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## Leading the Way: Investing in Management Development for SME Productivity and Growth: Report by the Expert Group on Future Skills Needs

Expert Group on Future Skill Needs

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October 2020

## Leading the Way

Investing in Management Development  
for SME Productivity and Growth



National Skills Council



Expert Group on  
**Future Skills Needs**



An Roinn Gnó,  
Fiontar agus Nuálaíochta  
Department of Business,  
Enterprise and Innovation

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## > List of Abbreviations

CEDEFOP	European Centre for the Development of Vocational Training
CIPD	The Chartered Institute of Personnel and Development
CIS	Community Innovation Survey
CPD	Continuing Professional Development
CRO	Companies Registration Office
DETE	Department of Enterprise, Trade and Employment
DDD	data driven decision making
DFHERIS	Department of Further and Higher Education, Research, Innovation and Science
DG REFORM	Directorate-General for Structural Reform Support
EGFSN	Expert Group on Future Skills Needs
EI	Enterprise Ireland
ETB	Education and Training Boards
EU	European Union
FET	Further Education and Training
HECA	The Higher Education Colleges Association
HEI	Higher Education Institutes
HRM	Human resource management
IBEC	Irish Business and Employers Confederation
IDA	IDA Ireland
ISME	The Irish SME Association
IT	Information technology
KPI	Key Performance Indicators
MDC	Management Development Council
MOPS	Management and Organisational Practices Survey
MPS	Management Practices Survey
NTF	National Training Fund
OECD	Organisation for Economic Co-operation and Development
R&D	research and development
RSF	Regional Skills Fora
SBA	Small Business Act for Europe
SFA	Small Firms Association
Skillnet	Skillnet Ireland
SME	Small and medium sized enterprises
SOLAS	An tSeirbhís Oideachais Leanúnaigh agus Scileanna (Further Education & Training Authority)

## > Acknowledgements

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The Expert Group on Future Skills Needs would also like to thank the stakeholders who contributed to the preparation of this report. The members of the project Steering Group are listed at Appendix 8. They provided valuable advice, inputs and support throughout the project.

Many SME managers and subject matter experts attended focus groups to discuss issues and almost 500 SME managers responded to the survey that was carried out.

The EGFSN would like to thank TU Dublin for carrying out the research that led to this report and for drafting the report itself.

Additionally, thanks are due to those members of the Steering Group who collaborated in honing the recommendations in the report and taking joint responsibility for their implementation.

## > Foreword

At the time of writing, Irish SMEs face the unique challenges to their operating environment posed by Covid-19. A dramatic and sudden loss of demand and revenue has affected their ability to function and caused severe liquidity shortages. Measures to contain the disease have also disrupted the availability of staff and supply chains. These various impacts are affecting both larger and smaller firms. However, the effect on SMEs is especially severe, particularly because of higher levels of vulnerability and lower resilience related to their size.



Amid such uncertainty, the development of management skills might not appear to be a priority for Irish SMEs. This would be a mistake. Enabling SMEs to maintain access to skills, as well as to develop further management skills, constitutes an important aspect of the required structural policy response. For example, many SMEs find it harder to adopt online working, new sales channels and other digital solutions that may help them better withstand the impact of the crisis. Management skills will also be the critical element in strengthening SME innovation and competitiveness during the post-pandemic recovery.

SMEs are particularly important for job creation in Ireland. They account for over 1 million employees, or almost 70% of total employment in the Irish business economy. The research for this report started in late 2019 in response to a growing acceptance that improving productivity is one of the most important issues for SMEs and the adoption of world class management practices is a fundamental lever for improving productivity performance. This has already been demonstrated in the multinational sector. Managers that adopt best practice management skills and approaches are better placed to formulate clear strategy, adopt modern methods, develop better teams and innovate and grow. Their firms are also more flexible and resilient.

This report sets out a fresh approach to growth for SMEs in Ireland, where management development is a key strategic priority to drive productivity, sustainability, competitiveness and growth. Its findings are intended to assist SMEs to meet the challenges of a business environment that is constantly reshaped by new technologies, changing consumer behaviour, and broader social and economic trends.

The research was undertaken for the EGFSN by TU Dublin with the support of the European Commission. The recommendations included here are designed to address both supply and demand-side factors. There is much that training providers and the State can do, but SME managers themselves need to view management development as a real strategic priority for the success of their business.

Investment in management development is a commitment to the future.

The proposals in this report, which are relevant to all business sectors, must be implemented if we hope to translate policy aspirations into reality. Therefore, it is essential that the necessary resources and commitment are applied to communicating the report's main messages and to achieving its objectives.

I would like to thank all of those who contributed to assembling the evidence in the report and to honing its key messages. I wish to particularly express my thanks to the Chair of the project Steering Group, Shona McManus, for her leadership and clarity throughout the project, to the Steering Group members for their insights, and to the EGFSN Secretariat, based in the Department of Enterprise, Trade and Employment, for leading the project to a successful conclusion. The EGFSN looks forward to supporting the ongoing work that is necessary to make real and positive change happen in this area over the coming years.

## **Tony Donohoe**

Chairman

Expert Group on Future Skills Needs

## > Executive Summary

Management development is fundamental to improving the productivity of SMEs. Managers that adopt best practice management skills and practices are better placed to formulate clear strategy, adopt modern methods, develop better teams, innovate and grow. Research has shown that better managed firms are more productive, grow faster and have significantly better survival rates.

The National Competitiveness Council has recently reported a “clear divergence” between the productivity of MNC-dominated sectors and the rest of the economy. The OECD, in its recent report on SME and Entrepreneurship Policy in Ireland, has devoted a chapter to SME productivity, and recommends a “wider up-take ... of programmes to develop management capabilities in Irish SMEs” as one of the key solutions.

The National Skills Strategy 2025 states that “Improving management practices in SMEs will improve productivity, innovation and use of skills in the economy.” Enterprise 2025 recommends the delivery of “a demonstrable uplift in leadership and management capability across the enterprise base”.

Improving productivity is one of the most important issues for SMEs in Ireland. Management development, and the adoption of world class management practices, is one of the key levers for achieving that.

Data from the Central Statistics Office suggests that SMEs account for 99.8% of total enterprises in Ireland and 68% of total employment. They are a pillar of the Irish economy critical to the sustainability of the Irish economic model and are a priority concern for the Expert Group on Future Skills Needs.

In that context, this report examines management skills and practices in SMEs in Ireland, the attitudes and barriers to management development, and the opportunities that exist for Irish SMEs to improve their performance through greater investment in targeted, high-quality management training and development.

The vision set out for this project is to support and enable a fresh approach to growth for SMEs in Ireland where management development is a key strategic priority for SMEs to drive productivity, sustainability, competitiveness and growth, and prepare for the future of work.

The research, carried out between October 2019 and March 2020, identifies 7 key findings, set out below.

### **1 Attitudes to management development and making it a priority**

Managers recognise management and leadership development as a top priority, in particular for their management teams, if less so for themselves. However, the commitment of resources lags behind, with fewer than half of the firms surveyed for this study reporting a dedicated budget for management development. Time is identified as the biggest barrier to training; but negative perceptions and concerns about relevance have also been found to be important.

## **2** *Valuing formal approaches to management development*

SMEs report a high reliance on informal manager learning and strategising practices, especially in smaller firms. However, formal learning and strategising are linked with better outcomes for firms. In this study, firms with better innovation outcomes and better management scores were found to conduct more formal training and to use more formal approaches to strategising.

## **3** *The importance of learning from external sources*

Better outcomes for the firm are also associated with the use of more external data and networking opportunities. In smaller businesses, knowledge transfer is more likely to be concentrated inside the firm. When done well, this can lead to organisational learning. However, more radical innovation normally requires a broader base of knowledge sources – including customers, suppliers and networks, for example. Smaller firms also rely less on data from these external sources to underpin decision making.

## **4** *Deriving value from available training opportunities*

This study has identified a large capacity for delivering management-related training and development in Ireland. However, there is some concern that SMEs are not fully exploiting this resource as they could. One reason, given by many, is that they find the training offer confusing and not sufficiently coherent. This points to a need to join up the offer at an operational level so that synergies can be realised and the training that is available is more accessible.

However, another aspect contributing to this sense of overwhelm must arise from managers' lack of clarity about what they need, both personally and for their business. A good skills assessment is the first step on the path to clarity and the identification of priority areas for training that will make a real difference to business performance. A weakness in HRM has also been identified in this study and is of some relevance in this context.

## **5** *The centrality of HRM and talent management*

Hiring the right people and promoting the right people to the right roles is critical to successful growth. An owner that can rely on and trust the management team to do their job can focus attention towards more strategic activities. The study shows a need for improvement in HRM practices concerning dealing with underperformance and hiring practices. Also, not unrelated, is the weakness in performance monitoring that can lead to a failure to recognise or deal with underperformance in a timely manner. Although very small firms may not have a dedicated HR manager, learning and adopting good practices for managing people improves engagement, job satisfaction and ultimately return on investment.

## **6** *Using available data to improve productivity*

Survey respondents in general feel confident about their digital literacy, but further questioning on this suggests that this is within the context of standard communication tools such as email or social media. Most firms do not use advanced analytics and data monitoring to assist in decision making. However, firms that did report high intensity in the use of data and advanced analytics also demonstrated

significantly better management practice scores and also improvements in innovation and innovation outcomes. This finding compliments other international studies suggesting that data driven decision making (DDD) improves productivity outcomes. Maintaining momentum and following through on programmes of improvement was also recognised as an issue, showing that it is not enough to do management training. This must be monitored and maintained to support a culture of continuous improvement within management teams.

## 7 A focus on resilience, growth and internationalisation

As firms grow and reach different stages in their development their management development needs will change. Implementation plans therefore need to be cognisant of variations across firm size. The timing of this study during Covid 19 also brings resilience to the centre. Resilience is important for SMEs, in particular Irish SMEs that are more exposed in a globally outward-looking economy. Despite such a global outlook, exporting and the international presence of Irish SMEs is weak relative to other countries. The findings do indicate however that many companies that are not currently internationalising are interested in exporting, and supports need to help them realise such ambitions.

The recommendations proposed to address these challenges draw on findings from literature and interviews, the survey and regional focus groups. They also focus on measuring and monitoring of impact to ensure that they remain relevant and aligned to the vision of the work (Figure 1).

**Figure 1: Aligning recommendations to the challenges**





## > Summary of Recommendations

	<p><b>1 COMMUNICATE</b></p> <p>Develop a Communications Strategy for Management Development that informs, listens and persuades.</p>
	<p><b>2 DEVELOP A STEP-BY-STEP PATHWAY</b></p> <p>Develop an online Management Skills and Practices Benchmarking / Assessment Tool.</p> <p>Identify an introductory / recommended basic suite of training</p> <p>Expand the capacity for face-to-face contact with SMEs</p> <p>Support the development of a management development Skillnet</p>
	<p><b>3 MAKE THE OFFER MORE COHERENT &amp; ACCESSIBLE</b></p> <p>Develop the available management development opportunities cooperatively so that they become more accessible and coherent.</p> <p>Develop more flexible approaches, consistent with managers' time constraints.</p> <p>Scale the offer so that a far greater number of SME managers undertake management training.</p>
	<p><b>4 PUT A FOCUS ON BEST PRACTICE AND KEY AREAS</b></p> <p>Emphasise Best Practice</p> <p>Emphasise essential mindsets</p> <p>Remedy identified weaknesses</p>
	<p><b>5 ENSURE ADEQUATE FUNDING</b></p> <p>Identify channels through which additional funding can be accessed.</p> <p>Leverage successful initiatives like SpringBoard+, Skills to Advance, the Human Capital Initiative, and Skillnet.</p>
	<p><b>6 MEASURE IMPACTS</b></p> <p>Collect and share data</p> <p>Assess effectiveness</p>

# 1

## Introduction and Background

# > Chapter 1 Introduction and Background

## Background

SMEs account for 99.8% of total enterprises in Ireland and 68% of total employment (Table 1). They are a pillar of the Irish economy critical to the sustainability of the Irish economic model. As agile innovators that can change quickly, SMEs have an important role in rebuilding the Irish economy post COVID-19.

Table 1: Total Enterprise Numbers and Persons Engaged in Ireland in 2017			
	Active Enterprises	% Total Enterprises	% Persons Engaged
Micro < 10	249,690	92.08%	26.48%
Small 10-49	17,707	6.53%	22.11%
Medium 50-249	3,146	1.16%	19.78%
Total	271,166	99.77%	68.37%

Source: CSO statistical release, 03 July 2019

(<https://www.cso.ie/en/releasesandpublications/er/bd/businessdemography2017>)

Over the past decade Ireland has emerged from a deep recession caused by the global financial crisis. Irish SMEs<sup>1</sup> have been dealing with Brexit looming on the horizon for the past four years. New themes have also become centre stage, such as sustainability, digital disruption and transformation, diversity in the workplace and new ways of working. Currently Irish SMEs are trying to work through the immediate shock of Covid-19 amid ongoing uncertainty on the scenarios that will play out for the sector in the long term. Appropriate government policy and supports for SMEs must be evidence-based if they are to address the complexity of challenges that SMEs face in an ever more dynamic and challenging environment.

The 2019 OECD Report on SME and Entrepreneurship Policy in Ireland has identified fundamental weaknesses of Irish SMEs. In particular, productivity growth for SMEs substantially lags that of large firms, and especially in the services sector. In addition, the report identifies that Irish SME export performance is low by international standards and there are low levels of business start-ups relative to other OECD countries. The OECD report devotes a chapter to SME productivity and recommends the encouragement of a “wider take-up of the Skillnet Ireland programmes to develop management capabilities in Irish SMEs, and [...] a further push to target firms that are not at the technological frontier.”

The National Competitiveness Council has recently reported that “large sectoral variation exists in relation to productivity, with strong performance in Ireland’s ICT and manufacturing sectors, while productivity stagnates or declines in other sectors. CSO data show a clear divergence between the productivity of sectors dominated by multinationals, where productivity growth of 6.1% was recorded in 2017, compared to just 0.6% in the rest of the economy<sup>1</sup>.”

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<sup>1</sup> For the purpose of this report Medium Enterprises are defined as enterprises with between 50 and 249 employees. Small Enterprises are defined as enterprises with between 10 and 49 employees. Micro Enterprises are defined as enterprises of less than 10 employees, although the survey only includes Micro Enterprises with 5 or more employees.

Management development has been found to positively affect productivity, innovation, and firm survival rates. Studies on the SME sector in Ireland found Irish firms are below average in many areas of management skills. Moreover, low productivity growth of SMEs is identified as a significant vulnerability in the domestic economy that needs to be addressed<sup>1</sup>.

The National Skills Strategy 2025 commits that the “capability of SMEs will be enhanced through skills development”, and states that “improving management practices in SMEs will improve productivity, innovation and use of skills in the economy.” Enterprise 2025 aims to “deliver a demonstrable uplift in leadership and management capability across the enterprise base”.

While government agencies, industry support bodies and private training providers are prioritising management development for Irish SMEs, it is imperative that up to date evidence is collected to fully understand the scale and the scope of the challenge. It is now over a decade since the last report on management development in the SME sector in Ireland was undertaken by the Management Development Council (MDC)<sup>2</sup>. Evidence contributing to that report was collected between 2005 and 2009 and much has changed in the Irish landscape since then.

In 2019 the EGFN Secretariat initiated this project to assess the standard of management skills and practices in SMEs in Ireland, to identify barriers and issues, and to recommend actions to improve matters. The research has been carried out by Technological University Dublin (TU Dublin), with financial support from the Directorate-General for Structural Reform Support of the European Commission (DG REFORM).

Led by TU Dublin and partnering with the Small Firms Association (SFA), this report presents the evidence of skills and practices gathered from the Irish SME sector between October 2019 and March 2020. The report provides recommendations and an action plan to direct government policy and supports for improving management development in the SME sector going forward.

Three overarching objectives underpin this project:

1. To support the national authorities in enhancing their capacity to formulate, develop and implement reform policies and strategies and in pursuing an integrated approach ensuring consistency between goals and means across sectors.
2. To support the efforts of national authorities to define and implement appropriate processes and methodologies by taking into account good practices of and lessons learned by other countries in addressing similar situations.
3. To assist the national authorities in enhancing the efficiency and effectiveness of human-resource management by strengthening professional knowledge and skills and setting out clear responsibilities.

# Methodology

A Steering Group was established by the Secretariat of the Expert Group on Future Skills Needs (EGFSN) to support and guide the project to completion, and met five times over the course of the project.

Desk research, including an academic literature review, was carried out in the initial stages.

