

# **Management Development from the Perspective of Small Firm Owner- Managers**

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**Acknowledgements: Findings from study commissioned by  
Ministry of Economic Development (Battisti, et al 2009)**



# Presentation

- **Introduction**
- **Relevant Literature and Previous Evidence**
- **BusinessSMEasure Survey 2009**
- **Selected Business Demographics**
- **Perspectives on Management Development**
- **Drivers of Management Development in SMEs**
- **Conclusions and Implications**

# Introduction

**Context: in New Zealand relatively high entrepreneurial start-up rates, but comparatively low proportionate numbers of high growth firms (NZ Treasury, 2008; MED, 2009).**

**Theoretically, one potential cause could be seen as resource-based; more specifically a lack of management development capability in SMEs<sup>1</sup> (NZ Treasury, 2008).**

**Hence, specific interest in NZ in the notion of SME management capability and how to improve it (Massey, et al, 2005; MED, 2009).**

1. Note the Centre has adopted the following definitions:  
Micro < 0 -5; Small 6 – 49; Medium 50 – 99 employees



# Relevant Literature and Previous Evidence

**SME owner-managers lack managerial knowledge and skills (Jayne, 2007; Redmond & Walker, 2008).**

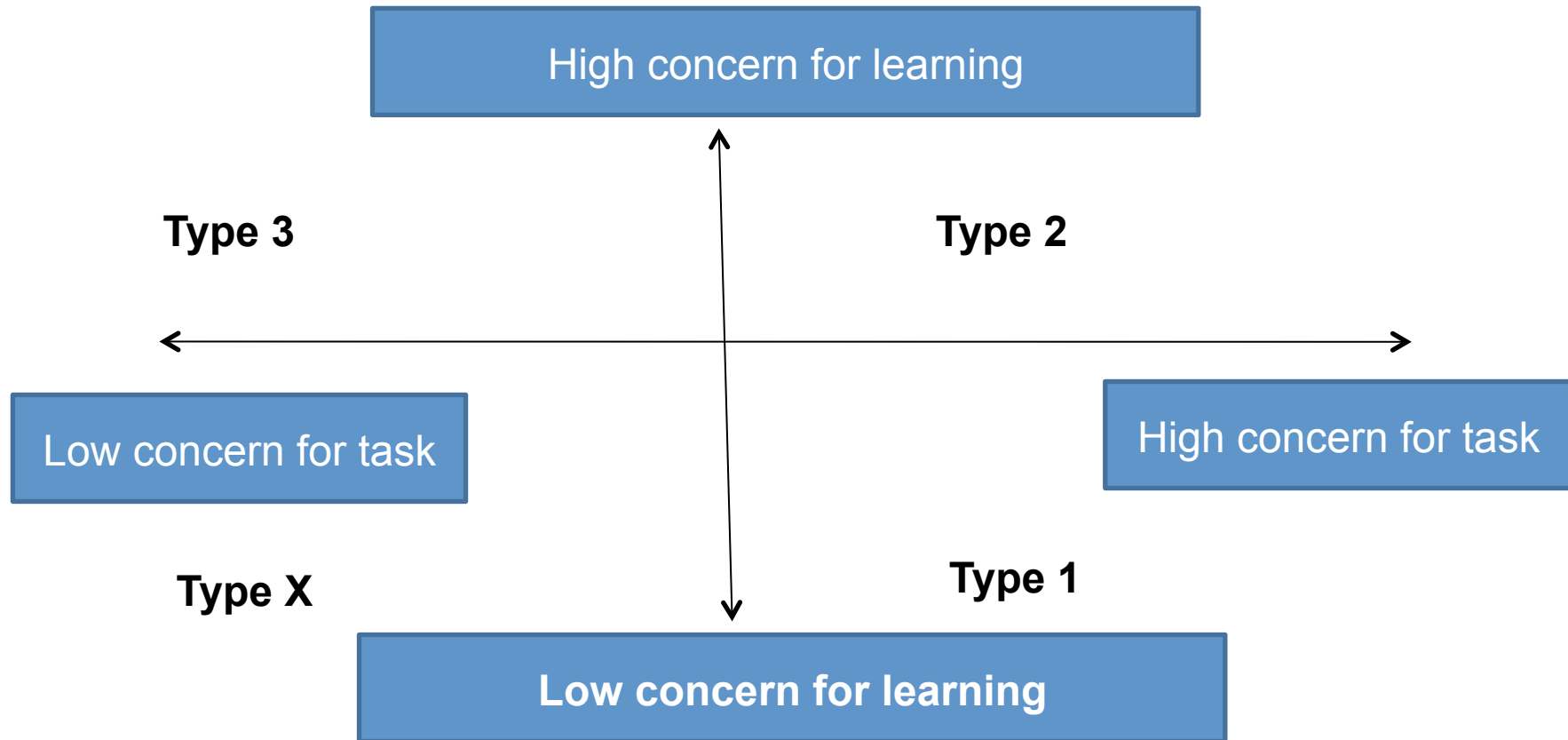
**Take up of formal management training is known to be lower in SME managers than those from larger firms (Kitching & Blackburn, 2002; Gray, 2004)**

