

leadership for INNOVATION

releasing business value for competitiveness and growth



Avril Macleod
commissioned by Business Link
on behalf of SEEDA



Foreword – by David Clutterbuck

One of the many conundrums for leaders, particularly for those in small businesses, is that innovation and risk are virtually inseparable. Without constant innovation, a business may be overtaken rapidly by more nimble competitors – and the pace at which this leapfrogging takes place appears to be increasing. It doesn't take long for someone else to copy and improve upon your good idea. Yet innovation demands vital resources – not just investment in people, equipment and licences, but also in the time and attentiveness of the business leaders.

Managing the balance between continuing to do what you do well and making the changes that will keep you ahead of the market is exceedingly difficult, especially when the cost of failure may be the future of the business. Leaders need three key resources to keep on top of this balance:

- the space to step back, reflect and refocus
- trusted peers who they can rely on to challenge their cosy assumptions, to help them shift perspective and, where appropriate, to raise their sights, so they recognise opportunities and dangers that might not have been obvious in the day to day running of the business
- and the focused energy to drive change against the natural inertia that all businesses exert.

The case studies in this report provide numerous examples of all three of these resources. Sometimes reflective time has been forced on the business leader by personal circumstances; sometimes it is a collective decision of the leadership team to create clear thinking time. However it happens, clear thinking and decision-making demands reflection.

The challenging role played by the SEEDA funded Leadership Specialist Advisers has been important both in raising the quality of thinking and decision-making about innovation. Many of the leaders have also accessed other sources of challenge and perspective shifting, such as coaching and participation in action learning groups.

Focused energy is the one characteristic provided entirely by the small business leaders themselves. Even here, however, the presence of structured, credible advice and help in thinking complex issues through has clearly been influential in giving leaders the clarity of vision and the confidence necessary to implement sometimes drastic change and to see it through.

Overall, the case studies demonstrate the value of a targeted, light-touch approach to supporting small businesses. In times of economic hardship, it is all too easy for businesses to hunker down and postpone innovation. Yet history teaches us that those businesses which innovate in hard times are the next generation of businesses to thrive. I commend this publication to all those responsible for helping small businesses to grow, and to business leaders, who may be inspired by the examples given.

David Clutterbuck

Visiting Professor at Sheffield Hallam University and Oxford Brookes University; he is also the Managing Director of Clutterbuck Associates.

Introduction by Christina Hartshorn

Innovation is important; especially now. A number of critical challenges are being faced in the UK and across the world; the economic downturn, globalisation, the technological and knowledge revolutions, cultural convergence and climate change are all issues that need to be addressed. These changes mean that innovation is not just desirable but essential to survive in an increasingly competitive world.

The challenge for the South East of England is to maintain its competitiveness in the face of intensifying international competition. Innovation is key to economic growth and development, critical to business performance and productivity gain and is the catalyst and fuel that drives productivity, growth and wealth creation. In this publication we show how leadership support has helped businesses become more innovative.

The South East England Development Agency's (SEEDA) favoured view of the knowledge economy - the global milieu of the 21st century - is 'the capacity and capability to create and innovate new ideas, thoughts, processes and products, and to translate these into economic value and wealth'¹. This tenet has been central to successive regional economic strategies.

Innovation is defined as: 'the successful exploitation of new ideas'. This implies not just the invention of a new idea, but it being 'brought to market', used, put into practice or exploited in some way. It can lead to new products, processes, systems, attitudes or services that improve something or add value².

Inventive leadership and management skills are crucial in ensuring that business owners embed innovation as a core business activity. These become more important as the South East increasingly has to compete on the basis of knowledge advantage.

So when business owners or managers lack the confidence or know-how to innovate - to develop new products, services, markets, systems - and to keep innovation at the strategic core of their business, the economy as a whole can be held back. Research shows that half the variance in business performance can be accounted for by leadership; 15% directly influenced by leadership and 35% through the leaders' choice of business strategy³.

In 2006, SEEDA began to pilot new support mechanisms that ensured business owners, entrepreneurs and managers could access the leadership and management skills they needed in order to innovate and thus grow successful businesses. **Leadership for Global Competitiveness (LGC)** was an initiative that brought together all relevant economic partners in the region; business owners and managers, academics, publicly funded business advisers and independent leadership and management development providers. Support, guidance, coaching and many other types of assistance helped business leaders and managers create innovation-led value in their companies.

Universities and colleges, private sector providers and public business advisers had all worked individually for many years with businesses. The concept behind LGC was to get them to work together using international good practice to increase their effectiveness in supporting business owners and managers.

There were three strands to the LGC initiative which ran from October 2006 to March 2009:

- Leadership Advisory Service, with a dedicated team of Leadership Specialist Advisers (LSAs) who built on the work of other advisers, including Business Link
- Leadership Web Portal, providing advisers with access to current research and e-learning support

1. Huggins, R, 2001, Global Index of Regional Knowledge Economies: Benchmarking South East England. Final Report for SEEDA
2. The Innovation Unit, What is Innovation? <http://www.innovation-unit.co.uk/about-us/what-is-innovation/what-is-innovation.html> accessed 11/08/2009
3. Bowman and Helfat cited in Isaksen S and Tidd J, 2006, Meeting the Innovation Challenge: Leadership for Transformation and Growth, Wiley

- Leadership Academy, promoting collaborations between providers, academics and advisers in the region to develop and share knowledge of leadership for innovation.

Preliminary evaluation suggests LGC has been extremely successful; businesses increased or safeguarded their turnover and productivity, with most companies considering that the changes made as a consequence of their participation in LGC will be long term with sustainable benefits.

The success of this initiative was due to the many collaborations that happened over three years. Businesses increased turnover and profit, academics and private development companies created new knowledge about the links between leadership and innovation and shared that knowledge as a community of practice through workshops and a quarterly newsletter. All the partners agreed that case studies about the journeys undertaken by businesses engaged in the initiative would take the learning to a wider audience. This publication aims to share that learning, with input from the businesses sharing their stories and journeys and the practitioners, advisers and academics sharing their commentaries. Its purpose is to help business support organisations, universities, leadership practitioners and policy makers engage more effectively with business owners, entrepreneurs and managers in the challenge of releasing innovation-led value from businesses.

Each case is designed to demonstrate the interdependence of quality leadership and innovation. They provide examples that show in depth the range of leadership interventions that work for business leaders. This will give insight to both business intermediaries and those studying small business strategy and practice. In addition, we hope that this publication will provide a valuable resource to inform policy and help develop quality leadership support and learning interventions.

It is inspiring to see how small and medium enterprises in the South East region are responding to the recession. The case studies we have developed show the pivotal relationship between leadership development and innovation and the impact of this on the owners and managers, the customers and the productivity of the business.

Christina Hartshorn

Head of Leadership and Entrepreneurship
South East England Development Agency

Acknowledgements

The production of this publication has been a collaborative venture, with many people contributing to its development. I would sincerely like to thank the business managers and leaders who allowed me into their businesses to talk with them and their people in order to develop the case studies.

I would also like to thank the Leadership Specialist Advisers who recommended these innovative businesses as subjects and who contributed towards the individual studies themselves. Additional thanks are offered to all the advisers and intermediaries who read and commented on individual case studies.

I particularly wish to acknowledge the contribution of Yiannis Gabriel, for his encouragement, ideas and suggestions on the structure and format of the publication at the start, and all the other academics who, through their commentaries, have made such a critical contribution to the publication. Genevieve Liveley, from Bristol University, read all of the case studies and gave me valuable critical feedback on both

their content and composition, for which I am also very grateful.

Janet Robbins, Regional Manager for Leadership and Management from the South East Business Links, provided management, support and guidance to ensure that this publication was planned, written and structured according to the brief from SEEDA, and that it was written to meet the needs of the target audience.

It is most important to acknowledge the role that SEEDA has had in instigating, commissioning and supporting the development of both this publication and the overall programme which enabled these businesses to receive such guidance. Without the commitment from SEEDA and the support from Christina Hartshorn in particular, this publication would not have been possible.

Avril Macleod
Publication author

Leadership for Innovation

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Chapter 1: Background

Introduction

Investment in the development of leadership capability is considered to be a critical factor in improving innovation, productivity and business success. This publication was commissioned by SEEDA to investigate and, where possible, provide a demonstrable link between leadership development, effective leadership, a company's ability to innovate and a positive impact on the business, its people, the customers, and the economy.

The case studies in this publication were developed from the 470 organisations in the South East that benefited from the support, advice and development provided by the Leadership Specialist Advisers (LSAs). The LSAs formed one strand of the Leadership for Global Competitiveness (LGC) initiative; the other strands were the Leadership Web Portal, and the Leadership Academy.

The LSAs provided up to 4 days of fully funded advice and assistance to business owners, leaders, and managers to support the development of their vision and skills, enabling them to become more innovative and entrepreneurial, and to improve their company's capacity and capability to innovate. The LSAs:

- diagnosed the leadership needs for the organisation;
- provided information, advice, feedback, coaching, mentoring and training to leaders within the organisation;
- recommended various solutions and suppliers for further leadership support and development;
- sourced funding if appropriate (a £1,000 maximum grant was available to some of the businesses for further support, development or training).

Leadership interventions

The case studies describe examples of a range of leadership development interventions that were accessed by the business leaders. The type of advice and assistance provided by the LSA

was based on an initial diagnosis of their specific need; LSAs used a variety of tools to diagnose needs, engage their clients and to inform advice, support, and subsequent development provision and recommendations*.

Some of the businesses cited in the case studies were able to access a grant to help them to pay for further leadership development. Others were already involved in and funding leadership development activities or went on to access and fund these, based on the identification of their needs. The most widely valued leadership development interventions that leaders and managers reported using before and after the LSA support were action learning, coaching, and formal training. *

Innovation

'Innovation is the successful exploitation of new ideas' - this definition is from the former Department for Trade and Industry (DTI). Innovation in business is more than the development of new and innovative products; it is the successful exploitation of ideas that are new to the business, resulting in tangible benefits to the business, the people who work there, the customers or the community. The goal of innovation is positive change, to make something or someone better as a consequence, and may relate to products or services, or the way that they are made, promoted or delivered to customers.

Simon Derry, Project Leaders International, ¹, said 'Innovation is rarely one big idea - the most innovative companies are those who make real gains and progress through small incremental changes to products, services and processes. The ideas and innovations are managed and coordinated and planned for. Control of ideas and innovations is crucial - that is what innovative companies do'.

In researching and developing these case studies, this definition and understanding of innovation has been used to determine the innovations that have occurred within the businesses as a consequence of a leadership development intervention.

* See the Glossary at the end of this publication for a detailed description of the variety of diagnostic tools, concepts and leadership interventions described in the case studies.

¹. Derry 2008, Holding us Back,

Some of the businesses featured in the case studies were already highly innovative in their products; the LSA intervention would help them to become innovative in other important areas of the business. The case studies demonstrate a range and combination of both incremental and radical changes in all areas of the business, including:

- product innovation - new or improved products or product components
- service innovation - a new or improved service
- process innovation - significant changes to the way that goods or services are produced or provided
- marketing innovation – the opening or exploitation of new markets
- management innovation – strategic or operational changes to the organisation of business or its functions.

Impact performance measures

For an innovation to be successful, it is important that a business should be able to demonstrate a measurable impact or benefit from its implementation.

Where businesses demonstrate diverse examples of innovation, traditional product-centric performance measures – sales or profitability impacts or patent outputs – are too narrow or inappropriate to use.

In order to identify and quantify the impact of the diverse innovations made within our case study businesses, the proposed innovation performance measures from the NESTA working paper, ². were used as a guide. These helped to ensure that appropriate performance measures were used to gauge the full impact of innovation on the business, the people who work there, the customers or the economy.

Case study selection

In selecting the case studies for this publication, we were initially guided by our innovation criteria and the company profiles as recommended by the LSAs; a number of businesses were then contacted, with the intention of providing case studies that were:

- a representative sample of the range of sectors, size and type of businesses, and from all locations, in the South East;
- a range of innovation types and leadership development interventions, demonstrating a tangible and measurable outcome from their innovations.

The effects of the economic downturn began to manifest themselves just as the case studies were being researched and developed in late November 2008. Although not a central theme of this publication, the effects of the economic downturn and the subsequent recession on businesses who are the subject of these case studies have been impossible to ignore. Where the adverse economic climate has been significant to the background or development of the business and its leadership, it has been included in the case study.

2. NESTA (2008) Innovation Index Working Paper - Proposal for Measures of Firm-Level Innovation Performance in 12 sectors of UK Industry

Chapter 2: Using this publication

User guide

All of these case studies describe how businesses have benefited from the innovation inspired by the support and advice of an LSA and from a number of different types of leadership development intervention. They are written in a similar format, providing information on:

- the business and its background; its type, size, turnover, and a summary of the issues and challenges in the leadership and the business prior to the LSA and leadership development intervention;
- details of the leadership development advice and support provided by the LSA and any subsequent leadership development intervention;
- a summary of the innovation that has occurred in the business since the leadership development intervention and the impact on the business, its people, the customers, and the community;
- plans for further change and improvements in the future.

Each of the case studies is followed by three short commentaries that are intended to give the reader a range of different perspectives. The commentaries provide perspectives on each case study from:

- a director or manager within the business, on how the leadership development and innovation have changed things for them and the business;
- an intermediary (a leadership or business adviser or a provider), on their view of the leadership intervention and how it has impacted on the leaders and the business;
- an academic or a leadership expert, providing an analysis of the main themes, issues and concerns that it portrays.

These commentaries analyse and engage with the case study data and provide a valuable resource to inform the reader.

In thinking on, a number of questions have been included at the end of each case study. This invites the reader to reflect on what is happening within the organisation: what went well and not so well; how they would have acted in similar circumstances; and how things might progress in the future.

Each case study concludes with a bibliographical section – Reading on – that provides sources of reference material and publications that could further inform the reader.

The case study matrix

The matrix overleaf provides a summary of the case studies to help guide the reader in their selection.

Business Name	Business Size/Sector/Type	LSA/Leadership Development Intervention	Innovation	Impact Measures Achieved	Academic Commentary
Triometric Surrey Page 11	17 Technology: Software monitoring	TNA Belbin Workshops Grant Leadership development programme	Product Service Process	Improved: productivity, profitability, sales, skills, capacity Increased: product licences, market niches, new customers, motivation and loyalty	Greg Young
BAC Care Ltd Kent Page 15	60+ Social Care: Community care and home help provider	Referral to management consultant Pacer diagnosis Consultancy/mentoring	Process Marketing	Improved: turnover, skills, capacity, client satisfaction Increased: client hours sold, motivation, loyalty	Sarah Robinson
Network and Cabling Solutions Kent Page 19	35 Electrical: Data cable and network installation	Underlying Beliefs test Mentoring Workshops Action learning	Service Process Marketing	Improved: quote to order rate, skills, service Increased: savings, quality of customer interaction	David Gray
Advanced Resource Managers Ltd Hampshire Page 23	122+ Recruitment: Recruitment Consultancy	Impact analysis Grant Leadership development programme	Product Service Process Marketing	Improved: profitability, skills, motivation, attrition rate Increased: market niches	Jill Jameson
Wholesale Hand Tools Kent Page 29	6 +10 Wholesale: Construction tools	Mentoring Grant Diploma programme	Marketing	Improved: morale (temporary) Increased: sales (temporary)	David Sims
Archer Technicoat Ltd Buckinghamshire Page 33	6 Materials technology: Surface coatings	Belbin Mentoring Grant Action Learning	Marketing	Improved: growth, skills, profile/communications with customers, efficiency Increased: staff, customer and sector coverage	Keith Grint

Business Name Page No.	Business Size/Sector/Type	LSA/Leadership Development Intervention	Innovation	Impact Measures Achieved	Academic Commentary
MEP Ltd Kent Page 37	55 Manufacturing: Moulding, machining and fabrications	Leadership development programme Mentoring	Process	Improved: profitability, quality and efficiency, skills Increased: production, cost savings	Yiannis Gabriel
Cambridge Research Systems Ltd Kent Page 42	14 + 6 associates Scientific technology: Vision testing equipment	Belbin Myers Briggs Mentoring Grant IoD development programme	Process Management	Improved: communications, collaborations, objectives, strategic direction, structure and culture Increased: productivity, confidence, service, knowledge base	Shaun Gannon
Stratophase Hampshire Page 47	13 Biochemical technology: Chemical process sensors	Myers Briggs Workshop	Process Management	Improved: communications, strategy, staff satisfaction and retention, relationships with investors / industry, links between technical and sales Increased: confidence, collaborations	Nigel Lockett
Advanced Communication Solutions Ltd Oxfordshire Page 52	12 Scientific technology: Hearing protection and communication devices	Belbin Leadership development programme	Process Marketing Management	Improved: skills, strategy Increased: productivity, confidence, customer interactions, market niches, collaborations	Mark Russell
Inspiration Chartered Architects Berkshire Page 57	5 Small firm of architects	Belbin Myers Briggs Leadership development programme Coaching	Process Marketing Management	Improved: measurement of performance, control, decision making, capacity Increased: enquiries, efficiency	David Clutterbuck

The Business

Triometric is a technology company that specialises in the creation of real user monitoring products for high value Web applications. Based in the Enterprise Centre at the Royal Holloway University in Surrey, with 17 employees, it was established in 1999 and has grown to become a robust and profitable organisation. Their products capture and report on Web application usage, errors and performance as experienced by real users, enabling customers to manage upgrades and implementations, monitor service levels and maximise user satisfaction. Triometric supplies products to a number of Fortune 500 corporations globally, including some of the world's largest enterprises, information providers and online retailers.

The Innovation

Quotes on Triometric's innovations from Matthew Goulden, the M.D.

Product – Triometric Analyzer version 5. 'We were able to incorporate 3 key new features into the revised version of our key product for 2008. We had the idea for these features for some time, but the road map and management structure enabled us to work more effectively, freeing up the time and resource to implement our good ideas'.

Service – Application Upgrade Review and Performance Health Check service. 'We introduced this service (in partnership with AMOSCA) to our customers in April 2008. It enables them to plan and evaluate Web application upgrades by monitoring users and reporting on a wide range of performance, availability and usage metrics'.