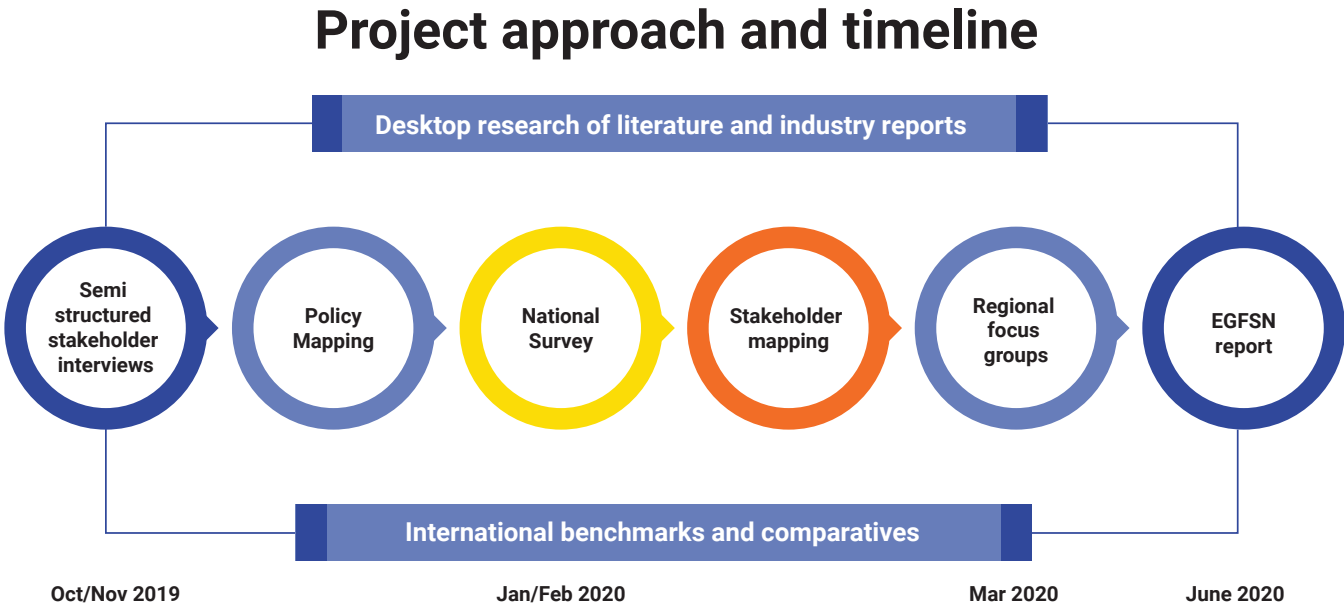
A series of semi-structured stakeholder interviews was carried out to help frame the subsequent steps in the context of the policy ecosystem and to identify key management skills and practices for the survey.

A survey questionnaire was developed for the project, referred to hereafter as the National SME Manager Skills and Practices Survey, administered using a combination of face to face, telephone interviews and online. This resulted in more than 450 responses.

Six focus groups were held regionally to assess the preliminary survey findings and seek insight into barriers and potential solutions. These were held in Galway, Sligo, Dublin, Louth, Waterford and Cork.

The multi methodology approach is illustrated in Figure 2 below.

**Figure 2: Project approach and timeline**



## A Vision for Management Development in Ireland

This study set out to examine the skills and practices of SME managers and the supports for the sector in Ireland. Recognising the OECD report identifying low productivity growth among SMEs in Ireland and the concerns of the National Competitiveness Council about the need to broaden the reach of existing management development programmes the vision is set out here.

**The EGFSN's vision for this project is:**



To support and enable a fresh approach to growth for SMEs in Ireland where management development is a key strategic priority for SMEs to drive productivity, sustainability, competitiveness, growth and prepare for the future of work.

# 2

What is Management  
Development?

# > Chapter 2 What is Management Development?

## 2.1 A Definition of Management Skills and Development

Management skills are behaviours that lead to positive business outcomes developed through practice, feedback and training. Management development is the systematic process of management training and growth by which managers and aspiring managers gain and apply knowledge, skills, insights and attitudes. The aim of management development is to ensure that organisations have the right managers and specialists at the right moment<sup>3</sup>.

## 2.2 Framing Management Development

A number of frameworks have been developed to illustrate the vital ingredients for effective managerial performance. These are framed as multidimensional competency frameworks, which are descriptions of behaviours, attributes and skills that managers need to perform work effectively. The Management Development Council in its 2010 report developed a comprehensive framework of SME management competencies which encompasses three key domains: strategic competencies, executive and leadership competencies and personal effectiveness competencies. More recently, Skillnet Ireland's SME Manager Competency Framework developed in 2019 reflects skills for SMEs in the Irish context (Figure 3). The four categories comprising 'you/individual', 'your relationships' both internal and external to the organisation, 'your business strategic' and 'your business operational' synthesises their research on framing necessary skill sets and competencies of managers into foundational, intermediate, and expert levels to scaffold training initiatives and supports.

'**You**' skills are those of individual managers and their mindsets. They include communication skills and the ability to clearly convey information and ideas to influence others. This includes planning, organising and problem solving skills that are results orientated and aligned with business strategy. 'You' skills also include the ability to manage oneself, accepting responsibility and learning from mistakes. Importantly individual managers must be able to recognise their own personal and professional strengths and weaknesses to know how they can improve, or when necessary bring in new talent.

All firms must interact with other organisations and individuals in their environment. These relationships may evolve without any clear strategic intent, but most managers would agree that actively determining the nature of a strategic relationships is important. '**Your relationships**' as the second set of skills and competencies for SMEs recognises the skills and efforts needed for individual, teams and clients to identify, initiate and develop strong working relationships and networks. Networks are critical to growth of the SME, especially for exporting. Managers also need to build good internal relationships to develop a high-performance workplace. Strategic people management involves the ability to attract, develop, engage, retain and deploy relevant staff.



**'Your business strategic'** addresses the sets of skills needed to take a long term view and build a shared vision for the business with others. This requires skills to drive a process of continuous improvement and operational excellence carefully managing critical investment resources that may be limited in the small firm. Simultaneously SME managers need to drive innovation and change with a customer focus. This requires identifying and managing risk that could jeopardise the success or existence of the company.

Finally, **'Your business operational'** encompasses the skills to manage the functional areas of the business such as human resources, IT, finance, sales and marketing. As a firm grows functional responsibilities may be shared with a management team. The owner manager's day to day activities may contribute more to the marshalling of resources across functions rather than daily involvement. Nevertheless, managers and owner managers in SMEs need to understand and have good oversight and reporting. They need to understand the finances. They need to ensure that data streams are utilised, developed and adopted to improve decision making and productivity. This includes mechanisms and systems for good people management.

There are many skills that managers in SMEs need to develop or hone to ensure the successful running of a business. The strong relationship between SME manager performance and business impact requires that they can draw on such skills whether as an individual or as a team, underpinning the necessity of good management practices.



## 2.3 The Importance of Good Management Practices

Studies show that firms with focused human resource practices are more productive and have higher levels of productivity growth<sup>45</sup>. The 2019 OECD report emphasises the need to improve productivity growth within SMEs<sup>6</sup>. The inability to adapt to environmental changes has been suggested as one of the major causes of failures in SMEs<sup>7</sup>. SMEs lacking knowledge, management skills and leadership development, and the ability to adapt to changes, suffer on performance and growth metrics<sup>8</sup>. However, it is important to emphasise that not all SMEs are averse to management development. Practitioners and researchers have found significant evidence which strongly suggests that growth-oriented SMEs with clear business strategies and linked management development systems are more likely to report links between management development and improved productivity<sup>9</sup>.

When dealing with customers, a lack of strategic management skills, be it in marketing, operations, finance, personnel or distribution, often leads to poor understanding of what customers want<sup>10</sup>. The success of SMEs in today's turbulent markets depends largely on the ability of owner-managers to engage in environmental scanning activities in order to understand the customer behaviour and trends within the business environment.

In considering the importance of digital literacy, accelerated adoption of digital approaches highlight the possibility of a "transformation [that] makes it possible to scale learning efforts in a more cost-effective way and permits greater personalization for learners—and in turn greater effectiveness"<sup>11</sup>.

Furthermore, considering Covid-19 challenges, while SMEs have been shown to be more vulnerable during economic crisis, those with more significant investment in talent have proven to be more resilient to hardship<sup>12</sup>. More broadly, research of 4,700 companies across the last three recessions suggests the positive impact of a longer term and more 'progressive' focus<sup>13</sup>.

## 2.4 The Importance of Formal Training

International studies show the significant importance of training for enhancing managerial performance and competencies. Adequate training is found to enhance a manager's problem solving and decision-making skills while inadequate training may contribute to SME failure<sup>14</sup>. In particular, the lack of proper training is a main factor inhibiting cordial working relations between owner-managers and their employees<sup>15</sup>. Thus, management of the SME's human resources can benefit greatly from formal management training in this area. Critical management practices such as selective hiring and team building are shown to improve as a result of the competency building impact of formal training<sup>16</sup>. Conversely, where managers do not develop the necessary skills in hiring and talent management, they are ultimately putting up barriers to growth and the performance potential of their business<sup>17</sup>.

Other international studies show how a lack of proper training may be the main factor inhibiting cordial working relations between owner-managers and their employees. Training impacts on a manager's ability to carry out a range of practices such as selective hiring, team building, staff training and development<sup>18</sup>. In effect, the lack of competencies and skills to properly manage and understand the importance of

creating a workable relationship between managers and employees can reduce business growth and performance.

Estimates for European countries from the vocational education and training research agency CEDEFOP indicate that a 1 percent increase in training days leads to a 3 percent increase in productivity, and that the share of overall productivity growth attributable to training is around 16 per cent<sup>19</sup>. Companies, industry sectors and whole countries that actively support skills development within their workforce are those which are shown to thrive and continuously out-perform their peers<sup>20</sup>.

## 2.5 The Commitment to Management Development

Overall, there is limited up to date knowledge on the factors shaping the adoption of management and leadership development in SMEs<sup>21 22 23</sup>. The body of evidence has therefore been described as fragmented, disjointed and of mixed quality. Data pertaining to Irish organisations is particularly scant and this is accentuated in the context of SMEs.

There are a number of perennial problems pertaining to SME management development that relate to issues of engagement and resources. International studies show the lack of participation of SMEs in management development has been attributed to negative perceptions amongst SME owner-managers about the benefits of interventions<sup>24 25</sup>. Concerns about the relevance of opportunities to meet their unique needs have also been identified<sup>26</sup>, coupled with scepticism of external providers<sup>27</sup>. Financial resource constraints and operational pressures also figure prominently as barriers to participation in management development<sup>28 29</sup>.

The SME context has advantages in that there is a greater scope for informal leadership development practices. The closeness of the management team may facilitate observational development<sup>30</sup>. SMEs however may also lack the leadership and human resource expertise to adopt formal leadership development practices in their firm. International evidence highlights the positive relationship between firm size and the opportunities for manager development<sup>31</sup>. Not only do smaller firms carry out less management development, but their needs will be different from those of larger firms.

Studies on Irish SMEs suggest limited investment in management and leadership development<sup>32</sup>. Evidence from studies over more than a decade suggest that Irish SMEs resist management development programmes<sup>33</sup>. This may be because of perceived cost or time pressures on the SME, or possibly the perceived lack of relevance of available training courses to the business<sup>34</sup>. In family business in Ireland past research suggests more emphasis is put on training of non-family members compared to the family members that run the business<sup>35</sup>. It is further identified that while a preference for unscheduled training rather than scheduled training exists within the Irish owner-manager population, formal management and leadership development enhances managerial capabilities in the SME. Different combinations of practices are utilised in formal systems to meet SME strategic requirements. Formal training helps firms to grow and manage their talent, but

informal training may also be important for knowledge sharing and innovation. Yet personal attitudes of the owner-manager prove to be central to the decision-making process<sup>36</sup>. These attitudes strongly influence the adoption and intensity of management and leadership development practices explaining variation and fragmentation across the sector.

## **2.6 Instilling a Culture of Excellence**

Organisational culture is the ‘taken-for-granted’ assumptions and behaviours of people in an organisation<sup>37</sup>. It contributes to how managers and others within an organisation respond to issues. Work routines, behaviours and values that form culture can be a strategic capability, but it can also be a barrier to change and progress. Managers must ensure a healthy culture that questions what is ‘taken for granted’ and that has the momentum to lead and manage change. Within the SME context a critical success factor for productivity points to the culture of the firm<sup>38</sup>. Indeed, organisational culture and a commitment to quality can be a powerful and positive enabler for efficiency, performance and productivity. Similarly, abundant literature emphasises the soft influence of organisational culture on innovation and on overall performance in SMEs<sup>39,40</sup>.

Understanding the practices and skills that impact on productivity and that over time can be instilled in the organisational culture of an SME underpins a route to management improvement that can emerge from this work.

## **2.7 How the National System Needs to Respond**

Given these factors shaping the adoption of management and leadership development in the SME sector, supply-driven initiatives may not fully stimulate SME demand for management development.

A national system needs to demonstrate receptiveness to integrating informal learning approaches into workplace practices and national qualification frameworks. It would also need to include a focus on flexible, modularised training that allows SMEs to tailor their provision, thus meeting their specific needs in a way that can yield greater success<sup>41</sup>.

## **2.8 Summary of Findings from the Literature Review**

The report examines what management development is, both in Ireland and internationally, and this has led to a number of findings. Firms that invest in management and leadership development tend to have higher productivity growth, and those firms with clear strategies and linked management development systems are more likely to see this link. Resilience and the ability to adapt are areas where small firms tend to have a relative advantage. However, smaller firms tend to do less management development. A focussed approach to HRM underpins training and

development, but organisational culture, and the attitudes of the owner-manager, are often central. Management and leadership development is considered a top priority by Irish businesses, yet formal training is resisted and investment is limited. The main barriers to training are seen to be time constraints, negative perceptions and concerns about relevance. Formal training is found to have a stronger link to desired outcomes than informal approaches. A commitment to invest in management development is needed, and organisational culture is key to this commitment. Therefore, a wholly supply-driven response may not be enough. SMEs, themselves, must also respond. However, the national training provision must be able to address management development needs both flexibly and accessibly.

# 3

## Demand for Management Development

## > Chapter 3 Demand for Management Development

This chapter addresses the demand for and supply of management development training. On the demand-side, the survey results provide insight into SMEs' engagement in management development as well as barriers to the carrying out of training. On the supply-side, an audit of management development training courses was carried out and included in Appendix 6. The findings from this are set out briefly here, along with a summary of the activities of a number of the government bodies that are most relevant to management development and SME support.

### DEMAND

#### 3.1 Attitudes Towards Management Development

Most managers agreed that developing management and leadership skills is a priority and a necessity for their business. They also agree that they communicate positive messages about this across their organisation. Interestingly however, questions that asked managers to recognise their own need for training and development presented a more neutral attitude.

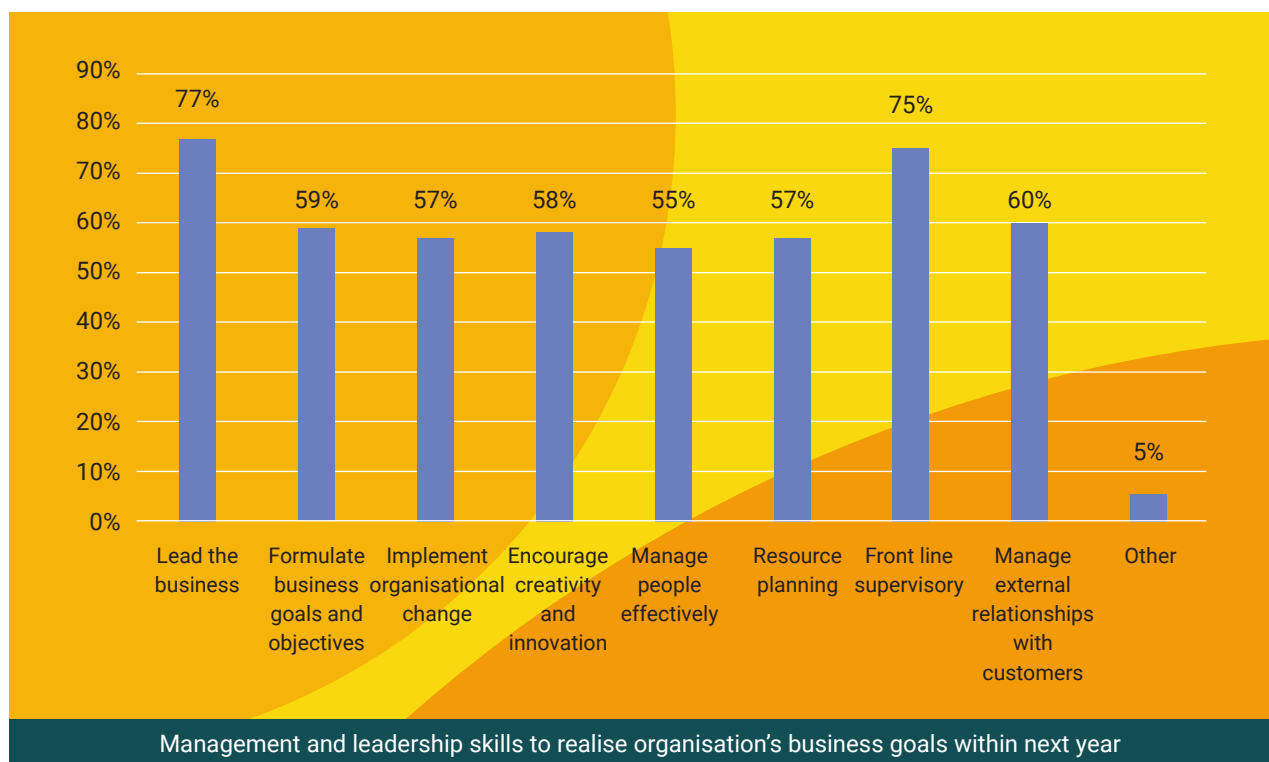
Furthermore, it is worth recognising that only 48% of firms surveyed [this is also reported below] have a formal budget for developing leadership and management. These results may imply a recognition of the importance of management development by owner managers and senior managers, yet resistance from many SMEs committing to it through personal engagement and investment.

