence wider policy
Facilitating local employer networks	Als were able to use their position in the local community to strengthen and create employer networks

What did not work	Why not
Projects seeing their activities as strategic	Some of the projects focussed on numbers and throughput, not really targeted at sectors or at creating long term relationships. This was often a reflection of past practice on other programmes
Combining the focus on small firm growth and Als	While all projects appear to have focussed strongly on the small firm element there was mixed engagement and reflection around being an AI, perhaps because of the way the programme was set up / the mix of people running projects
Als not utilising all of the options that they might have	The projects were mostly very narrowly focussed around delivering training through fairly conventional programmes. Other AI mechanisms such as using their purchasing power did not come forward. This may relate to the point above
Strong future plans for the projects linked to the position of the AI	There was concern and uncertainty for some about how future iterations of the project would be funded. Most were seeking other funding rather than seeing it being possible to offer commercially or at fund internally as part of the Als role in developing the economy
Linking the small business activity to other activities of the Als (e.g. university teaching)	Some of the projects were run slightly in isolation from mainstream activities. In time the learning may transfer over, but the linkages appeared weak

Influencing the AIs wider strategy of engaging with small businesses

In a similar way to the point above, the focus in some projects in the fairly short time available was on the project, how it was working and what next, rather than wider learning about the role or offer of AIs or lessons for the wider economy. This may be related to the projects being very small in the context of some organisations

The status and image of the AI was not always helpful to recruitment

Particularly for Universities, it was reported that while they were respected, small firms were concerned that they would be too academic and not focussed on the needs of small businesses

Across the projects there was broad agreement that many of the key attributes of being an AI had helped them to deliver their programmes. For several, **the most important parts of this were the profile of the AI, its network of contacts and the expertise of its staff.** These factors were mutually reinforcing. For example, AIs had gained credibility through previous delivery, which reflected expertise. Moreover, through their previous delivery they had **access to contacts of alumni, who could then be drawn on to promote and recommend the programme to others.** In this way they were able to repeat the lessons around personal engagement, as set out above, drawing on a wider pool of supporters.

The AIs were also able to **use their wider estates and contacts to ensure that the programme venue could be part of the attraction strategy to participants.** This included using landmark buildings which small firms would normally not enter, or holding events at large employers whom small firms might want to know more about. While probably secondary to the use of networks to attract people, these AI benefits were able to add to the overall attractiveness of the offer and its perceived credibility to small firms.

That said, in some cases the University led projects thought that they had faced issues due to small firms perceiving that their needs would be too 'low level' for the university. They therefore had to tailor their marketing to address this.

In other cases, AIs were able to draw on other departments or specialisms within their wider institution. For example, there was one project that used an action learning approach and engaged their performing arts department to act out scenarios. End users were asked to contribute to provide the end of the scenario. This is one example

of the use of action learning and the project observed that end users engaged well and found it useful.

Encouragingly there were several good examples of the **Als seeking to use their projects to influence wider stakeholders in their region**. This tended to happen through them inviting the stakeholders, such as LEPs or government agencies to sit on their steering groups. Through this, key individuals got to hear about what was being learned through the programme. Moreover, in some cases steering group members sat in on elements of delivery, giving them first-hand experience of how small firms were interacting which led to programmes directly influencing the coverage and focus on local strategies.

“their strategy will include a specific reference to micro-businesses, and that is down to this project. They [the agency] recognised that they had a gap in their thinking”.

Project lead

Despite the focus of the challenge being on small firms developing their leadership and entrepreneurship skills, the **Als demonstrated that they were able to engage businesses of all sizes in local employer networks**. There were examples of Als using their programmes to strengthen existing networks and also examples of new networks being created. The networks brought benefits to businesses of all sizes including peer-to-peer support with strategic issues and commercial benefits between large business and small firms. All of the projects thought that these networks were a sustainable element of their programme and most relationships would continue.

However, in others ways the Challenge was less successful than hoped in terms of the behaviour of and learning about Als. For some projects this issue appeared to form at the conceptual / bid stage. As they worked for an AI they saw everything that they did as being part of AI type behaviour. In doing so they did not fully appreciate the concept of an AI in the same way as UKCES had in developing the Challenge, or the assets, influence and networks that they had access to. As a result, the type of projects that came forward were more narrowly focussed than hoped for, and failed to reflect the range of different ways an AI could operate to support small firms develop (for example, no projects sought to use their purchasing power to develop their supply chain).

The projects that were funded then viewed their activities as much closer to a traditional grant programme than one focussed strongly on testing as learning as was intended through UKFP. In essence it reflects previously learned behaviour, gained

through working with other funders and programmes, where the emphasis on the delivery of outputs as specified in the application.