**Financial and opportunity costs of formal training is high for owner-managers from SMEs (Fuller-Love, 2006).**

**Informal learning models more appropriate for SMEs (Coetzer, et al 2009)**

**Limited research internationally that contributes to a more contextual understanding of SME management development, especially in NZ**

# Theoretical Typology for SME Owner-Managers



Source: Mumford & Gold (2004, p 117) adapted by Coetzer, et al 2009

# **Adapted Typology**

**SME owner-managers characterised by experiential types of learning**

**Experience can influence orientation to learning and concern for task**

**SME owner-managers may attend structured formal training but find it difficult to apply—this may lead to Type X orientation**

**Previous qualitative study indicated Type 1 preference by SME owner-managers (Battisti, et al 2009)**

# **Study and Research Objectives**

**Ministry of Economic Development commissioned NZSMERC to assess sources of management capability and development in SMEs, utilising Centre's annual survey of SMEs, the BusinessSMEasure.**

**Builds upon earlier (2008) qualitative study undertaken by the Centre with growth-orientated SMEs (Battisti, et al, 2009)**

## **Research objectives:**

- to understand how SME owner-managers assess their development needs and how they meet these needs**
- to assess the extent to which SME owner-managers have participated in management development**
- to assess the perceived impact of management development on their business**

# BUSINESS **S m E** ASURE™ 2009

Stratified sampling frame	4,165
<b>Usable respondents</b>	<b>1,447</b>
<b>Response rate</b>	<b>35%</b>

## **Firm Size by employees (FTEs)**

Micro (0-5)	768	58%
Small (6-49)	534	40%
Medium (50 – 99)	26	2.0%
<b>Total</b>	<b>1328</b>	<b>100%</b>



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# Selected Business Demographics

## Sector

Services	496	39%
Manuf.	263	20%
Other sectors	527	41%
<b>Total</b>	<b>1286</b>	<b>100%</b>

## Gender

Male	1097	78%
Female	307	22%
<b>Total</b>	<b>1404</b>	<b>100%</b>

## Location<sup>1</sup>

Main urban	977	69.7%
Satellite urban	61	4.4%
Independent urban (rural)	302	21.6%
Rural	61	4.4%
<b>Total</b>	<b>1401</b>	<b>100%</b>

1. Definitions as per Statistics New Zealand categories

# Selected Business Demographics

## Age of the Firm (yrs)

5 or less	48	4%
6-10	162	13%
11-20	420	34%
21 plus	604	49%
<b>Total</b>	<b>1234</b>	<b>100%</b>

## Age of owners

30 & younger	5	<1%
31-40	90	7%
41-50	360	26%
51-60	553	40%
61-70	323	23%
71 & older	53	4%
<b>Totals</b>	<b>1384</b>	<b>100</b>