#### 3.2 Recognition of the Need for Management Development and the Types Needed

In terms of recognising needs for development, more than half of managers recognise the need for a range of management and leadership skills in their organisation to achieve business goals (Figure 4). Three quarters of managers recognise the need for effective leadership and people management skills in their organisation and for front line supervisory skills. Other skills such as resource planning or encouraging creativity and innovation were identified as necessary by between 50-60% of respondents.

On a scale of 1 (very ineffective) to 5 (every effective), respondents rated the level of management skills in their organisation in terms of ability to achieve business goals. The average score was 3.7. This did not vary between owner manager respondents and senior manager respondents. This self-reporting suggests that managers feel quite confident about the management skills within their own organisation, but similarly recognise a range of skills that they need to achieve their business goals. This finding appears somewhat contradictory and may help to explain low levels of investment and points to the issue of awareness and knowing what is needed. When asked at a general level, managers self-report quite confidently, but when questioned in more detail, specific skills needs are identified. Similar patterns are also evident in other parts of the survey for example in financial and digital literacy whereby managers at a high level respond quite confidently, but more granular lines of questioning help specific management development needs to emerge.

**Figure 4: Management and leadership skills to realise business goals**

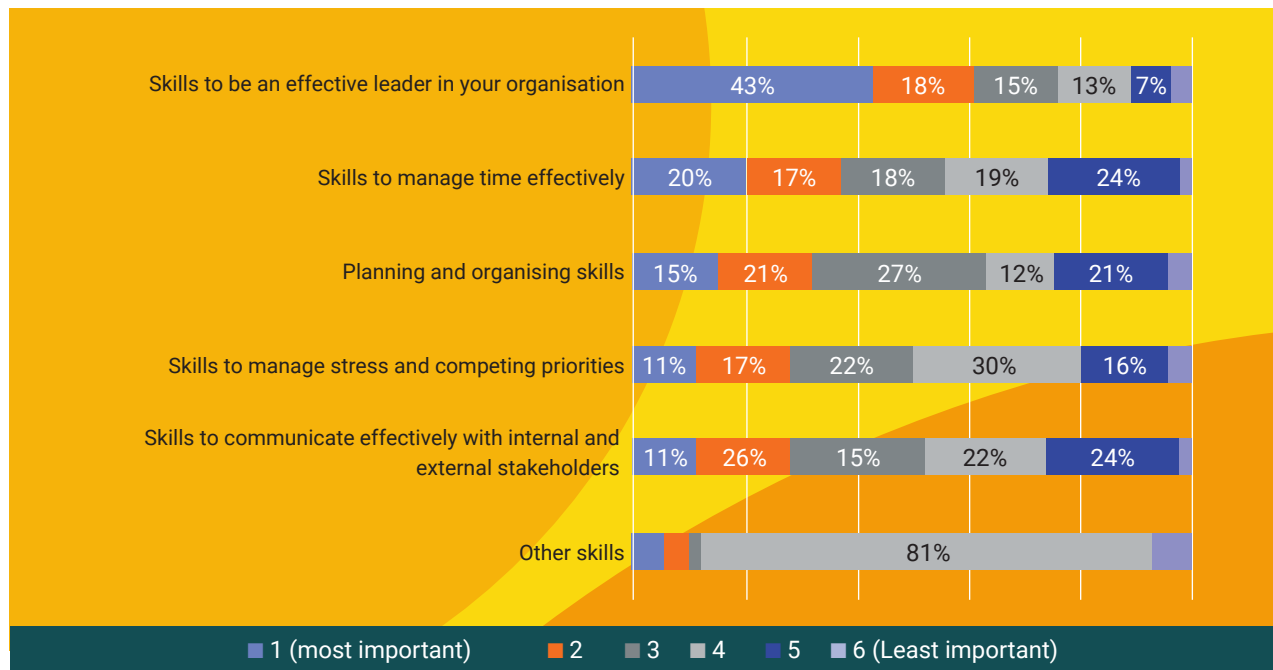


### 3.3 Recognition of Manger's Own Management Development Needs

Complementing the organisational level response, managers also recognised needs in their own personal development of skills. There appeared to be a mix of opinions on that, although 43% recognised that the most important skill they needed to develop was to be an effective leader in their organisation (Figure 5). The need to develop skills to manage time effectively was identified as the most important skill to develop by 20% of respondents.



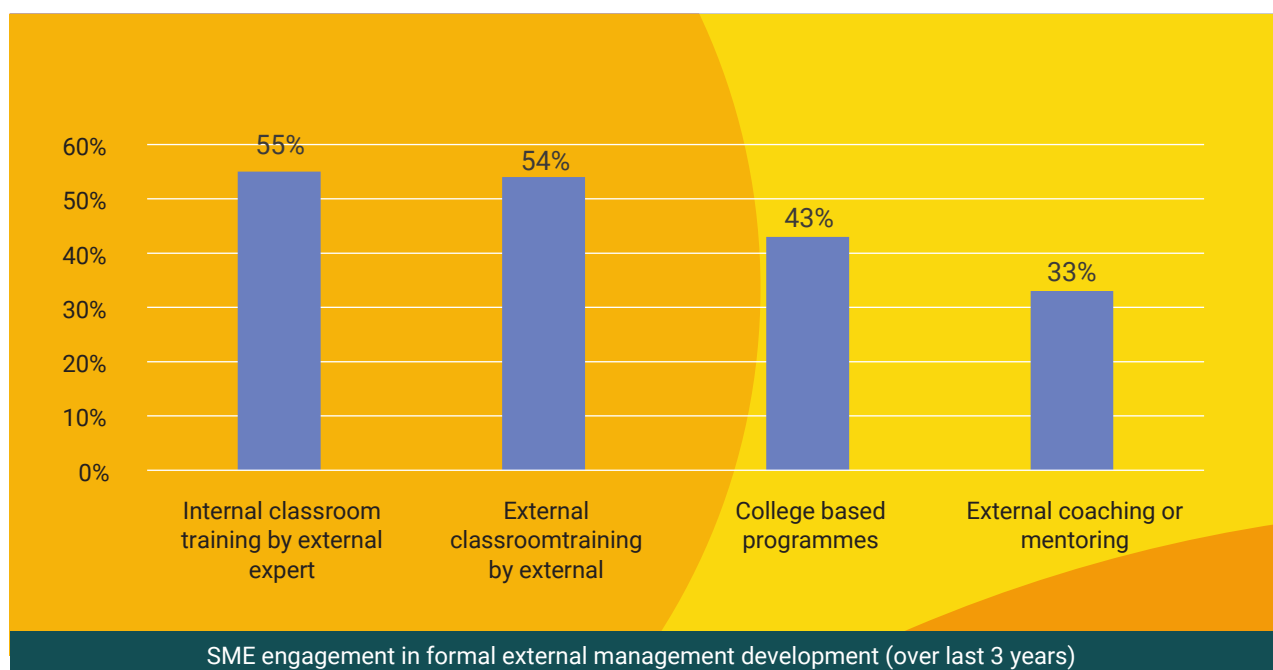
**Figure 5: Need to develop own personal skills**



### 3.4 Engagement in Formal Management Development

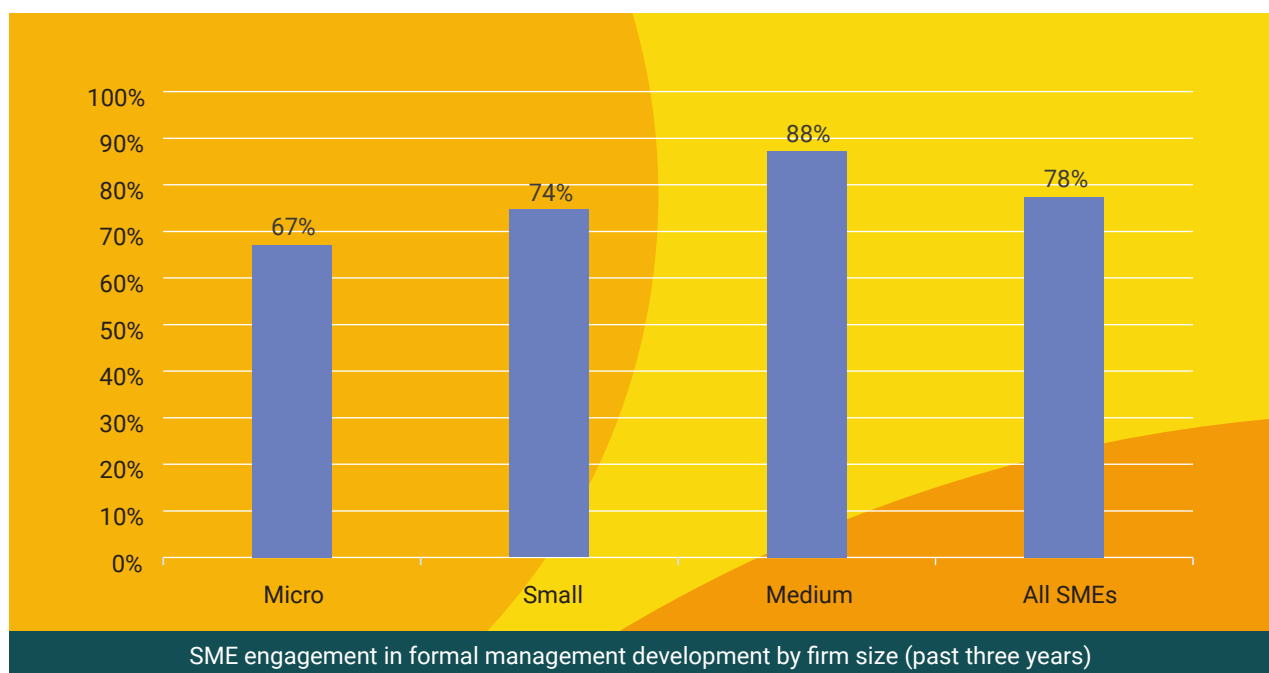
Questions were formulated to understand the types and needs for management development in SMEs as well as the barriers to management development experienced.

**Figure 6: SME engagement in formal external management development**



The survey finds that about half of organisations surveyed engaged in classroom-based training or college-based programmes (Figure 6). When considering these options by firm size 89% of respondents engaged in some formal management development and the level increases by firm size (Figure 7). Thus, while the survey does not show the characteristics of such training or the amount of training undertaken over a three year period, it does highlight that a large number of SMEs engaged at least once with training, college courses or mentoring opportunities over a three year period.

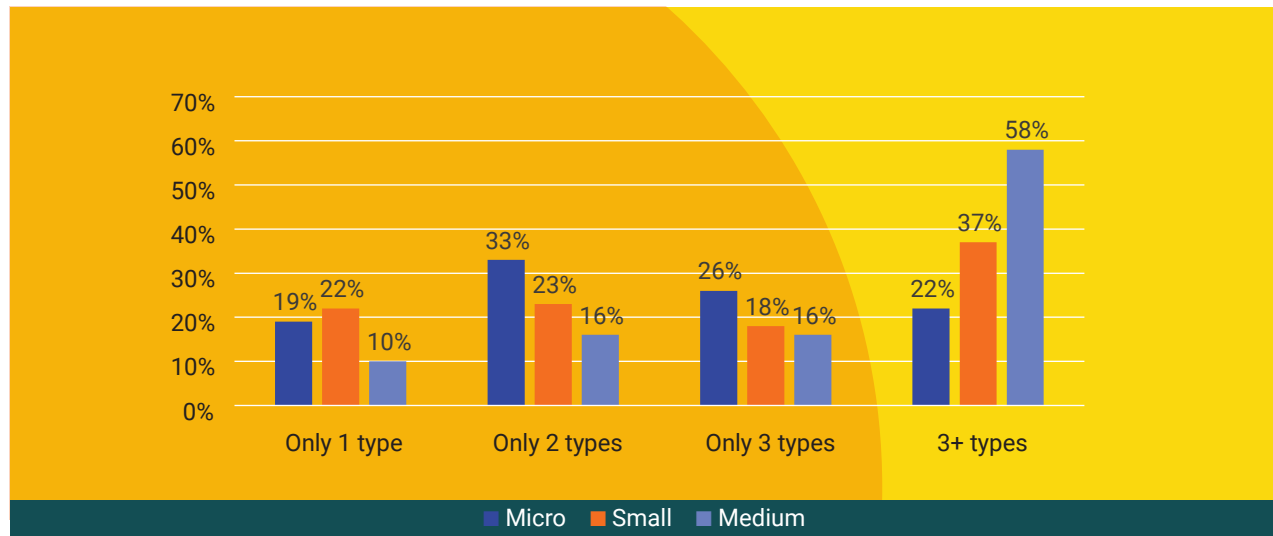
**Figure 7: SME Engagement in Formal Management Development**



### 3.5 The Role of Informal Management Development

The survey also highlights the pervasiveness of informal learning on the job management development in Irish SMEs. 73% of respondents indicated that learning through day to day experiences was a form of management development in their organisation. The survey also accedes to the importance of internal training, with 50% of firms reporting training delivered by internal staff at least once over the past three years. Generally, firms report a package of formal and informal training types and the larger the firm the more training options engaged with. Where options for formal management development training are engaged with (by external providers), more types are generally identified in larger SMEs (Figure 8).

**Figure 8: Number of Formal Training Types undertaken by SMEs**

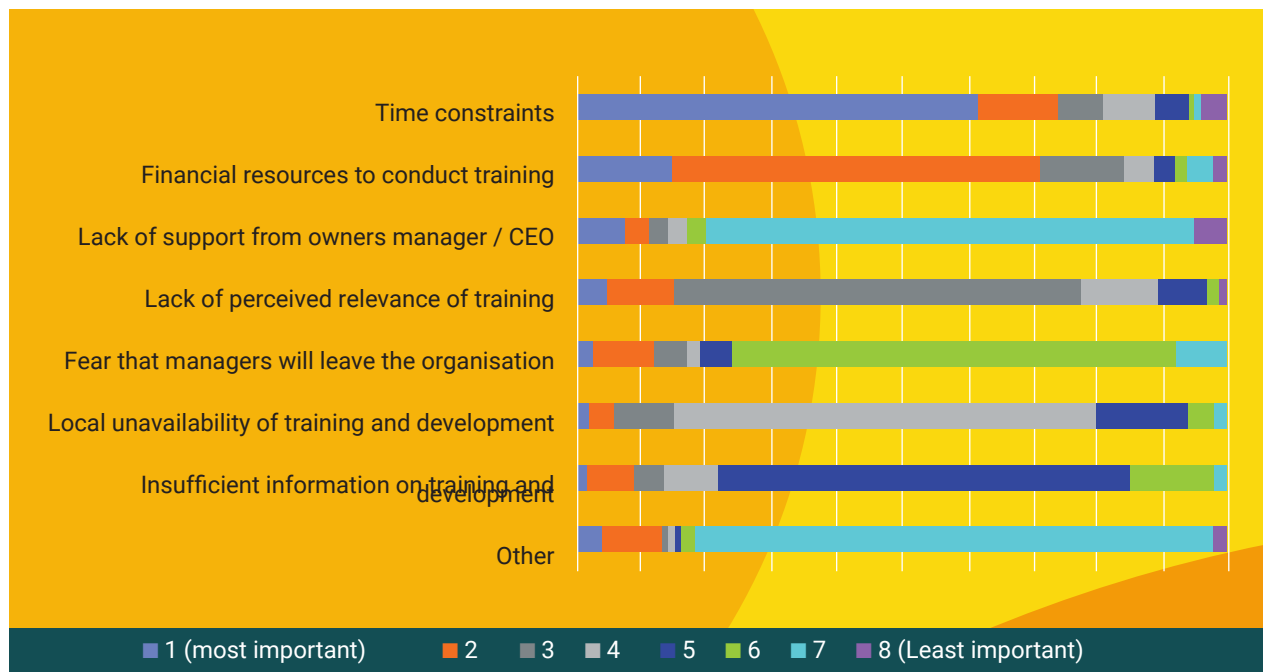


### 3.6 Variation in Management Development Across Sectors

There are interesting variations in management training across sectors as well in terms of the types of management training engaged with. Sectors such as agriculture/forestry, hospitality/hotel/restaurant/food supply, retail and wholesale report a much higher reliance on internal training, in particular informal management development through learning from day to day experiences. There was very little difference in this pattern when categorising by gender of the respondents.

### 3.7 Barriers to management development

Figure 9: Barriers to management development training



The reasons that SMEs may not engage in management development training are overshadowed by time constraints (Figure 9), especially for micro firms and medium firms. Having the financial resources to conduct training is also widely recognised as one of the main barriers.

