

Business, Energy and Industrial Strategy Committee

Oral evidence: Small business and productivity, HC 807

Tuesday 5 June 2018

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Members present: Rachel Reeves (Chair); Stephen Kerr; Peter Kyle; Mr Ian Liddell-Grainger; Albert Owen; Mark Pawsey; Antoinette Sandbach; Anna Turley.

Questions 56 - 151

Witnesses

I. Ben Willmott, Head of Public Policy, Chartered Institute of Personnel and Development; Paula Whitehouse, Associate Dean for Enterprise, Aston Business School; Charlotte Keenan, Head of the Office of Corporate Engagement International, Goldman Sachs; David Willett, Director of Business Development Unit (Interim), Open University; Sarah Underwood, Professor of Entrepreneurial Practice, Centre for Enterprise and Entrepreneurship Studies, Leeds University.

II: Tony Danker, Chief Executive, Be the Business; Ruby Peacock, Deputy Head of Public Affairs, Federation of Small Businesses; Andrew Wright, Chair, Leeds City Region LEP Business, Innovation and Growth Panel; Rana Harvey, Owner, Monster Group UK.

Written evidence from witnesses:

– [Chartered Institute of Personnel and Development - written evidence](#) | [PDF version](#) 

Examination of witnesses

Witnesses: Ben Willmott, Paula Whitehouse, Charlotte Keenan, David Willett, and Sarah Underwood.

Chair: Thank you very much, all five of you, for coming to give evidence this morning on small business management and leadership. We have two sessions on this theme this morning so we are going to get underway quickly and hopefully we are going to ask short questions. You do not need to answer every question because there are five of you, but please do come in and indicate to me when you do want to make a contribution.

Q56 **Albert Owen:** Good morning. I will try to be concise and do two questions together, if I may. How aware are SMEs of their own productivity and the areas where their businesses can improve? How critical is this? What can be done to ensure SMEs have the information they need? How do organisations provide management and leadership training to reach out to those SMEs? Anybody can kick off, and I am sure you will all want to have a go at answering this.

Ben Willmott: I am Ben Willmott. I head up the public policy team at the Chartered Institute of Personnel and Development, which is the professional body for HR and people development in the UK. We have 145,000 members and are responsible for recruiting, managing and developing a large part of the workforce. We also have 15,000 self-employed HR consultants who work with tens of thousands of small firms every year on their people management practices. That is just a bit of background.

In terms of how aware small firms are of their productivity, which is your first question, they are very aware of the inputs, i.e. what they are spending and what they are investing. They are not so aware of translating that investment into outputs around quality of goods and services, et cetera. One of the key blind spots is around people management. The sorts of things that are material to SME productivity around people management are things like workplace relations, which could be motivation, morale, poor performance and conflict in the workplace, which materially affect productivity, and around labour productivity measures such as sickness absence, recruitment and retention costs, and how long it takes to recruit key staff and fill key posts. Those are the sorts of things that small firms typically are not focusing on. That is one of the things that we would like to bring to this evidence session, around how to address some of those challenges.

Paula Whitehouse: I am Paula Whitehouse. I am the associate dean for enterprise at Aspen Business School. Today I am here on behalf of the Chartered Association of Business Schools and the Small Business Charter.



Picking up the point about whether SMEs are aware of their own productivity, I think they are not. They are aware that the UK has a productivity problem but translating that to their own situation is difficult. They do not have the data or the way of measuring their own performance. That is something that we can help with by benchmarking and understanding the overall picture, and going back to SMEs to help with that, to show them not only how perhaps they are performing themselves but how leadership and management skills, and the development of those, can really help them adopt better business practices, which in turn lead to gains in productivity.

Q57 Albert Owen: Who should do that? I am confused. There is a great panel in front of us here from different organisations. If I am a small business concentrating on my business, whom do I go to for that information?

Paula Whitehouse: There is a lot of business support out there. Possibly it is of varying quality and regionally the picture can be patchy. SMEs need help navigating that whole landscape. One thing that charter-holding business schools can do is be anchor institutions within a region. They are very connected into LEPs and growth hubs. If that whole ecosystem is functioning well then the sign-posting and the referrals for SMEs can highlight what support is right for them at the right time, because it is crucial that they do access the right thing at the right time.

Charlotte Keenan: Good morning, and thank you for having me here. I am Charlotte Keenan and I head up the office of corporate engagement for Goldman Sachs. We run a programme called 10,000 Small Businesses, where we focus on supporting high-growth small business across the UK. We have been running it since 2010 and the focus is absolutely to help them to grow.