# Firm Performance in Innovation and Exporting

Innovation in:	No of Firms	Per cent
New products or services	405	30%
Operational processes	378	28%
Organisational processes	447	33%
Sales or marketing	578	42%
At least one innovative activity	846	61%
Exporters: by percent of turnover		
1% to 10%	149	11%
11% to 25%	35	3%
26% to 50%	24	2%
51% to 75%	14	1%
More than 75%	30	2%

# SME Strategies

## Reported main source of competitive advantage

Main source of competitive advantage	Per cent of firms
Established customer relationships	36
Product/service quality	26
Product/service uniqueness	17
Price	9
None – no specific advantage	5
Location	4
Speed of response	3

# Developing Managerial Capability

Developing managerial capability is a key factor in my firm for:	Agree <sup>1</sup>	Neither	Disagree
survival	79%	17%	4%
growth	83%	15%	2%
performance	86%	13%	2%
solving problems	84%	14%	2%
implementing business strategy	83%	16%	2%
responding to market demands	82%	16%	2%
developing competitive advantage	81%	17%	2%
competing in business awards	24%	60%	16%
personal development	74%	23%	3%

1. Note: Likert scale from strongly agree to strongly disagree

# Sources for Identifying Development Needs

Source	Agree <sup>1</sup>
Getting feedback from my peers	69%
Getting feedback from my employees	66%
Looking for gaps between current capability & business needs	75%
Encountering business problems that highlight lack of capability	69%
Conducting a formal self-appraisal	52%
Getting advice from accountant or bank manager	64%
Getting advice from a business mentor or coach	44%
Joining a group of business owners discussing current issues	36%
Getting advice from CoCs, EDAs or industry associations	32%
Studying brochures on mgt training courses	26%

1. Note: Likert scale from strongly agree to strongly disagree

## Importance of Sources for Developing Managerial Capability

Activity	Importance (%)
1. Reviewing what I did and thinking about how to do it better	81
2. Carrying out everyday managerial activities	78
3. Discovering what does and doesn't work	74
4. Learning from suppliers & customers	61
5. Getting advice from accountant and/or bank manager	58
6. Learning from other people running a business	56
7. Reading (books, journals, internet)	53
8. Attending occasional off-site training courses	40
9. Getting information from business events	35
10. Being mentored or coached	29
11. Learning from family and/or friends	27
12. Getting information from government agencies	26
13. Joining a group of business owners discussing current issues	23
14. Getting information from CoCs, EDAs or industry associations	22
15. Studying university/polytechnic courses	14

