

Innovations in the distance development of SME management skills

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Abstract

English

The development of a strong and innovative small and medium enterprises (SMEs) is central plank of industrial and employment policy in all Member States of the European Union (EU). However, the bulk of the SME suffers from resource constraints and management weaknesses. Policy makers and business organisations have tried to correct these imbalances mainly through fiscal measures or support for management training programmes. In general, these measures have not been a great success, certainly in their ability to attract large numbers of SMEs or to promote new sustainable and innovative SMEs. This article examines SME development experience in Britain and shows that earlier conventional, face-to-face programmes had very limited success. This was often due to weak marketing – not only poor promotion but also failure to identify and meet the SME customers' needs. The Open University Business School (OUBS) attempted to apply its successful distance-teaching methodology in specific courses for the SME sector but with little noticeable success. However, more mainstream OUBS management programmes do appear to attract significant numbers of SMEs. The OUBS is now turning to new information and communications technologies (ICT) in order to engage and support SME managers and staff more effectively. This article analyses these experiences and draws on surveys conducted by the Small Business Research Trust (SBRT) to examine key issues in this area. It concludes that appropriate use of ICT looks likely to open new possibilities to support learning in SMEs and to help them develop their skills in applying ICT, necessary skills for the future.

French

Dans tous les Etats de L'Union Européenne, l'objectif prioritaire de la politique de l'emploi et de l'industrie est centrée sur le développement et le soutien des PME, fortes et innovantes. Malheureusement, la plupart des PME souffrent d'une faiblesse managériale et d'un manque de ressources. Les décideurs politiques et les organismes professionnels ont tenté de palier à ces handicaps, essentiellement par le biais de mesures fiscales et de soutien à la formation professionnelle des cadres. En général, ces mesures n'ont pas connu un franc succès, notamment en ce qui concerne leur capacité à mobiliser un grand nombre de PME, ou encore à promouvoir des nouvelles entreprises innovantes et viables à long terme. Cette étude analyse le développement des PME en Grand-Bretagne, et s'attitude à démontrer que le système classique d'enseignement, professeurs-étudiants, s'avère peu efficace. Cette déficience résultait le plus souvent d'un marketing peu développé: politiques promotionnelles insuffisantes mais aussi incapacité à satisfaire les besoins des PME.

Par contre, les principes régissant les programmes d'enseignement aux entreprises semblent plus aptes à attirer un nombre significatif de PME. L'OUBS s'oriente désormais vers les nouvelles technologies de l'information afin d'y engager plus largement les cadres et les employés des PME et de les soutenir. Cette étude analyse les expériences menées dans ce sens. Par ailleurs, elle s'appuie sur des recherches réalisées par le SBRT (Small Business Research Trust) afin de mettre en évidence les principaux enjeux rencontrés dans ce domaine. Cette étude conclut sur le fait qu'une utilisation appropriée des technologies de l'information, ouvre la porte à de nouvelles possibilités concernant la formation professionnelle dans les PME. En outre, elle permet de développer leurs qualités (intrinsèques) sur l'utilisation de telles technologies, un enjeu d'avenir pour les PME.

German

Die Entwicklung und Förderung von starken und innovativen kleinen und mittleren Unternehmen (KMUs) stellt in allen Mitgliedsstaaten der Europäischen Union (EU) einen Schwerpunkt in der Industrie- und Beschäftigungspolitik dar. Der größte Teil der KMUs jedoch verfügt nur über eingeschränkte Ressourcen einerseits und Schwächen im Bereich des Management andererseits. Parteipolitiker und Unternehmensverbände haben versucht, dieses Ungleichgewicht im wesentlichen durch steuerliche Maßnahmen oder durch begleitende Trainingsprogramme im Managementbereich zu korrigieren. Ganz allgemein waren diese Maßnahmen nicht besonders erfolgreich, weder in der Funktion, eine große Zahl von KMUs für solche Programme zu gewinnen noch in der Förderung neuer nachhaltiger und innovativer KMUs.

