

Institution: University of Leeds
Unit of Assessment: C19 Business and Management Studies
Title of case study: Development approaches that stimulate knowledge acquisition and growth in small and medium-sized enterprises: influencing practice and policy
<p>1. Summary of the impact</p> <p>Research by Professor Richard Thorpe from 2003 to 2010 at Leeds University Business School (LUBS) on management learning and leadership in small and medium-sized enterprises (SMEs) has impacted three groups: (i) business education providers (universities, colleges and training organisations), who have used the research to improve the training and education they provide for SMEs; (ii) SME owner-managers, who have been exposed to the research when attending business programmes, which has enabled them to build on their entrepreneurial behaviour and improve their strategic planning; (iii) government, regional and sector policymakers, who have used the research in policies designed to generate growth in SMEs.</p>
<p>2. Underpinning research</p> <p>The underpinning research was carried out by the Centre for Technology, Innovation and Entrepreneurship (CTIE), led by Professor Richard Thorpe (at LUBS from October 2003) with Jean Clarke (from October 2007), and Jeff Gold (Leeds Metropolitan University and Visiting Professor, LUBS). The case study relates to research on SME development and entrepreneurship by CTIE that has been used to develop best-practice guidance on how business education and leadership programmes should be delivered to SMEs. Collaborators included Robin Holt (formerly Leeds, now Liverpool), Allan Macpherson (De Montfort), Luke Pittaway (Ohio University and Visiting Professor, LUBS) and Oswald Jones (Liverpool).</p> <p>In 2003, it was well-known that many business owner-managers did not value traditional approaches to learning, such as taught management programmes and textbook knowledge. CTIE's research examined how managers acquired knowledge and identified ways that they could learn more effectively, which could significantly enhance the performance of a business. These fundamental issues have implications for business education providers (public and private) and government and regional policymakers.</p> <p>Original research on the action learning approach from the Northwest Regional Development Agency (NWDA) by Thorpe, Clarke and Gold (2004) was a precursor to research that formed part of a major ESRC initiative commencing in 2003 on the Evolution of Business Knowledge (EBK), with a grant awarded to Thorpe (PI) and associates (Oswald Jones, Allan Macpherson, Robin Holt and Sudi Sharifi) (i) which focused on how businesses acquire knowledge. This research identified that knowledge can be implicitly transferred through various mechanisms, including business networks, supply chains and professional advisors, and embedded in work practices and systems. It reaffirmed the NWDA findings and showed how action learning, peer learning and learner-/problem-centred approaches to business education can be effective in changing behaviour and energising change [1]. It was recommended that policies encouraging entrepreneurship should be more flexible and sensitive to complex contexts for knowledge use by SMEs [2].</p> <p>Parallel streams of research addressed the way managers learn particularly through action learning and best practice in management training and development. A new methodology for conceptualising and developing entrepreneurial activity and learning was identified [3] and a practitioner book for programme providers published. The EBK research involved a longitudinal study of 90 small enterprises across northern England and provided evidence for the pedagogical model proposed [4]. The connection between business learning and leadership in SMEs was examined [5] and [6]. Due to the success of the earlier projects, from 2010 onwards the research focused on how management educators, in particular business schools, could contribute to national economic growth through business support and other linkages with SMEs.</p> <p>The EBK model was instrumental in the 2006 decision to form the Northern Leadership Academy (NLA), a partnership between the universities of Lancaster, Leeds and Liverpool as part of the Northern Way Initiative led by three northern Regional Development Agencies (RDAs) (ii). The NLA set up regional centres for delivering leadership courses and action learning sets for SMEs, peer mentoring and coaching schemes, masterclasses, a web portal for sharing resources, and a fellowship programme for PhD students researching in the area of leadership.</p>

Impact case study (REF3b)

The LUBS/Leeds-based NLA Think-Tank was established in 2006 and chaired by **Thorpe** and utilised the underpinning research from the ESRC initiative. The Think Tank continued the research on aspects of leadership and how to implement best practice in learning and leadership development in private, public, voluntary/not-for-profit sectors and SMEs. The SME sector clearly had the greatest need and scope for development. Underpinned by six principles of good practice the Think Tank paved the way for setting up a number of SME leadership/business-growth programmes across the north, including the Goldman Sachs 10,000 Small Businesses programme at Leeds (iii). This global initiative aims to provide high-quality, practical education and business support to leaders of high-growth small businesses and social enterprises.

