

BUSINESS GROWTH TRAINING OPTION 3 EVALUATION PROJECT

by

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Hazel Canter, Chief Research Officer

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EXECUTIVE SUMMARY

Introduction

The Centre for Urban and Regional Development Studies, together with Social and Community Planning Research, was commissioned by the Department of Employment to evaluate Business Growth Training (BGT) Option 3. BGT Option 3 provided financial assistance to small and medium sized enterprises to employ consultants to help them train and develop their management to meet the challenges of business change.

The primary objectives of the evaluation were to:

- investigate the operation of Option 3 projects,
- assess their impact on the firm,
- and to evaluate the additionality and deadweight associated with Option 3.

The study was based on a survey of 50 Option 3 firms, interviews with their 'lead' consultants, and a survey of 100 'matched' companies to provide a benchmark against which to view the impact of Option 3 on recipient firms. The surveys involved three phases:

Phase I took place 3-5 months into the Option 3 project, Phase II took place at the end of the project, and Phase III at least 6 months later.

This report sets out the findings from these three phases of the evaluation. A Practitioners' Guide deals with the lessons learned from the evaluation.

The operation of BGT Option 3

Targeting

The results of the evaluation suggest BGT Option 3 has attracted appropriate firms. Firms starting a BGT Option 3 project were undergoing more growth or business change than a matched set of comparison firms that were not. They were requiring their managers to acquire new skills, they suffered from managerial recruitment and retention problems and in most cases had identified the need for management development and training. However, despite being similar to their comparison firms in terms of corporate status, age, management structure and market conditions, in addition to the matching variables of employment size, industry and location, the Option 3 firms were less well equipped to carry out responsive action. Before they joined Option 3 fewer participant firms had carried out management training than

comparison firms, and they had less training support facilities. BGT Option 3 firms also had lower levels of business and manpower planning.

Despite these shortcomings, firms undertook Option 3 projects because they recognised the importance of management training. The financial incentives were also a significant stimulus, and in some cases it was the consultant who drew the firm's attention to the possibility of assistance from Option 3.

Project organisation

The Managing Director (MD) in the Option 3 firms played an important role in initiating and developing their projects. Of the 49 Option 3 firms successfully interviewed at the first stage of the study, 25 installed their MD as the project leader. In contrast, only 13 firms appointed a project team, and yet it was found that a team ensured the continuity of the project and helped overcome problems caused by key individuals leaving the company. This latter point was important, because more than one-third of firms indicated that a key participant had stopped working on their Option 3 project at some time during its course.

Assessment of the impact of the project on the firm

Management training and development

BGT Option 3 projects provided a dramatic boost to the levels of management training within participant firms. Some 43 out of the 44 Option 3 firms that completed their projects carried out management training and development. For these firms it was estimated that management training increased from on average about half a day per head of management staff in the year prior to the project to approximately 6.5 days per head during the project itself. Option 3 also introduced both new methods of training delivery and new types of management training to the firms, particularly in the areas of effective communication, target setting, team building and leadership skills.

After the completion of their Option 3 project firms carried out similar amounts of management training and development to firms in the comparison sample. This suggests that the main impact of Option 3 is a major one-off boost to management training. However, Option 3 also had

a longer term impact. Those firms that were introduced to management training for the first time in Option 3 continued to train their management staff after the project. Furthermore, firms who have run an Option 3 project have a better planned and organised approach to training and a more positive attitude towards the contribution which management development can make to the firm. After Option 3, firms regarded management training as a continuous process of updating skills in response to changing needs.

Firm organisation

Impacts of BGT Option 3 projects on the organisation of participant firms included an increase in the proportion of firms with:

- a written staff plan
- a written business plan
- a managerial training budget
- a non-managerial training budget.

Other more qualitative improvements commonly identified as a result of Option 3 included:

- improved communications and management integration
- improved planning and organisation for managing business change
- the encouragement of the training and career development of individuals.

These changes mean that, while Option 3 firms started their projects less well placed than their comparison firms in terms of business and manpower planning, they ended on a par or slightly better placed than the comparison firms.

Firm performance

The evaluation was undertaken over a short time span during a recession, which made it difficult to identify any impact of Option 3 on firm performance. Nevertheless, a total of 30 jobs were created as a consequence of the Option 3 project. Most of the new jobs were managerial positions to carry out responsibilities identified during the project. Only one firm shed jobs (49 in total) as a consequence of Option 3, but this firm was a special case and was in severe business difficulties. Overall, therefore, BGT Option 3 appears to have had little impact on total employment within recipient firms, but has added slightly to managerial employment.

Many firms, however, identified qualitative benefits associated with Option 3, such as improvements to customer care, product quality and external image. Option 3 firms were also more likely than their comparison firms to take proactive action in the face of recession, and to undertake investment for the future. On the other hand, Option 3 firms were perceived by their management to have experienced a more diverse profitability performance than their comparison

firms over the previous year, with both higher and lower performances than their comparisons. We take this to reflect the fact that Option 3 firms started their projects with problems, some of which were overcome, while others were not yet resolved.

Although it was not possible to assess quantitatively the impact of Option 3 on the bottom line, it is clear that firms emerged from the scheme better organised, with increased management confidence and investment. As a consequence of Option 3 they should be more able to meet the challenges of their business in the future.

Organisational and business change

Option 3 firms had introduced considerable business and organisational changes during their projects (eg. new systems for management communications, new products or services and improved customer care). Firms which had recorded most change were characterised by:

- growth and change in their business or market
- a positive attitude from senior management (particularly the MD) towards the project and a desire to change
- a project team involving senior management
- a good working relationship between the firm and the consultant
- a flexible project framework to address emerging needs
- a willingness to commit further financial resources to the project if required.

Projects in which firms had undergone relatively little business and organisational change were more diverse than those where firms had changed substantially, but some of the following features were associated with them:

- they were pre-planned to be limited in scope
- they were restricted to training per se
- they suffered from the departure of key individuals
- the firm was searching for financial assistance
- there had been extensive previous management training and development activity in the firm
- conflict arose between the management and the consultant
- the firm or the management team was too small to assimilate the benefits of the project

The work of lead consultants

BGT Option 3 promoted the use of consultants by small and medium sized enterprises. Only one-third of Option 3 firms had used a consultant for management training and development in the previous three years. In contrast, after