Management Development and Learning in Micro Businesses

Summary of the report

Summary and implications for Policy

The importance of good management skills has been identified as a key factor in the performance of the economy as a whole and the effective operation of individual firms. It has been recognised across government that there is a need to improve the practice of management in the UK and the training and development processes underpinning this aim[i].

A literature review highlights a fundamental research gap associated with management development within the context of micro businesses (employing up to ten people). These businesses account for 95% of all businesses in the economy and almost one third of all private sector employment. This contribution to the economy provides a powerful argument for their inclusion as a specific entity in policy formulation and implementation. However national reviews to inform the development of management education and learning have largely ignored the micro business context[ii]. Those developing policies to support management and wider workforce development activities have at best assumed that the micro business context is embraced by the terms 'small business' or 'small and medium sized enterprise' (businesses employing up to 200). However, the less formalised and more personal management practices in micro businesses mark them out from larger businesses (say employing over 20) as a distinct entity.

Based on existing literature, a conceptual model has been developed to draw attention to the nature of management development and learning in micro-businesses. The main value of the model is twofold. Firstly it highlights the need for the development of a relationship between those operating in the micro business world and those seeking to influence practice in that world. Secondly it highlights the nature of learning in the micro business world and the opportunity to encourage or facilitate business and personal development through a ‘close other’. The model is based on a conception of learning in the workplace through transactions and relationships. It should be considered as partial, to be tested in practice and subject to revision as new understanding unfolds.

The analysis summarised here leads us to advocate the case for discrete interventions to support established micro businesses as part of a balanced support policy including start-ups, SMEs and larger enterprises. Closer relationships envisaged by the conceptual model between a flexible supply-side and the micro business manager could provide the basis for firstly, better access to learning opportunities amongst the workforce and secondly, improved relevance of these interventions in the micro business context. However, only after a period of successful joint working on business problems and opportunities can micro business managers be expected to jeopardise the approach to management and leadership which has generally served their purposes in the past. If the external environment permits, they may then choose to pursue the growth in their business employment and/or increased training activity that policy makers desire.

An introduction to micro businesses

The term 'micro business' has gained currency over the past ten years and is generally defined as a business employing up to ten people. They make an important contribution to the economy employing approximately 3.8 million people (30% of all private sector employment). However any discussion of micro businesses needs to draw attention to their heterogeneity. When talking about micro

businesses the term may embrace start-up enterprises, self-employed managers with one or two employees, owner managed businesses, team managed businesses, family businesses, ethnic businesses, hi-tech businesses and businesses with different legal status. The conceptions are not necessarily mutually exclusive and can be used interchangeably but this can lead to a lack of clarity in policy discussion. For example, the notions of start up businesses and micro businesses are often used interchangeably. However whilst reliable macro level data is absent there is sufficient evidence to suggest that a large proportion of micro businesses are established businesses and have been so for a number of years. Micro enterprises are complex social organisations and managers have a pivotal role in their culture and any change therein. In established businesses, management practice will have developed over a number of years and external interventions which seek to change this practice, say for example through encouraging growth or external training, will be viewed with a degree of uncertainty if not outright scepticism.

Learning and management in the micro business

Different people also have different conceptions of what management is about. This inevitably shapes their view about the way in which managers ought to learn and be developed often giving rise to a number of contradictions and tensions. There is a fundamental distinction to make between on the one hand the models theories, techniques and tools that underpin management in one context and, on the other hand, the day to day lived experiences of those performing management in organisations. The former view of management may focus on subjects such as accounting, finance, marketing or human resource management supplemented by skills or competencies such as time management, planning or problem solving. The latter view of management is far less structured and refers to what managers have to do in a particular place and at a point in time. Factors such as the organisation, the industry, the environment, the manager's personality and style all affect what the manager does and how they learn to do it.

The literature associated with the nature of management in the micro business context is very limited. Much management theory is based upon experience in large firms and whilst common managerial skills may be apparent in businesses of differing size, it is the contextualisation of these skills within a specific business which is distinctive. Much of the literature emphasises the owner manager[iii] as the focus of analysis and the personal nature of their involvement in the business, which often influences their behaviour and the culture of the organisation.

Research[iv] has suggested that micro businesses do not generally have a management structure that requires a management development policy or system only a policy of self-development for the owner manager.