In diesem Aufsatz werden die Erfahrungen in der Entwicklung von KMUs in Großbritannien untersucht und es wird gezeigt, dass frühere konventionelle Präsenz-Programme nur sehr eingeschränkt als erfolgreich zu betrachten sind.

Dies ist in vielen Fällen auf ein schwaches Marketing zurückzuführen – nicht nur auf eine schwache

Einführung auf dem Markt sondern auch auf eine Fehlinterpretation und –einschätzung in Bezug auf die Bedürfnisse der Kunden aus dem KMU – Bereich.

Die OUBS (Open University Business School) hat versucht, ihre erfolgreiche Fern-studienmethode auf spezielle Kurse für den Sektor KMU anzuwenden – allerdings nur mit geringem Erfolg. Im Gegensatz dazu scheinen die zentralen OUBS Management – Programme eine relevante Anzahl von KMUs anzusprechen. Die OUBS setzt jetzt verstärkt die neuen Informations- und Kommunikationstechnologien (ICT) ein, um Manager und Beschäftigte aus KMUs zu beteiligen und effektiver zu unterstützen.

Dieser Aufsatz analysiert diese Erfahrungen; es werden Untersuchungen des SMALL BUSINESS TRUST (SBRT) herangezogen, um die Schlüsselfragen in diesem Bereich zu untersuchen.

Die Schlussfolgerung geht dahin, dass die angemessene Nutzung von ICT dazu beitragen kann, neue Lernwege in KMUs zu eröffnen und die Fähigkeiten zur Anwendung von ICT - den ohnehin erforderlichen Fähigkeiten für die Zukunft – zu vermitteln und zu entwickeln.

1 Introduction

Despite the central role expected of small and medium enterprises (SMEs) in competitive and industrial policy across Europe, and the significant growth of the SME sector in Britain over the past two decades, the lack of development of sustainable, modern management techniques in the sector still concerns many policy-makers. Surprisingly little is known about how to overcome the widespread reluctance of SME owners and managers to engage in initiatives designed to development of their own management abilities, skills and professionalism. There have been even fewer studies on how new information and communication technologies (ICTs) may provide innovative approaches in this field. This article describes the experiences of the Open University Business School (OUBS) in trying to apply its successful distance-teaching methodology to this problem and its experiments in the use of ICT.

However, there is plenty of evidence of important size and industry differences between SMEs which makes it inappropriate to adopt a single approach to this challenge (Storey, 1994; Gray, 1998). This article uses the European Commission. (EC) definition of small firms based on the criteria of (1) effective management independence and (2) workforce categories of less than 250 salaried employees for medium firms, less than 50 for small firms and less than 10 for *microfirms*. Small and micro firms account for 99 per cent of all firms in Europe. In Britain, there are more than 3 million of these firms. They account for half of private sector employment and one quarter of GDP. At the EU level, there are some 18 million SMEs. Although small firms account for some 99 per cent of the EU's enterprises, they account for less than half of employment and less than half of sales (DTI, 1996; ENSR, 1997). According to Eurostat, the statistical office of the EC, some 90 per cent of firms are microfirms and they account for one third of all jobs (with wide variations between Member States), roughly half of employment in SMEs as a whole. Indeed, the vast bulk of SMEs are the single self-employed without employees. This is extremely relevant to any study of SME management development because there is a clear inverse relationship between firm size and amount of structured management development (Thomson et al, 1997; Gray, 1998).

1.1 SME development needs

Despite the widespread aversion to training and other forms of systematic management development (indeed, most forms of general staff and skills development) among most SMEs, their training and development weaknesses have been quite thoroughly researched and documented. Indeed, in Britain almost 30 years ago the Bolton Report (1971) identified the main general problems that still challenge SME management today, not only in Britain but also across Europe (Stanworth and Gray, 1991; Storey, 1994, ENSR, 1997). These are listed in Table 1:

Table 1. Small business problems identified by Bolton 1971

i. Raising and using finance	v. Information use and retrieval
ii. Costing and control information	vi. Personnel management
iii. Organisation and delegation	vii. Technological change
iv. Marketing	viii. Production scheduling and purchase control