Time constraints is not a new problem for Irish SMEs. A 2008 Red-C survey included in the 2010 Management Development Council Report also reports time constraints as a major barrier for SMEs undertaking formal management training. It is an internationally recognised problem that managers of the SME are time constrained and so have few opportunities to undertake formal leadership development<sup>42</sup>. Managers often have wide ranging responsibilities and are highly involved in day to day operations. However, without formal commitment and investment in management development, a learning culture will not have the chance to blossom. Relying on quick fix solutions or personal motivations of individual managers towards management development ensures that benefits will remain ad-hoc and less strategically aligned.

### 3.8 Budgets for Management Development

The international evidence highlights a positive relationship between firm size and the provision of management development opportunities<sup>43</sup> and this would appear to be similar in Ireland. In medium sized firms 58% have a budget for management development, while this reduces to 48% for small firms and 32% for micro firms.

# SUPPLY

## 3.9 SME Policy

Governments and small business associations around the world have long advocated the positive effects of investment in leadership and management development to enhance SME managerial capabilities<sup>4445</sup>. Research conducted by professional bodies in Ireland such as the Chartered Institute of Personnel and Development (CIPD) and Ibec consistently demonstrates that management and leadership development is a top priority for all Irish organisations<sup>4647</sup>. Recent data however points to shortages in leadership skills, in particular to manage emerging trends for business such as managing inclusiveness and wellbeing, while also indicating that coaching for managers and managerial succession planning are critical issues<sup>48</sup>.

### 3.9.1 What the Government of Ireland does for SMEs

Many government bodies and agencies provide supports to SMEs. Supports include access to finance, management development, mentoring supports, business development programmes, market supports and trade promotion. The broad range of government bodies and agencies involved in supports for the SME sector reflects the diversity within the sector (see Appendix 7).

In 2018, the Irish government launched Project Ireland 2040, a long-term overarching strategy for National Planning and National Development. This document sets out guidance for the development of the SME sector, in particular relating to the regional and rural development of a strong economy supported by enterprise, innovation and skills. In recognition that there are too few Irish owned companies exporting, innovating and investing in management and skills, the Enterprise 2025 Renewed policy document reinforced government ambitions on starting and growing innovative Irish enterprises that can trade internationally.

While Enterprise 2025 set out a broad agenda for talent development, retention and attraction – for new ways of working, for leadership and management development, the Enterprise 2025 Renewed document set out clear objectives placing a stronger focus on skills development opportunities relevant to the needs of the economy. This included the promotion of a Key Employee Engagement Programme (KEEP) to SMEs as an incentive to attract and retain key talent that will drive business growth. It also included implementation of Spotlight on Skills, an important regional SME skills analysis programme to help SMEs identify their skills needs<sup>49</sup>.

Future Jobs Ireland, launched in 2019, is a multi annual plan which sets out ambitious targets and actions to drive a transformation of Ireland's enterprise base. This whole of government approach forms a key part of Ireland's economic agenda over the medium term. Management development is core to this work including pillars on improving SME productivity and enhancing skills, developing and attracting talent. It calls for targeted and seamless support for indigenous SMEs and start-ups, especially in emerging sectors. This is provided by diverse agencies ensuring a diverse enterprise base (see Appendix 7).

The need for supports to non-exporting indigenous business is also recognised in Future Jobs Ireland 2019. To that end SME management development improvements are anticipated through deliverables such as strengthening the capacity of LEOs to provide supports; supporting digital skills development; expanding the provision of management and leadership skills programmes for SMEs; and targeted promotion of these programmes.

Overall, current policy in Ireland for the SME sector recognises its importance to a strong economy and the need to sustain a focus on SME growth through management development. Supports for the sector come from a broad range of government bodies.

### 3.9.2 What the EU does for SMEs

SMEs are the backbone of Europe’s economy representing 99% of all businesses in the European Union (EU) and creating around 85% of new jobs in the past five years. The European Commission considers SMEs and entrepreneurship as key to ensuring economic growth, innovation, job creation, and social integration in the EU. EU supports for the sector can be broadly categorised into eight themes as outlined in Table 2.

**Table 2: Table of European Union supports for SMEs**

Areas of support	Key policies
Creates a business friendly environment	The Small Business Act for Europe (SBA) provides a comprehensive SME policy for the EU and EU countries. The SBA promotes the ‘Think Small First’ principle and promotes entrepreneurial spirit among European citizens.
Promotes entrepreneurship	Entrepreneurship Action Plan, supports entrepreneurship education, and provides support tools for aspiring entrepreneurs.
Improves access to new markets and internationalisation	The Commission’s priority is to ensure that enterprises can rely on a business friendly environment and make the most out of cross border activities, both within the EU Single Market and outside the EU.
Facilitates access to finance	The Commission works on improving the financing environment for SMEs and provides information on funding. The Late Payment Directive strengthens businesses’ rights to prompt payment.
Supports SME competitiveness and innovation	Promoting competitiveness and innovation are key aspects of EU policy in relation to industry and enterprise, in particular for SMEs.

Areas of support	Key policies
Provides key support networks and information for SMEs	the Your Europe Business Portal is a practical guide to doing business in Europe. It provides entrepreneurs with information and interactive services that help them expand their business abroadthe Enterprise Europe Network helps SMEs and entrepreneurs access market information, overcome legal obstacles, and find potential business partners across Europethe SME Internationalisation support page provides information on foreign markets and helps European business internationalise their activitiesthe single portal on Access to Finance helps SMEs find finance supported by the EU
Supports start-ups and scale-ups	The Commission’s ‘Start-up and scale-up initiative’ aims to give Europe’s many innovative entrepreneurs every opportunity to become world leading companies.
EU Research and Innovation Funding	In 2021-2027, SME programmes managed at EU level will be the Single Market Programme, Horizon Europe, and InvestEU.
Adapted from Source: Internal Market, Industry, Entrepreneurship and SMEs ( <a href="https://ec.europa.eu/growth/smes_en">https://ec.europa.eu/growth/smes_en</a> )	

Creating a business-friendly environment for SMEs is one of the EU’s main objectives. The Small Business Act (SBA) aims to simplify the regulatory and policy environment for SMEs and remove the remaining barriers to their development. In its promotion of international trade, the Enterprise Europe Network provides a one-stop-shop to help small companies make the most out of business opportunities in the EU. Dedicated supports also focus on dealing with digitalisation and technological change and to assist scale-ups of small business in particular.

Limited strategic planning and lack of managerial skills is identified by the EU and recent moves have placed skills development as a policy objective within ‘smarter Europe’. European Social Fund plus (ESF+) and likely European Regional Development Fund (ERDF) funding may provide more support for SME relevant skills development post-2020<sup>50</sup>.

### 3.10 State Provision of Management Training and Support

As part of Project Ireland 2040 and Enterprise 2025: Renewed, the government has outlined its aspiration to invest in initiatives for SMEs including management training and development. Improving productivity among SMEs, supporting digital skills development and management and leadership skills programmes are key policy themes. SMEs have access to wide ranging training opportunities from government and non-government providers.

With Covid-19, online is the pervasive mode of delivery in management development with many suppliers such as LinkedIn, eCollege and other providers offering free access to their programmes. LinkedIn for example has 10,000 training programmes and seminars in its portfolio. eCollege is a fully online learning service funded by SOLAS. It provides flexible online learning opportunities aligned to industry recognised certifications, coupled with online tutor support. eCollege offers courses for those seeking to broaden their base of basic digital skills, those interested in acquiring in-depth knowledge of specific software packages or business skills, and those focusing on specialisation in professional level digital and IT skill areas.

While the service was originally orientated towards the unemployed, since 2019 as part of the Skills to Advance policy initiative eCollege is also serving workers vulnerable to changes in technology, work processes and markets. In March 2020, SOLAS opened up eCollege as a support to all those adversely affected by Covid-19. In the three months period March to July 2020, eCollege had circa 22,000 enrolments, in excess of a seven-fold increase over the same period in 2019. Approximately 20% of the enrolments are in project management courses.

In responding to Covid-19, plans to expand access to eCollege have been accelerated, with considerable success in attracting a new range of learners to online learning. The potential to further develop eCollege as a national online learning service is a key element of the digital transformation agenda in the new FET Strategy 2020-2024. Working in tandem with ETBs, the goal is to ensure that there is an expanded portfolio of online and blended learning opportunities available to FET learners.

Meanwhile Irish providers are partnering to help firms through the crisis such as the ISME Skillnet / Griffith College free webinar series COVID-19: Preparing SME Managers to Recover and Succeed. Other examples are the Regional Skills South-West new Video+ Remote Learning Tools programme to assist manufacturing companies in training staff onsite and the upcoming Drogheda & District Chamber, Dundalk Chamber, County Meath Chamber, Dundalk Skillnet and M1 Skillnet SME Recovery & Growth Plan to support SME Business Owners & Managers.

Indications are that these online seminars are highly attended with 1,250 attending the Griffith College / ISME Skillnet Restart Your Business, Rethink Your Strategy seminar series for example.

**Local Enterprise Offices:** The network of 31 LEOs across Ireland service as the ‘first-stop-shop’ for advice and guidance for micro firms. Training and mentoring may be provided to anyone wishing to grow a business locally. They support 7,000 small businesses. LEOs offer **mentor programmes** through which business mentors offer tailored advice, guidance and support to help accelerate growth and build management capability. They also offer the **LEO Management Development Programmes**, which provide owner managers with management, leadership, business skills and knowledge to achieve sustainability and growth in their business. In addition to the wide range of training supports for owner-managers, LEOs also provide advice to SMEs. Consultancy is also provided for **LEAN to Micro**, working with micro firms to introduce lean principles.



**Enterprise Ireland (EI)** is the government organisation responsible for the development and growth of Irish enterprises in world markets. EI works in partnership with Irish enterprises to help them start, grow, innovate and win export sales in global markets. In this way, EI supports sustainable economic growth, regional development and employment. As part of its range of supports, EI provides funding supports and export assistance to develop competitiveness, and R&D. Enterprise Ireland's management development offers range from strategic programmes that create transformational business change to flexible short programmes addressing short term business needs. Programmes include **Leadership 4 Growth** and **Go Global 4 Growth**. The range of strategic and short programme in 2018 had 1,862 beneficiaries. EI's management development supports also include the following offers; mentor grants, strategic consultancy grants, and key manager grants. The Mentor Network gives growth focused Irish businesses access to over 420 highly experienced entrepreneurs/business leaders through this network through one-to-one support, expert panels and advisory forums.

**The IDA** also provides training supports to their clients. IDA client companies can avail of Enterprise Ireland training, they can get mentoring support; and the IDA has recently worked with the IMI to develop a Leadership Development programme called Leading with Strategic Intent. In 2019, 16 IDA client companies (64 managers) participated on the course.

**Regional Skills Fora:** To help foster strong links between employers and the education and training sector, the Department of Further and Higher Education, Research, Innovation and Science established a network of nine Regional Skills Fora with one Manager appointed for each region. The Regional Skills Fora engage with all sectors and sizes of enterprise with particular focus on SMEs. In 2019, 55% of all activity was with SMEs.

**Skillnet Ireland:** The national agency dedicated to the promotion and facilitation of workforce learning in Ireland, Skillnet Ireland, was established in 1999. The agency works with businesses and their employees to address their current and future skills needs by providing high quality subsidised training which operates across sectors and regions. Currently there are 70 Skillnet learning networks covering geographic regions and sectors through a suite of programmes including: **The Training Networks Programme, Employment Activation Programme, and Future Skills programme.**

**Education and Training Boards (ETBs):** ETBs were statutorily established on 1 July 2013 and they are constituted from the former VECs and FÁS Training Centres. They are involved in further education, training, and continuity of learning. FET provision is mainly delivered by the 16 ETBs throughout the country, either directly or through a network of contracted trainers, in response to the needs of their respective regions.

**SOLAS:** Established in 2013, SOLAS is the Further Education and Training Authority responsible for planning, funding and co-ordinating Further Education and Training in Ireland. Its mandate is to ensure the provision of 21st century high-quality, learner focused, education programmes to school leavers, jobseekers, job changers and other learners. SOLAS' core functions are to research, plan,

fund and co-ordinate the delivery of over 300,000 Further Education and Training places across a range of programmes annually. SOLAS also manages the delivery of some national programmes including Apprenticeships, Traineeships, Skills to Advance and eCollege. In June 2020 SOLAS and the ETBs launched a new **Leadership and Management training initiative**, in collaboration with employers, IDA Ireland, Enterprise Ireland and the Regional Skills Fora. The highly subsidised training will be available to upskill staff during Covid-19.

**Higher education institutes (HEIs):** HEIs play an important role in the provision of management development. The latest enrolment figures from 2018/19 and 2019/20 on entrepreneurship and management programmes suggests 18,359 enrolments across 708 courses in the universities, technological universities and institutes of technology. At the executive level most HEIs, in particular the universities, have business schools offering full time and part time executive programmes such as the MBA and MSc that are facilitated through block teaching, weekend and mixed mode delivery. HEIs also provide shorter courses – e.g. Springboard+, and also postgraduate courses, professional development etc.; and some are looking into micro-credentials/open learning etc. 31 SME and entrepreneurship Springboard courses are reported for 2019 with 1,219 participants.

### 3.11 Industry Representative Bodies Providing Management Training and Support

**Small Firm Association (SFA):** SFA provides training to small firms through SFA Skillnet, as well as offering courses designed to address the needs of small businesses through its '*Training Matters*' suite of training courses. They also provide customised inhouse training.

**The Irish SME Association (ISME):** *ISME Learning & Development* provides funded certified Management Development Programmes and short courses designed specifically for SMEs through ISME Skillnet. ISME also provides funding for in-house training for its member companies.

### 3.12 Private Provision of Management Training

Private providers target different market segments with some such as private colleges targeting a similar market to HEIs while others specialise in the provision of short courses or executive training.

**The Higher Education Colleges Association (HECA)** is the representative body of Ireland's independent higher education sector. HECA serves as a representative voice for established and state accredited privately funded providers of higher education. It advocates on behalf of and supports its members to achieve their strategic goals. All members of HECA are state accredited in Ireland, providing Quality and Qualifications Ireland (QQI) validated programmes across a very diverse range of disciplines, between levels 6 and 9 on the National Framework of Qualifications

Of the 13 colleges in this group, 8 are identified as providing business and management education in Ireland including Dublin Business School, Griffith College and National College of Ireland.

In addition, Open University is active in this field. A wide range of private companies also exist who specialise in executive training and development. Content and accreditation varies widely among providers. Many private providers are in receipt of state funding through competitive tendering (e.g. Skillnet Ireland).

### 3.13 Audit of Supply

An audit of supply covering HEIs, ETBs, HECA colleges, Skillnet Ireland, Enterprise Ireland, LEO networks, ISME and SFA identifies the extent of management and leadership training opportunities across Ireland (See Appendix 6).

**Table 3: Number of courses and enrolments in 2019**

	No. Courses in 2019	Enrolled in 2019
HEI – SME, entrepreneurship and management programmes (latest 2018 or 2019) (UG and PG)	708	18,359
Springboard (SME and Entrepreneurship courses)	31	1,219
ETBs	69	2,463
Private colleges	183	7,063
Skillnet Ireland (2020 annual intake)	126	2,891
Enterprise Ireland	45	1,051
LEO networks	2 <sup>ii</sup>	48,062
ISME	1	20
<b>Total</b>	<b>1,137</b>	<b>81,128</b>

These high-level figures show over 81,000 enrolments/participants onto management development training in 2019 (or latest year reported) attesting to the broad range of such training opportunities available to the SME sector (Table 3). This does not include a number of blended delivery modules open to SMEs by Griffith College that are delivered on a part time / distance basis but do not target this segment specifically. It does not include Covid emergency responses either such as ‘Reboot your Business’ and ‘Restart your business’ delivered in April 2020 by Griffith College to support the Covid crisis.

<sup>ii</sup> Covers (1) a range of Start Your Own Business and Short Management Development Programmes (37,306 participants) and (2) one-to-one Mentoring for Management Development (10,756 participants) delivered across 31 LEOs.

Most of the courses listed are delivered through the further and higher education and training sectors and the LEOs network. Also included are courses offered through the private and professional education sector. Griffith College for example offers a range of business programmes on the National Framework of Qualifications (NFQ) but can offer 52 separate and distinct modules to support SME managers. ISME offers training through Griffith College while also offering its own 'Essential Management Skills for SMEs'.

**Skillnet** has **126 management development** programmes that have been, or will be delivered, by Skillnet networks in 2020. The list is not exhaustive. **Chambers Ireland** offers many courses through Skillnet Ireland. They also have a new EuroSTART training programme in cooperation with other EU member states. This includes training modules on six core business areas recognised as being essential for developing and growing a successful business. Programmes offered by Enterprise Ireland are mostly management development offers that create transformational business change. The International Selling programme from Enterprise Ireland run by TU Dublin can result in participants achieving a Level 7 or a Level 9 qualification on the National Framework of Qualifications (NFQ).

**SOLAS** funds 69 training courses in the Further Education and Training (FET) sector through the Education and Training Boards (ETBs). One of the goals of the FET Strategy 2020-2024 is to position ETBs as a key resource for enterprise and its employees building on the Skills to Advance policy initiative with increases in the scale and flexibility of upskilling and reskilling opportunities for enterprise.