Process – the road map for product development. 'The road map enabled us to develop our product within a week of the deadline of a twelve month schedule; we had never achieved this production deadline before'.

The Background

Triometric's Managing Director, Matthew Goulden, describes the start of the company's journey, based on an interview that took place in January 2009.

'I knew that we needed to develop the management structure and capability within the business after I took over sole control of the business from my partner in 2007. The business was good, but was in stasis. I felt we needed a new start with a clean slate and a new focus; clarification of direction and of our culture was vital for us to grow and prosper as a business.

Our employees have always been technically competent, hard working, loyal and able and retention was not a problem for us as a business. They were, however, operating in a business where processes could best be described as 'ad hoc'. This meant that we were all working very hard and still struggled to meet our deadlines. Good ideas remained just that, something that we knew we could and should implement but we did not have the time or resource to do so.

Martin Smith, our Leadership Specialist Adviser, provided an invaluable impartial and professional approach at the initial diagnosis and advice stage and maintained this during the on-going support he provided, linked to our new vision and strategy. Martin stayed with us, got his hands dirty and helped us to stay on track; his involvement ensured that we achieved tangible outcomes from the development activities.

I found the leadership development programme that Martin recommended to be hugely beneficial in my new role as managing director. My key managers have demonstrated improved management capability from their development and have grown into their new roles. My people now have a clear view of the focus and strategy of the business, operate within processes that support their performance and required outputs and know how they contribute to business success'.

The Leadership Specialist Adviser Intervention

Martin Smith started working with Triometric in August 2007; at the initial meeting he undertook a diagnosis of the business and a training needs analysis of the management team. He provided feedback and recommendations for actions and training, which were subsequently implemented by the

company. Martin administered the Belbin team roles diagnosis and facilitated an off-site day and workshops for employees; the leadership workshops and programmes were provided by an external provider and supported by a SEEDA grant.

Recommended and implemented actions included:

- A leadership workshop for the Managing Director
- A leadership workshop for two department managers
- A leadership development programme for the Managing Director
- A Key Managers programme for two department managers
- A facilitated off-site day for all staff, to develop a new vision for the business and gain commitment to it
- Belbin team-roles exercise with all employees
- A facilitated customer service workshop for all employees
- A facilitated time management workshop for all employees
- A facilitated workshop on quality

The Implementation Journey

The development of the leadership skills of the Managing Director and the two key managers led to incremental change that has affected the people, performance and processes within the business. The business developed a focused strategy, with quarterly management review meetings monitoring and reporting on projections, Key performance indicators and objectives. Team meetings were scheduled weekly and every meeting was planned and executed to meet best practice guidelines.

Communications within and between teams improved, partly as a consequence of effective and timely meetings, but also because of improved objectives and targets for the business as a whole and for each team.

A key new process was introduced for product development called the road map; designed to help the product development department in the scheduling of new and updated products. Product development is now on schedule and meeting prescribed deadlines.

Achieving deadlines has now become everyone's responsibility; training has helped all employees to see how the prioritisation of time and resources was an essential part of product development, technical support and sales.

The Impact of Quality Leadership and Innovation

A new staff member who has worked at the company for a year recently commented 'Triometric is unrecognisable from when I first started working here a year ago'.

Matthew Goulden describes the most tangible benefit to the business of improving leadership capability and innovation: '2008 has been our best trading year so far, with productivity up by 40%'.

Other impact measures include:

- Improved profitability from the improved process, products and services provided
- Improved sales
- Increase in the number of product licences
- New market niches entered in Europe
- Increase in the number and value of new customers reached by the new product
- Improved skills within the business
- Increased employee and manager loyalty and motivation
- Improved capacity for the realisation of new possibilities

The Future Plans

The future for Triometric looks positive; orders are good and sales are holding up, despite the recession. They have plans in place to review and consolidate the improvements that have been made over the previous eighteen months within the business. The existing performance

appraisal system will be linked to the road map to become more task orientated, with short to medium term targets measured quarterly. It is likely that the business will move to new and larger premises in 2009, as they have outgrown their current space. Triometric are currently working with an external consultant from Forrester Research in a market analysis exercise to help them to identify new opportunities for products and markets. They are also in discussion with Royal Holloway University of London to develop a Knowledge Transfer Partnership.

They also have plans to:

- capture good ideas from within the company with an innovation forum
- consult with customers during the product development process

Commentary from Richard Baker, Development Manager:

'All employees were pleased to participate in the process of developing the vision and strategy for the business; it helped them to feel valued and involved in the future of the business. The workshops have given them new tools to operate more effectively and to help them to keep on track; their self and business awareness have improved. Improved communications and the sharing of knowledge, expertise and ideas have impacted positively on the way we work as a team and the way we work as a business. We now all have a better understanding of the different roles, responsibilities and priorities of each of the teams. My team's critical view of how the product looks and works and its image and relevance to the customer has improved greatly.

Innovation in our business can now be seen as a virtuous circle, where innovations are made possible because Triometric has the management structure, the business processes and the skills in place to enable its people to work effectively'.



Commentary from Martin Smith, Leadership Specialist Adviser:

'Matthew and the team have used the consultancy and training they received to maximum benefit for the business.

From the start of our relationship, their mindset was positive; Matthew and the senior managers were very open to trying new ideas and developing their skills. They were keen to involve the whole team in the development of the business plan, the Belbin profiling exercise and the workshops on time management and customer service. These activities were designed to improve staff involvement and commitment and help develop individual initiative and leadership skills.

Matthew, Andrew and Richard have led the way and provided excellent role models for all of the people within the business. They have all been involved in their own personal development, have sought 360 degree feedback from their teams and used this feedback to help inform their development as leaders'.

Academic commentary from Greg Young

'This is a tale of a business that has found itself and generated success by taking some simple, but profound decisions.

The first key decision involved clarity of leadership through the Managing Director

buying out the partner in 2007. Many businesses suffer from having two generals on the battlefield, either competing with each other or delivering mixed messages. Through the appointment of a single ultimate leader, the employees will know who is in charge and will no longer have to second guess who will win out. The second key decision was to engage an external facilitator to help the business develop a new vision for the future. Importantly, this exercise involved all staff, giving everyone a say in where the business was going and helping them to understand their role in getting it there. An external facilitator levels the playing field and encourages all participants to express their views, generating real innovation with purpose. Consultation and involvement can sometimes be a luxury that is overlooked by a small business. Leaders often believe they have to know all the answers and provide the vision themselves; where this happens, people and the business do not grow.

The third key decision that brought success to this organisation was the understanding by the Managing Director of the need for leadership development that included himself and others on the company. It is the behaviours of the Managing Director that sets the climate in the company, giving rise to the culture, which in turn enables performance. Here the Managing Director is building capability for the future by developing the leadership skills that will allow innovation to flourish'.

Thinking on:

1. What is the mechanism for keeping the vision and vigour in the company fresh, or will it lose its vitality over time?
2. How will Triometric continue to innovate its portfolio of products to meet the rapidly evolving needs of the market?
3. What are the ways that the MD will build a sustainable organisation that is no longer dependent upon him, so that he can exercise an exit strategy when he is ready?

Reading on:

Goleman, D. (2002) *The New Leaders: Transforming the Art of Leadership*.

Gallwey, T. (2002) *The Inner Game of Work: Overcoming Mental Obstacles for Maximum Performance*.

Whitmore, J. (1996) *Coaching for Performance: Growing People, Performance and Purpose*.

The Business

BAC Care Ltd is a business that provides care and home help services to clients in the community in the Swale area, with funding through Social Services contracts and from private funds. Their premises are situated in the town of Milton Regis in Kent and they employ 60 community carers in the Isle of Sheppey, Sittingbourne and Faversham. Established in 1996, BAC Care is run by a husband and wife team: Beverley and John Counsell. Beverley and John have worked hard over the years to build a business with a strong culture of providing quality and empathetic care/home help services to clients in their own homes.

The Innovation

The innovation that has occurred in this business is in the sales and marketing of carer hours. Carer hours are the main target of the business and are managed by the office coordinators, who respond to enquiries and requests from clients in the community. Prior to restructuring the business and implementing systems improvements, the coordinators receiving enquiries and requests for services would first have to check if there was existing resource and capacity to deliver; if the capacity was not available, the request for the service would have to be declined. Consequently, clients went elsewhere and business growth was impossible. New systems and guidelines now demand that coordinators adopt a very different approach. Their job is now to accept all the orders and then to find or stimulate the resource to deliver it. Established carers are now working to their capacity and posts have been created for new carers.

Each week, the coordinator who sells the most hours is recognised and rewarded by being given the 'yellow jersey' to wear for the week. This acts as an incentive to the team to work hard to identify and allocate the resource where it is needed. The business no longer turns requests for services away, orders are good, and sales of hours have increased, despite the recession.

The Background

Business background information was gathered from an interview with Beverley and John Counsell in late January 2009 and followed up

by a further interview in May 2009 to identify the impact of the improvements they have made to the business.

BAC Care received a visit from Business Link, Kent in the late summer of 2008; the Business Link adviser felt that the owners would benefit from some impartial advice from a Leadership Adviser and referred the business to Stan Strangwick. The referral was made at a time when the couple were feeling demotivated and unsure about the way forward. They had recently received an offer for the business and were tempted to sell. Beverley was a hands-on manager and made all the decisions, including all micro decisions, within the business. As a consequence, management and trouble-shooting tasks consumed all their working hours and energy, the business was in a rut and going to work had become an effort.

'Stan visited and talked with us about the issues we had in the business. He felt we would benefit from a detailed analysis of our business and some guidance on a way forward; he referred us to a management/planning consultant' reports Beverley.

The Leadership Specialist Adviser Intervention

Stan Strangwick recommended that Beverley and John work with a consultant to complete a business review and to identify a strategy for the business.

'A consultant from Manna House Consulting visited us and used a tool called Pacer to help us to identify our business and personal aspirations and priorities. We worked with the consultant for three hours a week for five weeks and gradually we began to see a way forward. With his help we were encouraged to visualise the future and define a way forward. At the end of the consultation period we had complete clarity on what had to be done' said John.

The detailed business analysis reviewed the services, operations and roles in the business to develop a plan for the way forward: office based staff, community carers and clients were also consulted to help identify areas for improvement.

The review identified a lack of clarity in roles, responsibilities and accountabilities for the staff. It also identified that essential systems needed by the business to function effectively were either inadequate or did not exist. The resulting plan identified a vision for the future, with clearly defined goals, targets, objectives, priorities and accountabilities. The need for three departments was identified and these were immediately created, along with an organisational chart that defined and allocated clear management and operational responsibilities.

The Implementation Journey

As soon as the plans for the business were developed, Beverley and John set about implementing the changes that would make them a reality. The plans were exactly what Beverley and John needed to boost their enthusiasm and motivation as leaders in the business. The key changes to be made were communicated to all staff and a meeting structure was put in place to manage and monitor progress towards the business improvements. Staff were fully informed and involved in all the developments and changes that were to be made. New departments were created, responsibilities allocated and the systems developed and installed to ensure consistency and quality in service delivery. The business underwent a total restructuring that was completed within a three month period.

Ongoing surveys of clients and carers now help them to keep abreast of issues as they arise – rather than dealing with issues relating to clients or carers when they have already evolved into problems. Weekly production meetings and monthly management meetings continue to monitor and review operations and targets.

Beverley commented 'It is easy now to see where and why problems within the business occur; before the changes we had loads of problems and spent much of our time trying to resolve them, without a clear idea of why they were arising or how we could prevent them'.

The Impact of Quality Leadership and Innovation

Beverley Counsell describes the tangible benefit to her and John of the changes they

have implemented in the business: 'We are enjoying running the business again and feel excited about its future. We are able now to think about expanding our geographical coverage, whilst maintaining the quality of service that we are proud of. 2009 is going to be an exciting time; now we have the infrastructure in place we can explore opportunities for new business and know that we can deliver a great service'.

The changes and innovation have had the following impact on the business:

- Increase in the number of client hours sold – up by 8% in January 2009
- Improved turnover from increased hours sold
- Improved skills within the business
- Increased employee loyalty and motivation
- Improved capacity for the realisation of new possibilities
- Improved client satisfaction

The Future Plans

The future for BAC Care is positive; they have plans to further increase sales of hours by expanding the geographical area of the business. They are currently investigating partnerships with other community care providers and are optimistic that they will be in a position to negotiate a new Social Services contract. They also have plans to develop a marketing strategy and a company website.

In 2009 they hope to move to larger premises with a training room and improve the IT resources they use to manage the business and the remote staff. They plan to continue their regular surveys of staff, clients and Social Services to monitor change and ensure quality of services provided.

There is a feeling of optimism and confidence in the business, in the new structure and in its leaders; turnover, profits and staff numbers are predicted to grow in 2009 in spite of the recession.

Commentary from Beverley Counsell (June 2009):

'The consultant from Manna House Consulting continues to work with us as a coach and mentor, helping us to maintain our motivation for improving the business and keeping us on track with the improvements we have made. From the start of our relationship, he has encouraged us to think that we could improve the business and that it was worth the effort to try. He is currently helping us on quality assurance and is an inspiration to me as the leader of the business. The ongoing consultancy support has cost the business approximately £5,000 over an eight month period, but this expense has been worth it and we have gone from strength to strength. Before the consultant started working with us, we were just plodding along and hoping for the best. Now we have created an environment that has enabled our business to grow; we have the systems in place and have made our people responsible, with clear lines of authority, to deliver a great service to our clients. It is nice to come to work and be in charge of people who are able and willing.

At the initial case study interview in January, we had already made considerable changes and improvements to the business and had just begun to see the benefits of these. The business turnover has grown steadily over the past six months, from £69,000 per month in December 2008 to £86,000 in June 2009, representing a rise in turnover and hours sold of 22%.

We have created a new Head of Care post, to manage all new business and we have daily production meetings to monitor the effectiveness of sales and to progress new business. We have had a recruitment drive and recruited 15 new carers this year. We are still looking for larger premises in Sittingbourne and are waiting to hear on a tender to provide care that could mean an additional 250 hours per week sold.

We have been in business for 13 years, and we now have more work than ever before; the future is looking very good for us, our staff and our clients'.

Commentary from Stan Strangwick, Leadership Specialist Adviser:

'When I first met Beverley it was evident that she had come to regard the business as a burden, despite it providing a decent income. Having taken the business to something of a plateau, she was clearly no longer gaining the same satisfaction as she had experienced during the period of its "growing pains", and hence her personal motivation had also dropped. In the absence of any vision of the future herself – other than just doing the "same old same old" – it was clear that she could hardly lead her staff to a place that she couldn't articulate herself. Her circumstances were not unique, and I felt that she needed some strong facilitation and "accountability" to someone else, and with knowledge of various providers felt that Manna House and their "Pacer" methodology would be the appropriate intervention to catalyse some changes to the business. "Pacer" provides something of a short, sharp shock treatment, which I felt would be vital to maintaining Beverley's interest and buy-in to the process, and I understand that she has now moved out of her "transactional management" state of mind (i.e. simply "doing the day job", along with crisis management) to a more *transformational* leadership style i.e. proactively communicating objectives for the business and putting systems in place to ensure that newly-created targets can be managed at arm's length. The project provided some "quick wins", most noticeably an 8% increase in billable hours within the first month of implementation, and this is predicted to continue to improve'.

Academic commentary from Sarah Robinson

'This is an interesting case study which demonstrates the role of external consultants in facilitating the transition of the owners from 'day to day' managing to leading their business. Leadership has been identified as an important factor in the success and failure of SMEs (Anderson 2002, CEML 2002, Morrison 2003). Leadership and growth are seen as inextricably linked, as life

cycle theorising has demonstrated, stressing the importance of delegation and the 'crisis' of leadership (Phelps et al., 2007). Research indicates that informal leadership practices are most effective in very small businesses but there is a need for more formalised leadership as the business grows (Perren and Grant 2001, CEML, 2001).

This case illustrates the importance of outside leadership support in helping owner managers to develop leadership roles. It is however, often difficult for SMEs to seek help and to accept these interventions (Gold and Thorpe 2008) or to find the appropriate form of support to suit the needs and context of the owner managers (Perren and Grant 2001).

However, in this case the nature and structure of the interventions seem to have been particularly helpful. What is most striking is the change in the leadership of the business which is demonstrated through the change in the owners' key relationships: a) with the business (having a vision, enjoying it, not wanting to sell); b) with their staff (giving them more responsibility and incentives and investing in training); c) with themselves (feeling more confident and optimistic) and with the wider business community and market (promoting their business externally through the planned website and marketing strategy). In my opinion, the development of these relationships is a key element of SME leadership learning (Robinson 2007).

Thinking on:

1. Is there a clear definition of the roles between the leaders, Beverley and John; one that is understood by everyone in the business?
2. As the business moves forward, what relationships will be key to the business's success?
3. What type of leadership development support would be appropriate for Beverley and John to help them further develop as leaders? Where will they find this development support?

Reading on:

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Gold, J., & Thorpe, R. (2008) 'Training, it's a load of crap': The story of the hairdresser and his suit. *Human Resource International* Vol 11 Iss4 pg 385.

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The Business

Network and Cabling Solutions (NCS) is a business providing data network and cabling installations, audio visual technologies, electrical services and voice systems to education, public sector and commercial organisations across the UK. Set up in 1987 and based in Aylesford in Kent, NCS became limited in 1998 and employs around 35 people today: 4 directors, 20 site technicians and 11 office based staff. The products and services provided by the business have evolved over the years: electrical installations have been scaled-down and in response to new technological developments and customer demand, NCS has redirected its focus instead towards networking and audio visual supplies and installations.

The business has experienced sustained growth over the last few years, with the annual turnover in 2008 increasing by £1m to £5.2m; projected turnover for 2009 is £5.7m.