3. References to the research

Book Chapters: [1], [6] Peer-reviewed journal articles: [2], [3], [4], [5]

- [1] **Thorpe, R.**, Jones, O., Macpherson, A. and Holt, R., (2008), 'The Evolution of Business Knowledge in Smaller Firms', in Scarbrough, H. (ed) *The evolution of business knowledge*, Oxford, 23 - 49
- [2] **Thorpe, R.**, Holt, R., Macpherson, A. and Pittaway, L., (2005), 'Using knowledge within small and medium-sized firms: A systematic review of the evidence', *International Journal of Management Reviews*. Volume 7 (4), 257–281, doi: [10.1111/j.1468-2370.2005.00116.x](https://doi.org/10.1111/j.1468-2370.2005.00116.x)
- [3] **Clarke, J., Thorpe, R.**, Anderson, L. and Gold, J., (2006), 'It's all Action, it's all Learning: Action Learning in SME's', *Journal of European and Industrial Training*, Volume 30 (6), 441-455, doi: [10.1108/03090590610688825](https://doi.org/10.1108/03090590610688825)
- [4] Jones, O., Macpherson, A., **Thorpe, R.** and Ghecham, A., (2007), 'The Evolution of Business Knowledge in SMEs: conceptualizing strategic space', *Journal of Strategic Change*, Volume 16 (6), 281–294, doi: 10.1002/jsc.803
- [5] Gold, J. and **Thorpe, R.**, (2008), "Training, it's a load of crap!", The story of the hairdresser and his 'Suit', *Human Resource Development International*, Volume 11 (4), 385–393, doi: 10.1080/13678860802261579
- [6] Gold, J. and **Thorpe, R.**, (2010), 'Leadership and Management Development in Small and Medium-Sized Enterprises: SME Worlds', (133-149) in Gold, J., **Thorpe, R.** and Mumford, A. (Eds), *Gower Handbook of Leadership and Management Development*, 5th Edition, Gower

Research grants and funding

- (i) **Thorpe, R.** (PI), with Jones, O., Holt, R., Macpherson, A. and Sharifi, S. (2003), The Evolution of Business Knowledge in SMEs, *Economic and Social Research Council*, **£364,000** of which **£74,000** to Leeds [RES-334-25-0015]
- (ii) **Thorpe, R.** with the Universities of Lancaster and Liverpool, Northern Way: Northern Leadership Academy (1/1/2006 to 31/3/2008), Funded by the three northern RDAs, **Thorpe** was PI on the Think-Tank component. **£4.8m** of which **£666,903** to Leeds plus **£141,000** to create NLA Centres across the north to support SMEs
- (iii) Business Growth programmes: **Thorpe, R.** (academic lead), Whieldon, R (programme manager), to date **£248,814** for Yorkshire Centres (funder Yorkshire Forward), **£140,000** for Leadership Journeys (funder: Yorkshire Forward), **£149,889** for SME Knowledge Network (funder ECIF/Yorkshire Forward) and **£2.7 million** Goldman Sachs programme
- (iv) **Thorpe, R.** (PI) with Jones, O. and Macpherson, A., (2007), Making Space for Development – developing high-level skills for business growth in SMEs, *Economic and Social Research Council*, Impact Grant, November 2007, **£32,227** [RES-172-25-0056]
- (v) **Thorpe, R.** and Jones O., (2010), Growing a Regional Network to support leadership development in SMEs, *Economic and Social Research Council*, Follow-on Grant, **£76,709** [RES-189-25-0191]
- (vi) **Thorpe, R.**, (2003) An Evaluation Study into the North West Networks of Small and Medium Sized Firms, Northwest Regional Development Agency (£50,000)

4. Details of the impact

Distributing knowledge through the Northern Leadership Academy

The research has significantly changed how training providers (including the 22 partners in the NLA) deliver business-education programmes, underpinned by the 'Principles of Good Practice'.