In relation to **Higher Education** there are a number of institutions which offer NFQ Level 6-9 degrees. Higher Education provision that it isn't limited to undergraduate and MBA/executive education courses. Higher Education Institutions also provide shorter courses – e.g. Springboard+, and postgraduate courses, professional development etc.; and some are considering the potential of micro-credentials/open learning.

**Collaborative approaches to management development.** In recent years, HEIs and other suppliers are partnering to enhance the delivery and quality of programmes. For example, DCU has delivered a number of Enterprise Ireland SME management development programmes such as: Management4Growth, platform4growth (blended delivery) and currently Go Global 4Growth. These have reached approx. 300 SMEs and 850 SME top teams contributing to DCU being awarded the International Gold Small Business Charter Status for provision to SMEs. In terms of partnerships, the PLATO network brings together Enterprise and HEIs for a structured 18-month programme of management development that is demand driven. TU Dublin also for example has a lengthy and successful record of co-designing programmes with industry experts, including with industry networks such as Ibec, ICT Ireland, the Irish Software Association, Enterprise Ireland and the Marketing Institute of Ireland. In June 2020, SOLAS and the ETBs launched a new **Leadership and Management training initiative**, in collaboration with employers, IDA Ireland, Enterprise Ireland and the Regional Skills Fora. The highly subsidised training is specifically designed to upskill frontline managers to increase the agility of companies to manage change .

### 3.14 Conclusions on Demand and Supply

**Demand.** This study has found that most managers agreed that management development is important, but fewer than half of firms dedicate a budget to it. Despite this, 78% of firms surveyed reported that they engaged in some form of management development over the past three years, whether formal or informal. Larger firms engage in more formal training. Asked what their greatest barrier to engaging in more management development was, most firms reported time as the main barrier.

**Supply.** There are a number of key government policies that relate to supporting SMEs, from Enterprise 2025 to Project Ireland 2040, for example. This is also the case at the EU level, for example, in the form of the 'Think Small First' principle. In Ireland, training and support for management development are provided to SMEs by a wide range of agencies and bodies, both public and private sector. The report provides a comprehensive list of the training programmes available to SMEs, finding more than 1,100 management development related courses serving more than 81,000 enrolments/participants in 2019.

# 4

## SME Managers' Skills and Practices

## > Chapter 4 SME Managers' Skills and Practices

This chapter deals with outcomes from the semi-structured interviews, conducted at the outset, and provides results from the SME Skills and Practices Survey that was designed and carried out for the project. The chapter reports on a composite 'management practices' score as well as providing detail about practices related to strategizing, knowledge seeking and sharing, and the use of data in decision-making. Results are also provided showing the effect of formal management training and formal strategizing on innovation outcomes. Finally, the use of financial data for supporting business decisions is considered.

### 4.1 Outcomes From the Semi-structured Interviews

Prompts for the semi structured stakeholder interviews were broadly complimentary to the Skillnet Ireland management competency framework (see figure 2, page 15).

**Skills for the individual.** Key skills that were Identified were soft skills, such as problem solving, communication and possessing emotional intelligence; the ability to delegate leadership and get the best from a management team.

**Skills for managing networks and relationships.** A good manager should be able to manage relationships, both inside and outside the organisation. Also, building external networks broadens the knowledge ecosystem of a firm, aiding both innovation and good decision-making.

**Skills for managing resources.** A need to understand and manage processes and performance, by means of feedback and both financial and digital data. A need for talent management, and for building a learning organisation.

**Skills for strategising.** Valuing time out and space to strategise; being able to think outside the box; applying critical thinking to the vision; and the ability to synthesise the strategy and communicate it.

**Self-awareness.** Managers "tend to overstate their own skills", was widely identified across the stakeholder interviews. Additionally, there is shared recognition that "[SMEs] don't know what skills they don't have".

**Organisational awareness.** The importance of knowledge sharing and seeking practices for the firm's capacity to absorb and deal with new knowledge, underpinning organisational learning and innovation. Also, external awareness, relating to knowing about state supports, was identified as an important quality.

**Traditional and contemporary skills.** A distinction was drawn between what were seen as traditional skills (communication, talent management, financial literacy and strategising) and contemporary skills (digital skills, the use of analytics, project management, dealing with diversity and new ways of working, sustainability, team thinking and resilience).

## 4.2 The SME Skills and Practices Survey

Drawing on the findings from the semi structured stakeholder interviews, a survey was developed for the project to assess SME manager skills and practices. The questionnaire contains 46 questions, in 11 sections, covering: training and development needs; personal and leadership development; strategising skills and practices; operational practices; people management practices; use of data and decision-making; knowledge sharing and seeking practices; innovation and innovation outcomes; digital literacy; financial literacy; and categorisation questions. Categorisation questions and sampling technique are included in Appendices 2 and 3. Variations across results by firm size are detailed in Appendix 5.

### 4.2.1 Benchmarking

A number of questions were included in the survey to facilitate benchmarking, both internationally and historically. Ideally, benchmarking should be done within a single project, where one survey is applied across a number of countries, with as many conditions held constant as possible. Alternatively, a time-series can be generated by conducting the same survey over a number of years. In the current study, it was not possible to hold as many conditions constant as would be ideal, so some caution needs to be exercised in interpreting the comparisons that resulted. The comparisons detailed below may, however, provide some indication of comparative performance. Surveys reviewed for international benchmarking and comparative questions are listed in Appendix 1.

### 4.2.2 'Management Practices' Scores

A set of 8 questions, covering operations and managing people, was replicated from surveys that were carried out both by the Office for National Statistics in the UK (Management Practices Survey or MPS) and the US Census Bureau (Management and Organisational Practices Survey or MOPS). The responses to the 8 questions are combined to give a 'management score', which can be compared with the results from the UK and US (see Appendix 4). Note that, for the purposes of the current study, the 'management score' represents the results from just these 8 questions out of the 46 included in the questionnaire.

The MPS finds statistically significant correlation between management practices and labour productivity, with an increase in management score of 0.1 associated with a 9.6% increase in productivity<sup>51</sup>. Higher management scores are positively and significantly associated with higher productivity, firms' size, profitability, sales growth, market value and survival<sup>52</sup>. In addition, MOPS introduced a question on data driven decision making (DDD) that was used in this survey although they do not publicise the result for this question. Early studies suggest that data driven/intensive decision making (DDD) is associated with a 3% increase in productivity<sup>53</sup>.



The result from this section is very positive, with respondents reaching a score of 59%<sup>iii</sup>, compared with a score of 55% for US firms (in 2015) and 49% for UK firms (in 2016) (See Table 4). This is a surprisingly high score for Irish SME managers, given that they ranked near the bottom of OECD countries in 2008. This may be due to the comparison being made with 4 to 5 year-old data. Additionally, the questions are derived, originally, from the World Management Survey, which is designed to be a double-blind approach, where responses are scored by the interviewer, not the interviewee, in order to remove self-reporting bias. It may be that using the same questions in a self-reported survey, as was done here, and in the US and the UK, does not yield results that are as comparable internationally as one would wish.

It is, however, interesting to note the relative scores across different questions, as in the table below.

**Table 4: Management practices survey questions and score**

No.	Question	Management Score
23	Processes for continuous improvement	<b>78%</b>
24	Number of Key Performance Indicators (KPIs) monitored	64%
25a	Frequency of review of KPIs by managers	<b>41%</b>
25b	Frequency of review of KPIs by non-managers	<b>44%</b>
26	Timeframes for achieving targets (long and short-term)	58%
27	How easy or difficult to achieve targets (easy v stretch targets)	<b>72%</b>
28a	How managers were promoted (performance & merit v length of service, etc.)	58%
28b	How non-managers were promoted (performance & merit v length of service, etc.)	60%
29a	Addressing under-performance among managers	49%
29b	Addressing under-performance among non-managers	62%
30	Who makes hiring decisions? (Owner or managers / other employees)	<b>41%</b>

**4.2.2.1 High-scoring Management Practices**

Relatively high scores were recorded for the way that continuous improvement is integrated into operating processes and for the setting of stretch targets. Respondents were asked to state whether, when a problem occurs, it is merely fixed on that occasion, or a continuous improvement

<sup>iii</sup> The score is derived by assigning 100% to the best management practice and 0% to the worst management practice in each question. A respondent who chose the second to best approach from a list of five possible responses would score 75% on that question. The overall score is an average across the 8 questions.

process is put in place to anticipate it in the future. Also, the extent of stretch targets is assessed by asking how easy or difficult it generally is to meet the firm's targets.

#### 4.2.2.2 Low-scoring Management Practices

Areas where relatively low scores were recorded were: dealing with poor performance, making decisions about hiring, and measurement against key performance indicators. Quite a number of firms did not recognise any poor performance in their firms. It is worth noting that a large proportion of firms still leave decisions about hiring with the managing director alone. The lower scores highlight that while an overall score may compare well to other countries, it is important to delve into more micro level practices to understand areas for improvement. The score is different across individual questions. There are some threads across the survey that point to areas needing improvement including formal practices and talent management that emerge here.

#### 4.2.2.3 Variation Across Regions

Across regions in Ireland (Table 5), the Mideast and the Northwest are the lowest scoring regions at 48% and 52% respectively. The Northwest is quite a small sample comprising only 10 firms, and thus may not be representative across the region. However, the Mideast region is quite well represented in the survey with a good spread of sectors and firm sizes represented.

**Table 5: Management practices score by region**

Region	Dublin	Mideast	Midlands	Midwest	Northeast	Northwest	Southeast	Southwest	West
<b>Management Score</b>	63%	48%	57%	60%	55%	52%	60%	62%	62%
<b>N=</b>	196	39	19	31	34	10	18	35	25

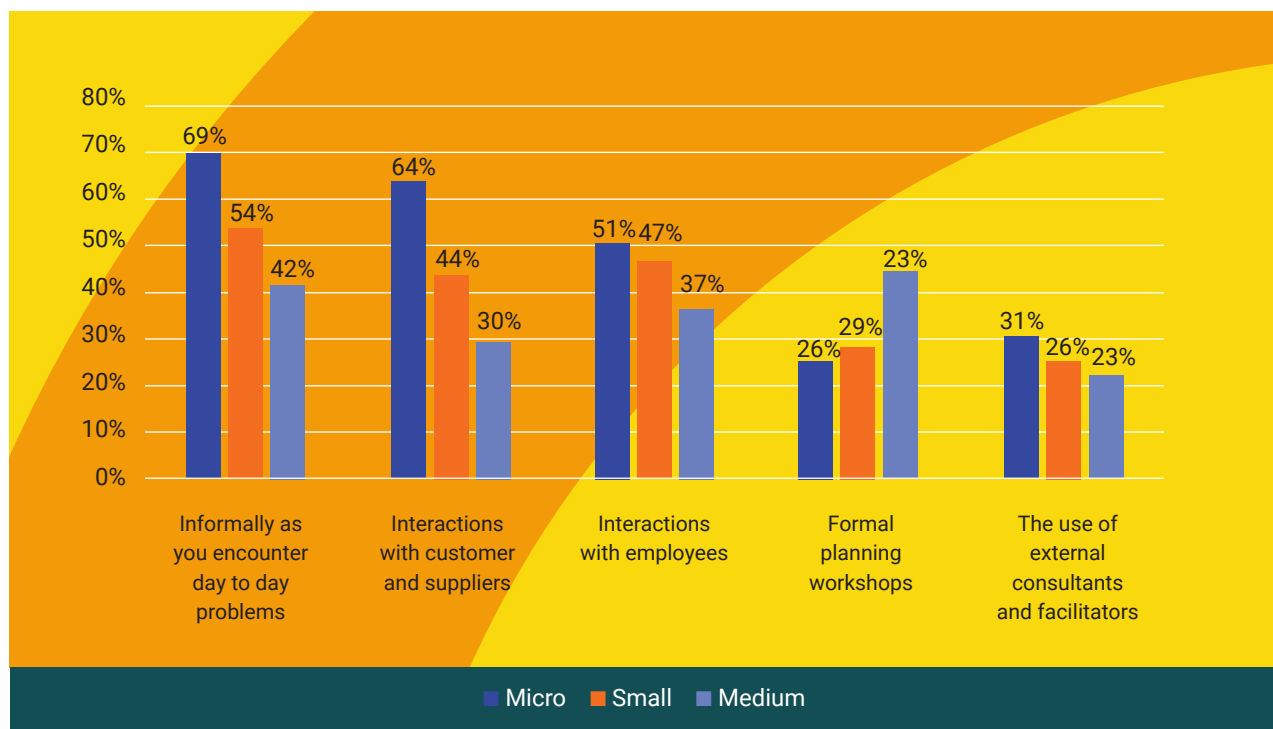
#### 4.2.3 Strategising Practices

Although strategy lacks a single approach and definition, defining it as the long-term direction of an organisation<sup>54</sup> caters for both deliberate, logical strategic approaches and more incremental, emergent patterns that influence strategic management. More informality is normally associated with strategising in SMEs and this survey suggests that informal practices for strategising remain prevalent.

Only 36% of firms organised formal planning workshops and 25% used external consultants (Figure 10) while 51% rely solely on informal strategising practices such as informally as day to day problems are encountered, interactions with employees, customers and suppliers.

Adopting multiple approaches to strategising is not overly dominant with 55% of respondents reporting just one single approach to strategising including 18% of respondents that rely solely on strategising informally as they encounter day to day problems. 17% of respondents rely solely on formal planning workshops.

**Figure 10: Approaches to developing strategy in the organisation - by firm size**

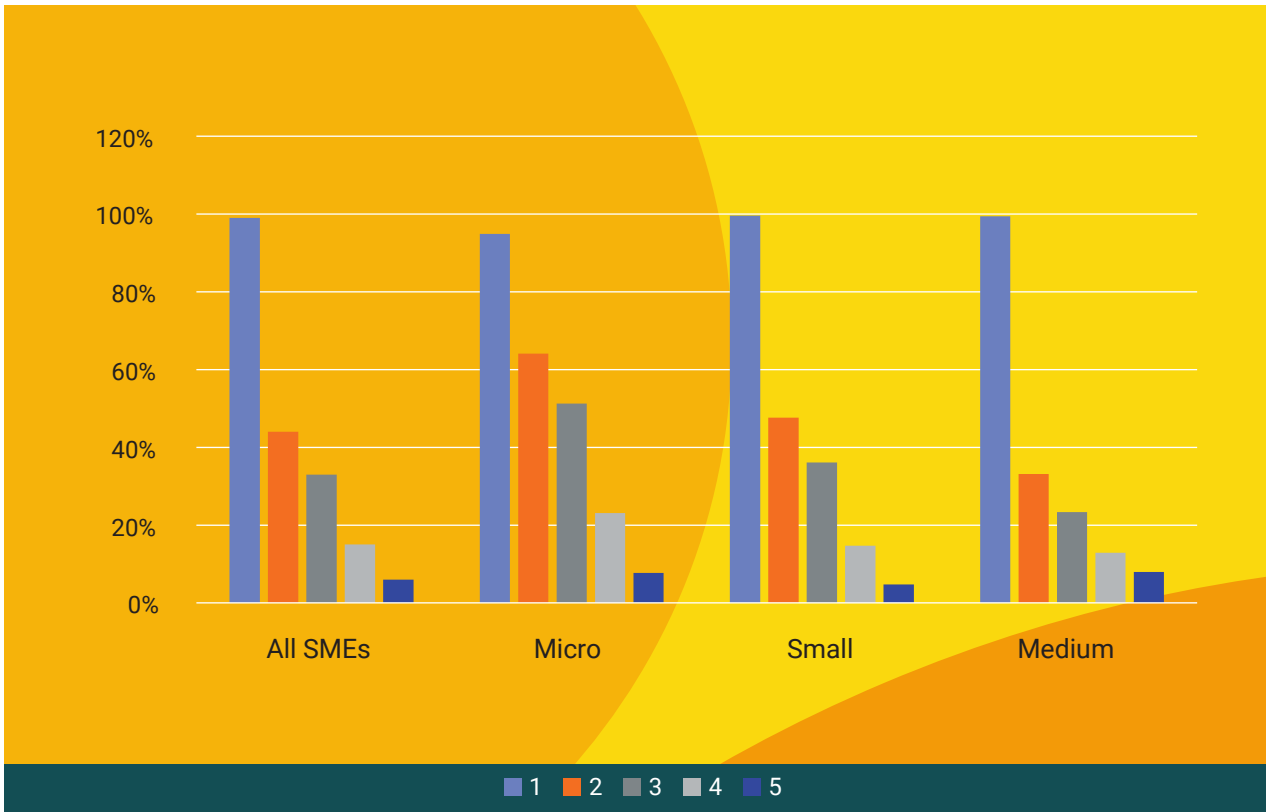


Given that 82% of SMEs surveyed report a clearly articulated business strategy, the formulation and articulation of such strategy in light of the extent of informal strategy development practices is quite curious. One inference may be that the articulation activities are concentrated on the Owner Managers or small teams, while issues are identified more informally. Also, major reliance on limited/singular strategising sources, even if SMEs have articulated strategies suggests that they are poorly formulated and possibly incomplete, maybe failing to realise full value. The high level of interaction involved in strategising from customers, suppliers and employees suggests more bottom up and potentially emergent characteristics of the process.