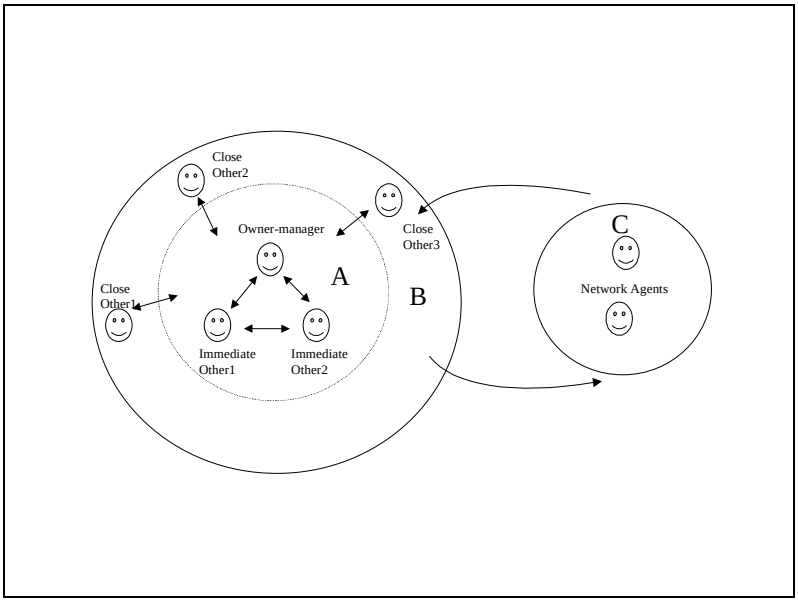
Towards a conceptual model of learning in the micro business context

Owing to the lack of published research exploring learning specifically in the micro business context it is necessary to draw on the literature within the context of small business and owner-manager learning and development in order to develop a conceptual model. The model is used to explore the nature of learning and management development in the micro business context and to discuss the implications of this for business support.

The model has three stages. The first stage presents a view of what is referred to as the micro-business world. This highlights the core relationships within a micro-business which form the source of most of the learning about managing and leading. The second stage examines how interventions from outside may or may not affect learning in the micro business. The final stage of the model presents a view of how such external interventions might have an increased chance of impact.

Stage 1: The micro business world

At the core (A) of the business is an inner context composed of the ongoing and daily activities of the micro business manager and employees. It is the location where the interests and preferences of the manager are played out. Much of the literature supports the view that the motivation that inspires micro-businesses is based on the desire to be independent and support a preferred lifestyle. This feeds into its orientation towards survival and organic growth rather than rapid or major growth.



Within this micro business world, learning is inextricably linked to the performance of work activities, solving problems and grasping new opportunities as they arise. Much learning occurs naturally in a non-contrived manner as part of an everyday process that moves the organisation in a direction that meets the desires and interests of the manager. Research set specifically in the micro business context reflects this ongoing, business-based nature of learning[v]. Learning is largely informal or incidental, driven by the desires of those involved and seldom reliant upon formal or structured training. Sometimes, micro-business managers create deliberate attempts to experiment to acquire new knowledge but more often than not learning is the by product of a business process rather than the focus of the process itself. As work proceeds and learning accumulates, the meanings derived are shared among those who participate, forming the distinct culture of a micro-business which develops over time.

However, people other than the manager and the employees also provide the context for learning to take place. The small business has been conceptualised as a learning organisation operating within a network inter-dependency of others including family

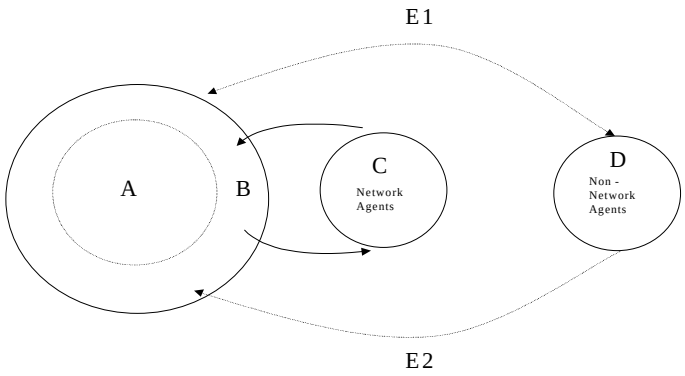
members, friends, professional bodies and other stakeholders[vi]. Networks and networking are increasingly viewed as a major learning opportunity for smaller enterprises and they are seen as a crucial element of small business development.

Accepting that the network stakeholders will influence learning to a greater or lesser extent at various times and in various circumstances the notion of ‘close others’ can be applied. These ‘close others’ have a significant interest in the workings of the business but are not involved in its day-to-day operations, except perhaps on special occasions or in times of difficulty. 'Close others’ may include family or friends or other stakeholders such as particularly valued suppliers or customers. This group forms the outer context (B) of the micro business learning environment. In addition to specific help and assistance, ‘close others’ can provide informal learning opportunities through a sounding board or mentoring either at work or in a ‘safe environment’.

As well as the inner and outer context, a micro-business by necessity has to interact with a range of other actors, which may include professional service providers such as bankers, solicitors and accountants. These network agents (C) may influence practice within the business if they are in tune with the interests of the micro business manager at a given point in time.

Stage 2: The external intervention: Breaking into a different world

Stage 2 of the model combines the micro-business world with attempts to promote and supply external management and leadership development from beyond the existing network of inter-dependency (B and C). The key feature of such actions is that it is provided by ‘non-network agents’ (D). Government-backed agents such as Business Links as well as suppliers of training and development activities in the public (e.g. Further and Higher Education, Learn Direct) and private sector will often be non-network agents.



