

**METHODS USED BY LEADING NATIONS  
TO ENGENDER BEST MANAGEMENT  
PRACTICES IN SMALL AND MEDIUM-  
SIZED ENTERPRISES AND THE  
APPLICATION TO ATLANTIC CANADA**

Prepared for:

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**Appendix 1 - Interview Guide**

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## 1.0 Introduction

Small and medium-sized enterprises (SME) have been identified as the primary engine of economic growth because they are responsible for the majority of net job creation.<sup>1</sup> Due to their importance to economic growth the reasons for their success and failure have been the focus of a large number of studies. The research has found that one of the main causes of small business failure is a lack of management skills and experience. A recent OECD report noted, “the inability of some small firms to recruit and retain key staff - the people gap - is now referred to almost as frequently as ‘finance gaps’ have been in the past.”<sup>2</sup>

Shortcomings in management skills and experience is a major problem in Atlantic Canada. Its management capability has been ranked 36th out of 44 countries, lower than many Third World nations.<sup>3</sup> This helps explain why the survival rate and average life of companies in this region are considerably lower than other parts of Canada.

This study identifies ways to improve the management skill capabilities of SMEs in Atlantic Canada. It focuses on the identification of best management practices (BMPs) which are generally defined as:

“a continuous process of enhancing the skills of SMEs business owners, managers and employees so that survival, growth and competitiveness are supported from business start-up through to maturity.”

The contention is that enhancing managerial skills and using advanced business management practices will improve firm performance factors, increasing survival rates, growth rates and productivity and lowering business failure rates.

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<sup>1</sup> A variety of definitions exist regarding what constitutes a small and medium-sized enterprise. Most are based on employment, income and ownership characteristics. For the purposes of this study, we define SMEs to include firms with fewer than 100 employees.

<sup>2</sup> Organisation for Economic Co-operation and Development, “Best Practice Policies for Small and Medium-Sized Enterprises”, 1995, p. 16.

<sup>3</sup> North American Policy Group, “Atlantic Canada and the World: A Development Comparison”, June, 1996.

## 1.1 Study Objectives

The terms of reference for the current study identifies the key objective is to *provide information to partners, as a basis for developing a regional action plan for enhancing SMES performance.*

To achieve this objective, the study:

- identifies how other leading nations have supported SMEs at each stage of development to increase rates of survival and growth, and the number of SMEs able to compete internationally;
- determines what business management development approaches have worked best in other countries, and why, and which have potential application for Atlantic Canada; and,
- draws conclusions and recommendations for incorporation into an Atlantic action plan for SME and national SME policies.

## 1.2 Organization of the Report

The study is organized into six (6) sections:

- **Section 2** outlines the methodology used to conduct the study.
- **Section 3** provides background information on the importance of SMEs as generators of employment and income opportunities, the state of management development among SMEs and suggests criteria to measure program performance. It also presents our Best Management Practices Program Logic Model.
- **Section 4** describes the Best Management Practice strategies, policies and major programs in place in leading countries.
- **Section 5** presents the results of our analysis and identifies the key lessons learned.

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- **Section 6** concludes the report with a set of conclusions and recommendations with respect to the types of programs that will work best in Atlantic Canada.

## 2.0 Methodology

One of the main tasks was to identify and provide detail on the strategies, policies and major programs that governments in leading countries have in place to advance the use of best management practices (BMPs) by SMEs.<sup>4</sup> The list of leading countries was supplied by ACOA and includes:

- the UK (including Northern Ireland);
- USA
- New Zealand;
- Singapore;
- Germany; and,
- Australia;

The methodology included:

- a literature search to gain insights into management development in smaller firms and determine the link between business management development and firm performance.

(We first investigated the main reasons why SMEs purchase less management training than larger firms. This investigation led to the development of a Best Management Practice Framework. The framework facilitated the creation of the Interview Guide (Appendix 1) and provided the means to assess BMP program effectiveness.);

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<sup>4</sup> One private sector program in the USA was also examined.

- telephone interviews with key contacts in the leading nations (Appendix 2 provides a complete list of all officials interviewed)

(Information was collected on:

- each country's SME development *strategy*, including; findings on management skill deficiencies, research methods used to help shape the strategy, the degree of industry involvement in developing the strategy, and strategic elements.
  - Best Management Practices *programs*, including; delivery mechanisms, methods of implementation, needs assessment tools, evaluation tools, etc.
  - the *impacts* of the programs on SME's awareness and adoption of best management practices and performance, and macroeconomic indicators of program effectiveness.);
- an analysis of lessons learned to determine which programs have:
    - worked the best, and why;
    - been the least successful, and why; and
  - an identification of the programs or program elements that have the best prospects for application in Atlantic Canada.



### 3.0 SMEs and Management Development

This chapter:

- discusses the growing importance of SMEs in generating employment and income and analyses the main reasons for high failure rates;
- provides reasons why smaller firms invest in less management development, on a pro rata basis, than larger firms;
- presents information from published research on the link between management practices and firm performance; and
- presents a best management practices program logic model.

#### 3.1 The Changing Business Environment

Through the 1970s and 1980s SMEs have been the main source of employment creation in the many countries. In Atlantic Canada firms employing less than 50 people were responsible for 78% of net job creation between late 1994 and 1995.<sup>5</sup>

The growth of the small business sector is generally attributed to four major factors:

- technological changes have lowered barriers to business entry and operation;
- large firm specialization, contracting out and downsizing has opened up opportunities for smaller firms to fill market niches;
- shifts of the world economy toward service sector activities with lower capital requirements favour small companies; and
- high levels of unemployment pushing people into self-employment.

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<sup>5</sup> Atlantic Canada Opportunities Agency, *The State of Small Business and Entrepreneurship in Atlantic Canada - 1996*, Table 2.6, p. 32, 1996.

Yet the failure rate of small businesses is high. About one in three new businesses fail within three years. The top reasons for the high failure rate include:

- delays in receivables collections;
- the inability to make sales; and
- the lack of skills to manage and develop the business.<sup>6</sup>

A recent Statistics Canada report cited management practices as the most important factor contributing to the success of SMEs (followed by marketing and human resources).<sup>7</sup>

### **3.2 Why Smaller Firms Invest in Less Management Development**

Larger firms are more willing to pay for management development (defined as the process by which managers acquire the knowledge and skills related to their work requirements by formal, structured or guided means). The reasons relate to questions of:

- uncertainty;
- price;
- income;
- perception; and
- information.

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<sup>6</sup> Cited in "Increasing Competitiveness in Britain's small firms sector", *Management Services*, July, 1996, pp. 3-4.

<sup>7</sup> Statistics Canada, *A Profile of Growing SMEs in Canada*, 1994.

### 3.2.1 Uncertainty

The smaller firm is not a scaled-down version of the larger firm. The main difference between the two, other than size, is the type of uncertainty each faces. Dr. Storey, a leading expert on small and medium-sized enterprises, distinguishes between two types of uncertainty, internal and external, and concludes that larger firms face relatively less external uncertainty but experience more internal uncertainty.<sup>8</sup>

Storey notes, the key issues for larger firms is to ensure that decisions being made at the top of the organization are being implemented by others throughout the organization. In the smaller firm the owner/manager can be more closely connected to the staff and can better ensure that decisions are being carried out.

Owner/managers of smaller firms are faced with relatively more external uncertainty; primarily due to their limited power in the marketplace. Many small firms are sub-contractors and often rely heavily on a dominant customer. They are also more likely to have a single or limited product/service base.

Small firms respond to external uncertainty by having shorter management and planning horizons. This is reflected in small firm balance sheets which generally report a higher portion of current as opposed to fixed assets to provide a cushion of financial resources to overcome temporary problems. Consequently, there is a general reluctance on the part of SME owners/managers to invest in projects who's main benefits will be realized in the longer term.

An additional element of uncertainty relates to the absence of an internal labour market (ILM) within smaller firms. The key element of the internal labour market is that individuals expect to obtain their next job within the organization in which they are currently employed. In this situation is in the best interests of the organization to provide training to improve the performance of their employees not only in their current job but in anticipation of their next job. Thus, the ILM serves to ensure that employees stay within the organization.

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<sup>8</sup>

Dr. Storey, is the Director for the Centre for SMEs, at the University of Warwick in Warwick, England.

Internal labour markets are less likely to exist in smaller firms. Owing to the relative lack of internal promotion opportunities employees recognize their next job is likely to be outside the firm. Consequently, small firm owner/managers are less willing to make an investment in training on the grounds that the employee is likely to leave.

### **3.2.2 Price**

The price issue relates to the market and opportunity costs of management training. The small firm owner/manager faces a higher opportunity cost associated with being away from the workplace during the training period. The total cost of training is perceived as considerably higher to the smaller firm than the large.

In addition, management training at the small firm is generally concentrated on a few people. Training at larger firms may, on the other hand, be spread out over a broader range of personnel, lowering total training costs per unit.

### **3.2.3 Income**

This factor relates to the laws of supply and demand. Firms with lower revenues are expected to purchase less of a commodity than those with higher revenues. In addition, smaller firms often have less access to credit, further constraining their ability to pay for management training.

### **3.2.4 Perception**

Storey contends that the small firm may reject management training for a number of non-price reasons:

- belief that training may be too general and not of specific relevance to the business operation;
- perception that training is provided by teachers rather than practitioners; and
- inconvenience, either in terms of location, form of training or media.

### 3.2.5 Information

Small firms are less likely to be informed about the availability of management training. Management training providers are more likely to market to the larger firms.

### 3.3 The Impact of Best Management Practices on Firm Performance

One of the main reasons SMEs are less likely to implement management development initiatives relates to scepticism on the part of owner/managers of their value. This contrasts with the long-held belief on the part of management development professionals and many government policy-makers that management development initiatives “can, and should, be a powerful agent of change facilitating and enabling a company to grow, expand and develop its capabilities thus enhancing profitability.” (Jennings and Banfield, 1993, p. 3).

Our review of the literature on this topic suggests that there few management development practices that are universally beneficial to companies. Each quality improvement strategy has to be configured to reflect the unique circumstances of the organization.

A recent study prepared by Ernst and Young and the American Quality Foundation examined time series data on quality management practices at more than 500 businesses on three continents. The study grouped firms into high, medium and lower-performers based on: profitability; productivity; and quality performance measures.

The study provided a number of recommendations for high performing firms, including the following:

- Externally driven practices, such as benchmarking have a great value. Understanding the practices of other organizations -- and deploying those superior practices -- can lead to good results. In this higher performing group, benchmarking is also a beneficial source of ideas for identifying new products and services.
- Broadly empowering employees provides real benefits. Employee empowerment plays to the strengths of top performing companies. Their well-developed infrastructure gives employees a framework to make decisions and act autonomously. Within the framework of policies and practices of the organization, employees in all areas of the organization should be empowered to solve problems.

The report concluded that low-performing firms:

- should place priority on practices that touch the customer, specifically, face-to-face visits with customers to follow-up on problems to get their feedback.
- do not have the capacity or infrastructure to support a wide-ranging program of quality practices.

(Therefore, they must focus on the basics -- get people working together, eliminate non-value added process, and talk to customers.);

- should not encourage widespread participation in quality meetings or broadly empower employees, since the infrastructures may not be adequate to allow these practices to be effective;
- should not try to implement practices based on benchmarks of top performing organizations;

(“It requires too significant a stretch and it demoralizes management because they must cope with these performance gaps.”)

Additional case study evidence reported in Marshall et al (1995) supported the finding that the adoption of best management practices should be based on the stage of firm development.