It is more likely that micro and small firms use external consultants and facilitators compared to medium firms to develop strategy. However, medium-sized firms are much more likely to make use of formal planning workshops. Reflecting on the number of approaches used by firms to develop strategy, Figure 11 identifies that micro firms are more likely to use a wider range of different approaches. In particular, informal approaches are more likely to be used by micro firms, involving day to day encounters, interactions with customers and suppliers and interactions with employees.

Medium-sized firms are more likely to rely on formal planning workshops and only 13% rely on more than three strategy development approaches.

**Figure 11: Number of approaches to develop strategy in the firm**



The importance of project management approaches to strategy execution in the contemporary environment was also identified in the stakeholder interviews. It was quite surprising to find that 63% of Irish SMEs apply project management approaches in the strategy execution process. This is more prevalent across larger SMEs.

#### 4.2.4 Innovation Practices and Outcomes

Ireland has consistently ranked among the highest performers in Europe in surveys and scores on innovation. This study supports past responses (Table 6).

**Table 6: Innovation outcomes by firm size**

Indicator by size category	2020
Enterprises that have process innovation	
– Micro	64%
– Small	68%
– Medium	75%
Enterprises that have at least one innovation activity	
– Micro	100%
– Small	95%
– Medium	91%
Enterprises that have no innovation activity	
– Micro	0%
– Small	5%
– Medium	8%
Inhouse R&D	(internally funded)
– Micro	3%
– Small	27%
– Medium	24%

Almost every firm reports at least one innovation activity in the last three years in its products / services while many also report innovation in processes. About one quarter of small and medium firms also reported investing in internally funded research and development (R&D), which compares well to previous figures in the Innovation in Irish Enterprises/CSO survey.

The data shows that many firms report incremental innovations, but few report major advances.

**Table 7: Categories of innovation and R&D**

Innovation outcomes over past 3 years	All SMEs	Micro	Small	Medium
The market introduction of a technologically new product or service developed in total or in part by the firm	55%	39%	53%	61%
The market introduction of a technologically improved product or service developed in total or part by the firm	56%	40%	52%	65%
Extension of existing products or service lines	82%	81%	81%	82%
Changes introduced to existing products or services that resulted in significant improvement	77%	67%	76%	81%
Development of new lines ranges of products or services	74%	78%	76%	70%
Breakthrough innovations that disrupted the marketplace	24%	33%	27%	19%
A major technological advance in a product or service	30%	36%	29%	31%
The development of a product or service that represented a major improvement in functioning compared to what previously existed	51%	54%	47%	57%
During the last three years has this organisation introduced any process innovations	70%	64%	68%	75%
Has this organisation invested in Research and development over the last three years	48%	5%	46%	57%

In Irish SMEs, 82% of firms reported technologically improved products or services, while 77% reported changes introduced to existing products or services that resulted in significant improvement. Most also reported innovations in processes (Table 7). However, 'breakthrough innovations' and 'major technological advances' were only reported by 24% and 30% of respondents, respectively.

The results indicate that 48% of firms invested in research and development (R&D) over the last three years.

Comparing innovation outcome data to investigate the benefits of formal training and formal strategising, Table 8 shows the results. Innovation and innovation outcomes for SMEs that reported both internal and external classroom-based training delivered by an external expert was compared with a baseline score (for all firms). Innovation outcomes were also compared for firms that made use of strategy away days.

Firms who had made use of formal classroom-based training improved their average score across all innovation outcomes from a baseline (average for all firms) of 57% to 61%. Those firms who added formal strategising increased this score to 65%.

This suggests a strong link between formal training and taking time out to strategise and innovation outcomes.

**Table 8: Innovation outcomes for SMEs that had formal training and strategising or DDD**

Innovation outcomes over past 3 years	All SMEs	Internal and external formal classroom based training by external expert	Strategy away-days	High DDD firms
The market introduction of a technologically new product or service developed in total or in part by the firm	55%	59%	67%	<b>58%</b>
The market introduction of a technologically improved product or service developed in total or part by the firm	56%	62%	68%	<b>63%</b>
Extension of existing products or service lines	82%	84%	86%	<b>84%</b>
Changes introduced to existing products or services that resulted in significant improvement	77%	78%	84%	<b>80%</b>
Development of new lines ranges of products or services	74%	75%	77%	<b>74%</b>
Breakthrough innovations that disrupted the marketplace	24%	25%	26%	<b>29%</b>
A major technological advance in a product or service	30%	34%	34%	<b>32%</b>
The development of product or service that represented a major improvement in functioning compared to what previously existed	51%	56%	64%	<b>57%</b>

Innovation outcomes over past 3 years	All SMEs	Internal and external formal classroom based training by external expert	Strategy away-days	High DDD firms
During the last three years has this organisation introduced any process innovations	70%	<b>70%</b>	<b>76%</b>	<b>72%</b>
Has this organisation invested in Research and development over the last three years	48%	<b>64%</b>	<b>72%</b>	<b>59%</b>
<b>Mean of all scores</b>	<b>57%</b>	<b>61%</b>	<b>65%</b>	<b>61%</b>

Innovation and innovation outcomes were also tested against SMEs that reported more intensive data driven decision making (DDD). High DDD firms are significantly more likely to have product and service improvements and to invest in R&D. This statistic aligns well with better management scores for operational practices by high DDD firms. Firms identified as being high users of data-driven decision-making also increased their score from the baseline 57% to 61%.

#### 4.2.5 Knowledge Seeking and Sharing

Organisational awareness concerning knowledge sharing and seeking practices of managers is critical. This is related to the importance, motivation and interest of developing an organisation's capacity for learning and innovating<sup>55</sup>. The survival of an SME depends, to a large extent, on their capacity to learn and to share their knowledge to better respond to rapidly changing operational processes and external environments.

**Table 9: Questions about frequency of knowledge sharing and seeking activities in hte firm**

Questions about frequency of knowledge sharing and seeking activities	Mean (sd)
We seek task knowledge and experience from my work colleagues	4.01 (0.93)
We seek expertise from my work colleagues	4.14 (0.86)
We seek task tips and know how from colleagues	4.03 (0.89)
We seek expertise and knowledge from customers and suppliers	<b>3.55 (1.06)</b>
We seek specialist knowledge from customers and suppliers	<b>3.66 (1.05)</b>
We share task knowledge and experience with work colleagues	4.12 (0.89)
We share expertise with work colleagues within the organisation	4.15 (0.85)
We share task knowledge and tips with work colleagues	4.12 (0.87)
We share task knowledge with customers and suppliers	<b>3.46 (1.12)</b>



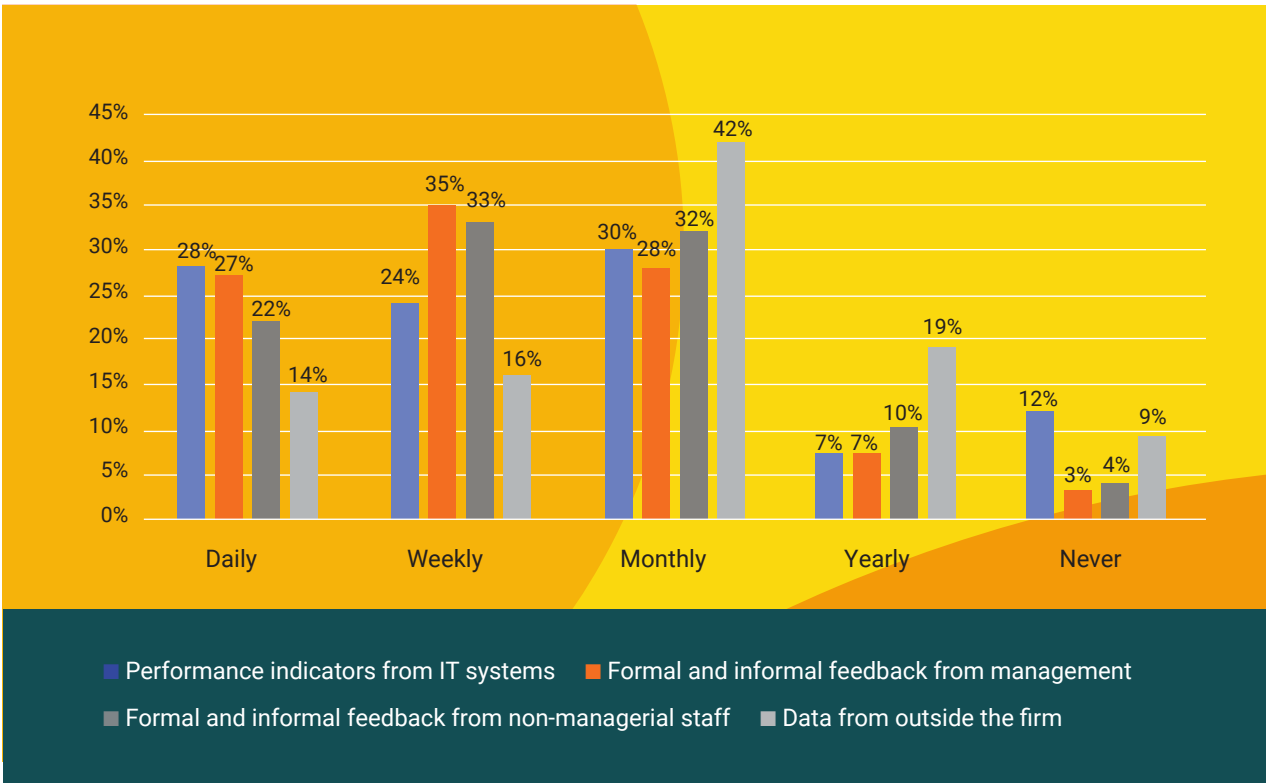
Individually, Table 9 shows the particular knowledge seeking and sharing activities queried in the survey. Consistent with responses on data and decision making, knowledge seeking and sharing activities were less frequent with customers and suppliers outside of the firm. There is also more variation across responses to this sub question about knowledge seeking and sharing between external customers and suppliers reflected in the standard deviation figure (sd).

### 4.2.6 Use of Data in Decision Making

Recent years have seen dramatic changes in data storage and processing technologies. New opportunities to collect and leverage data have led many managers to change how they make decisions - relying less on intuition and more on data. Data driven decision making (DDD) is consistent with higher productivity. Management practices focused on collecting and using data are correlated with better performance in a wide range of operational settings<sup>56</sup>. Studies suggest that substantially more data-intensive decision making is associated on average with a statistically significant increase in productivity<sup>57</sup>.

The survey sought to understand two aspects of data usage related to decision making. Firstly, the frequency of data usage by managers themselves, noting that the intensity of data usage can reflect positively on productivity (Figure 12). Secondly, to understand the decision-making approaches within the SME (Table 10). These approaches range from a reliance on intuition to making use of the most up to date technological advances in data generation and analysis.

**Figure 12: Frequency of use of data in decision making**



70% of firms use data from outside the firm either monthly or less frequently. Only 30% use such data either weekly or daily.

**Table 10: Questions about approaches to decision making in the organisation**

Questions approaches used in decision making	Mean
We rely primarily on personal experience	3.85
We make use of intuition and gut feelings about situations	3.44
We rely on advice from work colleagues on the management team	4.02
We rely on the experience of technical specialists in the organisation	3.83
We make use of information derived from external bodies	3.69
We make use of data facts and insights derived from management information systems	3.72
We make use of knowledge acquired through the use of advanced analytics generated within the organisation	3.20
We make use of the most to date technological advances in data generation and analysis	3.02

Differences across individual questions within this set shows that, on average, reliance on advice from work colleagues is a more often used approach to decision making in Irish SMEs, whereas advanced analytical techniques and making use of technological advances are approaches less frequently used.

Overall, when comparing responses from the question on frequency of use of data in decision making and the question above on approaches to decision making, results would suggest scope for more intensity and frequency in the use of data by managers to make decisions.

Because studies are beginning to show the link between firm productivity and DDD, the management scores for respondents that scored highly on frequency of use of data and data driven approaches to decision making were tested. These scores would seem to support a strong link between management practices (and potentially productivity) and DDD (Table 11).

**Table 11: Management score of high DDD firms**

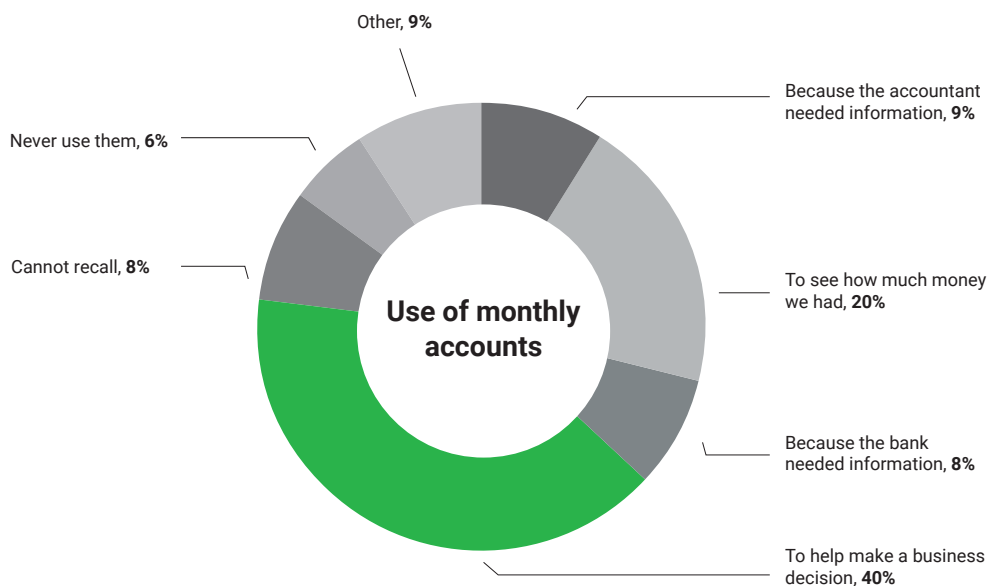
No.	Question	Management Score	High DDD respondents
23	Processes for continuous improvement	78%	85%
24	Number of Key Performance Indicators (KPIs) monitored	64%	71%
25a	Frequency of review of KPIs by managers	41%	49%
25b	Frequency of review of KPIs by non-managers	44%	52%
26	Timeframes for achieving targets (long and short-term)	58%	63%
27	How easy or difficult to achieve targets (easy v stretch targets)	72%	75%
28a	How managers were promoted (performance & merit v length of service, etc.)	58%	48%
28b	How non-managers were promoted (performance & merit v length of service, etc.)	60%	62%
29a	Addressing under-performance among managers	49%	60%
29b	Addressing under-performance among non-managers	62%	71%
30	Who makes hiring decisions? (Owner or managers / other employees)?	41%	48%
	<b>Mean Management Score</b>	<b>59%</b>	<b>65%</b>

Variations between the two sets of data is interesting and, in particular, relating to operational practices. It is notable that all scores are better for respondents that report high DDD with the exception of the question about how managers were promoted within their organisation. Quite a few in the case of high DDD scoring SMEs reported that they did not promote managers in 2019 or promoted based on factors other than ability.

#### 4.2.7 Financial Literacy

Close to 40% of SMEs are using monthly accounts on a weekly basis and a similar proportion are using them monthly. In terms of the use of monthly accounts, 40% identified that they used the accounts to help make a business decision (Figure 13).

**Figure 13: Purpose for using monthly accounts**



The survey also questioned the level of management training by SME managers. Over 50% of respondents had little or no financial training. Many took a module in a degree course or had leaving certificate or equivalent training. Low levels of practice based training or CPD are reported.

#### 4.2.8 Digital Literacy

Only 23% report usage of non-standard communication software suggesting quite a standard usage pattern. Deeper analysis of the data suggests that around 35% of the survey respondents may be categorised as DDD intense firms.

DDD firms reported a daily or weekly use of performance indicators from IT systems and / or data from outside the firm (Q14 of survey); plus at least one 4 (often) or 5 (very often) on a 5 point Likert scale for making use of data from management information systems and /or making use of advanced analytics generated within the organisation and / or using the most up to date technological advances in data generation and analysis (Q34).

#### 4.2.9 Exporting Plans and Optimism about Growth

One third of SMEs in the study were domestic focussed with no sales outside of the island of Ireland. Of these, 36% suggested that they had plans to internationalise or export in the future. This figure is encouraging given that internationalisation is an identified weakness in Irish SME's according to the 2019 OECD SME and Entrepreneurship Policy in Ireland report. Irish SME's have been recognised as having an 'island mentality' where concerns over institutional and language barriers prevent them from exporting more. This is despite Ireland being one of the most globalised economies in the world<sup>58</sup>

From the respondents in the survey 20% reported that over 50% of their sales were derived internationally. The categorisation criteria do not distinguish specifically firms that have 100% of their sales from overseas markets and may be classified as Born Global enterprises<sup>59</sup>. Born global firms have particular reliance on technology to support their global reach.