The Innovation

Service - In response to the availability of cheap products on the internet and new suppliers who have entered the market, with cheaper products and a lower quality of installation service, NCS has begun to offer consultancy, installation of customer supplied products and testing of pre-installed equipment as new services to customers. These additional services enable NCS to help customers who have experienced problems from sourcing their own internet supplied products or who have encountered difficulties with the quality of their installation. Although NCS continues to compete on quality and focus on providing customers with a complete service from project inception to installation and beyond - providing these additional services generates valuable revenue for the business.

Process - NCS has changed the process for the ordering, storage and delivery of stock for the business; a minimum amount of stock is now kept on the vans and in storage, with direct delivery to the site as part of the project schedule.

Marketing - The marketing of the company's products and services to customers has been

radically overhauled. An active telemarketing and customer liaison function has been installed to develop and maintain a regular and meaningful dialogue with customers. An ex-teacher has been recruited as a consultant, to demonstrate the equipment to teachers in the real teaching environment with pupils; the school is then encouraged to use and review the products and can keep the equipment if they promote them to others.

The Background

Business background information was gathered by interview with the Managing Director, Vince O'Toole, in February 2009.

Vince has been Managing Director of NCS since 1998. He has been an active member of a Vistage International leadership group for over a year, comprising 9 chief executives from organisations of diverse sectors and sizes in the South East. Turnover within the group membership ranges from £1m through to £110m, but the members have found that the collective experience of running a business is beneficial to them all. The group meet monthly, with a facilitator, to help each other solve problems, make better decisions and achieve better results for their businesses. This group meeting is followed up with an individual meeting with the Vistage group leader each month.

Vince had a major health problem in 2008 and was forced to take time out from the business to rest and recover. He used this time to look at the business from a different perspective, evaluating the business and the way it functioned: its management structure, operations, skills, systems, products and services, marketing and customers. The experience he has gained from working with the group and his enforced time away from the business has enabled him to take an objective view of the business, to adopt a detailed approach to planning improvements and to concentrate on the growth of the business. It has also prompted him to consider the learning and development needs of his directors.

All of his fellow directors had technical knowledge and skills, but as the company has grown he felt they needed to develop their

leadership skills and to work more effectively as a senior management team. He was convinced that the company directors could benefit from improving their confidence, skills and business knowledge. Vince was advised by his Business Link adviser to contact a Leadership Specialist Adviser, Roger Grimshaw for advice and support.

The Leadership Specialist Adviser Intervention

Roger undertook a personality profiling exercise with the directors (using the Underlying Beliefs psychometric questionnaire, designed to measure psychological preferences in how people perceive the world and make decisions). He provided group and individual feedback to the directors, giving information on the results of the profiling exercise. He followed this up with one-to-one support for the directors on building and managing relationships. He also delivered some training to the management team on performance management, communications, processes and the role of the director.

The Implementation Journey

A number of incremental changes have now been made to the way the business operates. Two new managers have been appointed, one for the office and an engineering manager, who has responsibility for the health and safety, efficiency and quality of on site staff and their work. A new approach has been developed to improve the way that the company interacts with customers throughout the project cycle, from initial enquiry through to completion and then the re-ordering of spares. In recognition of the tough operating environment, economic downturn, stiff competition and the availability of cheap products from the internet, NCS have begun to take a proactive approach to marketing their products and services to customers and towards customer support. Prior to 2008, customers would receive a quote and were left to contact NCS if they decided that they wanted to proceed. Now all proposals are followed up by a focused call to discuss the quote and to address any queries the customer may have.

After a review of operations, the way that NCS orders, stores and allocates stock has also been changed radically. The review identified

£42,000 worth of stock and supplies in storage and on the vans without an identified need or destination. To improve efficiency and reduce wastage, each van now carries a minimum of essential supplies and the amount of stock kept in the store has been drastically reduced, with only high value, long lead time items stored. All other stock is ordered and delivered directly from the supplier to the site for installation. Technical staff needed to be convinced that they did not need to keep so much spare stock on the vans, but are now accepting the change and are operating the new processes effectively.

The Impact of Quality Leadership and Innovation

Vince commented: 'We are now better at planning and making decisions that relate directly to the performance of the business. I feel we have become more objective and business focused; we have communicated the need for change to our staff and improvements are in hand to ensure the continued growth of the business, despite the competition and the recession. Not everyone accepts change willingly and there is still work to be done to overcome objections and resistance, but we are getting there. The management team have improved confidence in themselves and in the business'.

Impact measures that have been achieved in the business are:

- Improved conversion rate from quote to order by 50%
- Cost savings through efficient stock management
- Increased leadership and management skills
- New service provided to counteract competition
- Increased number and improved quality of interactions with customers.

The Future Plans

The future for NCS looks very positive. The proactive marketing approach and provision of new services are ensuring that sales are buoyant and customer feedback is positive.

Improved customer contact has resulted in improved interactions with customers and NCS are now proactive in working with the manufacturer of their products to ensure that customer needs are acknowledged and addressed.

An investment of £100,000 is planned in a new Customer Relationship Management system to support project management and scheduling, from initial customer enquiry through to project completion and the re-ordering of parts and supplies. A customer portal will enable them to access instant quotes on line and to information on ordering, costing, dashboards and project progress, with automated invoicing and customer feedback capture.

Vince is currently undertaking a feasibility study to take over another company to expand the business. He is committed to providing access to further leadership development and support for his co-directors and has arranged for them to join a similar group of directors, with access to expertise in leadership and management. A major review of the skills needs of the business is planned for 2009.

A feasibility study is underway to consider whether the electrical side of the business is worth continuing or developing.

Commentary from Vince O'Toole:

'Businesses require different things from their leaders at different stages in their development. At business start up, the business needs people with ideas and drive and the technical expertise to get things moving. As the business develops and grows, the leaders need to develop their management, communication and performance management skills. Over time, business growth will be impeded if directors remain focused on the day to day operations and technical aspects of the business and are not able to develop their business, planning and leadership skills.

My health problems and the chief executive group meetings have enabled me to take a step back and look at the business in an objective and clinical way. I have learnt from the experience of others and this has helped me to plan for growth, even in a difficult economic climate. I now know that I don't

need to know everything there is to know, but that I can ask for help and advice from advisers and fellow chief executives who have dealt with a similar situation to help me find a solution.

I have now enrolled 2 of the directors in other Vistage International groups. These groups are at director level and are aimed at building their knowledge of how other directors operate within a variety of different live business environments. There are cost implications from our membership of these Vistage groups for the business, but I firmly believe that this is money well spent.

I believe that leadership development is the key to helping us to make the transition necessary at different stages of a business and to remove the impediments to business growth'.

Commentary from Roger Grimshaw, Leadership Specialist Adviser:

'My intervention has helped to both re-focus the thinking of the board and give them a renewed sense of purpose and direction. The issue of clear and clearly communicated goals for both business and the sectors within it proved critical here. I spent time discussing the Big Hairy Audacious Goal (BHAG) concept with Vince and he has used the BHAG idea to generate plans to expand their UK coverage by buying another company. The personal development material has helped the board to work effectively as a team and focus on the business priorities.

It is too early to tell precisely what effects the intervention has had on NCS from a financial perspective: I think they need a further 9 – 18 months for all this to bed in before they can measure the effects in monetary terms. Nevertheless, the renewed purpose and sense of direction, combined with determination to lead effectively using the new tools at their disposal has already had an impact on the way senior managers think and operate and will undoubtedly have an impact on the survival and success of the business in the coming months'.

Academic commentary from David Gray

'The case of Network and Cabling Solutions is interesting, not just because of the ways in which MD Vince O'Toole has planned and implemented new, innovative business processes, but because of what he shows about management *learning*. Vince had the misfortune of becoming ill, but he acknowledges how this period of forced absence from the business allowed him time for reflection. He critically evaluated all features of the business, including the learning and development needs of his directors. Vince demonstrates insight into one of the essential features of leadership – that businesses need different styles of leadership at different stages of their development, and that leaders have to rise above the minutiae of day to day operations and take a more strategic view. Leaders can allow themselves not to 'know' everything. But meeting regularly with fellow CEOs (as in the Vistage International groups) allows directors to tap into the knowledge and experience of others who face similar challenges.

Reg Revans described this many years ago as *action learning*, a process in which participants meet to discuss work-related problems in order to identify solutions for action. Action learning involves participants describing their problem and receiving challenging questions from others in the group. A key ingredient is that action learning encourages reflection by providing a supportive atmosphere in which people can learn from their actions and about themselves. This means that knowledge is likely to be transferred to other situations, a form of what Chris Argyris calls 'double loop learning', not just learning about solving the problem, but also addressing the variables that led to the problem in the first place. The NCS case study is an excellent example of how this reflective thinking has allowed the company to make substantial changes in its operations and management, resulting in new innovations and business success'.

Thinking on:

1. How will Vince structure the business and management functions to accommodate the proposed new business acquisition? Will the current team of directors need to be increased? Will the team need new skills?
2. How often does the cost of accessing leadership development and support act as a barrier to the business accessing it? How can an adviser demonstrate that this cost is worth it to the business?
3. As the business grows, will the action learning groups continue to provide the directors with the leadership support they need?

Reading on:

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Argyris, C. and Schön, D. (1996) *Organizational learning II: Theory, method and practice*, Reading, Mass: Addison Wesley.

Pedler, M. 1996. *Action learning for managers*. London: Lemos and Crane.

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The Business

Advanced Resource Managers Ltd (ARM) is a recruitment and training consultancy. It specialises in supplying contract and permanent engineering, IT and business solutions professionals to the engineering, IT and high technology industries in the UK and Europe. They also provide a range of other services to their clients, including operating as a training services provider. Established in 1996, ARM is based in Havant in Hampshire, employs 122 people and has a current turnover of approximately £70m.

The Innovation

Product – ARM are now recruiting and supplying candidates for oil and gas, renewable energies, IT and engineering sales, marketing and human resource jobs to clients.

Service – Sales staff have improved their relationship management with clients and candidates. They now offer more services, including access to training and development to maximise the potential of existing staff and redundancy support to clients and candidates.

Process – Comprehensive targets have been developed for sales activity and revenue generated and are linked to a self assessment, analysis and performance review structure to support personal development and improved performance.

Market – ARM investigated and are now actively establishing contacts with new industry sectors, with a focus on those that are least likely to be hit by the recession.

The Background

Derek Goff, Learning and Development manager at ARM, was interviewed in February 2009; he talked about the business, its priorities and plans for growth and the leadership development that has taken place in the past three years.

ARM is a dynamic business, with a proactive approach to seeking and encouraging opportunities and ideas for growth. They are planning for stock market floatation in a few years and this is a key imperative for stimulating business growth in 2009/10. Directors are determined to achieve this

growth (turnover for 2009 is projected to be £80m) despite the slowdown in recruitment due to the recession. The company prides itself on its strong customer focus and its philosophy on the delivery of promises. Indeed, its organisational quality statement is: 'What we say is what we do'.

ARM received a number of business awards in 2007/9, including:

- One of 600 best companies to work for
- Recruit Rank award for best industry knowledge
- Recruit Rank award for best understanding of candidate needs
- National online recruitment award for best national recruitment website.

ARM recognises that theirs is a demanding and high pressure business, that there will be difficulties in a recession and that commitment is necessary from everyone within the organisation. People need to accept the challenge, work hard and constantly try to improve personal performance and achievements to ensure that the business is able to continue to grow; they need to be proactive in building and sustaining relationships with clients and candidates.

'The business has high expectations and demanding targets for all staff; peak performance, continuous improvement and innovation are mandatory requirements. It is essential that senior management understand the need for, are committed to and have the skills to provide the tools, systems, resources, support and training that are necessary to enable staff to deliver on these expectations and targets' explained Derek Goff.

Leadership development has been the key theme of the ARM training strategy for the past three years. There are nine divisions within the company, each headed by a manager. This senior management team have received ongoing development from a management consultant, Sarah Basley, who has a recruitment industry background. The leadership development programme delivered by Sarah

started in 2006 and has been closely aligned to the business strategy and imperatives. The focus of the senior management team development has been on continuous improvement, innovation and business growth by building the performance and confidence of people and teams and has included workshops on delegation, coaching and mentoring and performance review. Workshops were followed up by work related projects and tasks to encourage managers to manage themselves and their teams to do things better and think outside of the norm. A team building exercise was provided at the end of the programme, consisting of a facilitated away day where the team built a barn in the woods.

Derek was able to access a grant from Train to Gain to help pay for his personal development in improving the development and alignment of the learning and development plans to the strategy of the business.

It was at the end of this leadership programme, in autumn 2008, that Derek contacted Lorna Fairbairn for help to identify the impact of the leadership programme and to inform future leadership development activities.

The Leadership Specialist Adviser Intervention

Lorna agreed to evaluate the impact on staff and the business of the leadership development that had taken place. To do this she undertook a survey of staff on the style and capability of their leaders and the senior management team were asked to complete a self assessment on their own style and capability. After analysis, each manager then received one-to-one feedback from Lorna and subsequently attended a workshop focusing on their management team's current strengths and upon areas where further development was desirable.

In addition to the work evaluating the impact of the leadership development programme, Lorna was able to help ARM access a grant from the SEEDA Leadership for Global Competitiveness fund for developing new programmes for team leaders and for those who were identified as having the talent to progress to the role of team leader.

The Implementation Journey

The leadership development programme for the senior management team was designed to help them to adapt to the demands of a growing business, a challenging operating environment and to become better leaders of their teams. Over time they have been encouraged to:

- engage in the empowerment of their teams
- take a step back from direct control
- provide coaching and mentoring for improving individual performance.

People have been encouraged, supported and motivated to work harder and smarter. One key action point that arose from the evaluation exercise and workshop has been implemented successfully; the senior management team meet monthly as a working group to discuss changes and monitor their progress.

New and demanding targets were developed around activity and revenue generated, with an inbuilt analysis to help individuals identify their own strengths, weaknesses and development needs. These needs are discussed at the monthly performance management review meeting with their manager and coaching and mentoring provided to help people to step outside of their comfort zone and to improve their performance. Changes were made to the marketing strategy of the business, with investigation into new and emerging sectors for recruitment linked to the technical jobs and skills ARM specialise in; these new industry sectors include renewable energies, gas and oil.

Further expansion has been achieved by recruiting and supplying different skills sets to existing industry sectors, particularly in areas such as sales, marketing and human resources.

As the economic downturn began to have an effect on recruitment and demand for contract labour in late 2008, sales staff have been encouraged to provide a more comprehensive service to current clients. Clients may not be recruiting, but are keen to make the most of their existing skills base. ARM has expanded their training and development brokerage service, accessing training and selling this to their clients.

The Impact of Quality Leadership and Innovation

Derek Goff describes the impact that the leadership development programme and the innovations they have implemented have had on the business. 'The development of our leaders has enabled us to maximise the performance of our people, stimulate and implement some good ideas and continue to grow the business, despite the recession. Our attrition rate is low for the recruitment industry and I am sure this is due to our leaders and their ability to support, develop and motivate their teams'.

The impact measures achieved by the business include:

- New market niches entered
- Improved profitability from the new market, product and services provided
- Improved skills within the business
- Improved motivation and commitment to the business
- A low attrition rate – 16% (31% is average for this industry).

The Future Plans

Planning for stock market floatation continues and innovation remains key to maintaining business growth.

LGC funding has been accessed to enable further leadership development training for divisional teams. Lessons learnt from the evaluation and feedback from the management consultant have been used to inform the development of leadership programmes for team leaders (linked to CMI accreditation) and potential team leaders to develop the talent within the teams.

Derek Goff is planning to complete a 'return on investment' exercise to provide management with tangible data on the financial impact of the leadership development programme for heads of department.

Commentary from John Dunaway, Head of Department:

'I have worked for ARM for nearly 5 years and am currently the Head of the Transport and Infrastructure Department. I participated in the leadership training provided by Sarah Basley to the senior management team and thoroughly enjoyed the experience. The purpose of the training was to help us to develop our leadership skills. I found it to be full of new and creative ideas and innovative in the way that it was delivered. We were encouraged throughout the programme to improve the service we provide to our teams – our internal customers - in line with our business values and structure.

The work that Lorna did – the team survey and feedback – encouraged me to reflect on and apply some of the learning that I received on the leadership programme. Through the feedback from my team and guidance from Lorna, I realised that I needed to adapt my leadership style with each of them to ensure that I get the best from them. I need to understand what motivates each individual within my team, defining their personalities, goals and drivers and then make sure that I match the incentives, praise, and recognition I give to meet each of their individual needs.

Both Sarah and Lorna planned and provided a careful alignment between their training and evaluation activities to the strategic direction, values and culture of the business. The result was a learning experience that was bespoke to the company and was both relevant and appropriate.

As a direct consequence of the leadership development programme, I have revised the business development process that my team adopts. We have now become more effective in the way we:

- target and qualify clients
- understand client needs

- build essential relationships
- deliver our services

Each member of the team now understands and is committed to the joint responsibility for the development of new team members when they join us.

My team has increased in size from 4 to 13 and I know that I have improved the way that I manage them. I now have a sense of the overall strategic focus of the business and this informs all of the work that I do. I am a better coach and mentor to my team and am able to motivate them more effectively. I still refer to the training materials we were given and developed during the programme and find them to be valuable to my continued growth as a leader.

I take less direct control now and have empowered my team to improve their performance. We have seen growth in sales and profits as a direct consequence of the team's improved performance and the service to our customers has improved'.

Commentary from Sarah Basley, Trainer:

'The key focus of my work is developing inspirational leaders in business. I believe that the limitations of the leader will inhibit the development and success of the organisation and the team that they lead and that the most profound and sustained changes are achieved by developing the capabilities and broadening the perceptions of the leadership team. An essential skill for leadership effectiveness is the ability to coach; through coaching the leader will encourage independent thinking, decision making and solution orientation.

I started working with ARM in 2005; at that time they were looking to grow the business and wanted to develop the senior

management team's leadership skills by providing a good grounding in management and leadership practice. I conducted an initial Training Needs Analysis, consulted with the managing director and identified key aspects of the team's development needs. I did some preliminary work with the directors, developing their team dynamics and coaching skills, and encouraging them to lead their teams effectively.