# Best Management Practices Logic Model

**ULTIMATE OBJECTIVES**

Improved Living Standards

**IMPACTS AND EFFECTS**

Internationally Competitive Enterprises

**OUTPUTS**

Better Leaders and Managers

**ACTIVITIES**

Counselling/  
Advice

Mentoring

Benchmarking

Diagnosing  
Problems

Accreditation

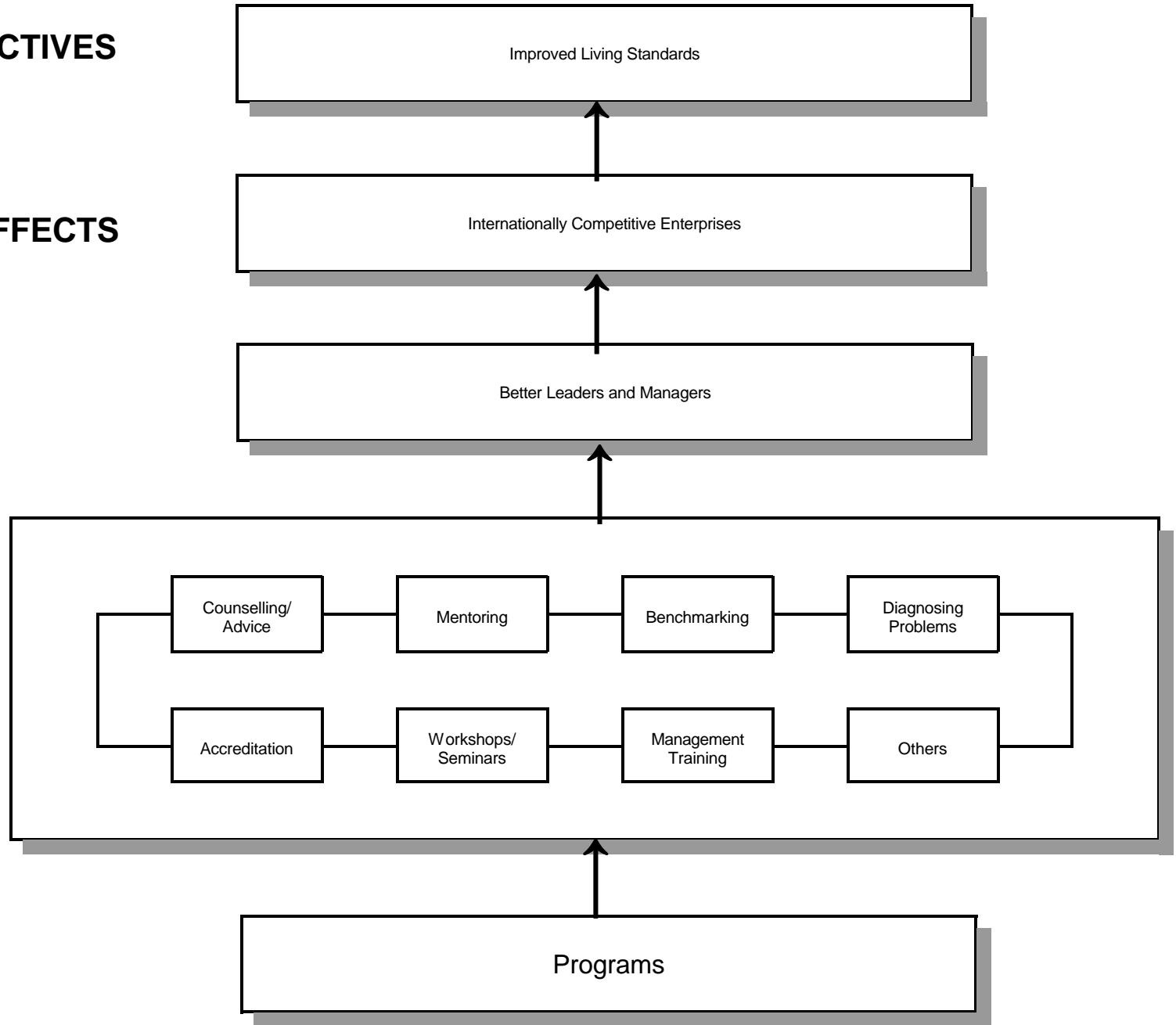
Workshops/  
Seminars

Management  
Training

Others

**PROGRAMS**

Programs



Management training projects:

- are less effective in the very smallest firms; and
- work best in firms that have the:
  - capacity to make the commitment to training; and
  - quality of human resources needed to absorb management and business development training.

The literature also suggests that management practices need to be broadened and become more sophisticated as firms move from low to higher performing organizations. This requires a continuation of the fundamental practices that allowed them to reach the higher performance level and the adoption of new and more advanced practices to continue improving.

### **3.4 Best Management Practices Program Logic Model**

The logic model provide a framework to both develop and evaluate management improvement programs. This serves as a useful framework for determining what has worked best in leading nations and, which have the best application in an Atlantic Canada context.

The model describes the linkages between various management improvement programs, their activities, outputs, and impacts and effects. We have classified program activities into eight main categories. According to the model these activities are designed to generate a set of outputs, which we call better managers and leaders. This relates to the definition of best management practice development of providing "... a comprehensive, systemic and co-operative enterprise approach to the continuous improvement of all managers..."<sup>9</sup> Accordingly, owners/managers which make use of best management practices contribute to an enhanced commitment to improving management functions and in a broader sense to the development of their workplace as a continuous learning culture.

According to our model, better leaders and managers contribute to more competitive firms. Most of the management improvement programs we reviewed are designed with the objective of

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<sup>9</sup>

Report of the Industry Task Force on Leadership and Management Skills, *Enterprising Nation: Renewing Australia's Managers to Meet the Challenges of the Asia-Pacific Century*, p. xxxix, 1995.



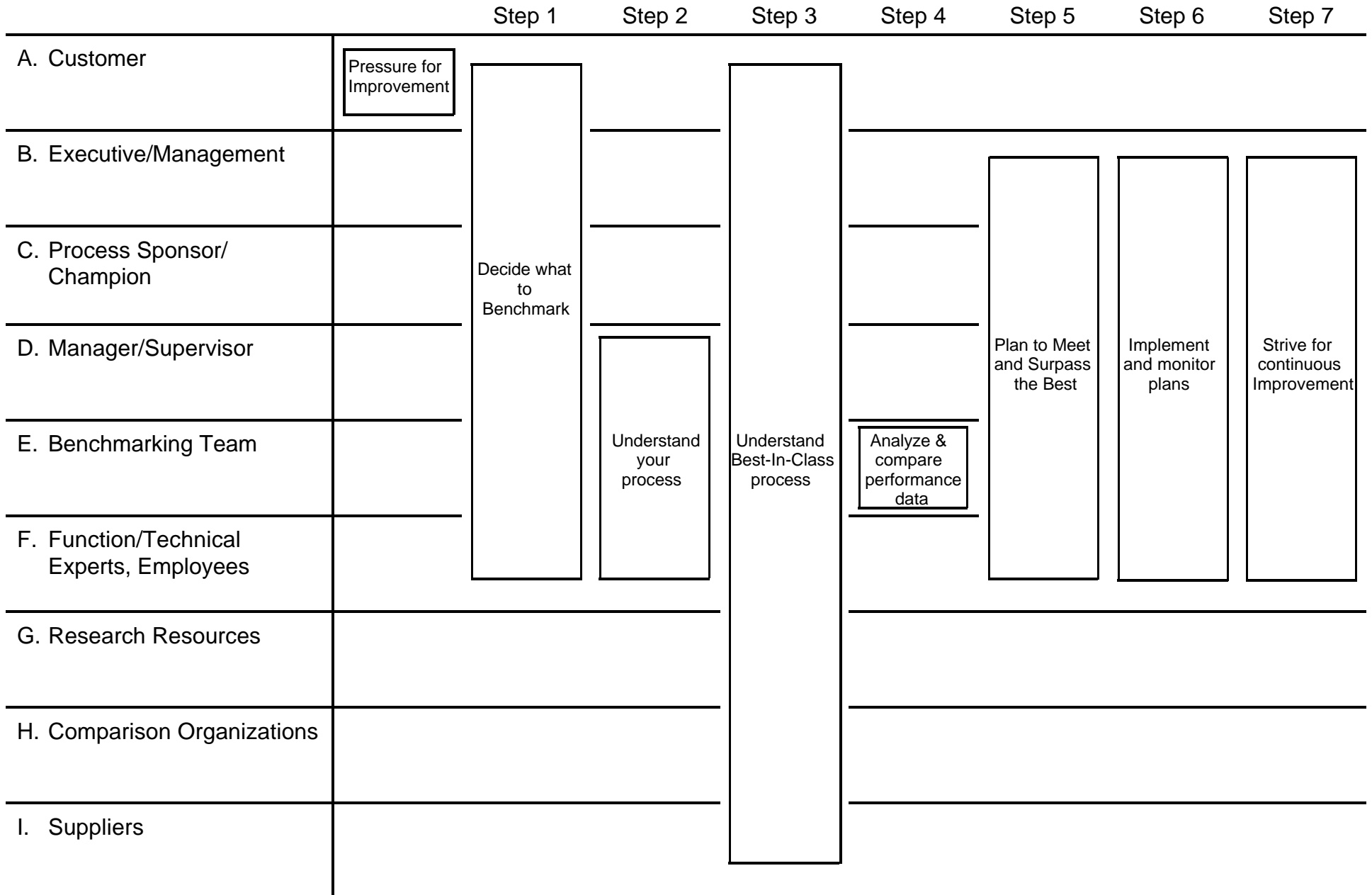
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improving firm performance and ultimately competitiveness. A variety of measures exist to measure performance and competitiveness. For example, a firm implementing best management practices may realize improvements in customer relations, or enhancements in employee motivation. Some of the more quantifiable, bottom-line measures relate to increased market share, sales and profits.

Improved competitiveness may generate macroeconomic impacts such as improved standards of living. Our review of programs in leading nations indicated, however, few macro level impacts. The newness of programs, low take-up rates and a host of other factors may be offered to explain this. This is not to say however, that over time best management programs will not generate these macro benefits. Rather, it is simply too early in their stage of development to expect widespread economic benefits. Consequently, it would be unfair to evaluate best management programs on the basis of their contribution to improved living standards. Despite this, we believe the model serves as an effective tool for designing programs. That is, best management practice programs should be defined with the ultimate objective of improving broad economic performance measures.

# Benchmarking Functional Overview



Source: Institute of Management Accountants, "Benchmarking Instructor's Guide", 1994.

## 4.0 Best Management Programs in Leading Nations

Programs to encourage the development of best management practices fall into six major categories:<sup>10</sup>

- **One-Stop Shops;** designed to be a single-point of access to business support services

(This program usually includes information and counselling services, delivered through public or private/public agencies.);

- **Consultancy;** incentives (primarily subsidies) provided to engage external management consultants;
- **Benchmarking;** designed to improve operating and management practices by assessing management practices against world class standards;

(The facing exhibit provides a functional overview of the Benchmarking process. A variety of methods are being used, including:

- *Computer based models* which match and assess company performance against best of class benchmarks and simulate their impact on company performance if the benchmarks standards are achieved;
- *Accreditation Programs* for managers, provided through accredited institutions; and
- *Company visits* to successful firms implementing best management practices.

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<sup>10</sup>

This is not meant to suggest that there are only six types of best management practice activities, but rather that this categorization serves as a useful starting point for indicating the range of activities undertaken in each country. It should also be noted that some of the activities, such as diagnosing problems, presented in the logic model do not appear as separate categories in our analysis. The reason for this stems from the fact that some activities cross functional boundaries. That is, for example, diagnosing problems may be an activity covered under one-stop shops, consultancy, or mentoring.

- **Mentoring;** designed to improve management practices through the advice and supervision of an individual who has a good knowledge of SMEs and their line of business;

(It usually involves a close interaction, primarily in the workplace, between the owner or manager of a small business and an experienced former or current manager of another small enterprise who has considerable practical experience. In recent years, the trend has been for mentors to consist of recently retired or part-time managers.); and

- **Management Training;** provided via management courses (at colleges, universities and professional training institutions), and shorter (1-2 day) workshops and seminars;

## 4.1 The United Kingdom

### 4.1.1 Strategies Developed

In the 1970s and early-to-mid 1980s the focus was on providing support, primarily information and counselling services, to business startups. This was in response to evidence that the UK had lower startup rates than comparable economies. The business start-up has since increased.

Three influential reports guided the creation of current set of management improvement programs.

The “Making of Managers”, prepared by the British Institute of Management in 1987 identified deficiencies in UK management training. The report did not specifically focus on SMEs. A major management program, the Management Charter Initiative (MCI) was established based on the report’s findings.