Over the past 30 years, some of these problems have been extensively researched. For instance, problems with raising and using finance and with obtaining and applying information on costs and control, as much due to external constraints as lack of financial management skills, are firmly at the top of the list where they remain to this day. The most obvious external barrier is the access to and price of external capital. Most small firms finance themselves on internally generated funds or on overdrafts because the transactions costs involved in seeking and obtaining longer term project, venture or equity funding is comparatively too high and the conditions often considered to be too demanding. The Wilson Committee (1979) reported that small firms face real costs constraints when seeking venture or project finance. Despite some interesting local initiatives, little has happened to close this type of 'equity gap' (NEDO, 1986; Stanworth and Gray, 1991; Storey, 1994). Lack of financial skills and a tendency to be product-driven rather than customer-driven are two of the most frequently cited reasons for small firm failure. Problems concerning people and staff - organisation, delegation, personnel management - and marketing still feature as major problems and the way they are dealt with distinguished growth-potential firms from the bulk of self-employed and small firm owners. Organisational problems are reflected in the widely documented reluctance to delegate and poor time management.

One of the few organisations that has tried to track management development nationally among its small firm members has been the main employers organisation in Britain, the Confederation of British Industry (CBI). A joint sponsor of the influential Constable and MacCormick report (1987) on management development in Britain, the CBI also conducted a parallel survey at the time among its SME members to gauge management training attitudes and needs. This survey confirmed that little had changed since the Bolton Report (1971) but did highlight interesting differences in perceived management development needs between the small and medium firms (CBI, 1986). More recently, the CBI (1995) published another SME membership survey directly on management development. Two-thirds of the 215 respondents were from firms with between 5 - 100 employees. Training programmes were the most widely used management development technique across all functional areas of management followed as a distant second by the use of consultants (except for financial management where recruitment from external sources was the number two preferred method of management development). Roughly half the sample intended to strengthen their

core management teams through a mix of training, consultancy and recruitment. Around one-quarter of respondents supported study towards academic qualifications (including MBAs) but more than 80 per cent also provided training unrelated to any specific qualifications. It is worth noting that the proportion of respondents using open-learning methods had risen from less than 4 per cent in 1986 to almost one quarter of respondents in 1994.

1.2 Constraints on SME Management Development

The most important constraint on small business growth, lies in the career motivations and personal expectations of each individual small firm owner and manager. If an owner wants to earn no more than a living as an individual or as a household then growth past a certain point will not be on the agenda. Furthermore, if the mode of earning a living is also bound up with a certain lifestyle (informal, anti-bureaucratic, alternative, loose, individualistic, etc.), many decisions will be based on non-business criteria. This is particularly true of the individual self-employed and many small family businesses where even minimal growth beyond a personal earning capacity will involve employing another person and the taking on of responsibility for providing wages for that person. This is not a milieu conducive to the establishment of good management development practice. Recent growth of single self-employment indicates that the majority of SMEs fall into this category. This has enormous implications for growth prospects of the sector and attitudes towards management training (not the least because a 'firm' of one person is not, strictly speaking, an organisation). Indeed, there is evidence that many small firm managers adopt management practices that are actually hostile to efficiency and future growth (Gray, 1993). Firms can and do expand in an unplanned way without any conscious intention to grow but few grow, or seek to develop the management abilities and skills required for planned growth, in the face of an intention not to grow.

The expectations owners and managers have about their businesses are closely tied to their attitudes towards growth and training. Most small firm owners have been unresponsive to the wide range of training programmes developed in order to help them survive, manage themselves more professionally, grow successfully, market their products and a whole host of other worthy objectives because they are not growth-oriented. Consequently, it is a mistake for policy-makers and training providers to assume that all small firms actually want to expand or are keen to improve their management skills. Instead, the most common small business ambition is for independence and autonomy rather than profits or growth (Bolton, 1971; Stanworth and Gray, 1991; Gray, 1998). The low response from growth-potential SMEs to management development initiatives has already been mentioned and has been attributed variously to poor marketing, bad communication, course design faults or external factors (eg, inconvenience, weather, poor location, awkward timing). The appropriateness of general enterprise training to immediate structural and cultural SME realities has received little critical attention. Policy-makers and course-designers have tended to assume that these weaknesses equate to SME training needs.