In relation to your first point on productivity, I would actually largely echo what Paula has said. They are not necessarily thinking about productivity; they are thinking about growth and they want to know how they can grow. One of the things that we do running through with the programme is address all of the underlying measures that support ultimate productivity increase, so we focus on leadership training; we focus on process improvement; we focus on innovation. We really open their mind-set to things that they can do to absolutely elevate and grow their businesses. What we typically see, which we will be releasing a report on in the coming weeks, is therefore an increase and an uptick in productivity.

One of the things that is critical if you are a business in the UK looking to grow is that you are time-poor, you want something that is easily signposted and you also want a programme that has been endorsed by other small businesses that have been on it. One of the things that we find is many of our referrals come from businesses that have been on the programme, but there is also highlighting and giving visibility to strong



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growth champions and good small businesses across the UK, to help others on the journey that they have been on.

Sarah Underwood: Good morning. Thanks for having me. I am Sarah Underwood, professor of entrepreneurial practice at Leeds University. I am one of the academic leads on the Goldman Sachs 10,000 Small Businesses programme; I also sit on the boards of the Small Business Charter and the ScaleUp Institute leadership task force as well.

Again, I would like to echo what Charlotte and Paula have said in terms of the focus of the businesses that I work with tends to be very much around growth. Initially, when we start to work with them, that really is about how they can recruit more people. When we are talking about productivity, it is not just about recruitment and growth in terms of numbers of staff but actually how they can be made to be more efficient in the way that their business is running; that is a really core message that needs to come through any of the training programmes that these SMEs actually access.

However, one of the key things for all small businesses is that they are not accessing this training. One of the elements that Leeds University is involved in with Goldman Sachs is the recruitment of the small business owners to the programme. We know that upwards of 80% of our recruitment comes through referrals, so it takes somebody else who has spent that time and taken that time out of their business to work on it rather than in it, which I know is a bit of a cliché, but that is the thing that they have to see the benefit of, and it takes another person in the same position as them to be able to persuade them that that is what is needed. One of the things that I would particularly like to express is the need for the support mechanisms to address this peer-to-peer networking and how that is best used, not just regionally but nationally as well.

David Willett: Good morning. Thank you for having me this morning. I am David Willett, corporate director of the business development unit at the Open University. I also spent 12 years owning, running and ultimately selling a small business, which I did directly before joining the university, so I have also been an owner of a small business and know how challenging it is to think about productivity.

I would echo some of my colleagues' points this morning but I would also like to make the point that what small business owners really understand when we talk about productivity is the relationship of productivity to skills. Skills are absolutely vital to productivity but it is about having the right skills in the right place at the right time. Something like two-thirds of the workforce of 2030 are already in the workforce today. There is going to be a continuing need for small businesses to upskill and reskill their workforce, particularly in the age of digital. We have to help small businesses upskill in relation to things like leadership and management but also digital skills. I would like to make the point that the link to



productivity for lots of small business owners manifests itself really in skills.

Q58 Albert Owen: That is interesting. You are echoing what others have said and you ran a small business yourself. In the digital age now, rather than businesses accessing this information, you can send the information to them. This is one of the things with banking and various things: you get information sent to you rather than accessing it yourself. Do you think that is helpful? I would like to ask you one question, David, to put you on the spot. Did you ever use any of the organisations alongside you when you were running a small business?

David Willett: I did not use any of these particular organisations. However, in relation to the point that Sarah just made about working on your business rather than in your business, we were helped, through what was a predecessor to a LEP, with business coaching. That really helped us, and we worked with some local organisations in helping us do recruitment to find the right skills. That was one of our biggest challenges: finding people that had the right skills in the right place at the right time. We ran a business that was a national business and so worked across all four nations. Having the right people in the right place with the right skills was critical to our success. My small business was ultimately a success. We sold it to an American venture capital business and the business is still running today.

Just to come back on your point about us being able to send information to them, of course as the Open University, as the largest university in Europe with 170,000 students, being experts in providing distance learning, we are increasingly helping small businesses with small, modular, bitesize pieces of learning, which again is often what we find small businesses want. I would echo the fact that again they do want recognition, whether that is local recognition or being nationally recognised with a qualification. They often want modular, bitesize pieces of learning to help them equip themselves with those skills really quickly, to help them with the productivity piece.

Ben Willmott: Just coming back on the issue around how you connect with small firms, a big part of the evidence that we gave to the Committee was based on some pilots that we ran, where we provided free HR support to small firms in Stoke, Hackney and Glasgow. This was funded by the JPMorgan Chase Foundation. In Stoke, we worked with the growth hub, the local enterprise partnership and through the chamber of commerce to provide this free up to two days of HR support to small firms, to understand the value of this HR support and what sort of support they needed.

What it found was that for most of these small firms—we are talking about firms that employ between one and 50 people—the thing they want is really basic people management support, so help with terms and conditions of employment, job descriptions, appraisals and how to recruit while remaining compliant with the law. Although the sort of support



they wanted was really transactional, it was also potentially transformational. The data showed that, following intervention, there were improvements in labour productivity reported compared to prior to the pilot, improvements in workplace relations and reported improvements in financial performance.