The Government’s White Paper “Competitiveness: Forging Ahead” published in the early 1990s focused on the problems of SMEs.

A UK government competitiveness white paper on management was published in the early 1990s. This report identified a number of problems with management development, particularly that management training was often uncoordinated and not comprehensive.

#### 4.1.2 General Program Information

##### *One-Stop Shops*

Beginning in 1989, the Department of Trade and Industry (DTI) established a number of one-stop shops called Business Links throughout the country. They were designed to be a single points of access to business support services. Business Links were partnerships between Training Enterprise Councils (TECs -- essentially regional employment offices), Chambers of Commerce, Enterprise Agencies and local authorities. The degree of partnerships amongst these organizations varied considerably. There are currently about 200 of these organizations throughout the UK.

Each Business Link is accredited by the DTI, which provides some direction on their range of activities, which include:

- Information and Advice - Mainly provided through a business help line (e.g., referrals, general business advice, information on local companies);
- Counselling - Provided through sub-contractors and internal business counsellors to include general business, marketing/sales, financial management, technology/innovation and IT advice.
- Business Skills Training - Primarily provided through seminars, workshops and business school program funding; and,
- Other Services - which include:
  - diagnostics (provided by sub-contractors and internal business counsellors) for business health checks;
  - general business and marketing/sales advice; and
  - innovative products and development services (provided through counselling, consultancy and workshops).

Over 90 percent of these services are delivered by sub-contractors. These include local enterprise agencies, private consultants, business skills training providers, colleges, universities and business schools and other local bodies. According to one report, "It is quite common for TECs (Business Links) to have approved lists of between 10-30 sub-contractors." Business Links take a more active role in delivering support for innovative products.

There is a great deal of scope for "local variety" in the range of support activities and the targets for business contacts of each Business Link.

The typical Business Link consists of 10 to 20 staff, including:

- about 8 Personal Business Advisors (PBAs);
- 1 - 2 information officers;
- 1 technology counsellor;
- 1 design counsellor;
- 1 export development counsellor; and
- a chief executive officer plus administrative support staff.

The PBAs have developed strong links with businesses. The *Personal Business* Adviser, usually managers with some business experience, functions as the frontline manager. Their main activities include:

- ***Business Counselling and Consultancy:*** The PBA diagnoses strengths and weaknesses and identifies needs. Depending on the results of the diagnosis, he/she may recommend the company hire a consultant. The PBA thus acts as a process consultant.
- ***Business Skills Training:*** These are primarily provided through ½ to 1 day seminars.

- ***Business Diagnostics:*** The PBA uses a variety of assessment tools to perform a business health check.

The quality of individual PBAs are considered to be quite high. Despite this, the lack of standardization and the range in the scope of their activities has resulted in variations in effectiveness.

In general, PBAs focus on companies in the growth stage. Less emphasis is put on startups or companies in trouble. Although publicly subsidized, there is a move towards privatizing these organizations, making them self supporting. This is consistent with the ultimate objective of making the Links self-supporting. Small businesses would pay an annual retainer to the Business Link, which would allow them access to the support offered by the Link.

#### *Consultancy*

Consultancy schemes provide diagnostic support and general consultancy support for (primarily growth-oriented) SMEs. Previously a stand alone arrangement, the consultancy scheme is now delivered under auspices of the Business Links program.

Between 1988 and 1995 a total of 67,000 projects were completed in six management areas:

- quality;
- design;
- marketing;
- manufacturing and service systems;
- financial and management information systems; and,
- business planning.

This support was previously subsidized up to 50% but since the Business Links took over the initiative, the level of subsidization has decreased. The move is intended to complement the

existing business counselling, diagnostic and consultancy services provided by the Business Links. The Business Links maintain a list of approved consultants to conduct particular types of work. According to one official, “if the PBA recommends a SME undertake a consulting study and the SME agrees, the PBA then picks a number of consultants (about three usually) from the database and arranges a meeting between the consultant and the SME.”

Efforts are currently underway to ensure that the consultancy services have a degree of national consistency. A set of broad national guidelines are planned which will identify maximum firm contributions and to incorporate lessons learned from previous schemes. The guidelines, however, do allow for a great deal of scope for local flexibility to enable Business Links to tailor assistance to individual company and local economic considerations.

### *Benchmarking*

The UK has a number of organizations working in this area. They range from Industry Training Organizations (ITOs), through Industry Lead Bodies to government, private sector and voluntary support. ITOs are organized on the basis of industry sectors.

Industry Lead Bodies are required to focus considerable energy on SMEs and their managers. Their role is to improve the quality of the workforce including managers through the development of National Vocational Qualifications (NVQs). The NVQs identify national vocational standards and qualifications for managers and staff. They are sufficiently flexible to suit the requirements of all enterprises. Each sector researches and develops standards for that sector for all levels of staff, not just managers.

The government has established national training NVQ targets for the year 2000. These targets are set and progress monitored by the National Advisory Council for Education and Training Targets (NACETT). NACETT has set targets for individuals, e.g., 30% of the workforce to have a vocational, professional, management or academic qualification at NVQ level 4 or above. It also sets targets for organizations. These are linked to a UK government program called Investors in People.

Three benchmarking programs relate specifically to SMEs and management, the:

- Management Charter Initiative;



- Small Firms' Lead Body; and
- Investor in People program which focuses on encouraging companies to strive for best practices in human resource management.

The **Management Charter Initiative** (MCI)<sup>11</sup> is the Industry Lead Body for management. MCI has developed benchmarks of competent management across all sectors of the economy. The Management Standards are common to all managers, no matter which industry they work in.

MCI works with a host of organizations to deliver and embed these standards in management practice. In the small firm sector, MCI works especially close with the UK government's local delivery system through local Training and Enterprise Councils, Business Links and local Chambers of Commerce. It also works with business schools and other public or private providers of management education, training and development for SMEs.

There are numerous awarding bodies which develop vocational qualifications based on the Management Standards. Training is provided by approved centres, typically further or higher education colleges, universities and private sector training companies which deliver the qualification on its behalf. After approval by an independent board of employers, companies may market their products using the MCI Approved Product logo.

Management Standards focus on three management levels; supervisors; front line managers; and, middle managers. Managers and supervisors who can demonstrate competence at work can gain an NVQ from an accredited awarding body.

MCI has identified four key management roles:

- managing operations;
- managing finance;

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<sup>11</sup> MCI is a partnership between government and the private sector formed in the late 1980s with the objective of improving the performance of UK organizations by improving the quality of UK managers.

- managing people; and
- managing information.

Each role is broken down into units of competence, elements of competence, performance criteria, and a range of indicators.

The **Small Firms Lead Bodies** (SFLB) was established in 1990 to develop national standards of competence for Britain's small businesses. It is comprised of practising business managers and all major organizations concerned with small firms development. The SFLB researched the essential competencies needed by owner/managers and their advisers. Four sets of standards and qualifications were developed and include:

- Business Planning for owner managers at the pre-start up or early development phase;
- Business Management and Development for owner/managers of established businesses;
- Business Information for information providers and support staff in TECs, LECs, Business Links, Scottish Business Shops, Welsh Business Connects and centres offering business advice; and
- Business Counselling for professional business counsellors and advisers.

A network of approved Assessment Centres is currently being established throughout the UK to assist owner/managers in achieving these standards.

Primarily provided through the TECs, the **Investor in People** (IIP) program was designed as a mechanism to assess a company's internal Human Resource (HR) systems and provide direction for improvement. Companies use this program to prepare a plan to "invest in its people."

The program registers enterprises who invest in the skills development of their people, with a program based on four principles:

- the implementation of programs to help employees develop skills to achieve business objectives;
- regular reviews of the training and development needs of all employees;
- actions to train and develop individuals on recruitment through their employment; and,
- evaluations of investments in skills development.

If approved the company receives an Investment in People accreditation. One interviewee likened this program to an ISO 9000 for HR.

#### *Mentoring*

Mentoring is supported through a government-funded initiative. No further information on this program was available at the time of writing.

#### *Management Training*

In an effort to improve management and skills training in small firms the UK government has designed an initiative (known in England as Skills for Small Businesses and In Wales as the Small Firms Training Initiative) through all TECs to develop key workers in 24,000 small firms as trainers and assessors.

In addition, the recently introduced (1994) **Small Firms Training Loans** program was designed to help smaller companies pay for training required to increase productivity and growth. The program is designed to assist companies with fewer than 50 employees train:

- the workforce as a business investment; and
- a key employee to put a company training plan into action.

#### *Other Initiatives*

A variety of other support activities are also available through the Managing into the '90s

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program (*Table 1*). This initiative aims primarily to assist SMEs which want to take actions to improve their performance, with the emphasis on self-help and learning from the experience of best-practice companies. The program focuses on six best practice areas including: marketing; innovation; design and product development; manufacturing and production techniques; purchasing and materials management; and, quality management.

The program is usually delivered by different companies working under contract to the Department of Trade and Industry.

Most of the programs are delivered throughout the UK. Some program variations do exist. For example, in Northern Ireland, the government provides finance for business start-ups. Funding is conditional on the successful completion of a training program which includes a 3-day basic level intensive course. Accessing a higher level of financing requires completion of an additional two days of training.

**Table 1**  
**Managing Into The '90s Program Initiatives**

<b>Program Mechanism</b>	<b>Key Initiatives</b>
Travelling Road show	This is the flagship. It takes the program message (housed in a large mobile auditorium) around the country. The Road show offers free two-and-a-half hour sessions that respond to local needs, employing video and interactive computer graphic technology.
Demonstration Company Schemes	Two schemes are used; Inside UK Enterprises, a nation-wide program which provides visits to leading UK companies employing best management practices; and, locally-organized visits to regional firms emphasizing the needs and experience of firms.
Seminars and Workshops	Information, advice and case studies on individual topics are covered by the program.
Local Networks	Groups at local and regional levels bring together company based organizations and groups (Chambers of Commerce, major companies, SMEs and local educational establishments). These groups set their own agenda and organize events and visits to local firms displaying best practices.
Partnership Sourcing	Partnership Sourcing Ltd. has been established to encourage a more widespread awareness and understanding of partnership sourcing and its benefits.
Books and Videos	A range of free publications and loan videos are available on each of the topics covered by the program.
Newsletter	A free newsletter provides up-to-date information on the program with details of seminars and events.

Source: "UK Management Training and Advisory Services for SMEs", in OECD's *Best Practice Policies for Small and Medium-sized Enterprises*, 1995.

#### **4.1.3 Program Evaluation Mechanisms**

The government is in the very early stages of conducting program evaluations and officials are cautious about drawing conclusions on program effectiveness since most initiatives are still in their trial period.

Evaluation approaches to date have focused on receiving feedback from program participants, which generally have been quite positive. The consensus is that firms that participate in management development schemes are more committed to undertaking further initiatives of this nature, even in the absence of subsidization.

Considering most programs are in their early phases of implementation and the contention that management development initiatives provide more long-term than short-term benefits officials were hard pressed to identify specific impacts of these programs on firm performance measures (productivity, survival rates, etc).

Problems associated with the measurement of these impacts were compounded by the fact that participation is higher amongst growth-oriented companies.

One official suggested the ultimate test of effectiveness will come when the Business Links become entirely self-supporting, "Will businesses pay for these services to the extent that the Links can survive without government support?"

When asked to indicate what initiatives have been the most successful, one interviewee cited the proactive approach taken to analysing management skill requirements ( ie., the Business Links program). Another official echoed this sentiment, noting, "The most successful have, probably, been specifying, measuring and delivering competency, accreditation and training and development". In addition, the UK approach was commended for raising the profile of management training among SMEs. On the down side, the Business Links Program was criticized by officials for the lack of a standardized approach. Local politics, according to one interviewee, often tend to "take over."

The most significant improvement recommended was "being clear on what participants will learn or gain from the program, getting feedback (from participants) and ensuring that it (program activities) lead to action within the organization."

## **4.2 The United States of America**

Information was collected on two management development programs:

- Business Counselling and Training and the Business Information Services provided

through the US government's Small Business Administration (SBA) department; and,

- Fast Trac Program, a private sector initiative delivered by the Kauffman Foundation.