# Further Analysis<sup>1</sup>

**Factor analysis was undertaken and three 'clusters' of factors found to be important:**

**1. Incidental learning (from practice-based sources)**

**Activities: 1, 2 & 3**

**2. Informal learning (from proximate sources)**

**Activities: 4, 5, 6 & 11**

**3. Formal learning (from distal sources)**

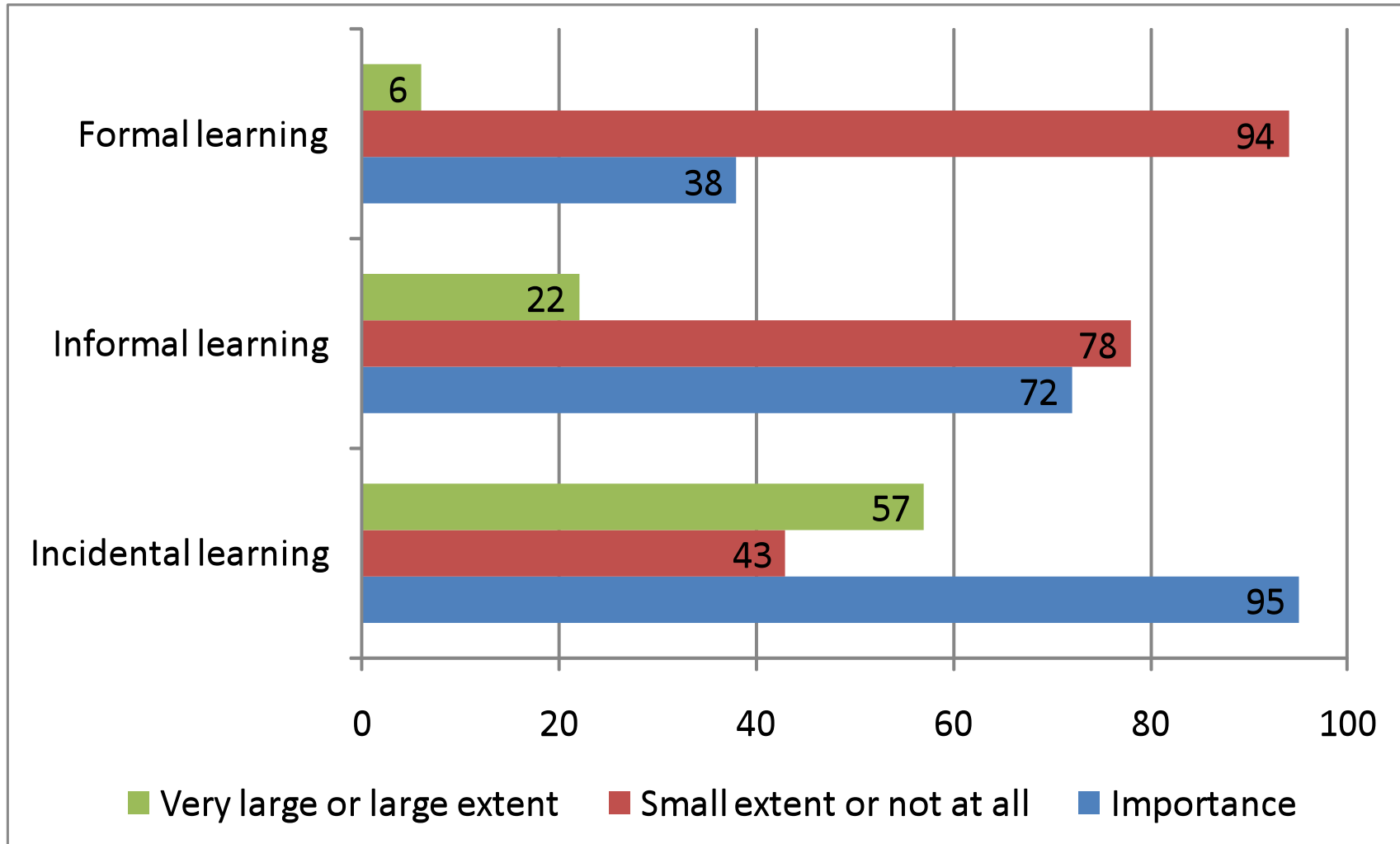