Early enterprise training generally consisted of awareness and training programmes to help new startups and, later, to provide weak existing small businesses with basic business skills. Most courses have been taken up by the unemployed or new self-employed and many lasted only a few days. Drop-out rates on longer courses were usually high. The peak registration in 1990 of around 120,000 (with just over one half from established businesses) represented less than 10 per cent of new self-employed and less than 1 per cent of existing firms. It is worth bearing in mind that there is little evidence that management training actually does lead to improvements in SME performance (Storey and Westhead, 1994). Indeed, it remains only an assumption that firms which have received management training are more able to survive or prosper during recession. What does seem reasonably clear is that there are at least two types of small firm - a small minority that are reasonably *systematic* about the ways they organise and manage their businesses and a much larger group on the periphery that prefers a more *informal* approach. Another obvious distinction to be drawn is between self-employed sole-traders and small firms with less than 5 employees. At the other end of the scale, the 20-25 employee mark has been identified as a barrier to growth beyond which fewer than 5 per cent of small firms pass (Daly, 1991). However, it is clear that it is very hard to decide a priori which firms will succeed and which will not. To be effective, management development programmes have to cater for all types of SMEs and for managers with a wide range of needs. This article attempts to identify some of the key elements that are likely to help the SMEs that are likely to innovate and grow in the future.

2 Methodology

These surveys are based on the national database of SMEs held by the Small Business Research Trust (SBRT), an independent educational charitable non-profit trust that has been regularly researching SME attitudes, performance and practices since 1984. The 8,000 database has been recruited over time from a variety of sources including the major SME representative organisations (Forum for Private Business, Federation of Small Businesses, Association of Independent Businesses), a number of Enterprise Agencies, students on OU SME courses and, randomly, through recipients to the SME promotional literature of NatWest Bank (the bank sponsors the SBRT's longest running SME survey, the *NatWest/SBRT Quarterly Survey of Small Business in Britain* but these recruits to the database are not necessarily NatWest customers).

As part of a wider management development follow up study in 1996 to Constable and McCormick (1987), the SBRT identified some 1,225 members employing 5 or more people (Thomson et al, 1997). These were mailed out a questionnaire in early September 1996. Because of project deadlines, the cut-off date was very tight (3 weeks). Even so, some 405 replies were received (plus a number of notifications of firms which had ceased trading). Of these, 389 produced useable survey questionnaires. Given the unaccustomed length and more probing nature of the financial questions, this represented a satisfactory effective response rate of just 32 per cent. The effective sample of 389, comprised 39 per cent manufacturers, 18 per cent broadly in the distribution sector and 41 per cent in services. Nearly two-thirds (64 per cent) operated from a single site and most anticipated either zero (50 per cent) or moderate (30 per cent) growth in salaried employees in the coming year. Some 30 per cent of the sample were microfirms with fewer than 10 employees (including some below our target threshold because some of the original database had 'downsized' since previously contacted), with similar proportions (28 per cent) in the 10-19 employee and the 20-49 employee bands. Only 8 per cent of the sample had a formal written management development policy (41 per cent reported having an informal or unwritten policy) but 44 per cent reported giving management development a high priority and 64 per cent reported that their management development policies were successful in achieving their objectives.

Finally, the results of two OUBS projects designed to meet the needs of SMEs are described. The first involved the production of some 30 self-study open-learning packs which were launched in 1990. The second, Learning Support for Small Business (LSSB) is a current programme that is experimenting in the use of various ICT support methods for providing online management development help to SMEs.

3 Findings

3.1 SMEs and training

SBRT surveys suggest that SMEs play a significant role in providing work experience and skills development, if not formal training, to marginal elements of the labour force (SBRT QS, vol.8, no 2; vol.9, no 1; National Audit Office, 1988). However, the strengths of the whole SME sector disproportionately reflect the very strong performance by relative few SMEs. The vast majority do not grow and appear to have sound reasons for having no wish to grow (Stanworth and Gray, 1991; Gray, 1992, 1994; Storey, 1994). SME growth potential is linked directly to firm-size, to the educational and experience levels of the founders and managers, and to social factors such as having more than one founder. The strong size effects in relation to training among SMEs can be seen in Table 2 which summarises responses to the survey of the final quarter of 1995 which probed SME recruitment and internal staff development practices (SBRT, vol 11, no. 4).