#### 4.2.1 Strategies Developed

The USA employs a market-based approach to management development. Individuals, firms, and educators are the primary actors in the system. The federal government plays a minor role in management development. In some cases, individual states may play a small role providing subsidies for education and training. Firms and individuals are often given the flexibility to select training providers and particular management courses.

The USA government's approach to management development focuses on the principle that information is the key to success. Most of the current SBA management programs for small business have been developed within the past five years.

The Kauffman Foundation was established as a non-profit foundation with an endowment of \$1.2 billion. The foundation originally focused on the problems of youth and wellness. In 1992, it created a wing which focussed on entrepreneurship development. Approximately one half of the total funds are targeted to entrepreneurship development.

After extensive research the Foundation established the entrepreneurship program which took the best of the existing programs that targeted entrepreneurship development. Specific attention was paid to developing a curricula for non-credit adult entrepreneurs.

#### 4.2.2 General Program Information

##### *One-Stop Shops*

Administered by the Small Business Administration (SBA), the **Small Business Development Centre Program** provides management assistance to current and prospective small business owners. SBDCs offer one-stop assistance by providing a wide variety of information and guidance. The program is a cooperative effort of the private sector, educational community, and federal, state and local governments. Its goal is to enhance economic development by providing

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management and technical assistance to small businesses. Delivering agencies include universities, colleges, state governments and various private sector organizations. There are 57 SBDCs in the USA.

**Business Information Centres (BICs)** are considered the SBA's technology toolbox. These centres provide the latest in high-technology hardware, software and telecommunications to assist small businesses to get started and grow quickly. According to one interviewee, the goal is to provide as much information as possible to the small business owner/manager. This is based on the rationale that information is the key to success.

The **Answer Desk**, established in 1983, is a nationwide, toll-free information centre that helps callers with questions and problems about starting and operating businesses. Service is provided through a computerized telephone message system augmented by staff counsellors. The Desk is accessible 24 hours a day, seven days a week, with counsellors available Monday through Friday, 9 a.m. to 5 p.m. Eastern Time.

**SBA OnLine** is a computer-based electronic bulletin board providing fast and easy help to the small business community. Operating 23 hours a day, SBA OnLine gets information to the public as quickly as possible. Services on-line include SBA publications, access to SBA programs and services, points of contact, calendars of local events, on-line training, access to other federal on-line services, data from other agencies, electronic mail, Internet mail, information exchange by special-interest groups, and down loadable files.

### *Consultancy*

No initiatives were identified.

### *Benchmarking*

A variety of computerized Benchmarking software programs are available through the SBA's Business Information Centres, such as Dun and Bradstreet's *Norms and Ratio Insight*.

### *Mentoring*

**Service Corps of Retired Executives (SCORE)** is a program sponsored by the SBA that matches volunteers with small businesses that need expert advice. Volunteers, whose collective



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experience spans the full range of American enterprise, share their management and technical expertise with present and prospective owners/managers of small business.

*Management Training*

The Kauffman foundation offers two versions of their entrepreneurship program, both of which focus on applied as opposed to technical or theoretical approaches. Programs are delivered by a variety of non-profit organizations including: chambers of commerce, universities, economic development agencies, industry associations, etc.

**Fast Trac 1** is designed for aspiring entrepreneurs with little or no business experience. A total of 9 classroom sessions (total 36 hours -- 1 night/week, 3 ½ hours per session) are involved. Approximately 25 people attend each course, which is facilitated by instructors and counsellors. The course focuses on helping aspiring entrepreneurs develop their own feasibility study.

**Fast Trac 2** is designed for individuals with 6 or more months of business experience. A total of 11 sessions (1 per week, 3 ½ hours per session, 45 hours in total) is involved. The focus is to help students develop their own business plan.

The foundation operates about 125 sites, located in 33 states.

*Other Initiatives*

The SBA produces and maintains a library of management-assistance publications, videos and computer programs. These are available by mail to SBA customers for a nominal fee.

In addition, more than 500 colleges and universities operate Small Business Institutes. The goals of this US Small Business Administration-supported program are twofold: to render useful management advice and counselling to small business; and, to expose business undergraduates and graduate students to the real world of small business.

### 4.2.3 Program Evaluation Mechanisms

The Kauffman Foundation recently completed a survey of 1,000 individuals that had participated in their programs. According to one official, one year after participating in the Fast Trac program, the average participating firm owner/manager reported:

- a 28 percent increase in employment; and
- a 48 percent increase in gross revenues.

A series of standards are built into the program to ensure that a high level of quality is achieved. A two-day training program for administrators and instructors is provided by the national program. A full set of standardized resource material was also provided for the programs to ensure consistency in the curriculum. The Foundation also performs an end-of course evaluation which is used to refine their course curricula.

## 4.3 New Zealand

### 4.3.1 Strategies Developed

The government's strategic business development objective is to improve the growth prospects of firms, in particular SMEs, by identifying barriers to performance and options for addressing these barriers. Measures to promote effective business management practices and to foster the development of internationally competitive businesses are offered through the Business Development Programme (BDP).

BDP initiatives are essentially aimed at improving the growth prospects of firms, particularly SMEs, and their contribution to economic growth and competitiveness. Prior to 1995, the focus was on promoting regional growth strategies, primarily through the provision of financial grants to businesses wishing to undertake new activities.

The Business Development Program has changed considerably in recent years. The program now focuses more on education and training as a means to enhance business capability. The change in focus is attributed to the findings of the *1995 Review of Enterprise Assistance* plus those of a number of studies on management capability.

A stocktaking of Government enterprise assistance measures was undertaken in 1995. It quantified the nature and extent of the government's enterprise assistance initiatives and determined the overlap between initiatives.

Businesses were consulted to:

- gain their views on the previous Business Development Program;
- identify business needs; and
- ascertain whether there were any gaps in what was being offered by Government.

Business associations, Chambers of Commerce, target group representatives, government departments and various enterprise assistance agencies were also consulted to ascertain their views on the:

- appropriate role for government in providing enterprise assistance;
- needs of Maori and women business owners; and
- delivery mechanisms for government enterprise assistance.

The findings of a number of studies were also considered in re-focusing the program. These studies found that:

- the difficulties facing firms were varied, (depending on their stage of development, knowledge, resources and management and entrepreneurial skills); and
- management competencies were key indicators of a firm's ability to respond to growth opportunities.

Some of the main studies and their findings include:

- *Management Competencies in New Zealand: On the Inside, Looking In* found that a significant portion of managers did not have the mix of competencies considered necessary to operate effectively in an open, competitive market; and that managers were often not aware of

the competencies they needed.

- *Leading the Way - A Study of Best Manufacturing Practices in Australia and New Zealand* demonstrated that the adoption of best practice is linked to superior business performance. Benchmarking was the single most important practice that separated the highest performing firms from the lowest performing. Despite this, the study found that many New Zealand firms were not benchmarking or only benchmarking to a limited extent.
- *Factors Affecting the Supply and Demand of Capital* noted that the major inhibiting factor in accessing finance was a lack of management skill. This led to an inability to present the company argument for funding and an unrealistic expectation of obtaining finance. The implication was that with the right skills, firms would have a much better chance of accessing finance for growth.

## 4.2 General Program Information

### *One-Stop Shops*

A network of 21 separate regional Business Development Boards are responsible for delivering the BDP.<sup>12</sup> These are crown corporations set up under the provisions of the Business Development Boards Act 1991. Each of the 21 Business Development Boards have regional offices. Staff at these offices are available to conduct free pre-assessment business appraisals and offer advice and information to clients.

### *Consultancy*

The programme provides dollar for dollar grants to:

- encourage businesses to engage a consultant to assist them in determining their strategic direction;

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<sup>12</sup>

The Ministry of Commerce maintains a general oversight over the Business Development Boards and the BDP, and is responsible for administering the Business Development Boards Act 1991.

- enable clients to fund market assessments, financial analysis, research and development, production feasibility studies, intellectual property protection, access to technology, distribution costs and regulatory compliance; and,
- fund market research into, and exploration visits to, new overseas markets, trade fair participation, promotion/advertising in new overseas markets, and intellectual property protection.

#### *Benchmarking*

A matching subsidy of up to \$500 is available to pay for an assessor of the applicant's choice to carry out a business capability assessment.

Firms are encouraged to apply Total Quality Management principles by utilizing the ExcelleNZ business improvement initiative and having their achievement recognized through the Business Development Quality Awards.

#### *Mentoring*

No specific mentoring initiatives were identified.

#### *Management Training*

Clients are referred by the Boards to practical business training providers in the Board region. Attendance costs are mostly met by participants although the Boards may provide some contribution. Where there is no appropriate training available in a region, the Board may contract with a provider to deliver a suitable program.

#### *Other Initiatives*

A Business Development Board homepage is currently under construction. This will provide details on BDP assistance, and where to go to access this assistance.

The Ministry's *Business Development News* publication is used to promote the BDP to a wide audience.

### 4.3.3 Program Evaluation Mechanisms

The Ministry of Commerce is designing a methodology to evaluate the effectiveness of the BDP and plan to report on the effectiveness of the Programme by June 1997. Evaluation activities are focused on gathering client feedback on program effectiveness. These results will be compared to the findings of a survey of businesses and individuals who have not used the BDP.

One official suggested that the essential determinants of a successful intervention are that:

- it reaps benefits for participants that would not have been experienced if the Programme did not exist; and
- the benefits to businesses and the economy exceed the cost of providing interventions.

## 4.4 Singapore

### 4.4.1 Strategies Developed

Much of Singapore's economic growth in the last three decades has been supported by foreign multinational corporations. Singapore's next phase of growth needs to be supplemented by its own 70,000 SMEs. The government's Strategic Economic Plan (1991) recognized the important role of SMEs in achieving Singapore's objective of catching up with the per capita GNP of the Netherlands by 2020 and US by 2030.

The government's master plan for the development of SMEs is documented in the *SME Master Plan*, published by the Economic Development Board (EDB) in 1989. Efforts to develop this strategy commenced in early 1987 with the formation of the SME Committee. This committee, consisting of representatives from six government agencies, examined the issues and brainstormed on ways to develop a vibrant local business sector. Following this, three missions (comprised of representatives of local chambers of commerce and association, tertiary institutions and government agencies) travelled to Japan, South Korea and Europe to study the latest business expansion developments.

Five strategic thrusts for local entrepreneurs were designed to minimize start-up risks and guide SMEs to transform and grow. These include:

- technology adoption, application and innovation;
- business planning and finance;
- human resource management;
- productivity improvement and training, and,
- international marketing and business collaboration.

The mission to optimize the contribution of the SMEs to the economy is led by the Economic Development Board (EDB). The EDB:

- adopts a multi-agency approach;
- coordinates the efforts;
- administers fiscal incentives;
- provides financial and development assistance; and
- initiates new SME development measures.

Some of the key organizations in this multi-agency network include:

- The Singapore Productivity and Standards Board (PSB) is a statutory board established in April, 1996. The PSB is governed by a board of directors from government, employers, trade unions and academia. It is the lead agency in promoting productivity movement. It also develops and provides SME consultancy and training. Assistance is provided for training grants for workers through the Skills Development Fund.
- The Enterprise Development Centre (ENDEC) renders financial diagnosis services to SMEs.

- The National Computer Board takes the lead in promoting information technology and developing the local IT industry. With the Institute of System Science and other IT resource organizations the NCB helps SMEs computerize their operations.
- Trade Development Board helps local enterprises develop export markets through group promotions, individual aid and support services. Its services include:
  - the provision of international trade information;
  - assistance with trade fairs and missions; and
  - guidance on product design and packaging.
- A host of universities, polytechnic competence centre, and other government agencies.
- A number of private sector organizations, including financial institutions, venture capital organizations, consultants, chambers of commerce and other associations.