The programme for the senior management team was delivered over the period of 18 months and provided the foundation of best practice business processes, developing the skills and capabilities that enabled the management team to raise their performance and that of their teams. The dilemma during the delivery of the programme, for me as a trainer, was to engage and develop the whole group, despite the wide ranging levels of sophistication and skills that existed within it.

After the senior management team leadership development, I delivered a similar leadership development programme to their team leaders. What was interesting for me and a pivotal point for ARM, was how the team leader's development pushed the boundaries, encouraging the senior management team to raise their performance further. This was particularly evident in the training of business and performance analysis, which led the team leaders to deliver training through the entire company on analysing performance and performance improvement – empowering every consultant to self manage and improve their own results.

ARM is a progressive company, focused on developing and retaining talent. The dedication which ARM displays in supporting and improving their people is an outstanding example of the growth and success that can be achieved through investment in people'.

Academic commentary from Jill Jameson

'Leadership development and innovation have been crucial in enabling Advanced Resource Managers (ARM) Ltd. recruitment and training consultancy to achieve strong growth, several business awards and impressive business impact successes over the past three years, despite the recession. This case study reveals that ARM's *organizational character* (Munro, 2005) has strengthened across three dimensions of *resilience* (flexibility to enter new markets and develop products for new industry sectors); *distinctiveness* (improvements in profile and relationship management with clients and candidates) and *integrity* (low attrition rate; improved delegation to staff; team building).

Ranked as one of the 600 best companies to work for, ARM has achieved Recruit Rank awards for best industry knowledge and best understanding of candidate needs, in addition to the National online recruitment award for best national recruitment website. ARM has capitalised on its potential, despite unrelenting demands in the pressurised, competitive environment of the recruitment industry. ARM has succeeded in entering new market niches, has improved profitability, skills, motivation and commitment and has achieved a low attrition rate of 16%.

A combination of leadership development initiatives – including training from Sarah Basley, *Train to Gain* personal development funding for Derek Goff, formative evaluation and advice on leadership development by Lorna Fairbairn and a grant from the SEEDA *Leadership for Global Competitiveness Fund* for new team leader training – has clearly been outstandingly effective in focusing management and workforce strength to deliver ARM's quality mission that 'What we say is what we do'. The balance of organisational strengths in ARM has enabled it to become 'adaptive, nimble and agile' but also to retain 'a sense of stability, continuity and purpose', the

optimum mix of stability and flux that Charles Leadbeater points out is necessary for an organisation to be capable of innovation (Leadbeater, 2003).

What is also important in the success generated by ARM is that the company carried out innovation as part of a comprehensive continuous improvement process linked to leadership development. This considered all elements of ARM's work in a systematic way. The concept of the *Innovation Value Chain* is important in terms of viewing innovation as whole-company process, from generating initial ideas to 'conversion' of concepts and then to the 'diffusion' of products to market, so that weaker links in the company's 'innovation chain' can be strengthened (Hansen and Birkinshaw, 2007). ARM's support for individuals enabled people to identify strengths, weaknesses and development needs in a planned procedure. Supportive discussions at monthly performance management review meetings, combined with coaching and mentoring, encouraged people to improve task performance in an open, collegial way which was in coherence with company values, as part of a proactive development.

The discursive process and organisational learning resulting from Sarah and Lorna's training and evaluation activities were overtly linked to ARM's strategic direction, values and culture: people could therefore see this was a meaningful process and that all were involved. Such an approach to mutual honest critique in shared exchanges lends itself to the generation of in-house communities of practice (Wenger, 1998; Jameson, 2008) in particular areas of development. Sharing knowledge in informal communities linked to business practices can result in the achievement of significant ongoing organisational learning and company success (Brown and Duguid, 1991): ARM might benefit from an explicit process of CoP development in the future, to build further on its impressive achievements'.

Thinking on:

1. How does leadership development at lower levels in an organisation push the boundaries and encourage senior management to raise their performance?
2. How do you think that ARM would benefit from in-house communities of practice development in the future? In what areas of the business would these be most effective?
3. What do you think ARM needs to do to maintain their organisational strengths of being 'adaptive, nimble and agile' whilst retaining 'a sense of stability, continuity and purpose'?

Reading on:

Brown, J. S. and Duguid, P. (1991) Organizational Learning and Communities-of-Practice: Toward a Unified View of Working, Learning, and Innovation. *Organizational Learning*, 2 (1): 40-57. INFORMS Work in Progress web version retrieved 6 July 2009:

<http://www2.parc.com/ops/members/brown/papers/orglearning.html>

Hansen, M.T. and Birkinshaw, J. (2007) The Innovation Value Chain. *Harvard Business Review*, June, 2007: 121-130. Retrieved 3 July 2009:

<http://faculty.miis.edu/~levinger/2-reading.pdf>

Jameson, J. (2008) Leadership: Professional communities of leadership practice in post-compulsory education, invited paper, ESCalate Discussions in Education Series: University of Stirling.

Retrieved 6 July 2009:

<http://escalate.ac.uk/downloads/5130.pdf>

Leadbeater, C. (2003) What's your innovation recipe? Presentation, Retrieved 2 July 2009:

<http://www.charlesleadbeater.net/presentations/presentation.aspx>

Munro, A. (2006) *Practical Succession Management : How to Future-Proof Your Organization*. Gower.

Wenger, E. (1998) *Communities of practice: Learning meaning and identity*. Cambridge University Press, 1998: For more information: retrieved 6 July 2009, see:

<http://www.ewenger.com/theory/>

(The name of this company and of the general manager have been changed)

The Business

Wholesale Hand Tools Ltd is a wholesale hand tool supplier based in Surrey that was founded in 1980. The current owners took over the company in 1998 and today it employs 6 people, with 15 sales agents operating throughout the UK. Over 1,000 types of hand tools are imported and supplied, mainly to independent retail outlets. In 1998 the turnover was £1.8m, but this has reduced in recent years due to competition from companies offering similar products, the large DIY stores and a nationwide reduction in the number of independent retail outlets. Turnover for 2008 was £700K, with a £30,000 loss recorded.

The Innovation

Marketing – The business investigated and developed a new market niche by selling products through an online market place directly to individuals, to add to their existing trade in the wholesale market.

The Background

Information on the business, its history and the issues it faced was gathered from Brian Wilde, the general manager, in February 2008. Brian was employed by the company in January 2008 as the general manager. New to the trade and to a management role, he was looking for a potential investment and was keen to develop his business and management skills. The owners were still active in the business, taking management responsibility for business decisions, stock ordering and maintaining financial control. At the time of Brian's appointment, they were considering the sale of the company, but wanted to build up the business prior to this sale after a previous manager had left and taken some important customers and their business with him.

The business's key selling point had always been the low price of its products, but sales had been falling for a number of years. 65% of sales were generated by the sales agents, but half of these were not contributing much to the orders coming in to the business.

Brian was keen to make improvements to the business but encountered some resistance to his proposed changes from the owners and his

relationship with them did not develop during his first year in post. Aware of his inexperience but keen to learn and build up the business, Brian had begun working with a Leadership Specialist Adviser, Martin Smith, to help him to develop his leadership and management skills. Martin advised Brian to contact Business Link as he felt that a business review with a business adviser would be helpful in enabling Brian to identify the areas of the business that needed to be improved.

The Leadership Specialist Adviser Intervention

Martin Smith completed a diagnostic exercise with Brian and developed an ongoing mentoring relationship with him to help him to address the issues that the business was facing.

The key issues affecting the business that were identified from the business review were: the low volume of sales - particularly the lack of orders generated by the sales agents; the reducing market; outdated stock; inefficient stock control; and an ineffective website.

At regular meetings over a period of a year, Martin was able to guide Brian through a number of key actions designed to help to address the issues and revive the business. These included:

- selecting and assessing potential new product ranges
- identifying an approach to negotiating a deal with a new wholesaler and the overseas product supplier
- providing advice on handling, re-motivating and building momentum with sales agents
- help with selecting and interviewing new sales agents
- referral to the Manufacturing Advisory Service for a review of warehouse systems and stock storage and control
- discussion on the potential of the business and its future
- advice on dealing with low staff morale and liaising with the owners.

Martin also helped Brian to access funding from the SEEDA Leadership for Global Competitiveness fund to help him to fund a CMI Diploma in Management Studies at Brighton University.

The Implementation Journey

With support from Martin, Brian began an improvement programme to try to turn round the business and halt its decline. New products were selected and trialled with customers. Brian completed an analysis of the sales agents, their sales and geographical coverage, and set about developing a plan to improve their effectiveness in the marketplace. He developed a new contract for them and recruited new ones for countrywide coverage. He monitored the sales of each agent, producing monthly sales reports to track their performance. Some of the sales agents resisted the change that was made to the contract and the efforts to make them more accountable to the business - but Brian persevered. He established regular contact with sales agents and wrote and distributed a newsletter to help keep them informed of news, developments and new product lines.

The website was overhauled to make it more customer-friendly and Brian purchased related domain names to maximise internet access to browsing customers. He experimented with selling tools on e-bay and after sorting out initial courier problems, was able to sell tools individually at a price that was considerably higher than that of the wholesale market.

The warehouse and showroom were redecorated and reorganised and Brian accessed funding for training for the warehouse staff. He also made contact and negotiated a contract to supply a new customer, with a number of outlets in the South West.

As Brian worked on these improvements to the operations of the business, his relationship with the owners did not improve. Brian was unable to persuade the owners of the merit of his actions; they were cynical about the changes he was making and remained convinced that it would make no difference to the productivity of the business. Their pessimism about the potential and future of the business made them unwilling to support Brian or to provide funds

to finance any major change or initiative. Plans for a major website upgrade that could improve access to internet ordering from retail and individual buyers, linked to a system for supply and invoicing were put on hold. The owners were hoping to stabilise the decline in sales sufficiently to find a buyer and did not want to invest more money into the business.

In November 2008, the business experienced a drastic drop in sales by 20% due to the economic climate and the impact of this on the construction industry; sales continued to fall in December and the first two months of 2009. In addition to this fall in sales, the business also suffered from the poor sterling exchange rate; tools were costing more to buy as these are purchased from an overseas supplier. After a spate of very cold weather in January, the pipes burst and both the offices and warehouse spaces were flooded, spoiling the recently redecorated premises and a portion of the stock. Although insurance would cover the losses, morale of the staff was now at an all-time low, with everyone worried about the falling sales and the safety of their jobs.

The Impact of Quality Leadership and Innovation

Morale of the site staff had improved as a direct consequence of the warehouse reorganisation, new business generated and sales increases. Unfortunately, morale of all in the business was to fall dramatically as sales fell again, as the effects of the economic downturn began to impact on the business. Everyone is now wondering how long the business can survive and any plans for further change have been shelved for the foreseeable future.

The Future Plans

The lease on the building housing the business's offices and warehouse expires in 2010 and if the business survives, the owners are likely to sell the business before this date rather than relocate. Brian is demoralised with his experience of working for this business, where he feels he has been unable to improve its survival prospects and is considering his future outside of the company. Although he originally had ideas that he would transform the business into a profit making venture, he is now planning to leave and start a new venture in an unrelated area.

Commentary from Brian Wilde

'Initially I was enthused with the prospect of a challenging and rewarding role, which would see the business's future and the jobs of several people secured as the company improved. I now feel sad and disappointed. In my opinion there is no reason for the company to be in decline and facing closure; focused and supported action in the previous year could have placed the business in a much stronger position.

I have learned a great deal from the whole experience and the mentoring Martin provided to me. I found it invaluable to have the space away from work to clearly discuss issues that were affecting the business. Sadly, it was not always possible to implement the changes we discussed, but I felt more confident to deal with the many difficult situations I encountered. Our time together offered me space to plan the way forward and focus on the most important issues at hand.

The most important lesson learned for me is that without buy-in from the directors of a business there is little that anyone can do; responsibility without the power to make any change does not lead anywhere'.

Commentary from Martin Smith, Leadership Specialist Adviser:

'It is very sad that the owners of this business were so de-motivated and resistant to change. Brian has had to work without the support of the leaders; he has been able to make an impact, but the results could have been more impressive if they had been prepared to support the number of ideas he had for improving sales within the business.

Although this year with WHT has been very frustrating, Brian has gained some valuable experience and a good all-round insight into business management, which will be invaluable to him in the future'.

Academic commentary from David Sims

'What a frustrating set of events, with Brian coming so close to achieving what he wanted but ultimately failing! Grint (2000) offers a very helpful classification of 'The Arts of Management', in which he considers four different arts through which different people might contribute to leadership. There is Philosophical Art, which is about creating the identity and the story of the organisation. This relates to the second and fourth of the bullet points that Martin gave Brian to work with. There is Fine Art, which is about vision and imagining a possible future for the organisation, and that relates to the sixth bullet point. There is Martial Art, which is making sure that everything works properly, and that relates to the second and fifth of Martin's bullet points, and there is Performance Art, which means exercising charisma and using symbols to engage the emotions of other people. This relates to the third and seventh bullet points.

Two things led to Brian's failure. First, he did not understand that he could not exercise all those arts himself. He needed to work out which ones he was best at, and then involve others in exercising the other arts. If you try to do everything in leadership you fail. Successful leadership only happens when you involve others in it, and Brian has not done this. Second, he did not give enough time to leading upwards, so the owners were not fully with him when recession struck. An early task should have been to explore the motives of the owners and to try to influence them (with 'Performance Art'). Perhaps Martin should have emphasised his seventh bullet point, and said that nothing else was worth doing without it'?

Thinking on:

1. What would you have done if you had been in Brian's position in this business?
2. What could Brian have done to influence the owners of the business to support him and his ideas for improvement? Who else could Brian have involved to help him in his endeavours?
3. What do you think will happen to this business, and Brian, now?

Reading on:

Grint, K. (2000) *The Arts of Leadership*. Oxford: Oxford University Press.

The Business

Archer Technicoat Ltd (ATL) is a privately owned high-tech company based in High Wycombe, specialising in research and development of innovative methods of surface coating and materials technology. ATL specialises in the coating process known as Chemical Vapour Deposition (CVD), a technique used to apply a wide range of metal and ceramic coatings onto a variety of substrates. ATL was established in 1981 by a husband and wife team and currently employs 6 people. John Yeatman joined the business in 1983 in a technical capacity and took on the role of managing director in 2006. Calvin Prentice has recently joined the company in the role of Technical Director. John and Calvin are both highly qualified materials technology engineers.

The three main areas of ATL's business are:

- research and development of chemical vapour deposition (CVD) processes for coating and infiltration
- pilot production of coatings to be used, for example, in machinery, jet engines and weapons
- development, design and construction of industrial CVD equipment (the equipment is constructed and marketed in partnership with IonBond AG).

In addition to these areas of work, ATL receives European research funding as part of Framework projects. They are currently involved in a project called ExtremeMat, which aims to develop materials for extreme environments in various applications, including nuclear fusion and advanced fission reactors, aerospace and high power electronics. The business is considered to be expert in its field and has a solid customer base in a range of industry sectors within the global market, with contracts in America, Europe, India, Japan and Singapore. The business is small but successful and has experienced a steady annual turnover of approximately £500,000 for the last few years.

The Innovation

ATL is implementing a proactive marketing strategy that investigates and targets new markets in new sectors and emerging

technologies, including solar power, nuclear fusion, automotive and aerospace. The directors are undertaking a variety of activities that are designed to develop and sustain productive relationships with new customers and foster those with existing and past customers. John is now proactive in establishing his credentials and marketing his expertise within an on-line network of specialists to companies who are potential future customers.

The Background

Business background information was gathered in an interview with John Yeatman in March 2009.

Innovation in product design and development is the life blood to a high tech business of this kind. ATL works hard to develop engineering and materials solutions for their customers. ATL has a small team with a high degree of technical expertise who are busy with servicing existing contracts and fulfilling research and development responsibilities. With a team of this size focused on the technical demands of the business, exploring new business opportunities and essential business planning needs careful prioritising.

In common with many other businesses, the recent global economic downturn has had an effect on ATL and its business. Unfavourable exchange rates, customers less likely to make an investment in equipment and some customers slow to pay their invoices are all consequences that affect the operations and the bottom line of ATL.

ATL has always been open to utilising support and advice from external sources and they have developed a productive relationship with the Innovation Advisory Service (IAS) in recent years. IAS helped ATL to access funds from Europe to support their research and development functions. It was IAS that referred ATL to a Leadership Specialist Adviser, Geoff Ribbens, to help to develop the leadership capacity within the business.

The Leadership Specialist Adviser Intervention

Geoff started working with ATL in the autumn of 2007; after an initial meeting he completed the Belbin team role exercise with the ATL team to help them identify their team's strengths and

weaknesses, improve self awareness and identify team development needs. Geoff provided an additional resource to ATL and his expertise was welcomed by the managing director; he helped John to review and define a clear business and marketing strategy for the business. As John developed a rapport with Geoff, the decision was made to involve him in the monthly management meetings.

Geoff was able to help John to access a grant of £1,000 to spend on his own leadership development. After careful thought, and with Geoff's guidance, John selected a managing director action learning programme with AVN Picktree that started in February 2008.

Geoff comments 'When I first met this company about 18 months ago, I noted that they seemed to have reached a plateau with regards to growth. I introduced them to strategic management concepts and we explored areas from where they were most likely to get sustainable growth. Eighteen months ago they had a turnover of £500,000 and felt that they could achieve a turnover of £1m in five years time. I felt that this was a target that lacked ambition, bearing in mind they might want to sell the business before they retire. Since working with the two directors, they have re-focused the business and will have a turnover in 2008/9 of £750,000. I have now moved from a coaching to a mentoring role and attend their senior management meetings each month'.

The Implementation Journey

The action learning group that John attended consisted of seven small business managers/ owners from diverse businesses from the region and was facilitated by Mark Russell. The group met monthly for a day over an 8 month period and members provided advice and support to help each other resolve business issues, concerns and problems. John found the process and expertise from the group meetings to be both enjoyable and challenging and extremely useful to his role as leader in the business. When the initial group ended, another action learning group was formed with some new members and John has continued to attend.

Over the last three years, John has made significant improvements to the capacity and operations of the business. A new director has been appointed, with both the technical expertise required by the business and some useful industry contacts.