UKCES were aware of the issue around getting projects to appreciate the learning focus of UKFP, and its difference from grant programmes. Following input from UKCES Relationship Managers some projects came to realise that it could be acceptable for things to 'go wrong' so long as they were capturing the learning. Indeed, **in a couple of places it was when things did not go as planned that they fully appreciated the true intentions of UKCES around the UKFP**, as this demonstrated commitment to the words that they had heard previously. For example, in one case when recruitment had not gone as planned the project and UKCES agreed to delay a planned event, and then to try to adopt a different marketing approach. The project appreciated the flexibility and constructive input from UKCES, including learning that had been generated from earlier Challenges.

It may be that **that the scope of the Challenge and its title was confusing to project applicants**. The first part of the title is all about small firm development, with the AI part coming later (after a colon). It appears that too much focus of the applicants went of the first part of the title, and much less on the latter (in one view the AI part was more like a criterion to be met at application rather than a driver of activity). That said, some projects appeared to grasp this dual focus much better than others. A fuller, longer market making process may have mitigated this risk. However, UKCES faced issues around the high levels of interest and were concerned at the time that more effort at this stage could have led to a level of applications that would have been difficult to process. With hindsight, this level of interest may have reflected organisations seeking grant funding opportunities.

One related issue here was that in several cases the people who had written the bid / attended the interview were not those who delivered the programme. In several cases **a new project manager was brought in, or the role was delegated to a more junior person. They sometimes lacked the bigger picture behind the project**, which may have limited wider learning and longer term impact, even though they were perfectly competent to deliver the day to day activities.

The strategic and operational issues led in turn to some potentially missed opportunities within projects in terms of them exercising and testing their roles as AIs. One place this was demonstrated was in terms of future plans. While the projects were usually positive about what they had achieved and wanted to build on this in future,

they were often concerned about future funding. In doing so they were, often implicitly, acknowledging that there was a strong element of delivering a grant funded programme which in future they could not charge at (close to) full cost, and which **the wider AI did not view as being core to its mission**. In at least one case the project was seeing funding support from within the institution, but this was uncertain, reflecting the more transactional nature of the activity.

A further sense of being marginal to the AI came through the relative size of the activities within larger institutions and **unclear feedback loops in to the wider strategy and activities of the institution**.

It was also reported that while the **status of the AI had been helpful in attracting small firms on to the programme, in others it was seen to be a barrier**. This was particularly the case in Universities which were perceived to have better links with larger firms and more experience of meeting their needs. This meant that their recruitment channels were more restricted than some other projects and that they faced a challenge convincing small firms that they could meet their need for pragmatic not overly academic delivery tailored to small businesses. As one project described it:

“we had to promote the programme first and build trust around who would be delivering it, and the university very much second.”

Project lead

4 Conclusions and key messages

The findings from Productivity Challenge 5 have provided a rich evidence base around engaging and delivering leadership and entrepreneurship development to small firms, and the role of AIs. The findings lead to a series of key messages for policy makers, those seeking to deliver leadership and management activity to small firms, and for AIs. These messages are set out later in this chapter, after a summary of our key conclusions around each of the key research questions.

4.1 What constitutes a ‘good programme’

There was broad consensus across the projects about this issue. They tended to highlight:

- The importance of tailoring delivery to the audience. This included: focus on learning that can be readily applied, do not use overly academic tones and be willing to flex sessions to accommodate issues that were important to the group
- Small firms appeared to prefer learning by and from experience, so peer-to-peer learning and action learning were important
- Coaching and mentoring are valuable in giving often ‘isolated’ small business owners someone they can draw on and learn from
- The person attending is often the key individual in the business. Their time is precious and so programmes have to be carefully designed, and scheduled in advance to maximise attendance and retention
- The need to host in a suitable venue and well planned sessions.

However, within these broad messages it is important to note that the vast majority of the projects thought that their approach had been successful, even although there was significant variation between the approaches. This may reflect that there is not a single model, but that different models can work provided they follow some broad good practice principles and reflect the needs of the client group that they are targeting.

4.2 Engaging small firms in leadership and entrepreneurship

The projects used a variety of mechanisms to engage small firms and attract them to their programmes. Their messages about what worked were consistent across locations and different types of organisation. That said, it is difficult to compare across

projects to test if one was 'better' than others. Rather, the projects each thought that they had been successful, with their common messages centred around:

- The need for personal engagement (often face-to-face) to build trust. Flyers and telemarketing had failed to do this
- A key part of the message to small firms should be that the programme will offer the chance to meet 'others like them'. The chance to meet larger firms, who might be possible customers or are inspiring individuals can also be attractive. People from both large and small firms can become role models
- Price is an issue. Some projects did insist small firms paid, and found that they would. However, these amounts were usually very small and well below full economic cost
- Several projects suggested that while courses had to be free/ very low cost to attract people, once they began and saw what they could potentially gain then they might be willing to pay more for further elements
- At the start businesses are often unsure of their needs, and needs frequently turned out to be quite basic. However, as businesses engaged and addressed some initial issue so demand for wider support grew.