The following summarizes Singapore's approach to developing SMEs:

“The Singapore experience shows that the government has a very important role to play in the upgrading of SMEs to ascend the technological plan, which would not be possible if they were left on their own initiatives. However, as pointed out by the Minister of Trade and Industry of Singapore at the SME Development Workshop in 1988, the government cannot nurture SMEs single-handedly. To ensure the success of such developmental efforts, a total approach with the active collaboration of the private sector is necessary. As such, the local chambers of commerce and industry, trade associations, business groups, tertiary institutions, the banks and financial institutions, MNCs and consultant firms could each do their part to help SMEs realize their full potential.

It is through this joint effort between the private and public sectors that a national infrastructure can be developed and a programme formulated, so that local SMEs can be upgraded and become more competitive and in return increase their contribution to Singapore's economic growth.”<sup>13</sup>

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Yong-Yeong-Wee, Keng-Kau-Ah, “Government and technology transfer: The case of Singapore”, in *International Small Business Journal*, Jan-Mar 1992; v.10n2, p. 65.



#### **4.4.2 General Program Information**

##### *One-Stop Shops*

The Local Enterprise Upgrading Centre, established in April 1996, within the PSB, is responsible for assisting SMEs to develop and grow and grooming them into regional and international companies.

The “First-Stop Centre” has three key objectives, to:

- provide a convenient “first-stop” for local enterprises which require assistance for upgrading and development;
- integrate the government’s efforts to assist the local enterprise sector in their development;
- serve as a feedback channel for the enterprise sector to communicate their developmental needs.

The Centre provides two main services:

- Information Service on government assistance schemes and training programs; and
- Assistance/Referral Service which provides first-level company diagnostic services to help them identify areas for business upgrading and facilitates access to sources of assistance.

The foci of the two services are:

- human resource development and manpower capability;
- accessing business information;
- accessing technology; and
- accessing financing.

##### *Consultancy*

A number of schemes are offered to assist the management practices of SMEs.

The **Local Enterprise Technical Assistance Scheme** (LETAS) helps local enterprises defray costs incurred in modernizing and upgrading operations through the engagement of an external expert. Grant support for up to 70% of costs are provided. In special cases, support can go up to 90%.

The **Local Enterprise Accounting Programme** (LEAP) aims to introduce and implement systematic and effective financial reporting and management systems to small local enterprises. The LEAP comprises two phases:

- Phase 1: Consultants assist companies in designing and implementing the following areas:
  - accounting systems;
  - budgeting planning and control;
  - financial diagnosis;
  - working capital management;
  - inventory management; and
  - management reporting system and control.
- Phase 2: Consultants assist companies in the following areas:
  - feasibility studies on computerization; and
  - implementation of computerized systems.

The **Total Business Planning Programme** (TBP) encourages companies to establish a comprehensive business strategy. The TBP provides assistance to engage consultants to draw up a plan to facilitate:

- business development;
- technology transfer;
- business diversification; and
- business collaborations.

The external consultant's role may include:

- analyses of strengths and weaknesses;
- analyses of the operating environment;
- formulation of a business strategy; and
- formulation of implementation plans.

The **Local Enterprise Computerization Programme** (LECP) is targeted at companies that are either computerizing for the first time or want to extend the scope of computerization. Under the LECP companies can engage the services of an IT consultant who is a member of LECP's industry partners. The IT consultants assist in identifying the business and system requirements, evaluating the hardware and software solutions and system implementation.

### *Benchmarking*

The PSB has a number of benchmarking initiatives. The **Fuji Xerox - PSB Benchmarking Centre** promotes and facilitates the use of benchmarking by Singapore companies to achieve superior performance. The Centre sponsors a two-day benchmarking workshop to train managers and executives on how to use benchmarking as a tool to achieve superior performance. It also facilitates the formation of benchmarking group sessions to help companies achieve productivity and quality improvements in their work processes or functions through networking and learning

from one another.

The **PSB Benchmarking Information Service** helps users to search for comparative performance data and the best practices that lead to superior performance. Benchmarking resources include the **Productivity On-line Benchmarking Service (PROBE)**. The PSB has developed a database of performance data and best practices called the PROBE Service. It allows searches for comparative performance data and business practices, and helps users to identify companies recognized as leaders in a field. This database comprises the following:

- **The PSB Benchmarking Database**, which contains information mainly from Singapore based sources;
- **International Benchmarking Resources**, which searches international sources of information on best practices and benchmarking; and
- **Benchmarking Forum**, which is designed to promote networking amongst users to help find benchmarking and best practice information relevant to their needs.

Supplementing the PROBE are links to other international best practices web sites, including:

- the American Productivity and Quality Centre ([www.apqc.org/](http://www.apqc.org/)) which provides information on topics such as benchmarking, customer satisfaction, productivity and quality are some of the services offered at this site. Networking opportunities and links to the International Benchmarking Clearinghouse which includes information on benchmarking studies, publications, and a best practices database (for members) can also be found.
- the American Society for Quality Control ([www.asqc.org/](http://www.asqc.org/)) provides a database of ASQC published documents, information on standards development, and a forum for the discussion of quality-related issues are some of the services that can be found at this site.
- links to a number of additional sites, including:
  - [Clemson University Continuous Quality Improvement Server \(deming.eng.clemson.edu/\)](http://deming.eng.clemson.edu/)

- Benchmarking Link Collections  
([www-iwi.unisg.ch/iwi2/cc/bm/links/index.html](http://www-iwi.unisg.ch/iwi2/cc/bm/links/index.html))
- Quality Resources Online ([www.casti.com/qc](http://www.casti.com/qc))
- The Benchmarking Exchange ([www.benchnet.com/index.html](http://www.benchnet.com/index.html))
- The Benchmarking Network ([www.well.com/user/benchmark/tbnhome.html](http://www.well.com/user/benchmark/tbnhome.html))
- US Navy Best Manufacturing Practices ([www.bmpcoe.org/](http://www.bmpcoe.org/))

In addition, the PSB has (or plans to) published a series of best practice documents. *The PSB Guide to Benchmarking* is a workbook which provides practical advice and help in the application of benchmarking principles for a company intending to carry out benchmarking. Each chapter consists of a short description of the tasks involved in the various steps of the benchmarking methodology.

A series of ten publications, *Best Practice Case Studies*, covers the practices adopted by leading Singapore-based companies. The first three publications are to be ready in early 1997.

*The Self-Assessment Manual* will be published in early 1997. This is intended to help companies assess their level of performance and identify areas for improvement in the pursuit of higher productivity and quality excellence. The manual provides a self-assessment tool in questionnaire format based on the **Singapore Quality Award**. Additional chapters explain the process of self-assessment and provide guidelines on the use of the manual.

### *Mentoring*

Part of the government's SME strategy involves SMEs capitalizing on the multi-national companies' (MNC) presence in Singapore by having MNCs serve as mentors to local enterprises through the Local Enterprise Upgrading Programme (LIUP). Under the LIUP, the EDB brings local companies and MNCs together to:

- improve the operating efficiency of participating SMEs;
- widen the product ranges; and
- introduce new processes to the MNCs' local suppliers.

In 1992, more than 130 local firms were involved with 26 MNCs under the LIUP.

The PSB will help identify and nurture promising local small and medium-sized enterprises (PSMEs) which can become Asian multinational corporations. They will help them develop strategic business plans, and broaden business bases. The PSB will also assist them to begin operations overseas. The aim is to give them the fundamentals for the EDB to further groom them as PLEs at the appropriate time.

The PSB has established its Local Enterprise Upgrading Centre as the first contact point to link SMEs to government assistance and facilitate access to government programs and resources. It will conduct productivity audits to identify the PSMEs who need specific assistance to grow. It will also help under-performers upgrade through economic groupings, franchising, industry models and clusters.

The EDB is selecting one hundred potential local enterprises (PLE) with sales of at least S\$30 million a year to groom for sales growth to at least S\$100 million over the next ten years.

Graduation from PSME to PLE requires an annual turnover of S\$30 million.

### *Management Training*

A number of management training courses are offered. Entrepreneurship courses are provided through universities and polytechnical institutions. In addition, a number of short programs are provided through tertiary institutions, and government agencies.

### *Other Initiatives*

A variety of additional SME programs are provided for every stage of growth. **Table 2** summarizes these initiatives. More information on these programs can be obtained at the PSB Homepage ([www.psb.gov.sg/leuchframe.html](http://www.psb.gov.sg/leuchframe.html)).

**Table 2**  
**Assistance Schemes and Programmes for Every Stage of Growth**

<b>Start-up</b>	<b>Growth</b>	<b>Expansion</b>	<b>Going Overseas</b>
Local Enterprise Finance Scheme	Local Enterprise Finance Scheme	Local Enterprise Finance Scheme	Business Development Scheme
Local Enter/prise Computerization Programme	Local Enterprise Computerization Programme	Local Enterprise Computerization Programme	Double Deduction for Overseas Investment Development Expenditure
Local Enterprise Accounting Programme	Local Enterprise Accounting Programme	Local Enterprise Accounting Programme	Franchise Development Assistance Scheme
Innovation Development Scheme	Innovation Development Scheme	Innovation Development Scheme	Regionalisation Finance Scheme
R & D Incubator Programme	Skills Development Fund	Skills Development Fund	Local Industry Upgrading Programme
Skills Development Fund	Venture Capital	Venture Capital	Overseas Enterprise Incentive/Overseas Investment Incentive
Venture Capital	ISO 9000 Certification	ISO 9000 Certification	
	ISO 14000 Certification	ISO 14000 Certification	
	Local Enterprise Technical Assistance Scheme	Local Enterprise Technical Assistance Scheme	
	Local Industry Upgrading Programme	Local Industry Upgrading Programme	
	Pioneer Status/Investment Allowance	Pioneer Status/Investment Allowance	
		Automation Leasing Scheme	
		Brand Development Scheme	
		Business Development Scheme	
		Franchise Development Assistance Scheme	
		Total Business Planning	

Source: PSB Homepage ([www.psb.gov.sg/leucframe.html](http://www.psb.gov.sg/leucframe.html)).

#### **4.4.3 Program Evaluation Mechanisms**

The consultants were unable to locate published information on the impact of Singapore's SME initiatives. According to one official interviewed, each of the organizations carry out periodic evaluations. The official noted that the main impacts the programs have had on SMEs have been in improved management commitment to continuous training as measured by increased SME participation in training initiatives (program and non-program) and program participants opinions on training effectiveness.

Despite the lack of concrete evidence on program effectiveness, there is little doubt as to the economic success of Singapore's SMEs. In the manufacturing sector alone, their nominal value added grew from \$14 billion in 1990 to \$21 billion in 1993. Their productivity grew by 8.6% over this same period.

### **4.5 Germany**

#### **4.5.1 Strategies Developed**

Policies towards SMEs in Germany are designed to maintain a healthy and competitive SME sector within a free-market economy. This policy is reflected in attempts to improve economic efficiency by compensating SMEs for disadvantages associated with small scale. The provision of subsidized financing is accepted as a necessary means of helping the small-scale firm.

The government's SME policy is centrally coordinated by the RKW (The German Productivity Office), a non-profit organization founded in 1921, with a head office in Eschborn and regional offices in each Federal State. It consists of representatives from industry, trade unions and scientific institutions. The RKW specialists base their work on the knowledge of representatives from industry, science, companies, trade unions and employers and provides a systematic compilation of new research results and the development of innovative solution concepts. Close cooperation with international partner organizations promotes worldwide dialogue on current issues in rationalization and management.

Issues in corporate practice are studied and analysed at RKW headquarters. Issue areas are divided into:



- **social and labour affairs** which includes research into staff development models, work and health protection, new production concepts and flexible working time, and women in business issues;
- **business management** issues related to information management and strategic utilization of accounting information;
- **production planning and control** research on concepts for the qualification of employees, lean production and total quality management; and
- **building industry rationalization** the study of recycling of building rubble, increasing productivity on building sites, among others.

German policy is enacted within a well defined and closely followed legislative framework. Under the federal system more power is allocated to the local level and most of the **Lander** (states) have enacted small firm legislation. This contrasts with SME policies in other countries, such as the UK, which is centrally controlled, operates within a less stringent legislative framework and according to some, has been slower to develop. Germany's SME policy has been fairly constant over time.