Access to external accountancy advice has enabled ATL to claim tax credits for their current and previous 6 years of research and development work; helping their financial commitment to this essential business activity.

In order to address the issue of late payments, ATL have taken on a debt management company; this has reduced the time and stress involved in getting their invoices paid by the slow paying customers.

John is focusing on raising his professional profile in the technological community; he has joined a technical specialist network and provides on-line advice and support to companies seeking information on coating processes, materials and equipment.

In February 2009 ATL appointed a specialist electrical engineer to boost the size of their technical team and its skills.

All of these improvements have freed up time for John to focus on the management of the business and to spend more time on planning and marketing activities.

The Impact of Quality Leadership and Innovation

John feels that both the business and himself personally have benefited from the guidance given to him by the IAS, Geoff, the action learning group and others. The relationship with IAS has helped ATL to maintain their innovation in product process development through access to research funding. Geoff and the action learning group have helped him to make quality decisions and deal more effectively with its issues. The appointment of the new director and, more recently, the specialist engineer, has given John time to devote to leading the business. ATL are now well on their way to achieving their growth target of doubling turnover in the next 3 years.

The following impact measures have been achieved by the business:

- 50% growth in last financial year
- Increase in staff number and skills
- New sectors and customers contacted
- Communications with customers improved
- Enhanced leadership and management skills
- Enhanced professional profile with customers
- Business process improvements to make operations more efficient.

The Future Plans

John is full of ideas for further improvements and optimistic for the future of ATL. A website revamp is on the way and there is a possibility that they will be able to recruit additional new staff soon. John is investigating partnerships with other high tech companies and developing an innovation relationship with Surrey University. He is also discussing the possibility of providing a placement for a PhD student to join the research and development function.

Investment is to be made in new water cooling equipment, an upgrade of an existing in-house high temperature furnace and a new furnace for experimental work; renewed production from a disused furnace is also planned.

Opportunities for related business are being investigated to compensate for the drop in equipment sales and a review of the current licensing arrangement with their existing equipment partner is being made.

Commentary from John Yeatman:

In a small, specialist, high tech company like ATL, innovation in product design and development is critical. We are a small team and are limited in our capacity to develop the processes and products, to manage the business, and to source new business opportunities. Operating in a global recession has added to these pressures, as it has for many other small businesses. We have benefited from a wealth of

expertise that was available to help a small business like ours. The IAS has helped us to maintain innovation in product process development by helping us to access research funding. Both the Leadership Specialist Adviser and the members from the action learning group have helped me to make better decisions and deal more effectively with the business and its issues.

The appointment of the new director and the specialist engineer has given me more time to devote to the business. This additional resource, along with the external support, help and expertise has been crucial to our growth and continued success in our field.

Commentary from Geoff Ribbens, Leadership Specialist Adviser:

‘My first impression of this company was that it had reached a plateau in terms of turnover and profit. What seemed to be missing in the small team was a strong “shaper” in Belbin’s terms, someone to drive the team for expansion and to prioritise the more promising products and services. The company was clearly successful but needed more of a business edge to reach its full potential. Dynamic, creative engineering directors do not necessarily make the best business entrepreneurs. This does not mean they cannot become more business orientated, but they need an external influence that will help them identify the gap. I believe that the help from the Innovation Advisory Service and my support have provided that external stimulus.

The managing director was initially sceptical about attending the action learning group. Encouragement and funding was needed to persuade John to use some of his valuable time, but once he had joined the group he found it very valuable. The key value of action learning is that directors have a chance to meet other directors of small companies who experience similar problems and issues in business.

Small companies, especially those in engineering and advanced technology, are usually very good at utilising their technical

knowledge and being technologically creative. Their real problem is finding the time from the important business of making things work to focus on the issues concerned with management and leadership. A lack of knowledge about marketing, staff motivation, selling skills, customer relations, business strategy and basic leadership skills often means that potentially good ideas and good products take a considerable time to get into the marketplace, and some may never emerge at all.

Archer Technicoat is a good example of directors who have brilliant minds who needed to develop greater awareness of business; once made aware of this gap they have grasped the opportunity to utilise their new knowledge and understanding. The company is seeking new customers and developing old customers. Even in a time of recession the turnover has increased and it is employing more people. The two directors are spending more time on the business and slightly less time on the engineering and the results can be seen in their growth'.

Academic commentary from Keith Grint

'ATL seem typical of small research-oriented high-tech companies: historically it seems to have focused on the research rather than the management of the business. This interest-oriented trajectory is perfectly understandable but often generates a limit to expansion and business development as the original interest of the entrepreneurs

takes precedence over business interests. There are (at least) three solutions to this problem, all of which are illustrated here:

1. Recruit an outsider (in this case Geoff Ribbens) whose distance from the organisation enables a different understanding of the problem. More often than not the outsider need not even be an 'expert' since the solution is often relatively obvious – though not to those inside the organisation. It is also a manifestation of a different but related managerial problem – it is lonely at the top and often difficult to consult widely for fear of being seen as inadequate (see Grint & Scholes, 2008).
2. Join a 'band of brothers' (or sisters) (in this case the action learning group facilitated by Mark Russell) who are in a similar situation and who act as a critical but supportive sounding board for your ideas. What is also important here is to note that the group need to engage in 'real work' rather than simply discussing their problems if this is to work (see Iles and Preece, 2006).
3. Distribute the leadership and focus upon what you are good at. Few of us are good at every aspect of leadership and management – but we don't have to be, as long as we recruit the right experts (in this case the new director and the specialist electrical engineer) and give them space to work (see Grint, 2005)'.

Thinking on:

1. Why do small high-tech businesses have specific needs for external support and advice?
2. Where will John find further, and relevant, leadership advice, support and development when his current action learning group ends?
3. How will the leadership role change as this business grows and develops?

Reading on:

Grint, K. (2005) 'Leadership Limited: White Elephant to Wheelwright' Ivey Business Journal, January/February.

Grint, K. and Scholes, J. (2008) 'Why it's Tough at the Top' Ivey Business Journal, September/October.

Iles, P. and Preece, D. (2006), 'Developing Leaders or Developing Leadership?' Leadership 2:3, 317-40.

The Business

MEP Ltd is a manufacturer of moulding, machining and fabrication solutions to companies working within the defence, aerospace, electrical, electronics, automotive and allied industries, mainly within the UK. Founded in 1972 and based in Aylesford, Kent, they employ 55 people, 6 of whom are contractors.

The Innovation

MEP has selected and purchased an upgraded production planning system to develop and improve the efficiency of production planning and the quality and efficiency in the manufacturing process. The new system replaces an outdated and inefficient one that was no longer fit for purpose. Efficiencies in planning and manufacturing will improve as a consequence of the upgrade system and MEP has ordered new production machinery to further boost outputs. The deployment and management of the people in the business have been reorganised to synchronise with the new system.

The Background

Information on the business background was collected from an interview with the Managing Director, Philip Hart, in March 2009.

MEP aims to manufacture competitive products to meet customers' needs whilst maintaining a profitable business. Their reputation for the provision of quality products within budget and to tight deadlines has enabled MEP to both retain and attract new customers and achieve steady growth in staff numbers and production over the years.

A distinctive feature of MEP's business approach is that every other year the business closes for the day and the whole company attends the Farnborough Air Show. 'A lot of the parts we manufacture are for civil and military aircraft, used in the internal working of the aeroplanes. The Air Show gives us the opportunity to take the whole company out for the day and just about everyone will see something they have either made or they recognise on the stands and exhibits. In the afternoon there is an air display of a whole series of aircraft, so it is also good for people to then see the aeroplanes that we have made

parts for actually flying, up closer than would be usual' explained Philip Hart.

New business is generated through recommendation from existing customers, the company website and general networking activities. A number of significant new customers have been generated through these sources in recent years. 'We are fortunate to have a sound reputation, have a good spread of project types and be mainly dealing with the aerospace industry, which is traditionally the last industry to be affected by a recession, so we have not been adversely affected as yet' said Philip Hart.

MEP was recognised as an Investor in People in 2006 and is accredited to BS EN ISO 9001:2000 and BS EN 9100: 2003. More recently, they have signed up to SC21, a change programme designed to accelerate the competitiveness of the aerospace and defence industry by raising the performance of its supply chains. Signatories to SC21 are committed to developing their performance to ensure they remain competitive and are able to deliver increased value to customers.

In 2007 it had become clear that the systems, processes and people within the business were all working at capacity and that the managers were struggling to plan quickly enough to meet the orders coming in. MEP was at a point where substantial change was needed to enable them to improve the systems and processes to meet industry standards and increase productivity to meet customer requirements.

At this time, Philip had contracted with a local training provider to implement an NVQ programme for 3 team leaders from the factory. Unfortunately this programme was not successful; the candidates did not receive the support or development they needed from the provider to help them to fully embrace the responsibilities of the role and they all withdrew from the programme and the role.

Philip had worked with Business Link, Kent for some years, receiving advice and support on people and performance issues. He had received a grant from the Business Leader programme in 2007 and used this to access training to develop his own leadership and

management skills. He now concluded that MEP did not have sufficient resources – human or physical - to plan, manage stock ordering and to produce the products quickly or efficiently enough to meet customer demand. Philip was particularly concerned that the management team were not equipped or were unwilling to take on the additional responsibilities that would enable them to meet the business imperative to plan and implement the changes necessary to improve productivity.

All of these factors stimulated the decision to improve the management of the business, the performance of the people and the efficiency of the planning and production of product manufacture. When they identified the need to develop his management team, Stephen Conley, the Business Link adviser, referred Philip to Roger Grimshaw, a leadership specialist adviser.

The Leadership Specialist Adviser Intervention

After an initial discussion with Philip on the key issues facing the business and the drive to improve productivity, Roger Grimshaw developed and delivered 4 workshops to the management team. These workshops were designed to help the team to develop their understanding of the need for change within MEP and the impact of this on their own skills, attitudes and behaviour as leaders. The workshops covered:

- a vision for the business and its future
- the role of the management team
- people and performance management
- coaching to improve performance

After the workshops, members of the management team were encouraged to access a short 1:1 mentoring session with Roger, designed to help them deal with personal development issues.

The Implementation Journey

Shortly after the leadership development programme started, a member of the management team left the company on

sick leave and subsequently did not return. A short while later, another member of the management team also left the company. Philip felt that the reason for these managers leaving was due to their inability to change combined with a reluctance to accept that development and change to their management practice were necessary to improve the productivity of the business.

With big gaps to fill within both the management and supervisory functions of the business, a review of the leadership roles and decisions on how to fill these was now critical. The review was conducted by Philip, with the help of Roger Grimshaw, and led to a reorganisation of the management, production and supervisory structure within the business. Managers and team leaders were recruited to replace the management team members who had left and to fulfil the supervisory roles in the factory. The manufacturing processes are now managed by a works manager, a production manager and a quality manager and three team leaders focus on supporting the performance of the people in production. Production within the factory was produced by a single shift, with an additional skeleton late shift operating; the number of staff on the late shift was increased to increase production capacity.

Philip knew that investment in upgrading the planning system was necessary to improve the capacity of the business to plan, order stock and produce and deliver products on time. Research identified the upgrade to be a suitable Material Requirements Planning (MRP) software based production planning and inventory control system to manage the manufacturing processes more effectively, helping the business to improve productivity and its service to customers. The system is designed to specifically help MEP to:

- plan manufacturing activities, delivery schedules and purchasing
- ensure materials and products are available for production and delivery to customers
- maintain the lowest possible level of stock.

A new and improved website design was commissioned to improve the marketing and

promotion of the company and its products. In addition to these measures, capital expenditure was committed to purchase essential equipment for the production line, including a new machine and inspection equipment.

MEP has recently recruited people to fill the additional roles that have been created in production, including a new CNC machinist and another quality inspector.

The Impact of Quality Leadership and Innovation

Philip Hart feels that he now has a strong management team, having developed and/or recruited people with the leadership capacity that is necessary to support and sustain the business growth. Managers can now evaluate how relevant aspects of the business are functioning and make better decisions based on fact. The improved management and supervisory structure and practice have helped ensure that people in production do a good job consistently and have led to improvements in production quality and efficiency. The MRP system, due to be fully operational in August 2009, will help to speed up the planning of production, the control of stock and meeting deadlines for delivery.

'It is always difficult and unsettling when people leave, particularly managers, but we have coped with this and made the changes that have enabled the business to meet our expanding customers' and industry's demands for increased and improved productivity' said Philip.

Impact measures that have been achieved in the business are:

- production has increased
- quality and efficiency of production have improved
- profitability has increased by 15%

- cost savings through efficient production planning and stock management
- increased leadership and management skills.

The Future Plans

MEP is recruiting to fill additional roles for moulders, created by the increased production in manufacturing.

Train to Gain has begun a skills-scan exercise on the factory staff to help identify areas for development and will complete this in May. This 'external' perspective is viewed as objective and valued by the people involved, although MEP also has plans to develop a 'user friendly' appraisal system in the near future.

The introduction of Lean Manufacturer principles is also planned and will be implemented shortly; 16 facilitators from existing staff have been trained and are ready to put these principles into action. The implementation of SC21 will require the commitment of resources and time to develop the performance and quality of production.

The management team can expect more development and Philip plans to undertake further development for himself to improve his personal and professional effectiveness as a leader.

Commentary from Phil Hart:

'Things are going well for the business and we will have our best year ever this financial year, with both production and profitability up from last year. Our reputation for quality products is keeping the order book looking positive and we are investing wisely in machinery to maintain production levels. Relationships with our customers are good and we look forward to seeing tangible results from the implementation of the upgraded production planning system'.

Commentary from Steve Conley, Business Link Adviser:

'Business Link Kent has performed an advisory role for MEP Ltd since 2004; I took over the client management role from a colleague two years ago. Over the years, MEP has taken advantage of initiatives and support from a variety of external agencies. They achieved Investors in People in 2005, worked with the Manufacturing Advisory Service in 2006, and with the Innovation and Technology team in 2007.

After identifying a need for management restructuring to achieve their ambitious future plans, I referred the directors to the LSA, who created a bespoke leadership

development programme that enabled a significant reorganisation to take place.

A combination of the organisational, performance and systems improvements with the introduction of the new MRP system and Lean manufacturing principles will significantly strengthen the company's overall position and their ability to achieve sustainable growth in the future. I find MEP a good business to work with; they are self-critical, eager to improve their performance and open to suggestions and positive ideas to benefit the business, its leaders, and the people who work there'.

Academic commentary from Yiannis Gabriel

'This is an encouraging story of a company that managed to introduce a wide range of changes necessary to update its information systems and its manufacturing base. Having reached a plateau from which growth was difficult, the organisation used the resources of a Business Link adviser as a change agent, who prompted a range of moves across several fronts: new systems, upgraded management and leadership skills, a clearer vision of the organisation's future, an acknowledgement of the need for change in both the human and the technical aspects of the company.

The change was not without difficulties. It would have been interesting to know more

about the two managers who left and also about the technical and social competencies of the three new recruits. Much of the success of the transition must have rested on their shoulders and their ability to collaborate together. It would also be interesting to know more about whether the fruit of organisational success was shared more widely with those lower down the hierarchy. Overall, however, here we have an instance where technical/production and social dimensions of production were updated simultaneously and in harmony with each other. This is undoubtedly a success story, but some questions about the company's enduring success remain'.

Thinking on:

1. Is the company too dependent on Philip? If so, what happens when an issue of succession arises? Is leadership sufficiently spread across organisational levels? Is Philip over-extended?
2. Is the company too confident about the continuing health of its order books? Has it maybe underestimated its need to market its services more proactively, especially during this recession? Is there a storm around the corner?
3. While the company has proven adept at process innovation, is it doing enough in terms of product innovation? Has it got the capacity to diversify or to expand its range of core competences? Is it genuinely a learning organisation that will continue to learn and change rather than rest on its laurels?

Reading on:

Kotter, J.P. (1995) Leading Change: Why Transformation Efforts Fail. *Harvard Business Review*, 73 (March-April): 59-67.

Örtenblad, A. (2002) A Typology of the Idea of Learning Organization. *Management Learning*, 33(2): 213-230.

Prahalad, C.K. and Hamel, G. (1990). The Core Competence of the Corporation. *Harvard Business Review*, 68 (May-June): 57-69.

Senge, P. (1990) *The Fifth Discipline: The Art and Practice of the Learning Organization*. New York: Doubleday.

The Business

Cambridge Research Systems Ltd (CRS) was established in 1986 with an idea to improve the way that stimuli were created for vision science experiments, by using emerging personal computer technology to produce dynamic images on cathode ray tube displays. Since then, the company has continued to implement the latest technologies to create a range of products for both scientific and technical applications relating to the eye and brain.

CRS employs 14 people, mainly engineers and scientists, since product development is central to the business. Turnover is stable at £1.5m, of which around 60% is exported. The company serves two major markets: research scientists at universities, and the television and games industry.

The Innovation

The innovation in CRS has been creating focus on clear business objectives, and developing the team and business processes to deliver these objectives; this has allowed the directors more time to concentrate on long term strategy, and the future of the business. This strategic shift has precipitated a culture change and has helped to resolve some of the difficulties that were stifling growth and fuelling dissatisfaction within the company.

The Background

Business background information was gathered from Carol Luscombe, the Managing Director, in an interview in March 2009.

CRS has produced an expanding range of vision science tools since 1986; it had become as big as possible within the vision science arena and needed to diversify into other markets in order to grow. In 2001 they invented a new product – the HardingFPA – a system for checking that broadcasts meet the official guidelines on flashing images and regular patterns in television; thereby reducing the likelihood of triggering epilepsy in photosensitive viewers.

Although the Harding FPA was designed using CRS's core expertise in understanding the eye and brain, this product has a completely different market, namely broadcasters, production and post-production companies, and games manufacturers, and has been

adopted by many prestigious customers including the BBC, Channel 4, TV Tokyo, NHK, Disney and Virgin Media. However, while this diversification achieved the goal of growth potential for CRS, it also meant that the attention of the directors, and the company's resources and staff, had to be shared between two entirely different product lines. Over time, this proved stressful and divisive and contributed to a lack of focus.