Table 2. Staff development approaches in SBRT sample 1995 (column percentages)

Staff development	Size bands of salaried employees						
	<5	5 - 9	10 - 14	15 - 24	25 - 49	50+	All
No response	24	7	6	3	7	9	15
No formal training	43	36	29	28	16	14	36
Internal training	9	20	36	29	48	51	19
External training	18	34	45	59	65	63	32
Time off	13	26	31	32	37	43	22
Other	5	5	2	4	3	6	5
Sample (n)	502	245	94	94	75	35	1045
Row (%)	48	24	9	9	7	3	100

The first point to note is that the firms with less than 5 employees are significantly less active in their management and staff development attitudes and practice from larger SMEs. Even excluding them from a sample, however, the expected size effects remain clearly present. There is a direct relation between the firm size and the provision of internal and external training courses, as there is in allowing employees time off to pursue their own development. The 'other' category, included consultancy and business advisers. A second point is that the size distribution of respondents reasonably reflects national distributions. The third point is that, from a mailout of around 2,500 questionnaires, the response rate of more than 40 per cent is rather high. On one hand, this is satisfying but on the other, it indicates that these respondents (like those of the CBI surveys) are 'joiners of organisations' and they may take a more serious approach to the development of their firms than SMEs at large who tend not, in general, to respond to surveys. Finally, it is worth mentioning that the survey also revealed strong industry differences with business services being the most likely to provide some form of training, while transport and catering are least likely to provide formal courses. Manufacturers and personal services were most likely to pay for externally provided training.

3.2 SME experience with open learning

Despite the apparent deep suspicion of education and training on the part of many SME managers, Britain has a very well developed adult and further education system. Furthermore, there is a strong tradition of self-development and part-time education among certain segments of society. However this system, of which management or business education is only a part, is voluntary. Following the model developed for the OU's undergraduate programmes, the OUBS consciously seeks to encourage personal self-development as well as teach management skills and there is little doubt that managers from medium to large organisations respond positively. However, it is interesting to note that some 30 per cent of OUBS students are from SMEs with fewer than 100 employees. Drawn from many different types of organisations in the commercial, industrial, financial, voluntary and public sectors, OUBS graduates generally report career and responsibility progressions linked to the skills acquired through the OUBS courses. OUBS also commissions independent evaluations of its courses and customer response. Apart from revealing areas for course design improvements, these independent evaluations generally confirm both the strong personal ambitions of the 'average' OUBS student and the strong attractions to them of the self-management method that is central to distance-teaching. For instance, in a straw poll of some 100 managers who have entered the OUBS system without previous qualifications at the Certificate level and proceeded through the Diploma for mid-level management to the MBA (a full academic qualification at masters level), these positive factors were clearly present. Table 3 shows the career progression resulting from management training received through the Professional Diploma in Management which aims at preparing mid-level managers (roughly 33 per cent of British managers) for senior management (14 per cent of British managers according to Handy (1987)) and through the MBA (from some 1,988 responses from the OUBS MBA alumni survey of late 1999)

Table 3. Post management Diploma career shifts. (column percentages)

Level of management	Pre-Diploma	Post-Diploma	Pre-MBA	Post-MBA
Senior	35	59	19	53
Mid-level	27	21	36	24

Junior/new	27	13	41	7
Self-employed	12	7	4	17
Total	100	100	100	100

The positive effects of the distance-taught management development on career progression, and the attractions of further management development among comparatively senior levels of management, are both evident. The shift into senior management is clear. It is also interesting that there is a tendency for self-employed managers to accept management positions in organisations as their management qualifications improve but a shift to starting their own businesses by more experienced managers (a significant proportion as consultants) on gaining their MBAs.