Legislation in the Lander requires that account be taken of the interests of small businesses by local authorities (Gemeinde), institutions or other state bodies. *SME policy in Germany is firmly a part of regional policy.* The Lander have distinct powers to raise money and carry through their own expenditure plans. They can, in principle, maintain their own programs of assistance for SMEs.

Education and training policies have also been subject to relatively less change in Germany. The dual system is well established and widely accepted. The system is centrally coordinated, but the place of SMEs is firmly entrenched within the system. Vocational training within the SMEs is coordinated by the Chambers of Commerce (Deutsche Hanedelskammern) and Chambers for craft enterprises (Handwerkskammern).

It is the Handwerkskammern that have the main responsibility for training in the SMEs. These bodies are also responsible for the accreditation of participants in training activities (AbschliBprufung). The German system relies on the willingness of SMEs to invest considerably in training programs.

#### 4.5.2 General Program Information

##### *One-Stop Shops*

Program **Go!** provides support for pre-start ups and start-up businesses. This includes advice on business plans and financing. Services are provided for the arrangement and supervision of outside consulting projects.

##### *Consultancy*

Direct and free consultancy are provided for small firms in the handicraft sector through the chambers of crafts (Handwerkskammern).

Subsidized consultancy is available through the German Productivity Office (Rationalisierungs - Kuratorium der Deutschen Wirtschaft). There are two main types of RKW consultancy. The first consists of short consultancy projects (Kurzberatung), lasting one to two days. The second type is more extensive (Intensivbevatuzg).

In 1991, the RKW provided 5,000 consultations and held 4,000 seminars (usually workshops for managers). More than 70% of all companies have utilized one or more of its consultancy services.

During a consultancy, the RKW provides managers with information on new issues from business and personnel management. The RKW is centrally co-ordinated with offices in each of the Lander.

A series of policy guidelines have been produced in order to combat the reluctance of SMEs to utilize consultancy services. These aim to assist SMEs with decisions relating to employment and choice of consultant. The provisions are contained in Guidelines on the furtherance of Management Consultancy Support for Small and Medium-sized Firms and for Self-Employed Individuals in the Professions. Guidelines are also published by the advisory service arm of the RKW.

In Germany consultancy associations have compiled registers listing the specializations offered by their members. The most used is the BDU-Matrix, a structural data bank covering member firms of the Federal Association of German Management Consultants. This lists approximately 250 specialist areas covering over 100 branches of industrial and commercial activity. Other databases are maintained by the advisory arm of the RKW and the BVW.

Rebates are available for the employment of consultants by firms below a certain turnover.

All three sources of consultancy are promoted by the DIHT as well as banks and various administrative bodies.

#### *Benchmarking*

No specific benchmarking initiatives were identified.

#### *Mentoring*

No specific mentoring initiatives were identified.

#### *Management Training*

RKW's Management School provides advanced training schemes for SMEs. These include various workshops and seminars, general management training courses, personnel training, new technologies and quality management..

#### *Other Initiatives*

The RKW provides the Forum Mittelstand Online to support medium and small enterprises interested in using the Internet as a new marketing medium.

Support is also provided to encourage international trade. This takes the form of a series of one-day meetings on international business and trade development. Assistance is also available to support foreign trade missions.

### 4.5.3 Program Evaluation Mechanisms

Several evaluation surveys have been carried out on German consultancy programs.

Between 1980 and 1986 the total financial assistance spent on consultancy was DM 282.3 million. The level of take-up increased markedly over the period.

Much of the research into German programs pointed to their overall success. Most SMEs that had taken part in the schemes believed the consultancy programs had benefits. There were some problems with awareness of what schemes were available and the number of schemes available detracted from their overall coherence.

## 4.6 Australia

The Australian approach to management development is similar to the German one. Most of the responsibility for SME development is taken at a state-government level. Initiatives vary considerably from state to state.

Australia is unique in that it (the Australian Government) commissioned a major task force study, encompassing three years of consultations, research, study missions and analysis, which examined the way Australia prepares its managers for work and leadership. The resulting report, *Enterprising Nation*, provided a series of policy recommendations and options. A change in government resulted in the implementation of only a few of the recommendations.

The following provides a review of the findings and recommendations of the *Enterprising Nation Report*, especially those which relate to the advancement of best management practices at the small firm level. We also present information collected from interviews.

### 4.6.1 Study Findings and Recommendations

The task force identified five challenges facing Australia and its managers:

- developing a positive enterprise culture through education and training;

- upgrading vocational education and training and business support;
- capitalising on the talents of diversity;
- achieving best practice management development; and
- reforming management education.

*Upgrading Vocational Education and Training and Business Support*

TAFE (the Department of Technical and Further Education) is the largest provider of management education and training in Australia, particularly at the supervisory or frontline manager level. This challenge calls for a shift in the programs offered by public providers to make them more market-oriented, focused and selective. The recommendations include:

- upgrading TAFE's capacity to deliver management development courses and incentives to improve quality;
- accreditation of small business trainers, educators, counsellors and advisors to provide small business managers with a consistent and easy method of identifying suitably skilled professionals;
- provision of small business one-to-one mentoring/advising via financial assistance provided to small business owner managers by way of a certificate of entitlement to purchase accredited one-to-one mentoring/advising;
- piloting the training and support of small business owner managers via the latest technologies and utilizing the full range of existing and emerging technologies such as desktop video conferencing, online information service, electronic bulletin boards, e-mail, etc.;
- piloting the networks of small business support agencies and training providers via the latest technologies to test the effectiveness of a range of technologies for their ability to increase coordination and information exchange; and

- development of articulated TAFE/University undergraduate courses in small business formation and management.

*Achieving Best Practice Management Development*

The report identifies two elements associated with the achievement of best management practices. The first is the **identification of broad areas of leadership and management competence which require improvement.**

There are eight broad areas that managers need to improve:

- soft or people skills;
- leadership skills;
- strategic skills;
- international orientation;
- entrepreneurship;
- broadening beyond technical specializations;
- relationship building skills across organizations; and,
- utilization of diverse human resources.

Specifying competencies should not be a government initiative but instead driven by the enterprises themselves.

The second key element calls for **management development to be clearly driven by industry and individual enterprises, according to their needs rather than by development providers or government.**

The report identifies a series of best management practice development objectives and recommendations designed to achieve these objectives. These are shown in *Table 3*.

**Table 3**  
**Best Management Practice Development**  
**Objectives and Recommendations**

Objective	Recommendation
Improve the skills of frontline managers	Establish a national training program for frontline managers
Increase the international exposure of Australian managers	Establish an industry-based program to provide opportunities for up to 1,500 Australian managers to undertake international study tours each year.
Promote best practices in a variety of areas	Develop a database containing: industry-specific financial benchmark information relating to SMEs; best practice case studies in business management, and management development relevant to small, medium and large businesses.

Source: Report of the Industry Task Force on Leadership and Management Skills, *Enterprising Nation: Renewing Australia's Managers to Meet the Challenges of the Asia-Pacific Century*, April 1995.

The first recommendation established a target of providing management training to 80,000 frontline managers over a five year period. The specific form of this training consisted of approximately 20 days of structured training over a 20 to 40 week period. Training would be provided by TAFE and supplemented by industry associations and private providers. The federally-funded program, to be called the "National Certificate in Workplace Leadership" would be integrated into the national qualifications framework. The recommendation allowed for the provision of custom programs to meet specific enterprise requirements and assessments of competence.

The second recommendation focused on providing support for overseas trade missions, primarily to the Asia Pacific area. The market for the program would be potential and existing exporters, with a particular emphasis on SMEs.

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The third recommendation called for the development of industry specific financial benchmark information, case studies of best practices in business management and management development. Financial benchmark information is to be used by small business advisers and support agencies to assist SMEs with advice relating to financial management. (The report notes the Canadian Government has recently implemented a similar system using taxation data to provide business information, such as size, turnover, stock-in-hand etc., on a wide range of industries). Case study information would complement the financial benchmarks and be prepared in accordance with the same industry classifications.

The report identified two supporting recommendations. The first called for defining, developing and maintaining and promoting **flexible management competencies** that could be applied in all industries, including small business, by managers operating at all levels. The report recommended that competencies be defined by an industry association, the Small Business Management Competencies Standards Board.

The second supporting recommendation called for programs to **promote quality in human resource development**. To realize this comprehensive national and international quality standards should be developed, similar to the UK's *Investor in People* program, which link together quality certification and human resource development.



## **5.0 Lessons Learned**

### **5.1 Strategies Developed**

All the countries studied recognize the importance of SMEs in contributing to economic growth. Upgrading the management practices of these firms is viewed as one of the key areas for improvement needed if SMEs are to realize their full growth potential.

Most of the best management practice programs we examined were developed based on nationally-designed strategies designed to improve the competitiveness of the SME sector. The types of strategies vary to reflect special country circumstances. For example, Singapore places special emphasis on upgrading technology and networking with multi-national firms. In Germany and Australia, SME development initiatives fall under the jurisdiction of state governments. The German central government acts as a coordinating mechanism. The USA's approach is in keeping with the government's market-oriented economic philosophy. New Zealand's strategy grew out of the need to provide better coordination of existing programs.

The approach taken to develop strategies included:

- studies to examine the management needs of SMEs;
- overseas tours; and
- workshops with industry and government departments.

Australia provides the best example of a country which has thoroughly examined the issue of engendering best management practices in SMEs.

### **5.2 General Program Information**

Best management practice programs can be grouped into six main categories. Examples of unique approaches are set apart in the tables.

### 5.2.1 One-Stop Shops

Most of the countries have established a series of one-stop shops throughout the country which provide on-going information, advice and counselling services to SMEs. This represents a change from the traditional approach of providing financial assistance to one of *soft support*.

UK	Approximately 200 Business Links located throughout the UK. Personal Business Advisers establish long-term relationships with local SMEs, providing on-going advice, counselling and recommendations regarding consulting projects.
USA	Use of on-line services as an information tool. (Ordering publications, on-line counselling, programs and services provided.)

### 5.2.2 Consultancy

A number of countries offer subsidized management consulting. Quite often personnel at the one-stop shops act as process consultants, indicating to the SME owner/manager the need for a particular project and providing the names of consultants. The types of consulting projects undertaken are generally in traditional management areas such as marketing, business and financial planning.

UK	Efforts are underway to establish guidelines to ensure: consulting services have a degree of national consistency; and, maximum contribution by incorporating lessons learned from previous consulting projects.
Singapore	Consulting services focus on: modernizing and upgrading facilities; feasibility studies on computerization; implementing a computer system; and business collaborations/diversification and technology transfer.
Germany	A series of policy guidelines have been developed to combat the reluctance of SMEs to utilize consulting services.

### 5.2.3 Benchmarking

A number of government-sponsored benchmarking initiatives have been implemented to assess management practices against best-in-class standards. These include computer-based modelling, accredited programs, management competency standards, case study publications and visits to successful firms.

UK	<p>The Management Charter Initiative has developed benchmarks of competent management across all sectors. Management standards are common to all industries. Several MCI accredited institutions deliver the program.</p> <p>Small Firms Lead Bodies established national standards of competence for small business. A network of approved assessment centres are being established to assist owner/managers in achieving these standards.</p> <p>Investor in People - an ISO 9000 for HR. Companies receive an IIP accreditation.</p>
Singapore	<p>benchmarking workshops (how to implement benchmarking)</p> <p>benchmarking group sessions to help companies achieve improvements through networking and learning from one another</p> <p>On-line benchmarking information</p> <p>PSB Guide to Benchmarking - a workbook on benchmarking</p>
Australia	<p>Proposed recommendations:</p> <p>Develop a database containing industry-specific financial benchmarking information relevant to SMEs (based on Canadian model).</p> <p>Industry developed flexible management competencies for use in all sectors including small business.</p> <p>Develop national and international quality standards (modelled on the UK's Investor in People program) which link quality certification and human resource development.</p>

#### 5.2.4 Mentoring

The use of mentoring, designed to improve management practices through the advice and supervision an experienced business professional, is gaining in popularity. Several officials interviewed noted the success of mentoring as a means for improving firm performance. The down side however, is that this tends to be quite costly.