The NLA partners include the business schools at all major universities in the north of England [A], [B]. The insights gained from reviews and the EBK research were shared widely with the business-education sector (private and public) through a separate ESRC impact grant (£32k) and a follow-on grant (£76k). All NLA partners aimed leadership or growth executive programmes at regional SME owner-managers using the NLA principles of good practice and constitution. Businesses and private-sector providers could join the NLA to utilise resources. NLA partners have commented: *“Our active involvement with the NLA provides a very significant opportunity for further development of our role in the SME sector”* (Northumbria University), *“The think-tank has proved an excellent forum for the sharing of best practice in providing support to the small business community”* (Manchester Metropolitan University) and *“The NLA provides us with exciting opportunity to improve our connectivity with SME’s”* (Hull University) [C].

The NLA network enabled partners to embed best practice in their educational programmes through a range of pedagogical resources, and introduced SME owner-managers to the concept (and importance of creating) ‘strategic space’ - in which they focus on business planning and strategy rather than day-to-day operations - in order to improve their business performance. A policy manager at Department for Business, Innovation & Skills (BIS) commented, *“Two issues strike me as important: one is the value of the network to deliver programmes that are problem centred and learner centred locally and against principles of good practise that are underpinned by research. Another is the enthusiasm that partners in the network have and the value they derive from the Northern Leadership Academy brand”* [D]. Research Council impact and follow-on funding aided dissemination (iv) and (v). Physical buildings were made available on four sites to bring organisations into the universities. The NLA supported ten educational partners across the north (2007/8) to provide Action Learning to SME owner-managers. Six further centres in Yorkshire supported nearly 400 individuals with Action Learning, a Leadership Journeys programme in Yorkshire (2009/10) supported four centres and 28 SME owner-managers through action learning/workshops and one-to-one support, and an SME Knowledge Network in Leeds (2009/10) engaged with 160 businesses [E].

NLA Think-Tank learning materials were freely available to these providers’ programmes and the NLA web portal enabled the sharing of leadership resources¹. Partners gained insight into ‘state-of-the-art’ business pedagogy delivered by experts and shared their experiences of successful programme delivery. A ‘practitioner book’ was produced and made widely available. A private training provider commented: *‘For me, one of the profound impacts of your research was the confirmation that the creation of ‘leaderful communities’ was key to successful business development.... that principle in practice alongside strategies to create distributed leadership underpinned and underpins my work ever since.’* [F]. Support from the NLA also increased the involvement of regional business schools with small businesses – example provided in [G].

Direct Business Support

Goldman Sachs 10,000 Small Businesses Programme:

In 2010, LUBS launched the first Goldman Sachs (GS) programme in the UK, which provided high-quality, practical support to the leaders of established enterprises. LUBS were commissioned by GS because of their NLA experience and because the programme of research since the EBK study (2007) was consistent with GS philosophy on learning in small businesses [H]. Each programme lasted five months (13 sessions/100 hours). Seven cohorts (164 businesses) had completed the programme by July 2013 – participant case studies document the benefits to their businesses [I]. In 2011/12 the programme was rolled-out to other areas of the UK (Manchester/Birmingham/London), with specific support delivered by LUBS to Manchester and Aston Universities.

The GS programme was an award winning entry in the European Foundation for Management Development’s Excellence in Practice Awards 2012 [J]. Leeds City Council’s Chief Executive commented in the Yorkshire Post: *‘This is a great initiative for small businesses and social enterprises to be involved in and I’m pleased that Leeds has been chosen to host the UK pilot’*. The programme has been evaluated to indicate that as well as expressing greater confidence in growing their businesses, SME owner-managers on the programme have average net employment growth of +23% in their businesses (compared to -1% for UK Small Businesses) and an average revenue growth of +16% (compared to -9% for UK Small Businesses) [K]. Speaking at Making the Case for the Social Sciences, June 2012, Vince Cable MP, said: *‘The people who can really make*

use of this [research] are SMEs, so actually defining SME business training is important. I think the work which Goldman Sachs have taken on can potentially be very valuable. Some really interesting stuff here and I wanted to thank you for that and register my own interest.' [L].