**Activities: 7 to 10, 12 to 15**

**1. Discriminatory factor analysis**



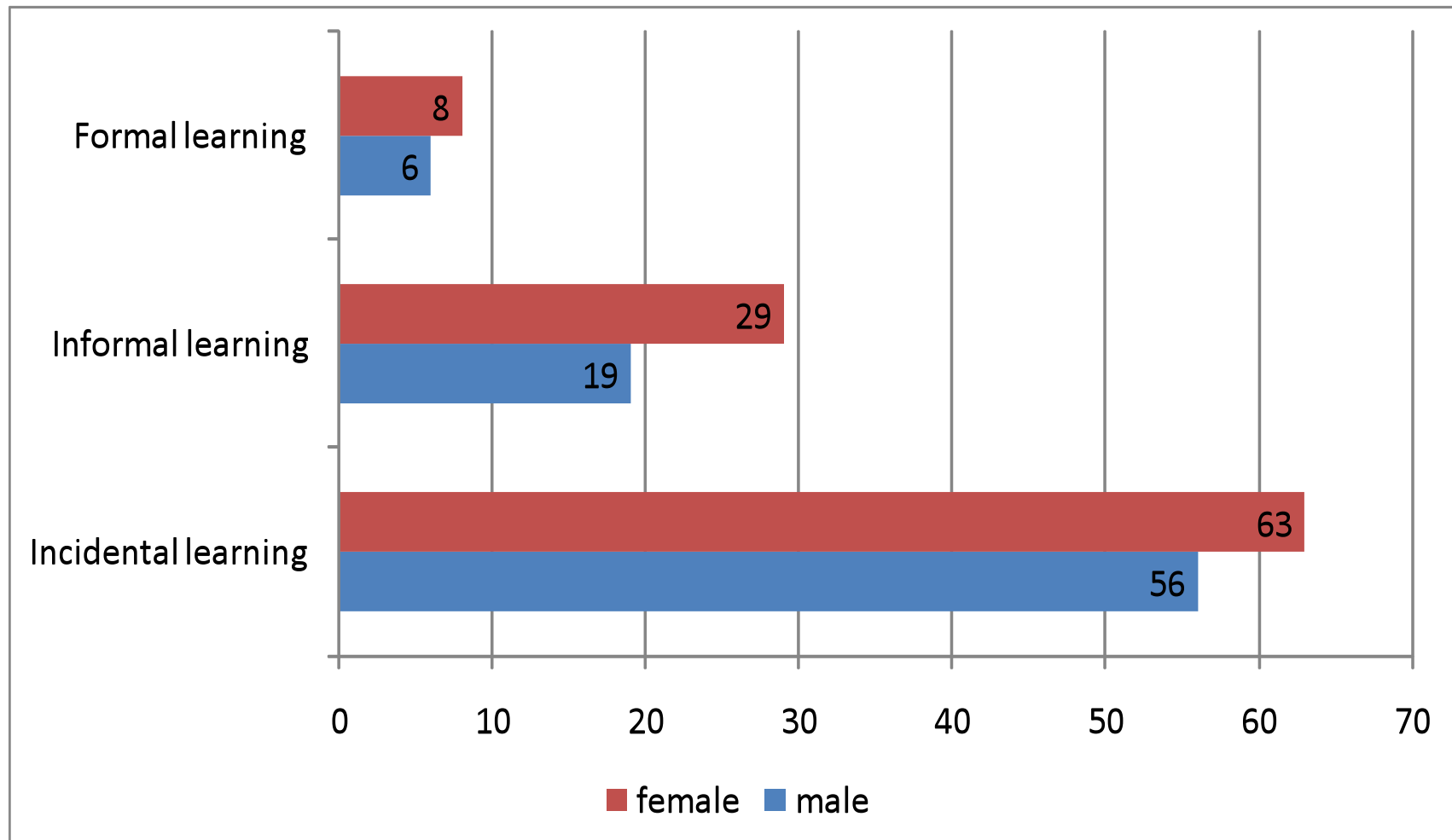
# Importance of Clusters of Sources

Percent



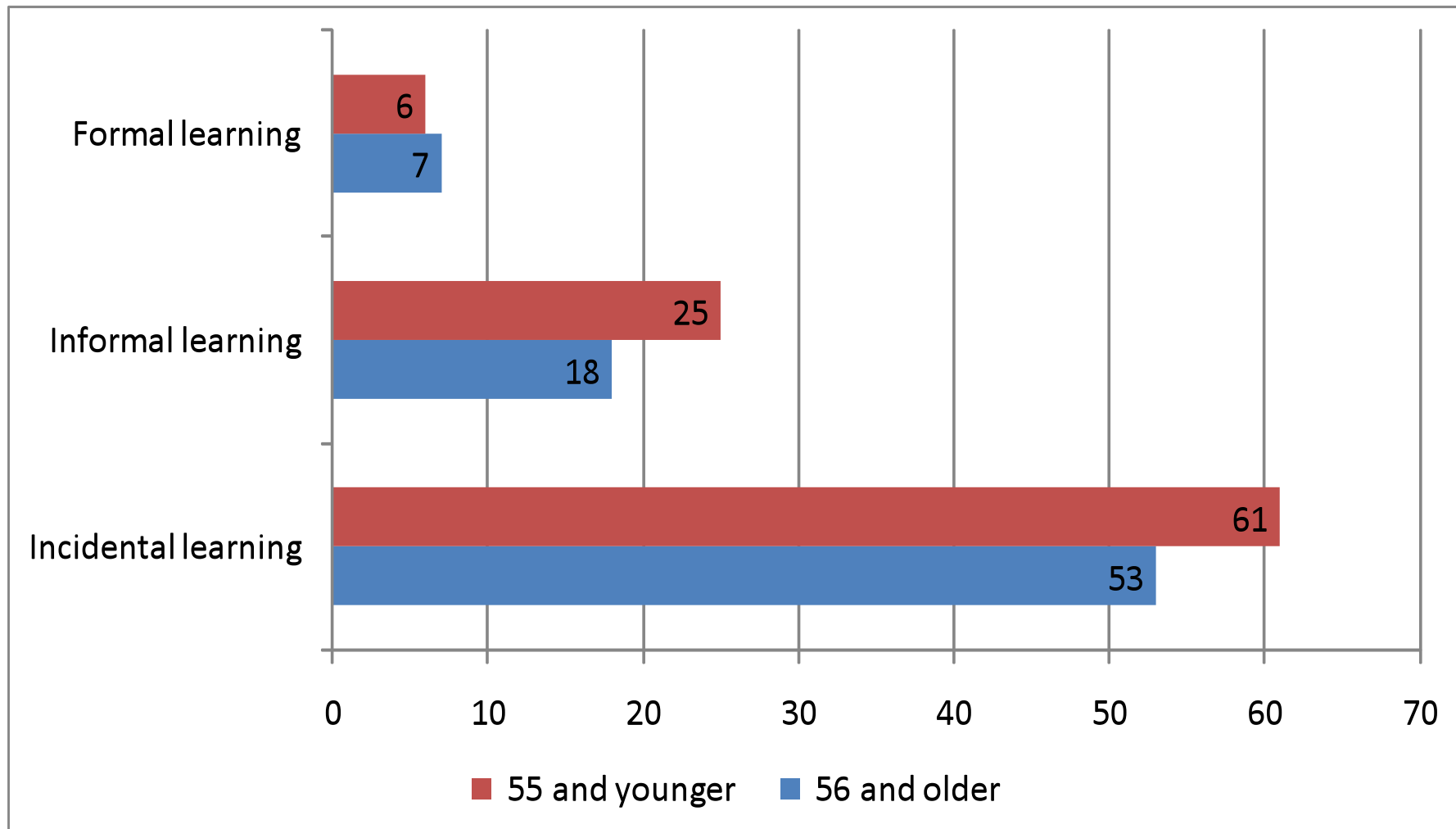
# Drivers of Management Development

Participation by gender (percent)



# Drivers of Management Development

Participation by age (percent)



# **Learning Orientation and Belief in Self-improvement**

**Respondents with a positive belief in self-improvement were more likely to engage in any type of management development**

**Respondents with a positive orientation towards learning are more likely to engage in any type of management development**