USA	SCORE volunteers provide expert advice to SME owner/managers.
Singapore	Local SMEs brought together with multi-national companies with objectives to: improve operating efficiency; broaden product ranges; and introduce new processes.
Australia	Proposed recommendation One-to-one mentoring facilitated through a certificate of entitlement.

#### 5.2.5 Management Training

Most management training initiatives consist of management courses (offered at colleges, universities and profession training institutions) and shorter (typically 1 - 2 day) workshops and seminars. Many officials interviewed noted the need to design short courses tailored to specific needs and an action-based learning approach.

Some countries are experimenting with distance education. The results have not been encouraging. This format may succeed in disseminating information on generic management topics but is not yet well-suited to the changing needs of small business.

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US	Fast Trac entrepreneurship programs delivered through a variety of non-profit organizations. Focus is on applied active-learning approach. National standards established curricula and instructors.
Australia	Accreditation for small business trainers, educators, counsellors and advisers.  Pilot training programs using the latest in technologies: desktop video-conferencing; online information service; electronic bulletin boards.  Established target of 80,000 frontline managers trained over the next five years. Training integrated with national quality framework.

### 5.2.6 Other Initiatives

Some of the more unique schemes are identified below.

UK	Travelling Road show - free 2 ½ hour sessions which respond to local needs
US	Small Business Institutes at +500 colleges and universities which provide SMEs access to management advice and counselling and expose students to the real world of small business.
Germany	Support for SMEs interested in using the Internet as a new marketing medium.

### 5.3 Evaluation Mechanisms

The evaluation of SME programs has relied on two indicators:

- reports of program participants on the value they place on the program; and
- comparisons of firm performance indicators (e.g., improved productivity, market share, etc.) before and after program participation and/or comparison of indicators with non-participating firms.

Evaluation studies have been successful in identifying the link between program participation and participant satisfaction but less successful establishing the link with firm performance.

The difficulty stems in part from the influence of exogenous factors, such as the state of the overall economy.

Many officials believed that best management practices raised the profile of management among the SMEs. There remains the need for continuous monitoring of participating firms to ensure owner/managers are implementing the best management practices in their business operations.

## **5.4 Conclusion**

### **5.4.1 Variations in Strategies, Programs, Delivery and Focus**

Government-sponsored management development programs vary considerably from country to country in terms of strategy, scope, design, methods of delivery, delivering agencies and focus:

- The US prefers a market-driven approach. Most of their programs are designed to improve the flow of information to SMEs.
- The UK has initiated a comprehensive set of programs which includes the use of One-Stop Shops, subsidized consulting projects, benchmarking schemes and management training initiatives. The UK approach is unique in terms of developing a long-term relationship between local business advisers and SME owner/managers.
- Singapore's approach focuses on efforts to promote globalization, innovation and technology. The government's SME strategy (*SME Master Plan*) supports the national economic strategy (*The Singapore Economy - The New Directions*).

### **5.4.2 Common Approaches**

A few common elements do emerge:

- Initiatives tend to focus on high-growth SMEs, firms that have the best potential for sustained growth.

- Virtually all countries are establishing variations of one-stop shops which provide information and advisory support services.
- Mentoring and benchmarking initiatives are becoming more widespread.
- Non-government or quasi-government organizations play an important role in program delivery (Chambers of Commerce, industry associations, universities, colleges, consulting firms, management training providers, and private sector firms play a predominant role in SME program delivery.).
- Management training, workshops and seminars are less popular with many SME owner/managers who tend to regard these efforts as too general and not of sufficient benefit relative to the costs incurred. The most effective provide action-based learning environments, where specific problems are identified and dealt with. The Kauffman Foundation's entrepreneurship program is a good example of a program which utilizes this approach.
- Best management practice programs and initiatives have raised the profile of management development among participating SME owner/managers.

### 5.4.3 Special Consideration

**Table 4** provides a summary, based on our analysis, of some of the more successful best management practice initiatives undertaken in the leading nations we examined. This summarizes the information presented in the above tables.

**Table 4**  
**Summary of Best Management Practice Program Activities in Leading Nations**

<b>Program Activity</b>	<b>Most Successful Initiatives</b>
One-stop shops	UK - Business Links program; US - On-line services;
Consultancy	UK - Efforts to establish national guidelines; Singapore - Focus on modernizing and encouraging the use of technology; Germany - Policy guidelines to combat the reluctance of SMEs to utilize consulting services.
Benchmarking	UK - MCI benchmarks of competent management standards across industries; Small Firms Lead Bodies standards for SMEs; Investor in People program; Singapore - benchmarking initiatives; Australia - proposed development of industry-specific benchmarking database.
Mentoring	US - SCORE program Singapore - Developing networks of SMEs with larger firms. Australia - proposed one-to-one mentoring provided through a certificate of entitlement.
Management Training	US - Fast Trac program, focus on applied learning; Australia - Proposed programs: Accreditation for small business trainers, pilot program using the latest in technologies, management training targets established.
Other initiatives	UK - Travelling road show; US - Small business initiatives at colleges and universities which provide access to advice and counselling; Germany - Support for using the Internet as a marketing tool.

Of the above, two initiatives deserve special mention.

- The UK's approach of establishing a long-term business adviser - SME owner/manager relationships (Business Links) was commended by many officials. This provides an on-going source of business support for the SMEs.



The lack of standardization in this program however, has received both compliments and criticism. It facilitates the response to the local management needs but the variety of local programming has also yielded varying results. The ultimate test of the Business Links program will come when government funding is eliminated and each Link becomes self-supporting.

- The UK approach to developing management competency standards at industry and SME sector levels. These industry-developed standards provide a benchmark to measure performance at the firm level.

#### 5.4.4 Final Thoughts

Most initiatives have been designed and implemented within the last 5 years, hardly time enough to “iron out the bugs”, let alone generate significant impacts.

The overall uptake of these programs has been quite low. In the UK for example, participation rates (as a percent of the SME population) have ranged from 5% to 8%. However, it may be that the most likely market for these programs are the early adopter companies which likely comprise about 25% of the population of businesses.

Some researchers suggest there are few management practices that are universally beneficial to companies. According to this research, low-performing companies (defined by profitability, quality and productivity measures) do not have the capacity or infrastructure to support a wide-ranging program of management improvement activities. They should focus on the “basics” -- getting people working together, improving customer relations and eliminating non-value added processes.

Higher performing organizations have realized significant benefits from benchmarking and schemes which broadly empower employees.

As a final point, it should be noted that a number of best management practice initiatives are currently in place in Atlantic Canada, and in Canada as a whole. **Table 5** summarizes some of the major activities at the national and regional levels. Chapter 6 builds on these initiatives in providing recommendations on what will work best in Atlantic Canada.

**Table 5  
Summary of Best Management Practice Initiatives  
In Atlantic Canada and Canada**

<b>Best Management Practice Initiatives</b>	<b>Canada</b>	<b>Atlantic Canada</b>
Core Business Competencies	<p>National SME interdepartmental committee</p> <p>Canadian Sector Council research on 'survival' stage competencies (HRDC funded)</p> <p>Industry Portfolio Partnership research on maturity stage competencies (Industry Canada, BCS and Dev. Agencies)</p>	<p>APEC IT sector coordinating Atlantic public/private initiative</p> <p>Inst. Small Business Counselling. Inc. for counsellors.</p> <p>Atl. Comm. Coll. Entrepreneur. Dev. Committee - startup/survival competencies, Holland College et al.</p>
Counselling and Information	ISBCI negotiating national roll-out National CBSC network (Industry Canada and dev. agencies, regional delivery)	ISBCI done CBSC
Training	HRDC currently funding workforce skill development, industry sectors have programs	Fed/prov. Funding for various programs.
Diagnostic Tools	Industry Canada evaluating and world class Best Diagnostic Tools (inventory available on Strategis)	NB developed Diagnostic Tool being evaluated by other provinces.
Benchmarking	early stages, few sectors done, no uniform approach adopted	Individual firms, few sectors
Mentoring	no integrated approach	Youth Mentorship included in ACOA's Entrepreneurship programs

## 6.0 Recommendations: What Will Work Best In Atlantic Canada?

The overall purpose of this study is to identify the best business management development approaches from around the world to improve the management skills in SMEs in Atlantic Canada. In this section we suggest draft criteria to determine what will work best in Atlantic Canada and apply them to an approach, programs, and delivery mechanisms. We have drawn on the data gathered from the leading nations studied and our experience of conditions in Atlantic Canada.

### 6.1 Approach

Based on our review, we suggest the criteria for effective business management development initiatives are:

- the degree of **relevance** to SME business operations;
- the likelihood that the approach and resulting programs will have **sustainable benefits** for SMEs;
- market and opportunity **costs** to the SMEs that are considered reasonable;  
and
- whether or not the **conditions for change** to the current management practices within the SMEs are present.

Each of these criteria is elaborated and referenced below, and each reflects lessons learned on the international stage as well as experience in Atlantic Canada:

#### *Relevance*

As noted in Section 3.3, a “one size fits all” approach to improving SME management skill levels and practices would be inappropriate for many SMEs. Based on our review, the

approach for the development of a relevant regional action plan should therefore take into account the:

- different management skills required at various stages of business development from start-up through growth to maturity;
- varying needs of high, medium and lower-performers (based on profitability, productivity, and quality performance measures); and
- barriers to take-up of business management development programs and services for Atlantic Canada SMEs. Based on our experience, we believe that some of the barriers described in Section 3.2 (relevant in the UK) are likely to be relevant for SMEs in Atlantic Canada. These include:
  - short planning horizons, likely precluding commitment to changes that have only long range impacts
  - limited financial resources to pay for training, consulting, internal research, etc.
  - general skepticism that training, benchmarking or other management practices could be relevant to the day-to-day operations of the SME — “Our business is unique, nobody but senior management can understand how our business works.”
  - lack of information about best management practices and support for their implementation.

To ensure relevance, the active collaboration of the private sector in design and delivery is necessary (see Section 4.4.1). As in the UK, Singapore, Australia and elsewhere, partnerships between government and the private sector should also include university business schools, management training institutes, other training providers and local business associations. In that way, the specific management needs of SMEs at each stage of business development, and at all levels of performance, can be identified more accurately and addressed in time to be relevant. Moreover, the barriers to take-up can more readily be identified and addressed. The approach to a regional action plan should therefore be a collaborative partnership addressing

the practical needs of industry and individual enterprises.

### *Sustainable Benefits*

The approach to improving management skills and practices should not create a cycle of dependency. This principle has been increasingly adopted both worldwide and in Atlantic Canada. As noted in Section 4.1.3, in discussing the future of the Business Links Program in the UK, “one official suggested the ultimate test of effectiveness will come when the Business Links become entirely self-supporting -- ‘Will businesses pay for these services to the extent that the Links can survive without government support?’”

The approach in Atlantic Canada, for example, might lead to the following case: an expensive but highly rated executive management workshop might warrant 60% financial support as an incentive, due to initial SME reluctance to invest in management training. Participants would be tracked afterwards not only to determine if the learning activities translated into positive business outcomes, but *whether the experience translated into a further commitment to identifying and adopting best management practices*. Thus, the approach can aim at building a learning culture and would not allow individual SMEs long-term dependency on government funding for a specific initiative.

### *Costs*

As noted in Section 3.2.2, “the small firm owner/manager faces a higher opportunity cost associated with being away from the workplace during the training period. The total cost of training is perceived as considerably higher to the smaller firm than the large firm.” Therefore the approach to improving management skills should include financial incentives. At the same time, based on lessons learned in Atlantic Canada as well as internationally, program partnerships should require participating SMEs to demonstrate commitment by contributing to the cost of programs and services.

In addition to sharing in direct costs, such as consultant fees or training fees, the partnership overseeing programs should acknowledge the opportunity costs to SMEs. For example, an SME that agrees to put a technical specialist in a mentoring program with a business manager may lose some of the productivity of both workers in the short-term. This is a short-term cost

and risk to the SME.