Meanwhile, in the vision science market, in January 2006 CRS had been successful in a bid to join Neural Decisions in Motion (nDIM), a three year long EU strategic targeted research project involving academic partners at eight European universities. CRS's role was to develop a device to display virtual reality images and record eye movements during an MRI scan, in order to investigate the brain's reaction to visual stimuli. nDIM was both prestigious and complex. It was a substantial, long-term product development commitment, and necessitated a level of business processes and reporting which was not required in other areas of the company.

By 2007 it became clear that the business needed to make some changes: the directors and senior management were fire-fighting to cope with conflicting priorities. Communication within the business was poor and there was a general atmosphere of negativity, insecurity and resistance to change. People were uncertain about the direction of the business, their roles and those of others. CRS needed a strategy to clarify ideas, re-engage people and determine the focus of the business.

The FPA and Vision elements of the business clearly required independent strategies. The existing general manager had appropriate industry experience and aptitude to manage a strategic business unit (SBU) autonomously and so in January 2007, he was appointed to the new position of Manager of Broadcast Systems, with sole responsibility for managing the FPA team and product line (FPA SBU).

In April 2007 an experienced operations manager was recruited into the Vision SBU, with a remit to overhaul operational process, update policies, and introduce a formal HR framework.

At this stage Carol began an Institute of Directors (IoD) course to help to develop her leadership and management skills, particularly focusing on human resource management and strategy development.

CRS was working with an adviser from Business Link, who recommended Carol to Roger Grimshaw, the leadership specialist adviser, for extra support and guidance on leadership, to help resolve the issues the business was facing.

The Leadership Specialist Adviser Intervention

Roger Grimshaw started working with CRS in September 2007 and initially administered Belbin team roles and Myers Briggs diagnostic exercises to identify team and individual strengths and weaknesses. After these activities, he visited regularly and provided advice and support to Carol as she progressed through her IoD development programme.

'Roger became a mentor to me, recommending books for me to read and providing advice on how to make the changes necessary to address our issues and to help the business to grow' said Carol. He also helped Carol to access a grant to fund a management development programme for senior staff in the business and recommended suppliers who would be able to deliver this.

The Implementation Journey

By the time Roger Grimshaw started working with CRS, the new Broadcast Systems Manager (FPA SBU) and Operations Manager (Vision SBU) were substantially improving day-to-day operational and production efficiency.

Carol, responding to the evidence of the need to do things differently, and supported by her learning programme and mentor, now embarked on a programme of changes throughout the business. In conjunction with colleagues, she developed the strategy for the business, encompassing a holistic approach to cultural change that focused on a vision of the company's future markets and products.

Reasons for the changes were clearly communicated to staff and every effort was made to bring staff on board and to get them to sign up to the changes.

Monthly meetings including the whole company became part of the essential communication of company information – what and how the company was doing was now explicitly explained to all staff. Weekly structured meetings were instigated for product development, production and sales administration. These targeted the right people, providing an environment where potential problems were proactively discussed and resolved. The meetings, news blogs and an honest approach to keeping people informed about the business, its finances, successes and failures reinforced the importance of consensus.

Working with the operations manager, a formal personnel organisation chart was devised to fit the new strategy, and job descriptions were agreed with staff, thereby defining priorities and responsibilities.

Important changes were made in the Product Development department, where a new position of project manager was created. After advertising and interviewing internally and externally, the position was filled by an existing member of the team, who was then supported with training and mentoring. Core in-house skills were supplemented by temporary contractors, providing extra expertise and manpower in a flexible way, suited to the project-based nature of the department.

With this new structure in place, Carol's co-director Tom, the entrepreneurial engineer who founded the business, was now acting as engineering trouble-shooter in development and production, and was able to devote more time to exploring possible technical innovations in new markets and products.

CRS's financial reporting systems were already solid, but the organisational improvements meant that tighter control was possible, and that the data provided to the internal company accountant from each department was of better quality. This was essential in monitoring operational successes such as a reduction in overall stock levels, and improved the speed and accuracy of product deliveries.

CRS already knew the importance of making and maintaining connections and contacts in the academic and industrial markets in which they operated. They did this by attending and exhibiting at conferences, providing sponsorship, and supporting competitions for young academics. These marketing activities continue, but with the processes and the people more tightly focused on building the future.

The services of a marketing company and an HR company were accessed to help with marketing and performance management functions, and technical specialists are now routinely contracted into the business when and where they are needed. This flexibility helps the business to use people to better effect. It has also helped Carol to access the necessary resources to ensure that all functions of the business are in place and working to deliver the business strategy.

In order to support the new structure and gel the team, the senior staff spent six half day sessions over several months studying modules of the CMI Diploma in Management.

Carol was awarded the Certificate in Company Direction from the IoD in February 2008.

The Impact of Quality Leadership and Innovation

Carol said 'It is not possible to attribute success to any one change we have made; it was the whole change to the culture and the structure of the business that has led to improvements for the people who work here and for our customers. Operations are tighter - there is better communication and collaboration between sales, production, accounts and customers. There is clarity and purpose to the research and development activities and products under development now have clear objectives.

Everyone is now clear about their own role and knows more about the other functions of the business and how these fit together as a whole. Confidence in ourselves, our colleagues and our processes has improved - we are more likely now to share knowledge and support each other. Improved communication has led to better strategic focus throughout the

business and we are now a better organisation to work for.

We are well placed to weather the effects of the economic downturn; the first 3 months of 2009 have been very positive and I expect growth of 30% on our turnover in 2009/10, with increased profitability'.

The impact measures achieved by the business include:

- improvement in vision and strategic direction of the business
- improvement in organisational structure
- productivity has increased
- increased confidence and trust of the workforce
- improved service for the customers
- knowledge base has improved
- long term change has been achieved

The Future Plans

CRS is always keen to celebrate its successes; however there is no room for complacency in this business.

The media industry is a dynamic marketplace, with globalisation, industry convergence and the rise of digital media creating exciting new opportunities for the FPA business unit. Market leadership has been established, and the small adaptable team are well positioned to meet customer demand for rapid customisation and a range of competing formats. The HardingFPA is now available as a distributed, networked system for use in the latest file-based workflow technologies, and a product for High Definition TV will be launched in spring 2009.

The Vision business unit continues to collaborate closely with its customers in academia. Following the success of nDIM, CRS is now participating in a consortium proposal for Brain Computer Interface and Robotic Enhanced Action-based Technology in Visuomotor Tasks (BRAVO), which will develop

a new generation of assistive robots for stroke recovery.

The new infrastructure at CRS will enable the company to meet the stringent design and manufacturing quality standards required for medical device manufacture, providing access to the expanding global market for clinical products in Optometry and Ophthalmology.

**Commentary from Tom Robson,
Founder and Director:**

‘As a businessman and technologist working in vision science for 20 years, I have come in contact with many new ideas that have the potential to improve health, but I have seen how difficult it can be to get innovations out of the laboratory and turn them into marketable medical devices. My mission is to work with academic colleagues on translational research projects to bridge this gap from bench to bedside’.

**Commentary from Janet Robbins,
SE Regional Manager for Leadership
and Management:**

‘The management of CRS could have maintained the business as it was, content with its market share of a narrowly defined product field. However, it would have put the business at risk, particularly with the dependency upon a limited marketplace. The decision to diversify was essential. It is critical at this stage to note how this decision to diversify came about. It would seem this decision was not part of a long term strategy, but more an opportunistic response to a new product development. It is also important to note that changes to production were not sufficiently communicated to the CRS team. The real challenge up to this point was a senior management team finding time to focus upon the long term future.

Product diversification can not only be a distraction to the leaders, but it can also lead to uncertainty across the whole team. If these changes are not part of a long term strategy, it can indeed lead to the team being unable to identify with future plans.

Had Carol not recognised the risk the business was taking, it is possible the business would have failed, despite its innovative product developments. Innovative product development alone will not guarantee business success. It has to be supported by the work that Carol undertook. CRS now has the opportunity to expand and become a viable long term investment’.

**Academic commentary from
Shaun Gannon**

‘The choice of when and how to innovate is a matter of some speculation, but, having developed its vision-science product range to a point where sales were tailing off, CRS decided to engage in a more radical diversification into the broadcasting market in the early 2000s. Considering the ensuing economic upswing, this was a well-timed decision.

Few companies are prepared for the company wide knock-on effect that diversification into new product markets can bring. In the early days of diversification, CRS management attempted to nurture the new broadcasting product within the same business unit as the more mature vision-science. As when a new infant is introduced into a family with an existing sibling, divisive tensions emerged and, in CRS, management realised that a paradigm shift was required in terms of the company’s strategy and structure. They separated the two product markets into two separate business units. This overhaul required a rethinking of all company processes - an activity led by the newly employed operations manager, with the assistance of HR specialists. CRS also employed the services of a marketing company to establish a foothold in their new market position.

By accounting, in advance, for the multi-dimensional nature of innovation, including products, business paradigm, processes and marketing position, CRS will be in a better position to manage future innovation projects’.

Thinking on:

1. In moving forward, how will leadership provide the two business units with sufficient autonomy and support to enable them to continue to innovate?
2. How can the leaders prevent the clashes that might emerge as different units become more, or less, powerful within the company?
3. How will leadership provide opportunities for cross-fertilisation between the technological competencies of the business units, as this is shown to have a significant positive effect on the downstream success of product innovation?

Reading on:

Francis, D. and Bessant, J. (2005). Targeting innovation and implications for capability development. *Technovation* 25, pp.171–183.

Piscitello, L. (2004). Corporate diversification, coherence and economic performance. *Industrial and Corporate Change*, Volume 13, Number 5, pp. 757-787.

Stern, I. and Henderson, AD. 2004. Within-business diversification in technology-intensive industries. *Strategic Management Journal*, Volume 25, Issue 5, pp 487-505.

The Business

Stratophase began trading in 2003, as a spin out from the University of Southampton, to exploit commercial applications for the innovative biochemical sensor technology developed in the Opto-Electronics Research Centre. The technology, SpectroSens, consists of an optical microchip sensor that measures chemical processes and is capable of detecting all classes of biological targets – including chemicals, proteins, viruses and bacteria, on the same microchip. The managers involved in the business start-up were the scientists and engineers who initially worked on the technology at the University. Stratophase is based in Romsey in Hampshire and currently employs 13 people. It is a dynamic and innovative organisation, run with funding from Venture Capitalists and from collaborative partnerships with industry. The University continue their interest in the technology through a shareholding in the company.

The predicted turnover for Stratophase for the current company year is £700,000.

The Innovation

Stratophase has achieved a fundamental shift in its business model, from one based primarily on the research and development of innovative technology, gained from the experience of an academic and research environment, to one capable of realising and exploiting a variety of sector applications and industrial opportunities for the technology in a commercial environment.

The Background

Background information on the company was provided by Dr Sam Watts, Business Development and Commercial Officer, in March 2009.

The company was formed to continue developing the biochemical sensor technology and to realise the potential of the commercial applications for it. At the start, the main market for the technology was thought to be the telecoms industry, but this did not materialise, necessitating the need to identify alternative markets. The business then attracted investors excited by the potential of the new technology and, last year, Stratophase secured in excess of

£2 million in contracts and international private investment; an endorsement of the optical sensor technology's sound scientific basis and its commercial applications.

Stratophase is now working in partnerships with various market sectors – homeland security, the military, pharmaceutical and industrial manufacturing – to develop bespoke and cost effective systems to suit their specific requirements.

The management team of the business are still mostly the scientists and engineers who, working on pre or post PhD research, invented the original technology. The working environment is demanding, requiring people who are both inventive and self motivated. These people are all passionate about the science, and driven, skilled and clever; they tend to be motivated by the integrity of the science rather than the marketplace, and can be independent thinkers who are difficult to manage in a commercial environment. To develop the business side of the operations, Stratophase recruited in a chairman and financial director, who were selected explicitly for their business experience and commercial skills.

SpectroSens is an optical microchip sensor that is capable of measuring chemical processes and can detect all classes of biological targets – including the detection of biological toxins, proteins, viruses and bacteria, and has potential for reliable chemical process monitoring in a range of applications. A SpectroSens sensor measures the change in the refractive index of a liquid as it passes across the surface of the optical chip with a precision better than one part in one million. It directly measures chemical substances, and detects the presence of biological entities in the liquid using antibodies attached to the sensor surface. It produces simultaneous multiple discrete readings to provide reliable measurement and detection. Stratophase uses unique and patented direct writing technology to manufacture the optical microchips, producing a robust and practical sensor.

Stratophase continues to actively research further potential application types for the

SpectroSens sensor and to develop relationships with customers in a range of public and industry sectors that have a critical requirement for accurate and robust biological detection or chemical monitoring, including:

- food and beverage manufacturing
- pharmaceutical manufacturing
- life science research and development
- industrial manufacturing and process measurement
- homeland security biohazard detection
- medical and point-of-care diagnostics.

The time taken to develop the technology to meet the requirements of each of the applications varies enormously. For example, the pipeline control and analysis within an industrial process for liquids such as petrol, LPG, water or bio-fuels has taken a number of years; this product is now nearing production. Biological applications that are being researched and developed, supported by funds from the MoD for use in the military, will be available within the next few years. The medical applications for the point of care diagnosis of diseases, viruses and bacteria have big potential for the business, but are a longer term development activity, due in part to the certification requirements for equipment of this type.

‘As a business, we need to achieve a balance between research and development of the technology and the imperative to make money to keep us viable. Research and development activities are essential to the business. Investment and collaborative projects with customers are also very important, to provide us with the finance, as the time taken to develop the technology to satisfy specific market requirements is great, possibly as long as 5 or even 10 years, from the start to market readiness. The challenge for the business since inception has been to build and sustain a balance between the essential research and innovation in product development and a healthy commercial focus’ said Sam Watts.

Developing the strategy and business plans has always been a challenge in this environment, where the people involved have widely differing motivations, the lead-in times for research and development are lengthy and the market is hard to predict. Those involved in the technology development, the academics and scientists, like to access and examine all possible information before making a decision on the way forward – but in a commercial business this is not always desirable or possible.

‘Consensus between the technology and commercial factions in the business was hard to reach and business planning was a long and arduous process’ explained Sam Watt. ‘As a small company, we needed to improve the way the management team worked in developing the culture and the strategy of the business and in communicating these to our people’.

As the business progressed, the management team had sought to encourage and support their academics working in technology development to focus on research within the context of a sound commercial application. They knew that science and engineering can be very interesting and absorbing for its own sake, but conducted in isolation from a market, or from a potential customer willing to pay for it, it is of no value to the business.

Stratophase had developed a productive relationship with Business Link, Hampshire since their start up and had received advice and assistance on business and skills development. In 2008, Sam Watts attended a presentation for University businesses at Southampton by one of the Leadership Specialist Advisers in the South East, Lorna Fairbairn, and thought that she might be able to help resolve some of the tensions the business was experiencing.

The Leadership Specialist Adviser Intervention

In the context of helping to develop the management team and improve their understanding of the way they operated as a business, Lorna offered to provide support to Stratophase.

She undertook a Myers Briggs exercise with the management team – this identified the

similarities and differences in personality types and beliefs within the team – and then provided individual feedback to each participant. Lorna then facilitated a group session to give the team feedback on the results of the exercise, helping them to look at their differences, the reasons for these and the consequences of them on the business, communications and decision making. The feedback session was followed by a team building workshop for the team, designed to help them to resolve conflicts and improve communications and team working.

The Implementation Journey

The feedback from the Myers Briggs exercise provided the management team with a valuable insight into the stark differences in personalities and motivations of the people who were working in the business and helped to explain some of the difficulties and conflicts that existed within the team. A better understanding of the importance of the mix of skills and personalities within the team and their effects on performance informed improvements that were subsequently made to the communication of information, the deployment of people in various roles and in the recruitment of new people.

Regular weekly meetings were instigated for all staff and used to communicate essential information on how the business was doing. These meetings focused firmly on the dual imperatives of the business – product development and market viability – providing information and updates on product research and development, contracts, orders, finance, and celebrating successes in all of these. The meetings clearly communicated to all staff the importance of achieving a balance between technology development and commercial activity; they have improved the understanding within and between teams and helped to focus and implement the strategy for the business.

Recruitment in Stratophase had traditionally been based on building the original team by trying to replicate the skills of the existing academics, scientists and engineers, rather than reflecting upon how new people could contribute to the delivery of the business

strategy. Managers, now more aware of the tensions that can arise between different personalities in teams, used the knowledge gained from the Myers Briggs exercise to inform the future recruitment and selection processes within the business. This knowledge and new principles were used to identify and ensure a match of relevant and new skills and personalities to the requirements of the job and the team mix. A probation period was instigated for all new jobs to check that selection was working as planned.

The Impact of Quality Leadership and Innovation

‘The development of the management team helped us to decide what needed to be done to improve the culture of the business; it gave us a better understanding of ourselves and our people, motivators and team dynamics. We used the knowledge we gained from the exercise and team building to inform decisions about improving the communication of information within the business and the deployment of personnel and it has helped us to be effective in making those changes. Communications are more open and geared towards helping everyone see the big picture; we have improved the transparency in the business, established a clear focus for the strategy and ensured that everyone in the business understands the applications for the technology.

We have a better appreciation now of how personality traits may affect the working environment and we use the information we learnt from the Myers Briggs process in interviews – firstly to help us to analyse and decide what kind of person we need to complement the existing team and then to select the person who will fit into the role, the team and the company’ said Sam Watt.

The improvements made have resulted in the following impact measures:

- better and quicker planning process
- improved people satisfaction
- improved people retention

- strengthened relationships with investors and industry
- improved links between technical development activities and sales activity.

The Future Plans

The business is on the verge of rapid growth, as short to medium term projects to develop the technology reach maturity. The current staff of 13 is predicted to increase to over 50 people within the next 2 years. A move to a new and larger building is being investigated to accommodate these new people for the manufacturing of the technology.

Stratophase is currently recruiting 2 new members of staff – a bio-chemist and an engineer – and will be using the Myers Briggs knowledge and principles to ensure that they meet the requirements of the role, from a skills, experience and personality perspective.