Another interesting point to observe is that the self-management of their own learning makes these managers extremely aware of the process they are undertaking thus raising their personal development as much as their management skills. This heightens their critical faculties and it is reassuring to note that between two-thirds and three-quarters of them report that the various courses are pitched at exactly the right level to meet their management training needs. Only about 4 per cent feel that this type of training is inappropriate, a finding supported by the low dropout rates. Indeed, 68 per cent of the MBA alumni want to continue with some form of distance taught continuous professional development (nearly 80 per cent for the SMEs and consultant MBAs). However, this success has not yet been repeated with specific materials designed for the smaller firms where management and personal development needs are far more acute but hostile or suspicious attitudes stronger. In particular, a survey conducted by the OUBS in 1988, as part of the development of its self-study, open-learning SME management skills packs, provided an interesting insight into SME management training needs. Table 4 shows the different skills training preferences for the whole sample (including the self-employed) followed by all and then just the target growth-potential 5-50 employee SMEs. As a performance yardstick, the final column records the proportion of actual sales of individual Build a Better Business modules during 1990-99.

Table 4. SME development needs (1988, 1997) and pack sales (1990-99). (column percentages)

Management skills	All SMEs		SMEs 1988 (5-50 staff)	Growth SMEs		Actual sales 1990-99
	1988	1997		1988	1997	
Marketing	48	38	50	51	38	13
Human Resource	30	37	41	45	49	12
Financial	33	29	36	36	32	11
Selling	35	na	37	35	na	4
ICT	27	11	28	28	23	2
Time mngt/planning	23	15	26	27	23	4
Quality	11	na	17	20	na	1
Sample size (n)	1488	389	807	618	48	c.5000

The table reveals a close correspondence between this study and those reported above and between self-reported preferences (there were multiple mentions) and actual sales of packs during the first 4 years of sales. Apart from the general tendency for SMEs with 5-50 staff and growth SMEs (ie, those that had grown in both sales and staff over the past year) to be more positive about training, the two training needs that distinguish these more dynamic SMEs are in the management of human resources and quality. This means that the SMEs that had created the jobs in 1988, and those in the 5-50 employee bands that have been identified as having the best growth potential (Stanworth and Gray, 1991; Storey, 1994) generally recognise their own management development needs. However, total sales of the packs were extremely low compared with the total SME population which suggests that the recognition of a training need does not necessarily lead to development or training action.

Subsequent feedback from SME customers revealed that their usage of the self-study packs was extremely uneven and that this type of training requires a support structure to be effective. Nevertheless, the supposition that training will improve the quality and performance of SMEs, and that SMEs will be drawn to these supposedly obvious benefits, is widely held among policy makers. A further analysis of these responses also suggested two broad types of active SME - a market and sales oriented type and a professional, controlling type drawn to the skills of financial and social control. This immediately raises the question of the appropriateness or universality of standards and management competences across different business situations.

Although some 5,000 packs have been sold, less than half the sales have gone directly to SME owners and managers and the actual usage was spasmodic. Many sales went directly to SME trainers and consultants. Conscious of the relatively poor take-up of the Build a Better Business modules by SMEs and the massive changes to the SME business environment in Britain, the OUBS decided to transform the self-study packs into the type of distance-learning course that has proved so popular with managers in medium to large firms. Feedback had indicated that it was difficult for busy SME managers to maintain sufficient motivation to complete the packs once the problem that had prompted the purchase decision had been solved. Other feedback also indicated the need for more structure to be introduced into the programme. This led to the development of a traditional Open University distance-taught programme - the Certificate in Small Business Management (CSBM). The Certificate attracted around 300 registrations (with the first of around 100 graduates receiving their certificates in January 1994. Some SMEs found that the courses consumed more time than they anticipated and some recognised a lack of study skills but many faltered at the last hurdle - the production of a business plan. The majority of these SME students were very favourable but it is clear that the rigours of producing a plan are tougher than it may appear to the investors, bankers and management trainers who require them. This conflict between the time required for rigorous and helpful training as opposed to the intense lack of time felt by most SME owner-managers caused OUBS to

reconsider the efficacy of this type of formal course and it was withdrawn in 1996.