### **4.3 Conclusions**

Chapter 4 details the management performance of SME managers in Ireland in 2020, as identified by the SME Skills and Practices Survey, developed for this project. Experts from interviews preceding the survey broadly agree on the range of skills and practices required by SME managers and owners in terms of the skills of the individual, the importance of relationships and networks, strategising skills and managing the operations. Awareness is also a major issue, however. Firstly, self-awareness about training needs and personal strengths and weaknesses. Secondly, organisational awareness both inside and outside the firm is identified as critical to recognise training needs.

A 'Management Practices Score' was calculated and shows Irish SMEs to compare very favourably when benchmarked against data from the US and UK in 2015 and 2016. This may, however, be partly to do with the 4-5 year time difference. The survey also showed where Irish SMEs do well (continuous improvement, setting stretch targets) and where they do not do so well (HRM, monitoring KPIs over time).

The way that SMEs strategise was analysed in some detail, identifying the combinations of approaches used, with 18% of respondents relying solely on strategising informally as they encounter day-to-day problems. Innovation outcomes are also reported on, with better outcomes reported for those firms that carry out formal management training, use strategy away-days, or are strong users of data-driven decision-making. The chapter also identifies the importance of knowledge seeking and sharing, and of digital and financial literacy, for the management of SMEs.

# 5

## Regional Focus Groups

## > Chapter 5 Regional Focus Groups

### 5.1 Approach

Six regional focus groups were held, bringing together a total of 43 SME managers, trainers, and representatives from the education sector and public sector. The SME managers represented a range of firm sizes and economic sectors<sup>iv</sup>. These were organised in early March 2020 once the survey was complete and preliminary findings emerged.

Participants were presented with some initial draft results from the survey and asked a set of six questions to guide the discussion:

1. What surprises you in this data?
2. What can you relate to in your own business?
3. What are the major concerns evident in the survey?
4. What can SME owners and managers do to address productivity issues?
5. What can SME owners and managers do to improve management development in their business?
6. What if you were making the decision about government supports for the sector – what would you change?

A number of themes emerged from these discussions, which are summarised below.

### 5.2 Recognising the Value of Management Development

Improving SME managers' understanding of how valuable management development is for their business is key. The problem of 'not knowing what you don't know' was identified: managers are often not aware of their own skill deficits – and those of their firms – and therefore do not see how management development could benefit their bottom line. Thus, they do not invest optimally in management development.

The value of support services reaching in to the SME was underlined, and a number of participants agreed that one eye-opening experience about the value of management development, precipitated by a visit from an external expert, was what it took to set them on the path to a management development culture.

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<sup>iv</sup> Of the 14 SME managers involved in the focus groups, 2 were from micro firms of 5-9 employees, 8 were from small firms with 10-49 employees and 4 were from medium sized firms with 50-249 employees. Five did not engage with the main government agencies and bodies for funding or training over the past three years. They came from a cross section of industry sectors including ICT and data security, environmental engineering, automotive wholesale and retail, MedTech, metal construction, security system supply, and electronics manufacturing.

Organisational culture underpins the approach of the business to better performance and productivity improvement. In this context, the owner-manager has a leadership role in instilling a culture of excellence and ensuring that best practice is adopted.

### **5.3 Identifying Management Development Needs**

A number of SME managers, both during the semi structured stakeholder interviews earlier in the project, and in the focus groups, identified how during their growth path they had very little understanding and did not recognise the opportunities that might be available to them for management development. It was only when they reached a critical size (that was identified as about 30 employees by a number of firms) that they began to recognise the 'management development piece' as very important.

When managers begin to see and understand their own, and their businesses', skills needs more clearly, they can then set about identifying the solutions to these needs.

### **5.5 A Diagnostic Tool**

Multiple focus groups identified that a diagnostic tool may be useful as a way of identifying their skills needs and relevant training opportunities. A number of existing well-regarded programmes that use skills assessment tools, such as Enterprise Ireland's 'Spotlight on skills', were discussed as having potential as sources for a diagnostic tool that could be scaled to reach a greater number of SMEs. Such a tool may have the function of providing an opportunity for self-diagnosis of skills needs as well as increasing awareness of available training. In addition, there is an EU project looking at the feasibility of developing a skills assessment tool for SMEs that this project should link in with.

### **5.6 Awareness of Available Supports**

Managers regretted that they were not aware sooner of the help that is available to firms or the process by which they could qualify for management training and support. Some alluded to the number of government and support agencies and their lack of understanding about who they need to approach and what supports are available from the various agencies and support bodies. Some participants even felt excluded from supports due to their sector, or for another reason, even though supports are, in fact, available.

The importance of supporting firms that wish to scale from 10 (micro) to 20+ employees was raised at a number of focus groups. Some participants identified the importance of the growth phase from 10 to 20 employees, and the need for supports for small firms with the ambition to export and



become clients of Enterprise Ireland. Some lack of awareness was evident of the range of supports that are available from the LEOs – and from Skillnet Ireland, in relation to management development – for those firms with more than ten employees. The supports provided by Enterprise Ireland were generally deemed to be excellent, and some smaller firms expressed the view that they would have benefited greatly from such supports earlier in their growth trajectory.

## **5.7 Making use of the National Training Fund**

It also emerged that some SMEs feel that they do not understand the money that is available for them under the National Training Fund. The view was expressed by a number of focus group participants that the National Training Fund is not being adequately exploited by many SMEs, and that available funding and supports were not being utilised, due to a lack of awareness of what is available.

## **5.8 The Relevance and Definition of Productivity**

One key finding from the focus groups was the need to define and recognise productivity such that it is understood and perceived as relevant to the business goals of the organisation. Many routes to improved productivity exist, and the most relevant one may vary between firms. Participants suggested that SMEs need to develop operating procedures and a plan for training to facilitate continuous improvement in operations and people management.

### **Organisational culture and leadership**

Also, there was a recognition of the role that organisational culture has in efficiency, performance and productivity. The role of leadership in instilling a culture of excellence in the SME that ensures best practice is adopted and people are motivated to do things right was underlined.

### **Data-driven decision-making and Digital literacy**

It is also recognised that data and technology are important to support productivity in Irish SMEs. Many managers are reluctant to engage in software or analytics training, however, believing it is too complicated and they do not have the time to integrate it into their business. Some participants identified that while they had good digital skills, other managers within their organisation did not demonstrate their level of competency. In this regard they could not rely on others to cover for them or delegate work to them.

## **5.9 Sustaining the Momentum: following through**

An important issue identified in the focus groups was that while SMEs may invest in management training and productivity improvements, they tend to lose momentum over time. While a lot of

energy and effort may be dedicated in the initial phases of a project to improving operating processes or measuring performance, for example, this has a tendency to slacken off and needs a boost every so often. Participants felt that SMEs need to recognise productivity initiatives as a journey rather than a project. It is not just about setting up systems and processes but a process of continuous re-evaluation: monitoring is required along with recognition of training needs. A link may be drawn between this issue and the relatively low score that arose in the survey on tracking KPIs over time.

## **5.10 Talent Management**

The effective management of talent is essential to the success of the firm. These skills underpin a range of areas, including recruitment, staff management, team development, and effective promotion. Managing underperformance has been identified as a particular issue for Irish SMEs. For family businesses, succession planning is often an important issue. It is important that SMEs recognise management training as a route to solving these issues.

This also links with the importance of developing management teams and planning for succession. The importance of building strong teams was addressed by participants, and it was implied that many felt that their own teams not to be sufficiently capable to take over in their absence. Family dynamics and succession issues were seen to complicate this process, in some cases.

## **5.11 Time Constraints**

Time constraints were confirmed to be an issue; small firms felt that they would be short-staffed and managers felt they could not trust their colleagues to run things in their absence. In rural locations, travel times became an additional obstacle.

Many of the focus group participants recognised the challenge of time constraints on engagement with management and leadership development opportunities and on taking time away from the business to plan and strategise. This was an issue of resource constraints for some managers that reflected how they would be short staffed if they allow people away from the office for a day. Similarly, managers themselves felt that they could not take time out because they felt unable to delegate or trust others in their organisation to take over in their absence. Distance was recognised as an issue in some rural locations as travel time became the barrier to management training and development.

## **5.12 Flexible, Modular Training**

There was a call for management training opportunities that aligned better to a busy work environment in terms of modes of delivery but also scheduling of delivery. The importance of

adaptable training modes was underlined, including online, outside of office hours, on-site, and so on. The point was also made that some rural locations may not find it easy to meet the size requirements for Skillnet Ireland networks, and that some flexibility might be of benefit in these cases. It was suggested that some form of basic management development that gives managers certification or a badge, and is aligned to their qualification for funding supports, may have real value for firms in terms of starting their journey.

## **5.13 Other Suggestions**

### **Linking management development to grant funding**

It was suggested that some form of basic management development that gives managers certification or a badge, and is aligned to their qualification for funding supports, may have real value for firms in terms of starting their journey. Linking management development to grant funding would increase participation in training, it was felt, and may remove one of the barriers to firms' growth, and their efficient use of grant funding.

### **Quality control of training providers**

Some participants suggested that variable quality of private sector training was an issue that could be addressed through accreditation.

### **The importance of rural areas**

Business in rural areas is identified as of particular regional importance. It was felt that some opportunities for management development and training may not be available because of location and numbers available for training programmes. Extra targeted supports may be needed to facilitate this.

## **5.8 Summary of Findings from the Focus Groups**

The focus groups responded to draft data from the survey and identified a number of themes. These included the importance of 'not knowing what you don't know' and therefore not recognising the value of management development, though participants suggested that, once a firm reaches a certain size, the bandwidth for management development increases and managers report wishing they had known more about it before. In that context, a diagnostic tool was suggested to help managers understand their own, and their firms', skills needs. The importance of time constraints was also emphasised again; these can be particularly acute for firms in rural regions. One theme was that many participants felt that the available training and supports were difficult to understand and navigate and that SMEs, possibly partly as a result of this, did not make full use of the National Training Fund. The discussions also covered the relevance of talent management, including succession, for SMEs, as well the importance of following through on productivity-improvement projects.

# 6

## Conclusions & Recommendations

## > Chapter 6 Conclusions & Recommendations

Figure 14: Seven key findings



### 6.1 Management Development as a Business Priority

Management and leadership development is considered to be a top priority by Irish businesses, yet formal training is found to be resisted and investment is limited. The main barriers to training, identified in the literature, are time constraints, negative perceptions and concerns about relevance.

Evidence from the survey underlines what was learned from the literature, showing that managers express a recognition of the importance of management development; however, fewer than half of firms surveyed have a budget for management development. The main barrier to increased training, as identified by the survey, is seen to be time; the second, money.

In general, smaller firms tend to have a relative advantage when it comes to resilience and the ability to adapt. However, smaller firms also tend to carry out less management development.

In this context, identifying the benefit to the firm from investing in management development programmes is hampered, in some cases, by terminology. For example, managers disagree about what 'productivity' means to their firm. If firms see time and money and the perceived relevance of management development as obstacles to carrying out training, then the benefit to their bottom line – the return on investment – has not yet been clearly identified.

## 6.2 The Value of Formal Approaches

Studies show that firms that invest in management and leadership development tend to have higher productivity growth. Those firms with clear strategies and linked management development systems are more likely to identify these linkages.

The Focus Groups reflected on the results of the survey, underpinning a number of points and suggesting others. 'Not knowing what you don't know' was a highlighted theme, confirming the finding that awareness is a key issue for SME managers.

While the vast majority of firms reported a clearly-articulated business strategy, only about a quarter of respondents made use of formal planning workshops or external consultants when formulating their strategies.

## 6.3 The Importance of Learning from External Sources

Knowledge sharing and the use of data sources from outside of the firm however are utilised less often including those of suppliers, customers and professional bodies. Reflecting on weaknesses in external awareness by organisations and the use and frequency of knowledge transfer and data suggests a need for improved networking and peer-to-peer learning.

Better knowledge sharing and seeking tends to lead to better innovation performance, and organisational awareness and self-awareness are central to identifying where management development will bring benefits to a business.

Knowledge sharing and seeking within firms appears to be good (in particular for smaller firms), underpinning innovation; though, innovation is found, in the main, to be incremental rather than radical.

Evidence from the structured stakeholder interviews points, again, to the importance of awareness, whether it is self-awareness, organisational awareness, or awareness of the management development supports and opportunities that are available.

## 6.4 Deriving Value from Available Training Opportunities

Evidence from the audit of supply suggests a wide range of management training and development options on offer. There is significant capacity within this offer, in particular as delivery options expand to online and hybrid delivery formats.

Again, on the theme of awareness, focus group participants expressed confusion at the myriad options for training and supports that were available to them. Many valued the time that had been spent with them by skills and training advisors, whether from public or private sectors, and pointed to the 'eye-opening experience' that had resulted when the right training plan was presented and explained to them.

It was suggested that SMEs are not yet deriving the value they could from the National Training Fund, possibly not understanding how it works, or what it's for, or as a result of feeling overwhelmed by the range of training and support options available to them.

## **6.5 The Centrality of HRM and Talent Management**

It has been found that a focussed approach to HRM underpins training and development, but organisational culture and, of particular importance for the smaller firm, the attitudes of the owner-manager, are often central.

HRM scored poorly in the management practices section of the survey, as it relates to hiring of talent, monitoring and dealing with poor managerial performance. Quite a number of managers did not recognise any poor performance in their firms.

The need for HRM was underlined again in the focus groups, relating specifically to the need to identify appropriate management training, but also to issues of recruitment, promotion, succession planning, dealing with under-performance, and building the management team of the firm.

## **6.6 The use of Data to underpin productivity improvement and sustain momentum**

Overall, respondents scored themselves highly on the 'management practices' categories, ranking above the UK and the US in this survey. However, monitoring of KPIs scored poorly.

There is significant room for more advanced and more frequent use of data sources to support decision making. More intensive collection and use of data leads to better operational performance, and higher productivity, allowing progress to be tracked and monitored over time.

Sustaining the momentum of productivity improvement initiatives was also underlined in the focus groups, correlating with other evidence that suggests the tracking of KPIs over time is a weakness for Irish SMEs.

This may dovetail with the importance of using data and of having clarity about the return on investment arising from such programmes, within the context of a clear long-term strategy.

## 6.7 Responding to Firm Size and Growth Path

Analysis of participation in training by size identifies that as firms grow they draw from a broader range of management development options and formal external training is more likely to be used.

In this context, the size – and point on the growth path – of a firm is also seen as critical, with some participants venturing to identify a critical size, beyond which a business will have the bandwidth to give management development proper consideration. This view, in one form or another, has been echoed by many contributors throughout the project: firm size matters; a one-size-fits-all approach cannot adequately accommodate the needs of all SMEs from 5 to 250 employees.

Additionally, it should be noted that a third of the firms surveyed, who were not already exporting, expressed a plan to internationalise within the next three years.

## 6.8 What are the Key Challenges?

Management development is a key intervention for improving firm productivity. The OECD has identified that productivity in small firms in Ireland remains an issue. Management development has been found to improve business productivity, growth, innovation and survival. Also, many managers identify management development as important to them and their business. However, investment lags intention. Fewer than half of small firms have a dedicated management development budget.

Formal training and strategising is associated with better outcomes for firms. But, Irish SMEs tend toward more informal and shorter approaches to management development, and identify time as their biggest barrier to participation. Significant scope has been identified for seeking knowledge from sources external to the firm, whether it be formal training, learning from customers and suppliers, or connecting with peers through networks.

This study has identified a wide range of training and supports available to SMEs, whether provided by the public or private sector, many of them funded or partially funded. However, both SME managers and subject matter experts report that the complexity of what is on offer is difficult for many firms to understand, making it difficult for them to tell what the right approach for them is. Stakeholders and experts have identified the education, training and supports on offer are not sufficiently joined-up and complimentary in their day-to-day operation: from the vantage point of the individual SME manager, what is on offer is often experienced as complex and difficult to access.

Owners and managers of small firms often lack the time to stand back and view the bigger picture and the longer term. It is often not until their business has grown substantially that they find the bandwidth to consider their own development as a strategic manager and a leader. Helping managers to take these steps is often resource-intensive, and requires face-to-face interactions



with skills and training experts. Reaching a larger proportion of the less engaged SMEs in Ireland with these messages is a challenge.

This study has identified a number of key areas of weakness among Irish SME managers, where additional training needs to be focussed, such as formal strategising, HRM and monitoring of KPIs. While it is important for the education and training system to provide the flexible course delivery modes that make it easier for managers to fit training into their busy work schedules, it remains important to emphasise best practice approaches, even if they require a greater time commitment.

The area of management development in Ireland lacks data, whether it be for monitoring progress over time, or assessing the links between investment in training and better outcomes for firms. There is a need for more regular data collection and the collation of research into these matters.

A business with ten employees has very different needs and capacities from a firm of 250 employees. The point of its growth trajectory that a firm is on is also crucial to understanding its management development needs. A one-size-fits-all approach is not appropriate here. Responding to the needs of SMEs must take account of these, and other, differences.

## 6.9 Summary of Recommendations

### 1 COMMUNICATE

Develop a Communications Strategy for Management Development that informs, listens and persuades.