More leadership and management development is planned for the management team in the future as the business grows and develops.

Commentary from Sam Watts

‘Our viability as a business is dependent upon maintaining a healthy balance of research and development, investment and collaborative projects with customers. The Myers Briggs exercise and team building was a short intervention for the management team, but it enabled us to gain a better understanding of the personalities and motivations of the people working in the business and some of the difficulties and conflicts that existed. We subsequently made substantial improvements to the communication of information and to the deployment and recruitment of people.

We have better transparency in the business, a clear focus for the strategy and everyone now understands the potential applications for the research and development activities’.

Commentary from Lorna Fairbairn, Leadership Specialist Adviser:

‘Stratophase wanted to look at the dynamics of their senior team. I used the Myers Briggs because it identifies the preferences people have for doing things, and as a starting point this clearly helped them to reflect on themselves as individuals and how they inter-relate to others in the team. The individual feedback helped them each to identify with their own preferences and the group session allowed them to discuss the others’ preferences and how they each perceived them.

The team building workshop got them working in pairs through some coaching exercises and allowed them to get to know one another better, to communicate more effectively, and to understand the importance of the mix of skills and personalities within the team and the wider organisation’.

Academic commentary from Nigel Lockett

‘This is a very interesting and informative case study, which highlights the vital role of intermediaries and the importance of leadership and management development in successfully exploiting university-based research by the formation of a spin-out company. The university business development officer supported research and academic staff in preparing their business case but also acted as a broker to help access support services and potential investors. The former resulted in a targeted intervention, supported by Business Link, to strengthen the management team and increase awareness of the skill mix within the company’s senior management team. The latter resulted in significant venture capital investment. Recent research also highlights the increased importance of intermediaries within universities who

facilitate knowledge transfer and exchange with industry and raises concerns about the often short-term nature of funding these positions, (Lockett et al, 2008). This case study reinforces the need for intermediaries who can bridge this gap and shows how additional services, both financial and support programmes, can result. Given the

increased interest by policymakers at national and European levels in promoting commercialisation of university-based research, this case study provides additional evidence for both quantitative and qualitative measures to be used to help ensure exploitation is successful'.

Thinking on:

1. Can you think of other examples where leaders gaining a better understanding of self and colleagues was instrumental in underpinning change within a business?
2. Moving forward, what steps can the leaders of Stratophase take to maintain the balance between research and development, investment and collaborative projects with customers?
3. How will the leaders of this business manage the rapid growth that is anticipated in the next 2 years? What effect will this rapid growth have on the balance required between research, investment and collaborative projects?

Reading on:

Lockett, N., Kerr, R., and Robinson, S. (2008) 'Multiple Perspectives on the Challenges for Knowledge Transfer between HEIs and Industry', *International Small Business Journal*. 26 (6), pp 661-681.

The Business

Advanced Communication Solutions Ltd (ACS) is a family business that was set up in 1996 by Andrew Shiach, after his career as a musician was cut short by damage to his hearing; company directors are Andrew and Joan Shiach. ACS develops, manufactures and supplies hearing protection devices and custom made in-ear monitors for audio and communication systems. They currently employ 12 people and have premises in Harpenden in Hertfordshire and in Banbury in Oxfordshire.

The business has experienced sustained growth over the last few years, and had a turnover in 2008 of £780K.

The Innovation

Realising that the business was at a stage where it could expand if they were better able to capitalise on the potential of both the products and the markets, Joan and Andrew made the decision to select and appoint a new managing director to take the business forward. This decision freed-up Andrew to focus on those areas where his personality and skills were best suited; in product development, developing relationships with partners and customers, instigating innovative marketing initiatives and developing overseas market opportunities. Joan, who was fulfilling some of the functions of the managing director, would have more free time to focus now on managing the quality of customer services.

The Background

Business background information was gathered by interview with the Commercial Director, Joan Shiach, in April 2009.

Andrew undertook training in audiology and founded the business to foster his passion for music, innovation and helping people. An in-depth understanding of the manipulation of sound and hearing disorders led him to investigate, source and develop products that would protect and prevent noise-induced hearing damage, rather than treat it after the damage had occurred.

Musicians were Andrew's first customers, and hearing protection his first product. He later moved into other markets where noise was a problem, helping organisations to comply with

Health and Safety regulations relating to protecting individuals from occupational and environmental noise. After the hearing protection devices, another innovative product was developed – an in-ear monitor for communication.

ACS now manufactures and provides custom-made products for customers in motorsport, aviation, sports, industry and music. These products are:

- in-ear monitors for performing musicians that give them the isolation and quality of sound reproduction they need to perform at their best
- hearing protection that allows professionals operating in noisy environments to do their jobs or sports safely
- in-ear communication systems

Innovation and good ideas in their products have put ACS at the forefront in this industry in the UK.

A key feature of all of ACS's products is that they are specifically made for each individual customer's ear. In-ear impressions are made and these are then used to build effective and comfortable earpieces from non-allergenic silicon compounds to ensure a perfect fit. It is this fit that allows the customer to communicate or listen comfortably and clearly in all circumstances and provides the delivery of sound at safe levels with absolute clarity. In the early days of the business, Andrew completed the ear impressions himself, travelling to the customer, but ACS have now established a nationwide network of audiologists who will take the ear impressions required to get a custom-made fit for each earpiece.

Joan joined the business in 2005 to take over the financial and administrative responsibilities. Andrew had been busy visiting musicians and taking ear impressions, developing his reputation and his products and marketing these, leaving him with little time to manage the business operations. With no previous knowledge of managing operations in a business, Joan enrolled onto a college course for bookkeeping and Sage accounting systems.

Gradually, as Joan gained skills and confidence, she took more responsibility for running the business, whilst Andrew developed the products and markets, supervised manufacturing, and built his relationships with customers and suppliers.

Joan made contact with Business Link for help with business issues and advice on skills development. In November 2006, The Business Link Adviser, Steve Harewood, recommended and referred her to a 3 day course on business skills. This course provided her with an insight into leadership and management and began her thinking about the future direction of the business. Subsequently she attended further training in managing customer service and in 2007 she steered ACS through ISO 9001:2000 certification, which helped her to develop the structure and essential processes and policies for the business.

Throughout this period of personal development in business and management, Joan was gradually becoming more aware that there were improvements in management that needed to be made if the business was to be successful in capitalising on the innovation of their products and their growing reputation in the market place. She felt the business lacked strategic direction and she also recognised that her husband's focus of driving the business strategies forward left him with little time for the day to day management of the business.

At this stage, their Business Link adviser recommended that ACS talk to a leadership specialist adviser, Geoff Ribbens, to see if he could help the management team develop a way forward for the business.

The Leadership Specialist Adviser Intervention

Geoff visited ACS in 2008 and offered to provide some leadership and management development for the management team (the 2 directors and the production manager from the laboratory). His first undertook a Belbin exercise with the team – helping them to look at personality traits, strengths and team cohesion. The feedback from the exercise helped them to see that they were a good team, with complementary skills and personalities. After the Belbin exercise, Geoff provided a series of workshops on leadership

and management for the team; these were designed to help them to see the importance of effective leadership on a business and to develop plans to enable them to realise the vision and strategy that Andrew had for the business. Geoff's facilitation in these workshops was particularly helpful in guiding the management team towards reconciling their difficulties and differences of perspective.

When the workshops were completed, Geoff suggested that an away-day for all staff would be a good idea, to help everyone in the ACS team to understand the business and share the vision and plans for the future. Geoff facilitated this away-day and again utilised his independence and impartial status to facilitate the interface between the management team and the staff, to improve communication between them and increase the whole company understanding of the proposed business focus and direction.

Geoff's patience and his knowledge of other businesses that had experienced similar issues and problems were invaluable to the management team. Stories about how other businesses had made improvements, guidance from Geoff on their own circumstances and the time out from day-to-day operations all helped Andrew and Joan to critically examine their own and others' roles and responsibilities in the context of the plans for the business.

At the end of the funding for the leadership specialist adviser programme, Geoff recommended that Joan make contact with the Manufacturing Advisory Service (MAS) to access advice and support from them on the introduction of their planned new manufacturing equipment.

The Implementation Journey

The development programme, facilitated by Geoff, helped the senior management team to formulate plans at an important point in the company's development. They were aware that making the right decisions at this time could be crucial to the future growth of the business. The vision and strategy was clear, plans had now been developed, there was innovation in the products with a huge potential market to be accessed, and the people in the business had enormous energy and determination.

Andrew and Joan recognised that Andrew was ideally placed in the business to continue doing what he did best; applying his knowledge and innovation and entrepreneurial skills to the development of products, relationships and markets. But at this stage, both were working 7 days a week and Joan was keen to get some valuable time back to do other things outside of the business.

They decided that the business was now in need of someone with the ability and drive to capitalise on its potential, to build momentum and take it forward. They identified the need for a new managing director, and after careful consideration of the type of skills and personality that was necessary to complement the existing management team, selected someone already known to them, from work he had done for the business in the past. They made an offer and a new managing director will start with ACS in May.

The management team now provide regular updates to staff on developments and progress towards the business plan's goals to ensure that improved communication with all staff, started at the away-day, continues. The production manager is applying his improved commercial awareness, gained from the leadership development programme, in the management of product manufacturing.

Joan has made contact with MAS for advice on how to improve the efficiency and effectiveness of the manufacturing processes. Advisers from MAS are helping ACS to investigate potential funding sources for new manufacturing equipment and will provide support for the introduction of the new technology.

The Impact of Quality Leadership and Innovation

Joan commented: 'Geoff helped us to consolidate our thinking on the focus of the business and enabled us to shape our plans for the future. We defined roles, responsibilities and the skills needed for the delivery of the plans. The work done by Geoff with the management team and then with the rest of the people in the business helped to inform the development of the business and enabled us to formulate and communicate the plans. We are now in a position to build on the momentum

we already had in the business and operate on a proper company footing.

We have improved relationships in the business team, a complementary mix of skills, and are all working together towards a shared and common vision. We have become more business focused and our staff understand the plans and how these will support business growth. The directors have improved confidence in themselves and their roles are now clearly linked to the areas where their skills and personalities are best suited'.

The production manager has also benefited from the leadership development programme; he is more commercially aware and applies this knowledge in his role managing production.

Impact measures that have been achieved in the business are:

- increased leadership and management skills
- improved vision and strategic direction
- productivity has increased
- increased confidence and trust of the workforce
- increased and improved quality of interactions with customers
- new and innovative market niches entered
- new and productive collaborative relationships.

'This has been a journey of discovery for us – a long journey to this point. I really believe that without Business Link and the support and development we received from Geoff, we would not be here today, in this position, poised for huge growth. There are lots of companies like us – just needing external expertise and help to enable them to take advantage of their energy, talent and ability to innovate' said Joan.

The Future Plans

Andrew and Joan are looking forward to the start of the new managing director and a new phase of their business. They plan to keep the family model of the business – their son has

recently joined the company and there are 2 more children they hope will join them in the near future. Joan has plans for a bit more free time and a new role in the business, managing the quality of customer services.

ACS has recently achieved a marketing coup with Apple; a trial is underway that offers a voucher with every portable media player sold, offering a contribution towards an ACS custom-made sleeve for the earpiece. If this offer is expanded worldwide, the potential for sales is massive.

Andrew is busy setting up a joint limited liability partnership – ACS Inc. USA – that will build on the success of the products in the UK and exploit the USA market, where there is potential for huge profits. Plans are also in hand to establish a network of suppliers across America and Europe, using contacts to sell the brand and products, with ACS taking a percentage of profits.

Health and Safety legislation continues to stimulate opportunities in the UK for hearing tests and the provision of hearing protection devices for people working in noisy environments.

With the marketing initiatives and production improvements in place, ACS is on the verge of rapid expansion. Turnover, profits and the number of people employed are expected to rise significantly in the next two years. The directors are aware that sudden expansion can bring problems: more people will require effective communications, motivation and development. The away-day for all staff will become a bi-annual event.

Commentary from Andrew Shiach:

‘Running a business has many similarities to nurturing children. It’s a full time and often a thankless task, but when the fruits of one’s labours are realised, the satisfaction and sense of personal achievement make it all worthwhile.

For many years I held the belief that every decision I made was the right one and I think this is typical for people who own and manage their business. When Joan joined

the company, she was in the rare position of being able to tell me where I was going wrong, safe in the knowledge that I couldn’t fire her. I came close to it many times, but as her confidence grew and I began to see that perhaps I wasn’t always right, I opened my mind to change through listening to her perspective.

Instigating relationships with Business Link and MAS was something that, if I’m honest, didn’t inspire me very much. How wrong I was. I think I’ve made a brave and sensible decision to relinquish control of my business and place it in the hands of people who are better equipped to take us forward. My shoulders feel lighter because I can focus on what I’m good at and leave the things that I’m hopeless at to others. I would urge anyone who is running around like a headless chicken to seek help from experts. The leadership development provided us with real focus and taught us that successful business is all about team work. I’m confident that we’re now in a good position to take our ambitions to the next level’.

Commentary from Geoff Ribbens, Leadership Specialist Adviser:

‘To make an efficient, effective and value driven business needs to be worked at, especially as the company expands. Empowering the workforce is important if you want them to come up with new ideas and improvements – you have to encourage, motivate and develop the staff. Continuing with the “away-day” on a regular basis is a good idea – this will help keep the staff on board and in tune with priorities and developments.

A review of your business strategy and plans needs to be done every year; look for well established strategic models for ideas as your business grows. Your current strategy is successful and bearing fruit, but it is a good idea to review options each year by looking at your internal strengths and weaknesses as well as external opportunities and threats’.

Academic commentary from Mark Russell

'The importance of recognising the fatal assumption made by most people who experience an entrepreneurial seizure and start their own business is well illustrated in this case-study.

That fatal assumption is: *if you understand the technical work of a business, you understand a business that does that technical work*. It's fatal because it simply isn't true and it is the root cause of most small business failures. It's one of the biggest myths about starting your own business and is well documented by Gerber, M. (2004) *The E-Myth Revisited: Why Small Businesses Don't Work and What to Do About It*.

Business-owners Andrew and Joan Shiach found themselves torn between the need to drive the family business forward (Andrew's preference), spending time managing the day-to-day operations and enjoying a work/life balance. They knew something

had to change. Working with Business Link and Leadership Development Advisers, they started on the changes necessary for the business to capitalise on its growing reputation. This decision proved inspired and the impact has been immediate and significant. Defined roles and responsibilities of the team that play to individual strengths and the appointment of a managing director will give more focus and direction to the business and the people who work there.

The important lessons are threefold: the need to work *ON* the business, not just *IN* it, to focus on what you are good at doing and lastly, to build a leadership/management team of complementary skills.

What makes people work with passion and commitment is an idea worth working for, along with a clear understanding of what needs to be done. And this comes shining through in this example'.

Thinking on:

1. Are there specific issues that relate to providing advice and support to the leaders of a family business?
2. Will Andrew and Joan find it difficult to relinquish control of their business to the new managing director? How will the new managing director manage his relationship with the existing director team, and consult and communicate with them?
3. How will succession planning be managed effectively, as family members join the business?

Reading on:

Gerber, M. (2004) *The E-Myth Revisited: Why Small Businesses Don't Work and What to Do About It*.

The Business

Inspiration Chartered Architects is an architecture business based in Newbury in Berkshire. Inspiration provides architectural solutions to a range of clients, both private and commercial, and has contracts in the UK and in Europe. The business received international property awards in 2006 and 2007, for the quality of architecture and interior design, and for the development and marketing of holiday properties in Turkey. The business was set up in 1999 by Annika Hatchwell, with her initially working from home. After 2 years of operating, Annika's husband, Brian Daws, joined as a director in the business. By 2007, after a number of successful years of trading, ICA employed 13 people.

Both the size and reputation of the business have grown steadily over the last few years, producing an annual turnover in 2008 of £640,000.

The Innovation

Process – A wide range of standard templates have been developed in AutoCAD and are now routinely used by the architects in the business to produce design drawings more time and cost effectively.

Marketing – Inspiration has developed and implemented a smart marketing plan that determines demographic profiles and appropriate media to use to enable them to effectively reach their target groups.

Management – The finance functions of the business have been overhauled, enabling accurate testing and measuring of all of the key performance aspects of the business. Credit control has been structured to ensure timely payments are received.

The Background

Business background information was gathered by interviews with the owner director, Annika Hatchwell, in June 2009.

Inspiration work on a range of architectural projects with both private and commercial clients, from the initial concept, through design to construction. Projects include new build and refurbishment of houses, communal and community accommodation, holiday sites, property extensions and interior design.

Services provided to clients can vary from producing drawings to the complete package of holistic design and project management.

In 2007, business was booming for Inspiration: the future looked positive, contracts were plentiful and the business was increasing in size and strength. The directors appointed 2 new architects as managers, to take on some of the responsibilities of the day to day running of the business. These appointments were designed to free-up the directors' time, to enable them to concentrate on strategic issues, attract new customers, negotiate contracts, and to utilise their strengths in design.

Throughout her time managing the business, Annika had always been active in sourcing and utilising external expertise and resources to help the business to function effectively. She had established a relationship with a business adviser from Business Link Berkshire and was referred by this adviser to suitable training and grants for leadership and management development for the directors and managers of the business. In early 2008, the Business Link adviser referred her to the leadership specialist adviser – Geoff Ribbens. Annika asked Geoff for help to develop the leadership potential within the business.

The Leadership Specialist Adviser Intervention

Geoff undertook a series of activities with the directors and managers to determine their existing leadership and management styles and team and individual strengths. He then ran a 3 day training programme based on leading and developing high performance teams. This programme covered:

- Leadership and management
- Performance management
- Decision making methods
- Planning.

After the leadership workshops, Geoff worked individually with the 2 new managers, providing coaching in the skills of performance management, stressing the win-win or assertive approach.

Geoff also spent time with the directors, facilitating a discussion on strategic issues within the business and looking at strategic models with them.