4.3 The role of AIs

The Challenge provided evidence that many of the anticipated benefits of AIs in engaging and delivering to small firms could be realised. However, there were also some important lessons about what did not work and why. In particular, it appeared that:

- The profile, contacts and expertise of AIs can be important in attracting and delivering high quality learning for small firms
- For some of the AIs involved in this Challenge their profile was perceived to be a barrier, when they are seen as overly academic or focussed on large firms
- By drawing wider stakeholders in to view delivery and learn from their experiences, AIs can influence wider strategies
- Project delivery alone will not influence the focus or activities of AIs. This is likely to depend on the scale of the project in relation to the AI, the seniority of those engaged in project delivery and the extent to which projects are seen as strategic as against commercial.

4.4 Key messages

Arising from these conclusions are a set of key messages for a range of audiences which have been summarised in the Table 4-1 below.

Table 4-1: Key messages by audience

Audience	Key messages
Anchor Institutions	<p>Can use their profile and contacts to attract small firms. However, care is needed as a strong reputation can also work against an AI. Universities in particular may face image issues around the relevance of what they provide to small firms, and need to tailor their messages accordingly</p> <p>Can use their links to stakeholders and alumni to build their credibility with small firms</p> <p>Have a range of assets, including premises and access to wider expertise, which can be attractive for small firms to attend</p> <p>May be under-estimating their own powers, assets and potential influence, and as a result failing to understand or maximise their impact on the local economy</p> <p>Delivery to small firms could provide wider learning to influence the strategy of the AI, but steps need to be taken to build in appropriate feedback loops</p> <p>Have the ability to engage strategic partners (such as LEPs) and create networks and initiatives to support local businesses</p> <p>Have the ability to engage stakeholders so that the stakeholders gain insight into the needs of small firms and so are more likely to reflect that in their strategies.</p>
Small firm programme delivery organisations	<p>Attracting and supporting small firms will be resource intensive and involve considerable personal interaction. Mass marketing will tend not to attract many participants, and businesses need frequent contact during the programme</p> <p>Messages need to be tailored to a small business audience: acknowledging their specific concerns; and recognising they may have to respond differently to large firms</p> <p>Businesses will be attracted by and learn much from similar businesses on the programme through peer-to-peer and action learning</p> <p>A motivating factor for small firms engaging in a development programme is the opportunity to develop their networks with other businesses who they see as similar, or see themselves as doing business with in the</p>

Audience	Key messages
	<p data-bbox="639 259 1347 327">future. Consider grouping/targeting businesses onto a programme to capitalise on this</p> <p data-bbox="639 349 1369 416">Coaching and mentoring appear attractive and effective to small business</p> <p data-bbox="639 439 1374 573">The market appears very price sensitive. While businesses may pay more as they realise the benefits, there was little confidence that sufficient numbers would pay commercial rates</p> <p data-bbox="639 595 1382 864">Create an initial low risk offer in terms of cost and commitment as small firms do not always identify with or recognise leadership and entrepreneurship development as appropriate for them. This low risk initial offer should demonstrate the value of the offer by showing participants what they stand to gain. Thereafter, participation in development often leads to a great appetite for further development</p> <p data-bbox="639 887 1331 954">Specific consideration of timings and delivery are required to retain attendance over any period of time</p>
Policy makers	<p data-bbox="639 972 1366 1039">The role of UKCES staff in encouraging and supporting organisations to innovate was important</p> <p data-bbox="639 1061 1259 1128">Funding was required to enable AIs to trial new approaches</p> <p data-bbox="639 1151 1369 1218">Small firms are often unwilling to pay for training and so may under-invest in a fully commercial market</p> <p data-bbox="639 1240 1382 1330">It appears that AIs can access the small firm market, but they should not be expected to use the same strategies that they use for large firms</p> <p data-bbox="639 1352 1386 1621">It may require a more explicit and organisational focussed (as opposed to grant funding) approach to explain the potential influence of AIs and to encourage organisations to fully explore their capabilities as AIs Part of encouraging organisations to act as AIs is exploring potential benefits to them, through: commercial income; gaining insight, influence and reputation; and more widely from a prospering local economy</p> <p data-bbox="639 1644 1386 1767">Encouraging organisations to act as rounded AIs may be more difficult in very large institutions (such as universities) which generate the vast amount of the income and reputation through other means</p>

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