3.3 Management development findings

In order to improve an understanding of management development among SMEs, there are two broad areas of research interest - the structural issues concerning the types of SMEs that engage in management development and how they view it and process issues concerning how SMEs develop suitable management cadre. Responses that cast a light on the structure of SME management development will be examined in tables 3-7 while response more concerned with how management development is actually undertaken, the process issues, will be examined in tables 8-10.

On examining the data more closely, other interesting findings also emerge. The most obvious are the size effects commonly found in most small business surveys, including the 1995 SBRT survey in Table 2. Here in Table 5, using bands of numbers of salaried employees as the measure of firm size plus an indication of number of sites, clear size effects are evident in relation to the degree of planned formality and relative importance of management development (non-response has been included as an indication of no policy and low priority but the 13 respondents who gave no indication of number of sites were excluded from those columns). The last column next to the column showing the sizes of each response category gives the responses from the 12 per cent of firms that reported an explicit intention to grow and increase their staff (their responses tended to differ considerably from the rest of the sample and can be monitored against the average responses for the whole sample in the last column).

Table 5. Degree of management development by firm size (column percentages)

Formality of policy	1-9 staff	10-19 staff	20-49 staff	50+ staff	Single site	Multi-site	Growth firms	All
Explicit formal policy	6	6	11	11	6	10	19	8
Informal policy	33	46	44	39	41	41	42	41
None, react to need	50	36	39	46	42	43	38	42
No system at all	13	12	6	2	51	48	2	9
Low priority	68	59	48	43	61	46	45	56
High priority	32	41	52	57	39	54	55	44
Base size (n)	117	108	109	54	250	116	48	389
Row %	30	28	28	14	64	30	12	100

As expected, the smallest firms were, on balance, generally averse to adopting a formal management development policy though the differences between the size bands were not large. This reflects a number of external factors - scale effects on resources and time, relative organisational simplicity (also reflected on the effects of number of sites) and a need to be flexible (hence the dominance of 'react to need' among the microfirms). The size effects are most evident in the growth-oriented firms and, more generally, in the attitudes of owner-managers towards the importance of management development with more than two-thirds of microfirms allocating it a low priority whereas a majority of firms with 20 or more employees and those with more than one site felt that management development should have a high priority. Another interesting tendency to emerge is the finding that the formality, planned and even successful nature of management development appears to be linked to the complexity of the business and that these firms stand out as having a more systematic approach to their business.. This finding is clearer in relation to the use of budgets to monitor performances (78 per cent of multi-site firms and 83 per cent of 20+ employee firms) and in the use of a written business plan (62 per cent of multi-site and 74 per cent of 50+ employee firms). Virtually all the firms with written, explicit management development policies were in these categories and clearly benefit from most forms of management training.

4 Use of ICT

The SBRT has been regularly monitoring the use of ICTs by SMEs since 1985 (SBRT vol 1; no. 3, reported that 36 per cent of SMEs had personal computers). Similar size effects to those discussed above have always been observed but by 1996 (SBRT vol 12; no.2) there was a near saturation penetration of PCs among the small and medium firms and even the self-employed and microfirms reported 80 per cent use of PCs. By 1999 (SBRT vol 15; no.1), the proportion using PCs had dipped but only (as Table 6 shows, because many firms, especially the medium firms, were making extensive use of networked computers and the Internet.

Table 6. Use of Internet and online services by SMEs 1999. (column percentages).