**Hence, more likely to be associated with Type 2 orientation in our earlier typology**

## **Other Drivers**

**Significant relationship between firm size and engagement with incidental learning (at 0.05% level)**

**For example:**

**Micro firms – 53% of respondents engage in incidental learning**

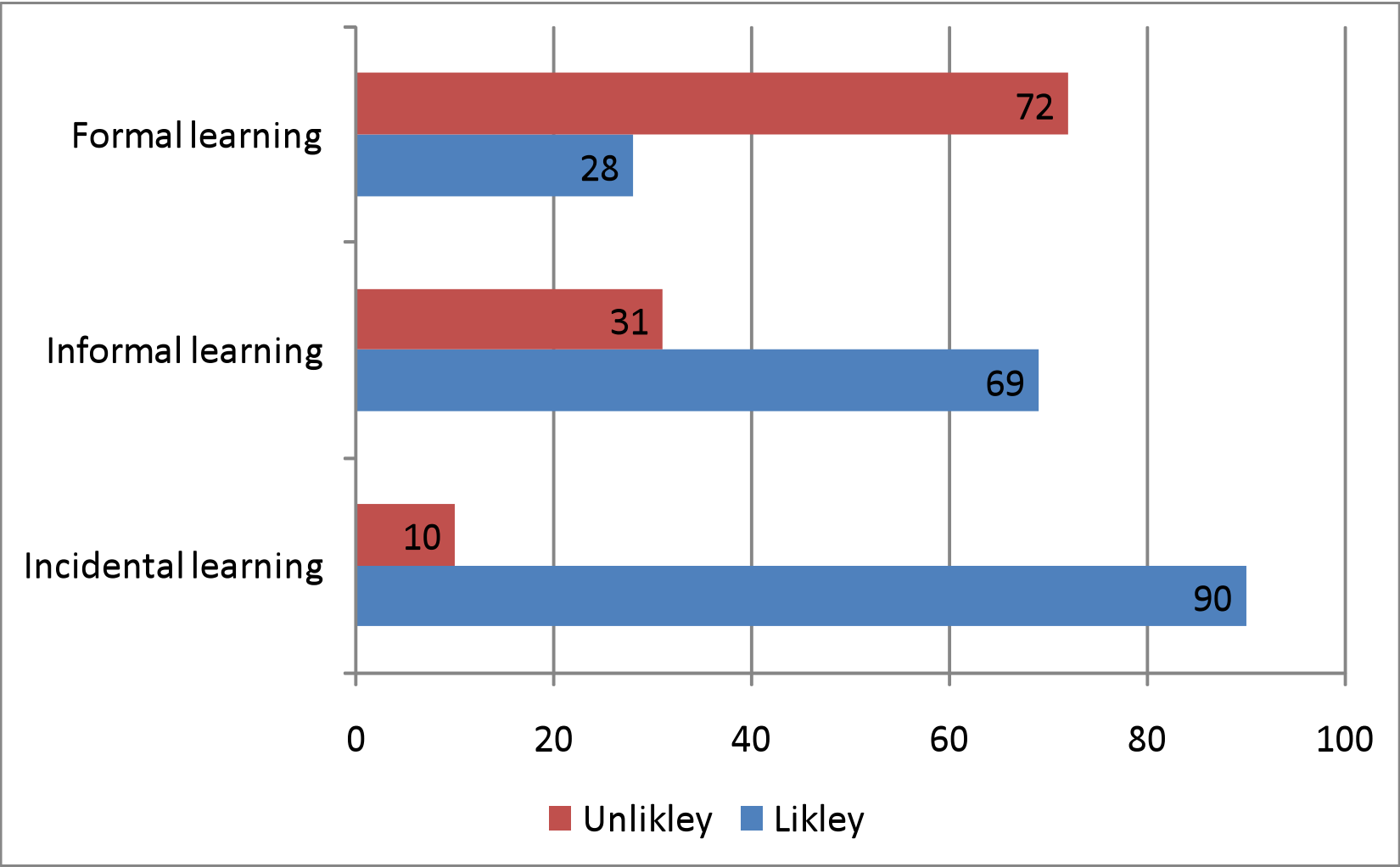
**Small firms – 62% of respondents engage in incidental learning**

**Significant relationship between innovative activity and management development:**

**- firms with at least one type of innovative activity were more likely to participate in all three types of learning**

# Future Intentions

Percent



# **Conclusions and Implications**

**Although SME owner-managers are disconnected from formal training & learning programmes, they are not disconnected from other forms of learning and management development**

**Importance of incidental learning in SMEs from practice-based sources, followed by informal learning from proximal sources**

**Low levels of engagement with formal management development practices**

**Low participation in business groups, despite reported benefits from interaction with other business**

# **Conclusions and Implications**

**Important drivers of management learning and development were associated with the characteristics of owner-managers including: gender, age and psychological constructs such as the degree of belief in self-improvement and learning orientation. Hence Type 2 orientation more likely to engage in management development**

**Need to make management development programmes relevant to reality of owner-manager learning in SMEs, this may mean a refocusing of programmes**

**Policy implications: --need for informal learning programmes building on preferred styles and learning orientation in SMEs**

**Role for expanded mentoring programmes---perhaps alongside more formal management training**