After the development and support from Geoff, Annika felt that they needed further help and she set about researching various business coaching options that could help the business to make further improvements. She selected and contacted Sally Rainbow-Ockwell from ActionCoach, an organisation providing a business coaching system and accredited coaches, designed to help directors of small and medium enterprises to focus on the health and growth of their business.

The Implementation Journey

In late 2008, Inspiration, like many other small businesses, began to feel both the general effects of the recession and the immediate and profound impact it was having on the construction industry and related businesses. Their commercial work particularly was affected, and Inspiration needed to adjust to

working on a smaller scale on the mainly domestic/residential work that was still available. As the effects of the recession continued into 2009, Inspiration was forced to reduce the number of people employed in order to survive. This was a painful, but necessary action, taken to ensure that the business would be in a strong position to take advantage of the recovery in the economy and an upturn in the construction industry.

The directors of Inspiration have been working with their business coach for some months now, at a cost to the business of approximately £1300 per month. Sally has considerable experience of coaching and supporting leaders from small and medium enterprises in a range of sectors and can share their experiences of how they have encountered and dealt with problems and implemented improvements in specific areas of their business. The system Sally uses as a business coach is based on a ladder, starting with base camp, business planning, and working up through all aspects of the business in a logical order, as shown here:



The directors of Inspiration meet with Sally once a week for about an hour. Each meeting focuses on a distinct aspect of the business and results in a specific and itemised action plan to be addressed before the next meeting. These actions are rigorously followed up by the coach

at the following week's visit. There is also a key planning meeting every quarter, where a number of businesses work collectively with the coach; this meeting also encourages discussion and networking between the business leaders.

To begin with, the Inspiration directors overhauled the financial structure and reporting systems of the business. They introduced Key Performance Indicators (KPIs), and now produce meaningful information in five key measures that enable them to compare and analyse how they are doing and to inform key decisions in the business. They have also overhauled the credit control process – this has formalised invoicing and helped to ensure that payments are received on time, or even sooner.

The directors went on to rationalise the way that they produce their design drawings, by making improvements to the in-house AutoCAD system. Standard templates have now been produced for all of the repetitive aspects necessary in design. This has made the system more accessible and simplified and speeded up the process of drawing design.

Prior to the recession, Inspiration did not undertake much marketing of their products and services; their reputation was good and enquiries were plentiful, and there was little need for incurring marketing expenditure. In the last six months, and with the help of Sally, they have now developed and implemented a smart marketing plan that uses demographic data to identify and focus marketing activity. They have selected locations that match their defined demographic profiles and placed advertisements in Yellow Pages and newspapers. They have also placed adverts in local public school magazines; this is a low cost exercise that effectively targets an affluent client market group.

Both directors are now involved in networking activities to promote their business and its products; they are members of the ActionCoach network of business leaders and have recently joined another local business network.

The Impact of Quality Leadership and Innovation

Annika made the following observations about the leadership development interventions and their impact on their leadership and the business: 'Work with Geoff has helped us to understand how people tick and work together as a team. We plan to use the Belbin team roles

questionnaire when recruiting new people in the future. It provides us with an objective measure and is useful to see how a potential employee could fit into the existing team structure. Potential employees will be asked to complete the questionnaire at interview and the results used to aid the discussion on their character profile. The management team all feel that we are better at decision making, as we now know and apply the method taught to us by Geoff in the workshops.

Work with Sally, our business coach is continuing; she is helping us to look at every aspect of our business, and is enabling us to improve the bits that matter'.

The improvements made in the business have resulted in the achievement of the following impact measures:

- Improvement in the measurement of performance and achievements
- More control of the business and its outputs
- Ability to make objective decisions, based on facts
- Reduction in the time taken to produce the design drawings
- Increased enquiries generated from smarter and more focused marketing activities
- Improved capacity to survive the recession.

The Future Plans

The business is now on a sound financial footing and confidence in its future prospects is excellent. The number of enquiries received is growing, there are potential contracts to be finalised when the economic situation improves and negotiations are in progress for new contracts.

Plans are in place to make more effective use of the internet for marketing. Inspiration are identifying the triggers that precipitate the changes that people make to their property – for example: childbirth, health, fitness – and the related websites that people may use on

these occasions. They plan to set up links from these websites to their own website as a low cost and effective way of accessing potential clients. They also have plans to establish collaborative marketing activities with a spa design consultant and with private property finders and estate agencies dealing in the larger and overseas properties.

Inspiration is now seeking to grow the team and the business again. Annika plans to employ 3 more people in the next year and is considering opening another branch, recognising the importance of personal service for private customers and the defined need for a discrete and separate service for their commercial customers.

The directors will continue to work with their coach to review and improve their business; they believe the money spent on the coach has produced the results that were necessary for the business to develop and has been good value.

Commentary from Annika Hatchwell:

‘Using the coach has been a significant cost to the business at a time when we were adversely affected by the recession, but we know that this cost is essential expenditure and regard it as an investment. Sally is providing us with specific help in reviewing and improving every aspect of our business. She makes us accountable for ensuring that the agreed actions are addressed immediately; knowing that each of these will be followed up makes sure that we do it.

We have learnt the rules of effective marketing and are now experimenting to find out what works for us to get to the right people at the right time; knowing where, how, what, and to whom we are marketing has helped us to keep our costs down and still achieve good results.

We have made radical changes to the way we run our business and it is now strong and in the very best position to take advantage of the economic upturn, whenever it comes’.

Commentary from Sally Rainbow-Ockwell, Business Coach:

‘Inspiration Architects is a successful Architecture practice – but it was suffering from the problem which affects most small businesses: a complete dependence on the hard work, long hours and determination of the owners. This means that in effect the business *is* the owners – and it makes it more difficult to identify the business as a saleable asset for the future. It was clear that the business needed some clear management systems and a team that would follow these.

In common with many professional services companies, there is a high level of professional respect between the architects. This has many positive benefits – but for the owners in this environment, it can often appear difficult to implement good business systems without undermining personal creative and professional freedoms.

As architects themselves, Brian and Annika didn’t yet have the business management skills to allow them to fully control the financial, marketing and team aspects of their business. At Inspiration I have worked with Brian and Annika to help them to develop the right systems for their business, whilst growing their own management capabilities to help them lead the team more effectively. The regular weekly support and accountability from the ActionCoach approach gives the consistent step-by-step development that produces great incremental results. I’ve seen Brian and Annika growing in confidence as they now have better tools to lead and manage their business.

The systems and team development are providing a great springboard for the next phase of development of the business. This is including a clear definition of the USP and implementation of tested marketing approaches to help grow the sales. As the business develops further, a structured approach to recruitment and team development will ensure that Brian and Annika are building a business that is truly an asset for the future’.

Academic commentary from David Clutterbuck

'This case study demonstrates the value of a semi-structured approach to small business coaching – one that provides sufficient structure to focus the leaders' attention on what is important, but is flexible enough to adapt to specific circumstances as they arise.

It also illustrates the way that the needs of the coachees evolve, with the result that a different style and capacity of coach may be required as the requirements of the business and its leaders change with experience and circumstance. Implicit in this process is attention to the twin growth needs – those of the business and those of the leaders. Organisational and leader learning need to

progress broadly in parallel. If there is too much focus on growth of the business, the leaders end up riding a tiger they cannot control; if there is excessive focus on personal development, critical business issues may not be addressed.

The holistic nature of coaching interventions in growing small businesses is an essential part of the coaching role – every aspect of the business and how it is managed and led is both a potential problem and a potential opportunity. Challenges for the coach include avoiding being drawn into a consulting role and preventing the leadership team becoming dependent'.

Thinking on:

1. Would the leaders in this business have invested their time and money in the business coach and the improvements to the business if the recession had not intervened to adversely affect the business and its profitability?
2. How can the coach prevent the leadership team becoming too dependent on her?
3. At what point should the current coach be encouraging the client to move on again?

Reading on:

Clutterbuck, D. (2009) Coaching: An International Journal of Theory, Research and Practice of eclecticism in coaching: article on eclecticism in coaching.

Devins, D. & Gold, J. (2000) Cracking the tough nuts: Mentoring and coaching the managers of small firms, Career Development International, Vol. 5, No 4/5, pp 250-255.

Chapter 4: Final thoughts

This publication provides vivid studies of how leaders have been encouraged to maintain and improve their businesses' resilience to the challenges they face on a daily basis through innovation. Their implementation of new ideas has required the investment of vital resources: time, space, money, expertise, and energy, and for some, it was risky. The leaders cited in these case studies resisted the temptation to wait, to be safe, to ride out the recession, and embarked on the implementation of a range of types of innovation to help their businesses to survive and grow.

The LSAs were instrumental in instigating and supporting the development of the leaders. Their services were free (funded by SEEDA), they were impartial and they were knowledgeable; these have all been important factors in raising the quality of thinking and the decisions made by the leaders about leadership and innovation. Many of the leaders have progressed from working with their LSAs to access further leadership development for themselves and their management teams, through coaching, training and participation in action learning groups. All of the leaders who invested in further leadership development, sometimes at considerable cost to the business, felt it was money very well spent.

A number of key messages have emerged from these case studies, and from the leaders', advisers' and academics' commentaries. We have seen how important it has been for leaders to rise above the minutiae of day to day operations and take a more strategic view of their business. Leaders have demonstrated (and academics have commented on) their realisation that it is not imperative to know or be good at everything, and how they have benefited from accessing the knowledge and experience of advisers and others external to the business. The support provided from peers in other business through action learning groups was particularly valued by all of those who experienced it. The case studies have all demonstrated the importance of involving and influencing others within the business to achieve innovation and success.

The case studies have also shown that the development of leadership and performance needs to be in coherence with the business strategic direction, values and culture, to produce benefit for the business and its people. Different styles of, and approaches to leadership are appropriate at different stages of the business's development, with the need for more formalised leadership as the business grows.

We have seen a wide range of types of innovation demonstrated by our case study businesses, with many of them demonstrating more than one type of innovation. Change as a consequence of innovation was not without difficulties, and people at all levels in the businesses, including those in the management team, did not always accept it. Changes to the culture, products, service or processes within a business will inevitably impact on people and their performance requirements at all levels, and this can reveal individual and team weaknesses and expose a reluctance or resistance to change, which had to be dealt with.

The case studies show that a business with innovative products is not necessarily innovative in the processes, services, marketing or management structure; neither is the entrepreneur, the scientist or the inventor necessarily a natural, willing or competent leader. In particular, the high-tech businesses cited in our case studies discovered the importance of achieving a balance between the research, product development and the management of the business, so as not to limit the possibilities of expansion and business development.

We are confident that these case studies demonstrate how an intervention to develop the leadership capability within the business can help to create the environment where new ideas are stimulated and successfully implemented. We have seen a range of impact measures achieved by the businesses, demonstrating a coherent and inextricable link between leadership and growth. All but one of

the case studies show how the businesses have been able to improve their resilience to the challenges brought about by the poor economic climate. A recession is a challenge for any business, but it can also provide opportunities for those that are able to respond positively.

We set out to investigate and, where possible, provide a demonstrable link between leadership development, effective leadership, a company's ability to innovate and a positive impact on the business. The business owners and managers encountered in the businesses have shown courage, energy and determination in seeking leadership support and development for themselves and their management teams, and in using their new confidence and knowledge to make improvements to their business through both instigating and inspiring innovation. The range of innovations we have seen have been both radical and incremental, and have resulted in improvements in the businesses that have benefited the people, the customers, the investors, and the bottom line.

Biographies

Greg Young is an active member of the steering committee of the South East Leadership Academy, representing the contribution made by providers of leadership development. He is a co-founder and the Managing Director of LeaderShape Ltd, an organisation of leaders who are accredited coaches, mentors and facilitators, with track records of providing leadership development to both the public and private sectors. His background is in pharmaceuticals, biotechnology and telecommunications; he has a particular interest in innovation and the capability of leaders to enable change to outpace technological and environmental challenges.

Sarah Robison is Lecturer in Management Learning at Open University Business School. She is also an Honorary Research Fellow at the Institute of Entrepreneurship and Enterprise Development at Lancaster University where she was involved in the development of LEAD, a leadership development programme for SME owner-managers. Her research interests include SME training and development and SME leadership learning.

David Gray is Professor of Management Learning at the University of Surrey, UK and Director of the Leadership Academy for the South East Partnership, comprising the University of Surrey, Open University Business School, University of Greenwich, Oxford Brookes, Royal Holloway and Henley Management College. He previously worked at the London Stock Exchange where he was director of a major training development initiative for the UK securities industry. His research interests, and publication record, include research methods, management learning (particularly coaching and mentoring), reflective learning, and e-learning. David teaches on Surrey's MBA programme and has been responsible for important curriculum innovations, including the introduction of action consultancies, action learning sets and reflective management practice into the MBA.

Jill Jameson is Director of Research and Enterprise at the University of Greenwich School of Education and Training. She is also the Chair of the Learning and Skills Research Network London and South East, Director of the JISC, and Fellow of the Institute for Learning. Jill has an international reputation in e-learning, lifelong learning and leadership in education. Her interests include educational research and development, lifelong learning, e-learning, leadership, management and learning resources.

David Sims is Professor of Organisational Behaviour, Associate Dean, and Director of the Centre for Leadership, Learning and Change at Cass Business School, London. His research topics have included: why people get angry in organisations; the motivation of middle managers; how people love their organisations into life; agenda shaping; and mergers.

Keith Grint is Professor of Public Leadership and Management at Warwick Business School. Previously he was Professor of Defence Leadership at Cranfield University and the Defence Academy. He is also a Visiting Research Professor at Lancaster University, a Fellow of the Windsor Leadership Trust, a Fellow of the Sunningdale Institute, and a Visiting Scholar at Sydney University. Keith spent 10 years in industry before switching to an academic career and has been variously employed as an agricultural labourer, a factory worker, an industrial cleaner, a removals worker, a freezer operative, a swimming pool attendant, a postman, a clerical worker, and a part-time karate teacher. He is a founding co-editor of the journal *Leadership* published by Sage.

Yiannis Gabriel is Professor of Organisational Theory at Royal Holloway, University of London. Yiannis is well known for his work into organisational storytelling and narratives, leadership, management learning and the culture and politics of contemporary consumption. He has used stories as a way of studying numerous social and organisational phenomena including leader-follower relations, group dynamics and fantasies, nostalgia, insults and apologies. He is a trustee of The Tavistock Institute and the Bayswater Institute. His enduring fascination as a researcher lies in what he describes as the unmanageable qualities of life in and out of organisations.

Shaun Gannon is a Research Fellow at the University of Brighton, with responsibility for the delivery of many of CENTRIM's business interface projects and is a certifying trainer of the department's two-day Managing Innovation Training Programme. He currently heads the local wing of the FP7 project, SM-BIOPOWER, through which biomedical engineering SMEs are encouraged to engage in European research, and also launched an international wing of the University of Brighton's SME learning network programme, ProfitNet, in South Africa in 2007. Previously, Shaun ran the Innovation Space programme through which at least 500 SMEs received training and/or consulting services to strengthen innovation capability.

Nigel Lockett is a senior academic, experienced manager, entrepreneur and community leader. He is Director of the Centre for Entrepreneurship and Innovation Management at Bradford University School of Management. Nigel has over 20 years experience as a company director with a track record in managing new start-up, joint venture and social enterprises. His current research is focused on knowledge transfer, innovation and e-business in SMEs. Nigel is executive group member of the Institute for Small Business and Entrepreneurship, which is the UK's leading small business and entrepreneurship network for individuals and organisations involved with SME research, education and support.

Mark Russell is a Director of AVN Picktree Business Strategies and is dedicated to helping businesses and senior executives be more successful. Mark is also an executive committee member for the International Foundation for Action Learning – a charity aimed at supporting and developing the work of action learning in the UK and worldwide. Mark played rugby for London Harlequins and has travelled the world touring and playing rugby at the highest level. He believes that these experiences taught him the importance of proper planning and preparation and the extraordinary results that can be achieved through teamwork, co-operation and learning by doing. He has worked with directors of many small and medium enterprises, supporting the development of leadership capabilities by harnessing the power of action learning.

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Glossary:

Belbin is a 'Team Role Inventory' analysis that is used to identify the team role preferences for managers and directors. It helps people to understand themselves and the people they work with, and what each potentially has to offer. The exercise can improve communication, identify potential conflicts, and help to improve toleration of difference and diversity.

Myers Briggs Type Indicator is a personality questionnaire that considers the preferences that an individual has for doing things, and is used for professional development and organisational improvement. The results can be used to give people helpful feedback about themselves and how they are different from others. In organisations, the indicator can be used with teams for conflict management, for performance improvement, for employee coaching, for management development or for executive coaching.

Underlying Beliefs psychometric questionnaire is a personality profiling exercise designed to measure psychological preferences in how people perceive the world and make decisions.

Pacer is a business planning process tool, used to help business leaders to define goals, priorities, and plans to develop the business. It helps leaders to determine essential operations, to map processes and systems, and to define roles and responsibilities.

Action Learning was described by Reg Revans as a process in which participants meet to discuss work-related problems in order to identify solutions for action. Action learning encourages reflection by providing a supportive atmosphere in which people can learn from their actions and about themselves; it involves participants describing their problem and receiving challenging questions from others in the group.

The Big Hairy Audacious Goal concept is from *Built to Last: Successful Habits of Visionary Companies* by Jim Collins and Jerry Porras. The concept is that one of the things that distinguish large successful companies from similar but less successful companies is that they have one (or more) very ambitious, clear and inspiring long term objective – and that this is the best way a company can improve its chances of long term prosperity. The objective/s should:

- have an extensive time frame – 10 -30 years
- be clear, compelling and expressed in plain English
- be consistent with the company's values and purpose.

The 'win-win' or assertive approach requires a positive, open style of communication that is neither submissive nor aggressive; it requires that leaders adopt a meeting-as-equals 'win-win' approach to performance management.

Community of Practice refers to the process of learning that occurs and shared practices that emerge and evolve when people who have common goals interact as they work towards those goals.

If English is not your first language we can provide a summarised version of this document in Punjabi, Hindi, Gujurati, Urdu, Polish and Bengali. The document can be made available in large print, Braille, disk and audio cassette.

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