Our analysis is that you have to get the people management basics right first. For a lot of these small firms, that provides the foundation for growth and more investment in the higher value-added activities such as investing in the leadership and management training. The LEPs, the chambers and the growth hubs need to work together in a much more coherent way, and that was a conclusion from a previous BEIS Select Committee inquiry into the industrial strategy.

Paula Whitehouse: Picking up on the digital technologies and the delivery of business support through those means, it is interesting that there is Enterprise Research Centre research that has recently come out that says that many microbusinesses actually have not adopted any digital technologies. About 25% of them have not taken on any within their business at the moment, and another 25% have taken on about one digital technology. We are talking about things like e-commerce and cloud-based computing. In terms of the delivery of business support, you have to think of actually what those businesses are using at the moment. There is a connection to leadership and management skills but within the business they do not have access to these things at the moment and they will not be able to access the business support that way.

Charlotte Keenan: There are just two points that I wanted to come back on. First of all, with the tailored and generic learning, we run our curriculum so that it is absolutely applied and relevant to you, the business owner, at that stage rather than just generic “101 of corporate finance” or whatever it may be, and we find that hugely successful in the results that we see. The business owner is away from the business, working on it. We see a 31% uptick, once they have finished and we have measured it, in terms of jobs growth, and 81% in terms of revenue.

The other point is around digital, which is critical. One of the innovations that we have brought is to think about a blended learning programme, which Sarah has been instrumental in leading for us. Part of what we do is run it online, which helps with accessibility to businesses across the UK and then also in classroom. It is that combination to ensure that business owners and leaders are familiar and happy and using technology in their day-to-day lives, which then permeates again back into the business.

Q59 **Mark Pawsey:** I want to expand on the barriers to small businesses taking up management training and advice. Like David, I owned and ran a small business before becoming an MP, and the first problem I encountered was knowing where to go. Ben, you have spoken a bit about that. If we identified a need, where would we go to find it? When



we then found out that there might be something in existence, it ended up seeming to cost an awful lot of money, so that was a bit of an obstacle. Then, as Charlotte and Paula have said, we found that businesses are very busy—they are time-poor—so if we found out about something it was then too costly and then we would struggle to make the time available and we ended up doing nothing.

What is your assessment of those barriers and how can providers such as yourselves encourage businesses to invest in training to move their businesses forwards?

Ben Willmott: I would say, going back to my earlier point, that first of all there needs to be a clear business support offer within the growth hub/local enterprise partnership.

Q60 **Mark Pawsey:** That is erratic, though, is it not? For some places they are brilliant and for other places they are non-existent.

Ben Willmott: Yes. What we think is you could use the people skills type model to provide a finite amount of free HR support to small firms as a sort of pump-primer. The research showed that there is a link. After this initial investment you then get the eureka moment. This is one of the challenges that you are alluding to. A lot of small firms and their managers do not know what they do not know; it is only when they start talking to someone around people management issues that they start to think, "Actually, that is an obstacle to my business growth. I need to address that. What is the people management solution?" There needs to be a much better offer.

In Stoke, for example, we had radio adverts running. We had a billboard on one of the big arterial roads going into the town. There is a one-stop shop growth hub number. If you go to that as a small firm and you have people issues, you get referred to a co-ordinator who worked within the chamber of commerce, who would then connect them to one of about seven locally sources self-employed HR consultants, who would then work with them for up to two days.

That type of support is shorter but often it is transformational, and we have to hardwire that into our employment and skill system through the LEPs and the growth hubs. It needs to be much more consistent. As you say, it is extremely ad hoc at the moment and we need to address that.

Q61 **Mark Pawsey:** Paula, how do you deal with awareness, cost and time?

Paula Whitehouse: The time factor is a difficult one. What I would quite often do—and I was doing it yesterday—is if I am talking to an entrepreneur and I think that some sort of leadership and management programme might be suitable, I will offer to connect them with somebody who has done it, so that they can actually talk to somebody who has been in the same situation as them, being completely honest about the time commitment, and then the crucial thing is for that person to decide when the right time is for them to do it. Sometimes I will be talking for



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somebody for two or three years. They may be going overseas a lot developing things and they do want to access support, but I would not suggest they do that when they do not have the time to do that.

The cost element is a really interesting one, and that is why we see SMEs not accessing things like executive development programmes at universities. They are suitable for corporates but are absolutely not suitable for SMEs. European funding and access to that has been hugely significant. If you look at the programmes that are out there, a large proportion of them have been funded by European firms in order to make that free to the SME.

Q62 Mark Pawsey: Again, that is erratic, is it not? It might be available one year and it might not be another. Is it not important to have some consistency here?