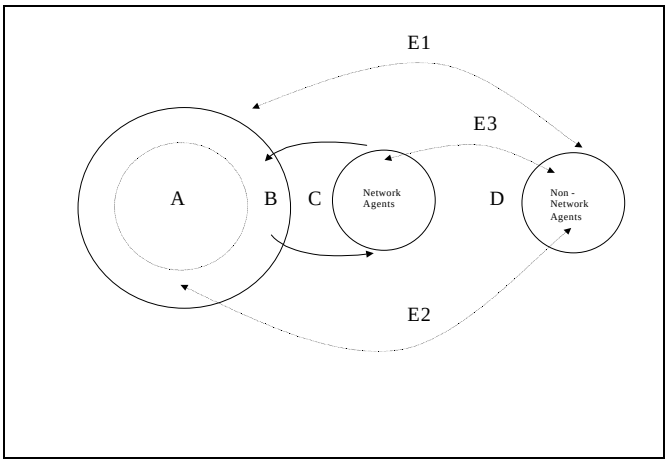
Policy analysis has suggested that activities emanating from non-network agents tend to be formal and driven by supply-side considerations. The rhetoric of lifelong learning being championed by government departments and the training and educational infrastructure as the most effective route to improving business performance has some way to go before it connects with the small and micro business world. Furthermore it is recognised that fundamental changes to the

education system are still required if provision is going to provide the multidisciplinary and holistic approach required by smaller businesses.

Existing products and services, often developed or adapted from the large organisation context (e.g. Investors in People, Total Quality Management, ICT based delivery, National Vocational Qualifications, MBAs) are offered to smaller businesses. Route E2 shows that some of these may be acceptable to a minority of small business managers and the non-network agents may be successful, in permeating the boundaries of the micro-business world. Equally, non-network agencies may provide offerings which lie outside mainstream provision but which connect with the small business context intermittently. On the demand side, the phase of development facing the business at a point in time may be influential and those micro organisations seeking to grow (a minority) may be more open to the offer of external interventions.

However, there is much evidence to suggest a low propensity to engage with such provision, and offerings in general are largely ignored by micro business managers as illustrated by E1 in the conceptual model. The reasons for rebuttal are many and varied. For example, it may be based on a micro business manager's belief that further skills are not needed or that involvement will not benefit the business. It may be due to lack of awareness, cost or over-bureaucratic application processes. Whatever the reason in specific circumstances, the reticence to get involved with non-network agents results in a low take up of services offered through for example Business Link and business schools. It is therefore suggested that a revised approach is required.

Stage 3: Joining the micro business world



To reduce the 'supply-side mentality', which frequently fails to engage with and meet the interests of small business let alone micro business managers, it is suggested that the offerings of non-network agents need to be in tune with the learning preferences and aims of micro business managers.

This can be achieved through the development of interventions by non network agents which permeate the micro business boundary – following route E2 and using the feedback from micro business managers as part of a continual development process. However, many such interventions are ignored by micro-business managers (E1). Therefore a further route, E3, is introduced to the conceptual model where

interventions are developed which link to the business through an established network agent[vii]. The key idea here is that micro-business managers, many of whom fail to be aware of the need for training and development, still need to interact with network agents such as accountants, bank managers and solicitors. Therefore such agents can become the initiators of an awareness of the need for training and development. Network agents may then draw on the resources of non-network agents to meet identified needs as appropriate. Crucially such needs will reflect precisely and specifically the requirement of the micro-business and its network agent.

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[i] For example the joint DTI/DfEE White Paper on Enterprise Skills and Innovation (www.ecdti.co.uk), reports by the Performance Innovation Unit on Adult Skills in the 21st Century (www.cabinet-office.gov.uk/innovation)and HM Treasury (www.hm-treasury.gov.uk)

[ii] For example the Canon and Taylor Working Party Reports (1994) and 'A Portrait of Management Development' published by The Institute of Management (1997).

[iii] The concept of an owner manager may be contested. For example, it may refer to an individual or an individual as part of a management team or Board of Directors in businesses of varying sizes

[iv] Thomson, A. and Gray, C. (1999) Determinants of management development in small businesses. Journal of Small Business and Enterprise Development, Vol 6, No 2 pp 113-127. Research based on a survey of almost 4000 small businesses.

[v] Case Study research by CEDEFOP (European Centre for the Development of Vocational Training. Thessaloniki 1998) represented the only example of in-depth research exploring learning specifically in the micro business context

[vi] Gibb, A (1997). Provides the foundation for much of the thinking in his article Small firms training and competitiveness: building upon the small business as a learning organisation'. *International Small Business Journal*, 15 (3), 13-29

[vii] Whilst Business Links are currently working with intermediaries such as accountants, fundamental changes are required to ensure that the DTI emphasis on innovation and the DfES emphasis on training and development converge seamlessly in the micro business world.