Through NLA Training Providers:

This research has been distilled into different training and educational programmes which have directly benefitted businesses. Participating SME owner-managers have used 'strategic space' to explore new markets, expand and create jobs [F] [G]. Liverpool programme participants said: 'I was amazed to look back at the paths we had each travelled during the time of the programme and observe the progress we had all achieved' and 'I found the whole experience not only challenging but helped in increasing my interpersonal skills at an executive level' [M].

Regional and national policy on SME support

The research has been used by policymakers focusing on regional development and business growth, enabling them to identify new opportunities to stimulate SME growth and benefit the economy during the period 2008 to 2010. It was important in developing regional policy and strategic objectives [B]. Since 2010 re-organisation of the support infrastructure, partners have made new links with BIS to ensure the contribution to local economies improves. Having met with David Willetts MP, Minister for Universities and Science, **Thorpe** was invited to join the BIS Mid-Sized Businesses Programme on the Harnessing Leadership Capability Task Force. He was chair of Theme 2 (promoting good practice among business-skills providers nationally) and a member of Theme 5 (ensuring that the benefits of other themes are delivered to SMEs) [C].

Work from the NLA contributed to the Association of Business Schools' (ABS's) report² ('The Role of UK Business Schools in Driving Innovation and Growth in the Domestic Economy') authored by **Thorpe** and Rawlinson of Booz & Co [N]. **Thorpe** met with Sir Andrew Witty's team (July 2013) who were taking evidence from the ABS report for the Independent Review of Universities and Growth, in relation to Business Schools and SME development. Preparation of the ABS report led to discussions with Lord Young in relation to his Enterprise initiative and this led directly to business schools becoming involved in developing the Enterprise Charter.

Downloaded 16/10/13: ¹ <http://www.northernleadershipacademy.org.uk/> and

² http://www.associationofbusinessschools.org/sites/default/files/130516_absinnovation_web.pdf

5. Sources to corroborate the impact

- [A] Business Schools MBS Task Force report, 'Business School/Mid-Sized Businesses (MBS) Collaboration – supporting growth in the UK's mid-sized businesses (Pages 10 and 36 refer to NLA and Page 11 to Goldman Sachs 10,000 Small Businesses programme)
- [B] Letter of testimony from the former Chief Executive of Yorkshire Forward [Note – the RDA closed in April 2012 and the letter was sourced immediately prior to this]
- [C] Report: Connecting and Delivering Good Practice across the North: Centres of Excellence for Leadership and Entrepreneurship, Northern Leadership Academy
- [D] Letter of testimony from Policy Manager at Department of Business, Innovation and Skills
- [E] Northern Leadership Academy Project Evaluation (report and appendices), NLA, June 2008
- [F] Letter from private training provider and former programme director for Wakefield College.
- [G] Letter from Senior Lecturer Leadership and Management, York St John Business School
- [H] Letter of testimony from Executive Director, Office of Corporate Engagement, Goldman Sachs
- [I] Case studies by participants on the Goldman Sachs 10,000 Small Businesses programme
- [J] 'Unlocking business potential', in Special Supplement, Global Focus Vol.06, Issue 03 (2012) pp19/20, The European Foundation for Management Development (EFMD) magazine
- [K] 'Stimulating Small Business Growth', Progress Report on the Goldman Sachs 10,000 Small Businesses UK Programme, April 2013
- [L] Video recording of Rt. Hon. Dr. Vince Cable MP., Secretary of State for Business Innovation & Skills, at Making the Case for the Social Sciences, BIS Conference Centre, London, June 2012
- [M] CfLD/NLA SME Action Learning Set Evaluation, December 2008, University of Liverpool
- [N] Video of the Rt. Hon. David Willetts MP., Minister for Universities and Science, launching the ABS report on 21st May 2013: <http://www.policyreview.tv/video/905/6812> [accessed 25.10.13]