### 2 DEVELOP A STEP-BY-STEP PATHWAY

- (a) Develop an online Management Skills and Practices Benchmarking / Assessment Tool.
- (b) Identify an introductory / recommended basic suite of training
- (c) Expand the capacity for face-to-face contact with SMEs
- (d) Support the development of a management development Skillnet

### 3 MAKE THE OFFER MORE COHERENT & ACCESSIBLE

- (a) Develop the available management development opportunities cooperatively so that they become more accessible and coherent.
- (b) Develop more flexible approaches, consistent with managers' time constraints.
- (c) Scale the offer so that a far greater number of SME managers undertake management training.

### 4 PUT A FOCUS ON BEST PRACTICE AND KEY AREAS

- (a) Emphasise Best Practice
- (b) Emphasise essential mindsets
- (c) Remedy identified weaknesses

### 5 ENSURE ADEQUATE FUNDING

- (a) Identify channels through which additional funding can be accessed.
- (b) Leverage successful initiatives like SpringBoard+, Skills to Advance, the Human Capital Initiative, and Skillnet.

### 6 MEASURE IMPACTS

- (a) Collect and share data
- (b) Assess effectiveness

## 6.10 Implementation Plan

An Implementation Group will be established to lead and coordinate the delivery of these recommendations. The Implementation Group will be made up of those organisations relevant to the delivery of the actions, and will therefore include: DETE, DFHERIS, EI, LEOs, Skillnet, SOLAS, HEA, ETBs, RSFs, Academia, SFA, ISME, Chambers Ireland, public and private sector training providers, and industry. Implementation will be carried out in conjunction with the Growing SMEs Taskforce, located in DETE, as part of its work to respond to the recent OECD report on SME Policy and Entrepreneurship in Ireland.

The Chair of the Implementation Group will rotate annually between the member organisations. A schedule will be established for this purpose. However, ISME and SFA have already offered to chair for the first two years. Actions will be delivered through the combined efforts of the bodies listed below, in square brackets. Those organisations in bold type will coordinate each action, sometimes on a rotating basis between two or three bodies, and report on progress to the overall group.

It is envisaged that the Implementation Group will aim to meet three to four times each year for the first two years and then twice a year thereafter, for as long as the group chooses to continue its work. The recommendations and actions in this report should be considered to exist in a ten-year time-frame. These recommendations should build on the work that is already being done. Much of the work detailed here relates to coordination and cooperation between organisations rather than to new initiatives. Strong and effective coordination between all these bodies is the essential component.

# 1 Communicate

A Communication Strategy for Management Development should:

## (a) Inform

- Make SME managers aware of the range of management development opportunities and supports currently available.

[DETE, DFHERIS, Skillnet, EI, LEOs, SOLAS, HEA, RSFs, business representative bodies ...]

### Potential Indicators:

Total number of inquiries to SME Management Training providers.

Source: Management Training Providers provide data confidentially to the Implementation Group Secretariat, who aggregate and anonymise the data. This could be done via an Annual survey of SME Management Training Providers, conducted by third party managed by the Implementation Group Secretariat.

An indicator of how many SME Management Training avenues SME Managers are aware of.

Source: Annual survey of SME Managers, conducted by CSO or third party managed by the Implementation Group Secretariat.

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## (b) Listen

- Listen to the concerns and issues of SME managers to understand their specific needs – *inter alia* via an annual workshop, but also by other means, as relevant.
- Hear the voice of the customer: listen re consistency of implementation, joined-up thinking and action, actual experience on-the-ground – accessibility – how easy things are to understand and navigate, etc.

[Skillnet, EI, LEOs, ETBs, SOLAS, Academia/HEA, DETE, DFHERIS, RSFs, private sector providers ...]

### Potential Indicator

Total number of Stakeholder Engagement events held by SME Management Training providers, where the insights learnt were shared with the Implementation Group Partners.

Source: Management Training Providers provide data directly to the Implementation Group Secretariat or via Annual survey of SME Management Training Providers, conducted by third party managed by the Implementation Group Secretariat.

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## (c) Persuade

- Illustrate and demonstrate the value of management development for the success, survival and resilience of firms ...
- ... and Help SMEs to identify the Return on Investment associated with Management Development.
- Communicate this in a language that SMEs will connect with.

[ISME, SFA, Chambers Ireland, relevant public bodies ...]

### Potential Indicator

Annual change in the answer to 'How important do you value Management Development for the success of your business?'

Source: Annual survey of SME Managers, conducted by CSO or third party managed by the Implementation Group Secretariat.

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## 2 Develop a Step-by-Step Pathway

### (a) Develop an online Management Skills and Practices Benchmarking / Assessment Tool<sup>[1]</sup>.

- The Tool should allow managers to assess their management skills and practices against peers, ideally both nationally and internationally, and identify the skills they need to focus on.
- This should be linked with the database of relevant education and training, outlined above.
- The Tool should have regard, *inter alia*, for firm size, stage of growth, export-orientation and sector.
- In the initial stages, the cooperation between providers and support bodies, outlined above, should facilitate the sharing and comparing of tools and approaches currently used for skills assessment, for example, the Skills to Advance Step Up & Grow programme currently being piloted. It uses a business assessment tool that benchmarks the performance and practices of an organisation in depth according to a number of key themes. Once some consensus is reached around what characteristics and features are most relevant for such a tool, consideration should turn to how the tool can be made available online.
- Assess international benchmarking tools that could be used for this purpose. In particular, keep in contact with – and contribute to – the current EU SME Skills project that is considering developing an SME skills benchmarking tool.

[EI, SOLAS, Skillnet, RSFs, academics]

#### Potential Indicator

Has the tool been created? (Y/N)

Source: Implementation Group Secretariat.

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### (b) Identify an introductory / recommended basic suite of training

- Completing this training will qualify managers<sup>[2]</sup> to receive face-to-face support from public sector experts and mentors (eg, via LEOs, ETBs, Skillnet and business representative organisations). Assess how such approaches work in practice with LEOs, SOLAS, ETBs, Skillnet

...

[EI, SOLAS, Skillnet, RSFs, academics]

#### Potential Indicators

Has the basic suite of training been agreed? (Y/N)

Source: Implementation Group Secretariat.

What percentage of SME Management Training Providers are using the basic suite as an entry hurdle to more advanced courses?

Source: Annual survey of SME Management Training Providers, conducted by third party managed by the Implementation Group Secretariat.

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<sup>v</sup> See, for example, the online assessment tool to be used as part of the upcoming SFA/Skillnet productivity initiative.

<sup>vi</sup> See the [LEOs] Brexit Scoreboard, for an example of such a condition that worked.

### **(c) Expand the capacity for face-to-face contact with SMEs**

- Ensure that an increasing number of SMEs – ideally, all of those who have significant growth aspirations – who need face-to-face support to identify and develop tailored management programmes, can avail of such support. This can be done, for example, via the SOLAS Skills to Advance online Leadership and Management programme and Skills to Advance Innovation Fund Step Up and Grow Management Development Programme.
- This could be via the LEOs, the RSF managers or the Skillnet MentorsWork programme, for example, but also via business representative organisations.
- Leverage the peer-to-peer learning opportunities of existing networks, such as the PLATO network, and improve awareness of these opportunities, such as EI's Regional Technology Cluster Fund.

**[LEOs, SOLAS, ETBs, Skillnet, RSF managers, business representative organisations, relevant business networks ...]**

#### **Potential Indicator**

The number of SMEs who have had face-to-face (either real or virtual) support to identify and develop tailored management programmes in the year.

Sources:

- (i). Annual survey of SME Managers, conducted by CSO or third party managed by the Implementation Group Secretariat.
  - (ii) Annual survey of SME Management Training Providers, conducted by third party managed by the Implementation Group Secretariat
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### **(d) Support the development of a management development Skillnet**

- This should be led by a credible senior business figure. SMEs can join or replicate on completion of the basic management training.
- The management development Skillnet should aim to deliver best practice approaches and influence SMEs to adopt them.

**[Business representative organisations, LEOs, Skillnet, DFHERIS]**

#### **Potential Indicator**

Has an application been made for a new Management Development Skillnet (Y/N)

Source: Implementation Group

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### 3 Make the Offer more Coherent and Accessible

#### (a) Develop the available management development opportunities cooperatively so that they become more accessible and coherent.

- A central source of management training should be made available so that managers can find the training and education that is most relevant to them and their business. The starting point will be the list of available courses collated for this project, updated twice yearly. Additional functionality should be assessed and driven by the sub-group, guided by feedback on the user experience. This source should link directly to the Assessment Tool, below.

[DETE, DFHERIS, Skillnet, HEA, SOLAS, ETBs, EI, LEOs, private providers ...]

##### Potential Indicators

- (i) Has a central source of information been created? (Y/N)

Source: Implementation Group Secretariat.

- (ii) What percentage of all available (publicly and privately funded) management development courses are listed there?

Source:: Implementation Group Members and Management Training Providers provide data to the Implementation Group Secretariat, or via Annual survey of SME Management Training Providers, conducted by third party managed by the Implementation Group Secretariat.

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- Cooperation between providers of management development training and supports should be increased, at the operational level, such that the sharing of data, knowledge and good practice is facilitated. Ensure that their combined approaches become increasingly complementary and that the offer, as encountered by the SME manager, becomes as coherent and accessible as possible<sup>[3]</sup>. As an initial step, ensure that front-line staff can provide basic information about the range of offers of the other bodies.

[Skillnet, SOLAS, ETBs, HEA, EI, LEOs, RSF managers, private providers ...]

##### Potential Indicators:

- (i) Total number of Knowledge Sharing Protocols established between SME Management Training providers.

Source: Management Training Providers provide data to the Implementation Group Secretariat.

- (ii) The percentage of other organisations' SME Management Training courses that SME Management Training Providers are knowledgeable of.

Source: Annual survey of SME Management Training Providers, conducted by third party managed by the Implementation Group Secretariat.

- (iii) No of clients referred to SME Management Training Providers from other providers/actors.

Source: Annual survey of SME Management Training Providers, conducted by third party managed by the Implementation Group Secretariat.

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<sup>vii</sup> While there will be some cases where competition between private suppliers limits how much cooperation and coordination is desirable, it should be born in mind that (a) large portions of private training provision are subsidised by the State, via Skillnet Ireland, SOLAS and the Education & Training Boards for example, and (b) private providers should be welcome to participate and contribute where they are willing to do so, and in any ways that ultimately benefit management development for SMEs.

## **(b) Develop more flexible approaches, consistent with managers' time constraints.**

- Continue to develop flexible modes of training. Learn, in particular, from the swift move to online delivery methods in response to Covid-19, for example, access to eCollege provision through Skills to Advance. Learn from international good practice and ongoing research in the area.

**[All providers]**

### **Potential Indicator**

The percentage of SME Management Training courses which are delivered flexibly by a) Time and b) Location.

Source: Management Training Providers provide data to the Implementation Group Secretariat, via Annual survey of SME Management Training Providers, conducted by third party managed by the Implementation Group Secretariat.

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## **(c) Scale the offer so that a far greater number of SME managers undertake management training.**

- Identify barriers to scaling the training offer and therefore develop pathways to scaling. For example, learn from successful models such as Spotlight on Skills, Skills for Growth, Skills to Advance, the Skills Audit Tool used by the ETBs and RSF managers, and possibly new initiatives such as the SFA / Skillnet productivity initiative and the collaborative Skills to Advance management initiative by SOLAS, ETBs, IDA, EI, and the RSF: either scale up these initiatives, where appropriate, or develop new, lighter-touch, approaches that can reach substantially more SMEs.

**[LEOs, Skillnet, SOLAS, ETBs, ISME, SFA, HEA ...]**

### **Potential Indicator**

The number of individuals who completed an SME Management Training course in the year. This could be further broken down by types and lengths of courses.

Source: Annual survey of SME Management Training Providers, conducted by third party managed by the Implementation Group Secretariat

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## 4 Put a Focus on Best Practice and Key Areas

### (a) Emphasise Best Practice

- The Step-by-Step pathway should not only support managers at the initial stages of their management development but will lead SMEs explicitly to the adoption of best practice approaches. In this context, more formal approaches to management development and strategising have been found to be more effective, and this will be highlighted via the communication strategy and within the Assessment Tool.
- Identify research that assesses and clarifies the links between best practice approaches and firm performance – productivity, resilience and growth. Evidence presented in this report suggests that formal strategising and external, formal training are more effective than informal approaches.

[Academia, DETE, DFHERIS, Skillnet, SOLAS, HEA, EI, business organisations, private providers]

#### Potential Indicators

- Has research been undertaken or collated to identify links between best practice SME Management Development approaches and firm performance? (Y/N)
- Has an annual Best Practice roundtable/event been held involving researchers/SME Managers/Representative Bodies/State Actors? (Y/N)
- Have the surveys been used to identify how firms measure the impact of SME Management Training? (Y/N) and have these indicators been included in later surveys? (Y/N)

Source: Implementation Group Secretariat

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### (b) Emphasise Essential Mindsets

- Demonstrate the benefits of adopting formal approaches to strategising and management development. Encourage peer-to-peer learning – via networks and clusters – from managers who have completed training courses and adopted best practice approaches. Ensure to include frequent case-study examples in the communication strategy, outlined above.
- Encourage managers to widen their learning networks via available networks and clusters. The Communications Strategy should ensure an emphasis on essential mindsets, best practice approaches and tackling the areas of weakness identified in this report.

[LEOs, Skillnet, SOLAS, RSF managers, business organisations, relevant business networks ...]

#### Potential Indicator

- The percentage of SME Management Training courses that include substantial peer-to-peer learning.

Source: Annual survey of SME Management Training Providers, conducted by third party managed by the Implementation Group Secretariat

- The percentage of SME Managers who are substantively and actively involved in networks or clusters.

Source: Annual survey of SME Managers, conducted by CSO or third party managed by the Implementation Group Secretariat.

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## **(c) Remedy identified weaknesses**

- Identify barriers to adoption of good practice particularly in areas identified as weaknesses in this study, in particular, the following:
  - Formal strategising
  - Talent Management, Developing Management Teams
  - Innovation Management
  - Using Available Data to Improve Productivity, Data-Driven Decision-Making, following through on KPIs
  - Digitalisation and Financial Skills.
  - Collecting and Using data from external sources (customers, suppliers, etc.)
  - Ensure the Skills Assessment Tool focusses on these areas.

[EI, SOLAS, Skillnet, RSFs, academics]

### **Potential Indicator**

The number of individuals who completed an SME Management Training courses in each of the listed areas in the year. This could be further broken down by types and lengths of courses.

Source:: Annual survey of SME Management Training Providers, conducted by third party managed by the Implementation Group Secretariat

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## **5 Ensure Adequate Funding**

### **(a) Identify channels through which additional funding can be accessed.**

- This must be aligned with the evidence presented in the report in relation to scaling the offer, providing increasing face-to-face support, and so on. Engage at the appropriate level to identify potential funding through the European Union, the National Training Fund and non-State sources, etc.
- Relevant Steering Group members should work with the NTF Advisory Group and National Skills Council to identify potential channels for additional funding to underpin the scaling of management development.
- The Implementation Group as a whole should seek to identify sources of European funding where they align with the goals of this project.

[Business representative organisations and other relevant Steering Group members]

### **Potential Indicator**

The number of potential funding channels identified and the number of successful applications for funding in the year.

Source: Implementation Group Members

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### **(b) Leverage successful initiatives like SpringBoard+, Skills to Advance, the Human Capital Initiative, and Skillnet.**

- Relevant Steering group members should encourage HEIs, Technological Universities, IoTs and others to make SME Management Skills applications for competitive funding programmes such

as SpringBoard+ and any future iteration of the Human Capital Initiative and assist them to refine their applications. Additionally, seek to establish a management development Skillnet, as indicated above.

**[Business representative organisations and other relevant Steering Group members]**

#### **Potential Indicator**

**The amount of funding secured in the year.**

Source: Implementation Group Members

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## **6 Measure Impacts**

### **(a) Collect and share data**

- Ensure that existing data, knowledge and intelligence relating to skills assessment and management development – including success stories and peer learning – are collected and shared to the extent possible, to allow a shared view of activities and progress, successes and failures, to emerge.
- The focus should be inter-institutional learning and continuous improvement of the management development offer to SMEs.
- Measure progress and impacts, ideally via an annual survey, to be discussed with the CSO, and / or in conjunction with the EU Commission, to identify management skills, practices and needs, to assess progress over time, and to correlate with data on productivity, growth, etc.

**[Skillnet, SOLAS, HEA, EI, LEOs, RSF managers, CSO, private providers ...]**

#### **Potential Indicator**

**Annual surveys of SME Management Training Providers and SME Managers have been conducted**

Source: Implementation Group Secretariat

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### **(b) Assess effectiveness**

- Identify ways to assess the effectiveness and efficiency of the combined management development training and supports in Ireland. Focus on areas like synergies, cooperation and knowledge sharing, and on the customer (SME manager) experience, rather than on evaluating individual organisations, projects or bodies.
- Monitor and participate in ongoing research into the area of management development, both in Ireland and internationally.

**[Academia, DETE, DFHERIS, Steering group members, SOLAS ...]**

#### **Potential Indicator**

**New ways to assess the effectiveness and efficiency of the combined management development training and supports in Ireland have been developed or enhanced (Y/N)**

Source: Academia via Implementation Group Secretariat

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