	Size bands of salaried employees			
	1-9 staff	10-24 staff	25 + staff	All (av.)
Networked computers	19	48	71	32
Internet e-mail	43	52	59	47
Own webpages	19	34	59	26
Online database	12	17	23	15

Base (n)	397	128	70	601
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The use of Internet e-mail is widespread across all size bands (and another 12 per cent overall indicated that they would soon install an Internet e-mail system). However, with respect to the use of networked computers, online databases and the use of their own webpages, there are still clear size effects (indeed there is also a clear split between low use among self-employed sole-traders and higher use among microfirms with 5 or more employees). This rapid and recent take up in the use of Internet services by SMEs has been confirmed by other researchers. For instance, Lymer and Johnson (1997) point out that in the past SMEs have used ICT for accounting and little else but that this is now changing with an increasing use of the Internet for both sales and access to information. The Internet also offers significant opportunities for improving value chain management through rapid access to relevant and timely information. Its use as a discussion forum among 'communities of practice' is also increasing and offers SMEs a chance to electronically benchmark their current practices and sources of information with other similar firms. As mentioned earlier, some 30 per cent of the OUBS students are managers in SMEs which means that some 2,000 current MBA students and some 2,500 MBA Alumni have actively used computer mediated conferencing for these types of electronic discussions. The use of the Internet to facilitate discussion and sourcing of information is currently being extended to the much larger group of managers studying OUBS Certificate and Diploma courses (one third of whom are also SME managers). Internal evaluation studies indicate that the use and attractions of CMC are increasing and these managers and that SME owner managers are well represented.

More specifically with respect to the needs of SMEs, the OUBS is engaged in an EU-funded project, Learning Support for Small Business (LSSB), under the ADAPT programme to experiment and evaluate the use of ICT and online courses in supporting development in small manufacturers in the West Midlands of England. The project is at too early a stage to report any significant results but it is already becoming clear that relevance to business objectives is also a major issue in the use of ICT in this way. However, the LSSB currently excludes services and it is increasingly evident that relevance and patterns of use are likely to reflect industrial sector differences. The survey reported in Table 6 revealed a much higher usage among manufacturers, wholesalers and business services. McClure and Blackburn (1997) report on distinct differences in uptake of ICT between sectors, with business services (90 per cent) using computers most widely (Hepworth, 1994) followed by services and manufacturing in the 60 – 70 per cent range of take up (SBC, 1994), with retail (20 per cent) using very little (Kirby and Turner, 1993). European studies confirm the SBRT findings that there is also a relationship between usage and size: the larger the firm, the more likely it is that they use e-mail. What McClure and Blackburn found in their own research, was that small firms use ICT for four distinct activities: administration, operations, electronic communications and small firm information systems. In a general sense the level of use was again related to the size of the firm, larger and growth firms used ICTs for more functions than other firms. However, it transpired that the implementation of ICTs was also dependent on the type of owner manager and their attitude, the more enthusiastic owners adopting ICTs to a higher extent. These findings seem to be confirmed in the LSSB project, where the size of the firm does not necessarily relate directly to their level of ICT awareness, many very small firms can be highly IT literate and sophisticated.

5 Conclusions

For many SMEs it is clear that the trade-off between the time-cost of training plus the opportunity-cost of foregone present earnings is not always justified in terms of future earnings expectations. Thus, large-scale enterprise training initiatives have not produced a significant number of growth oriented SMEs but smaller-scale programmes targeted at particular groups, especially those with higher than average levels of education (graduates) or experience, appear to produce more robust small companies (Stanworth and Gray, 1991; Storey, 1994). Also issues concerning relevance and personal relations appear to be important. The SBRT conducted an action-research study on 'growth-corridor SMEs' which found that small-scale direct personal consultancy or trainer relationships were far more effective than mass programmes in developing growth-potential SMEs. The report concluded that what Britain needs is 'not more small firms but more firms with the potential for survival and growth' (Stanworth and Gray, 1992).

For many, this suggests that ICT may hold the key to future SME growth, innovation and development. Others suggest that negative or insecure attitudes by SMEs towards ICT will limit its potential for overcoming some of the effects of scale. However, the attitude towards ICT is only one aspect that will affect SME's use of computers for learning. The second issue concerns SME attitudes towards the importance of learning. Already one partner in the LSSB project has found from previous experience that having a computer on-site is not enough. The learner may need to be guided on how to use it before it is accepted. This suggests that both IT skills and learner support are fundamental requirements for successful on-line learning in small firms. It also strongly suggests that the lessons learned from more 'conventional' supported open and distance learning need also to be kept very firmly in mind when introducing the new ICTs into the management development mix.

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