### *Conditions for Change*

Even amongst high-performing firms in a growth stage, the conditions for successful introduction of improved management practices include strong internal support from the top of the organization. This support may not be present because of the relatively shorter planning horizons of small firms, as noted in Section 3.2.1 (“Small firms respond to external uncertainty by having shorter management and planning horizons than larger firms.”) Where the CEO is ambivalent, or senior management is divided on the need for long-range change, training to higher standards or adoption of new practices may be of limited benefit or useless.

While certain programs may appear to be relevant to an SME based on surface data, it may be more appropriate to begin with *building CEO and senior management commitment to adoption of best management practices*. For example, in Singapore, “the Total Business Planning Programme (TBP): aims to encourage local companies to establish a comprehensive business strategy to help them progress to the next stage ...The assignment of an external consultant may include: analysis of the company’s strengths and weaknesses; analysis of the company’s operating environment; formulation of a business strategy for the company; and, formulation of implementation plans for the company to realize the strategy.” (See Section 4.4.2) The CEO and senior management are then aligned in their view and more inclined to give wholehearted support to proposals for improved management practices.

The approach to program initiatives in Atlantic Canada should therefore allow some flexibility in the placement of firms along the continuum of learning activities, described in the next section of this report.

## **6.2 Programs**

Based on the approach described above, we suggest a program development and delivery partnership with the private sector analogous to the Management Charter Initiative in the UK. This recommendation follows from the recognized need at the international level for government sponsored initiatives to be flexible and relevant to rapidly changing conditions in the private sector (See Section 4.1.2). By including the private sector in the development and

delivery of programs, there is an increased assurance that:

- the programs will meet current and anticipated SME needs;
- many, if not all, learning activities will be sustainable beyond government support;
- costs will be manageable for all stakeholders; and
- other barriers to take-up, such as skepticism about the value of learning activities, will be addressed.

This proposed organization, tentatively called the *Management Training Council* (MTC) in this report, would be a private association funded initially by governments with a view to becoming self-sustaining over a three to five year period. In a partnership agreement with government funding agencies, the MTC would be more than an advisory body and have shared financial control of allocated funds.<sup>14</sup>

The primary tasks of the MTC would be:

- to identify the relevant core management competencies (and suggest standards of practice where appropriate) that SMEs need at the various stages of business development;
- to lead the detailed design of appropriate programs, as in Table 6 ; and
- to lead the detailed design of appropriate delivery mechanisms, as in Table 7.

The delivery mechanisms would be preceded by a *placement process*, whereby each SME applicant would be assigned an MTC counsellor/advisor who would suggest the most relevant programs and program elements.

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<sup>14</sup>

The proposed MTC could be initially modeled on the existing Nova Scotia Technology Training Council, with a private sector Board, including funding agency observer/advisors. The TTC works closely with its funding partners and has not required an elaborate bureaucracy.

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The matrix in **Table 6** is a suggested outline for a continuum of learning activities and support appropriate to Atlantic Canada SMEs at all stages of business development.



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**Table 6**  
**Programs for Atlantic Canadian Companies, by Stages of Business Growth**

Stage/ Program	Country Model	Pre-Start-Up	Start-Up/ Survival	Growth (high/low performance)	Turnaround
One- Stop Shops	UK Business Links	utilize/enhance existing One Stops in Atlantic Canada  introduce on-line services	→	→	→
Counselling/ Advisors	various countries	business advisors, subcontracted by the MTC, establish long-term relationships; primary function is to place SMEs and provide access to information and resources (see 4.1.2)	→	→	→
Management Training	Australia USA - Fast Trac UK	business skills training - ½ to 1 day seminars approved through a Management Training Council (see 4.1.2; 4.2.2)	incentives provided for management training at universities or by professional training providers (see 4.0)	incentives provided for <i>advanced</i> management training by professional training providers or universities (See 4.0)	incentives provided for management training at universities or by professional training providers (see 4.0)
Consultancy	various countries	n/a	incentives provided to engage external management consultants	incentives provided to engage external management consultants specialized in appropriate areas (IT, marketing, etc.)	incentives provided to engage external management consultants specializing in turnarounds
Mentoring/ Corporate Peer	Singapore	n/a	subcontractor to MTC matches the owner or manager of an SME with an experienced former or current manager of another small firm	→	→
Diagnostic tools, Standards and Benchmarking	UK Singapore	Orientation to core competencies organized and approved by MTC	Standards and diagnostic tools approved through the MTC <sup>15</sup>	incentives for high performing firms — bench- marking and self-directed teams; for low performers — customer service and team building (See 3.3)	Standards and diagnostic tools approved through the MTC <sup>2</sup>

<sup>15</sup> This function is analogous to the work of the Small Firms Lead Bodies (SFLB) in the U.K. (See Section 4.1.2.)

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### 6.2.1 Program Delivery

The Management Training Council would be responsible for the overall design, cost-sharing, promotion, monitoring and evaluation of the above programs. Most programs of the MTC would be delivered by appropriate subcontractors, as is the case for similar programs in the UK, Australia, and elsewhere. Industry awareness seminars and workshops could be delivered by members of the MTC Board or staff of the MTC. The Benchmarking program would involve a combination of consultants and demonstration companies.

As noted in Section 3.2., one of the barriers worldwide to improving management skills and encouraging the adoption of best management practices is a lack of information amongst SMEs. An essential part of program delivery in Atlantic Canada must be education and multiple access points for entry into management level learning activities. Federal and provincial government agencies in Atlantic Canada have made significant progress in providing information to the business community, especially over the past five years. Therefore the existing Business Service Centres, provincial information phone lines and data kiosks, etc., should carry up-to-date information on new programs aimed at improving business management skills and practices.

Following the models in the US and the UK, we also suggest:

- direct promotion to SMEs by subcontracted business advisors;
- promotion through the growing number of networks in Atlantic Canada (e.g., NovaKnowledge, SIANS, and the Plastics Industry Association (Atlantic));
- an MTC website, linked to all business-related government websites; and
- brochures and publications available by 1-800 phone ordering.

**Table 7**  
**Delivery Mechanisms**

<b>Program</b>	<b>Delivery Mechanism</b>
Counselling/ Advisors	small business advisors approved by MTC
Management Training	private training providers; universities (Continuing Ed); MTC provides industry awareness seminars
Consultancy	CMCs, CMAs, HRD specialists, IT specialists, etc.
Mentoring/ Corporate Peer	Business networks and private agencies match SMEs with mentors
Diagnostic tools, Standards and Benchmarking	consultants; some standards developed within the MTC; demonstration companies provide bench marking opportunities

### **6.3 Evaluation Mechanisms for Atlantic Canadian Programs**

The evaluation of SME programs should focus on two criteria:

- the opinions of program participants on the value they place on the program; and
- comparing firm performance indicators (e.g., improved productivity, market share, etc.) before and after program participation, and/or comparison of indicators with non-participating firms.

Initial assessments to be conducted by the personal business advisors (See Table 5, Counselling and Advisors) would create a baseline for tracking benefits of programs for individual SMEs.

### **6.4 Next Steps**

Sections 5.4.2 and 5.4.3 present the conclusions of our research and analysis. In this section

we add consideration of data that move beyond the terms of reference for this study, but have bearing on the formation of programs and activities related to management development in Atlantic Canada.

While the focus of this study is on improving the management skills of SMEs in Atlantic Canada, we may have to look beyond the current pool of managers to meet the needs of our growth industries. Recent studies by Statistics Canada show that many of the new Atlantic Canadian knowledge-based SMEs are trying to recruit skilled managers from outside the region and outside the country. Knowledge-based SMEs claim they cannot find the skills and talents they need here. Moreover, they are often competing in their management search with companies from outside this region that can offer higher salaries. *Offering management development programs focused on the current pool of executives and managers may not be enough.*

Our review of the programs offered in the UK, Singapore, and Germany for example, indicate there is extensive support amongst participants in public/private partnerships in leading nations for upgrading training *at all levels of SME staff* and broadening beyond technical specializations to include management skills. While development of management skills amongst SME professional and technical staff was not something that this study explicitly focused on, it is a “next step” topic for research and consideration.

The advanced technology manager in today’s knowledge-based industries is likely to be a former engineer or technician. A few private sector training providers in Canada are now offering training to certify advanced technology managers. (See Learnsoft at <<http://www.learnsoft.ca>>) Support from public/private partnerships to cultivate potential managers from amongst SME professional and technical staff is timely in Atlantic Canada.

We believe a public/private partnership, in the form of a Management Training Council can address the need to improve management-level skills. It also has the greater potential to forge stronger cooperation and collaboration between private sector training providers, the universities, and SMEs in Atlantic Canada. Adoption of best management practices and sustained growth of the SMEs can only happen with a development of a broad-based learning culture in the private sector. Continuous learning *at all staff levels* of SMEs must become the

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standard to keep pace with the potential of new technologies and the demands of global competition.

# ***Appendix 1***

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***Interview  
Guide***

**Best Management Practices Questionnaire****Strategies Developed**

1. What strategies are in place to enhance the awareness and use of leading edge business management practices by Small and Medium-sized Enterprises? When was this strategy developed/published?
2. Could you describe the nature of the research conducted prior to the development of the strategy? (e.g., studies identifying key problem areas, linking business management practices and improved economic performance.) To what degree were industry/other stakeholders involved in developing this strategy?
3. What key business management-related problems were identified?
4. How does this strategy fit in with a broader economic development strategy?

**General Program Information**

5. What Program(s) was established to implement the strategy?
6. What were the main objectives of the Program(s)? What quantitative or qualitative targets were established?
7. What standards were set to ensure that a high level of quality was achieved in the Program(s) delivery?
8. What are the key activities of the Program? (please check those which apply and add additional descriptive information as necessary)  
Measuring business competency and diagnosing problems
  - a. Counseling
  - b. Training
  - c. Benchmarking
  - d. Accreditation
  - e. Advice
  - f. Other (please describe)



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9. What have been the most successful activities?
10. Which have been the least successful?
11. What methods are being used to implement the program(s) activities? (please check those which apply and add additional descriptive information as necessary)
  - a. Internet
  - b. Distance Education
  - c. General Workshops and Seminars;
  - d. Management Training Courses
  - e. Information Kits
  - f. Advisory Services
  - g. Individual Counseling
  - h. Peer Mentoring
  - i. Provision of Diagnostic Tools
  - j. Benchmarking Database
  - k. Support for Consulting Services
  - l. Other (please specify)
12. How has the program changed over time (main changes)? What were the major lessons learned?
13. What organizations have the main responsibility in delivering these activities? (please specify name of delivering agency)
  - a. Government Departments/agencies
  - b. Provincial/local government agencies/departments
  - c. Local Chambers of Commerce/Enterprise councils
  - d. Industry Associations
  - e. Other Businesses (e.g., large firms used as example of best in class organization)
  - f. Public/private sector partnership delivery
  - g. Other
14. What role do other organizations (key stakeholders) play in supporting the Program(s) initiatives?

Program Evaluation Mechanisms:

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15. What systems or success criteria have been established to measure the success of the program? Have any studies been commissioned to evaluate the program?

Macro results:

Improved survival rates?

Increased employment and income attributable to the Program?

Micro Results:

Improved management commitment to continuous training as measured by increased SME participation in training initiatives (program and non-program training)

Program participants opinions on training effectiveness

16. In your opinion, has the program had a major impact on the adoption of leading edge business management practices of SMEs?
17. What are the top three changes you would make to improve the Program(s)?
18. The following matrix facilitates the identification of SME management support services targeted to specific stages of business development. Please indicate by a checkmark which services are available to these different stages of businesses development.

	Pre-Start-Up	Start-Up	Survival	Growth	Turnaround
Training Initiatives					
Counseling/ Advisors					
Mentoring/ Corporate Peer					
Diagnostic tools, Standards and Benchmarks					
Standards for Counseling Services					

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National Management Councils					
Other (Please specify)					

Thank you for your participation in our study. Please indicate if you are interested in receiving a copy of our completed report:

**Yes** \_\_\_ **No** \_\_\_

If yes, please confirm that we have the correct mailing address for you on our cover letter.

## ***Appendix 2***

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***International  
Contacts***

## Appendix

# Methods Used by Leading Nations to Engender Best Management Practices in Small and Medium-Sized Enterprises and the Application to Atlantic Canada

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