Paula Whitehouse: Absolutely. That showed in the Greater Birmingham and Solihull LEP, where I am, where we did some mapping of all the business support through the growth hub. It was when the 2011 funds had just finished and we were waiting to access the next pot of funding, and the amount of business support dropped considerably. It was really difficult. We were asking people to wait. We were saying, "We will be able to do this with you in 12 months' time". Evaluating those programmes, so that we have the evidence to be able to draw down other suitable forms of funding when that is no longer available, and looking across nationally to set up frameworks for quality are really important.

Q63 Mark Pawsey: Charlotte, what do you see to be the barriers and how do we overcome them?

Charlotte Keenan: I would largely agree with the barriers highlighted to date. Time: it has to be the right point in the business owner's lifecycle. If it is not the right time, often we will ask them to come back or think about it at a different time. It also has to be relevant to them at that point, so that it is useful. Cost is also a huge thing. One thing is that our programme is fully funded by the Goldman Sachs Foundation and we have maintained that commitment since 2010, to enable those businesses that are able to do it and want to do it, so that it is not a barrier to entry.

Q64 Mark Pawsey: Is it only available to businesses that tick certain boxes? Is it available to everybody?

Charlotte Keenan: We target the programme at high-growth businesses.

Q65 Mark Pawsey: Do they approach you or do you approach them?

Charlotte Keenan: Both. Typically we find most of it coming through alumni referrals. We have worked with over 1,400 businesses that have now gone through the programme, they then refer on and businesses



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come to us. The average size of business when they come in is about £1.5 million in revenue and about 13 to 15 staff. That is the point at which we think we can give them that helping hand.

Coming back to the LEP point, I am on the Scale-Up Taskforce that was instituted by BEIS and also on the board of the ScaleUp Institute. Through our work and partnerships there, we have been doing a huge amount with the LEPs and the growth hubs precisely to help them think about availability of business support and making that accessible to businesses so that businesses know that it is there.

Q66 Mark Pawsey: Some LEPs have made it into a priority but for others it is less important. How do we get a more consistent approach across the LEPs?

Charlotte Keenan: Ultimately I would say evidence and best practice that it is working.

Q67 Antoinette Sandbach: Charlotte, you spoke about the blended learning programme, which is run online and in the classroom. How can you tailor training to the specific needs of the SME while ensuring that they have good generic skills?

Charlotte Keenan: It is something that we have grappled with at length and it is a curriculum that we started developing in 2008. It has evolved since then with experts, namely the two sitting beside me.

Antoinette Sandbach: Maybe it is worth hearing from Sarah or Paula.

Charlotte Keenan: It is absolutely the blend, so you will get core learning that is available online. Much of that is then synchronous learning that we do and then very specific in-classroom intense learning applied.

Sarah Underwood: Just to be a little bit more specific about this, I actually think that one of the real strengths of the way that the 10,000 Small Businesses programme has been developed is actually about addressing what are in fact the common issues. You are talking about making it specific and we do that through the way in which the materials are applied within their business but actually also drawing together a roomful of like-minded business owners. The way that we do that is by creating programmes that are focused on productivity and growth rather than other stages of where your business might be up to.

The notion that every business needs some kind of individualised programme is not quite right. Actually, having a group of people that recognise in each other that they have experienced common issues and they can share amongst each other once what they have done is very powerful and actually adds to the sustainability of the effect of the programme afterwards, because they continue the conversations.

Q68 Antoinette Sandbach: David gave evidence about the need for bitesize



modules. Is that the system that you operate?

Sarah Underwood: The programme as it stands at the moment is actually much longer than I would imagine you are talking about in terms of “bitesize”. It is 100 hours that we ask for them to put into both the classroom time and the work that they do back in their business over about three and a half months. It is quite intensive but part of that is deliberate, to force them to step away from their business and to try to spend that time working on how they can improve the operational efficiencies of their business and their growth plans, so that when they then finish the programme they actually find that they have more time and hopefully keep with that sort of mind-set of thinking about how they can focus on the growth of their business.

Q69 **Antoinette Sandbach:** Paula, Sarah has spoken about the common gaps in management and leadership—in effect that the 10,000 Small Businesses programme actually addresses the common failings, if you like. What would you say that those are? Are there any particular sectors or types of SME where specific gaps are more prevalent?

Paula Whitehouse: Commonly, it is, for example, being able to use financial information to make strategic decisions about the business, or being able to look at operations and processes and understand actually within your business how that is working and how you can have productivity gains through that. Those are across all sectors. When you are looking at particular sectors, for example, there are people we refer to innovating business models. Quite often we will be working with manufacturers. These growth programmes are fantastic at giving the whole spectrum of support, but then quite often what we will do is when people come off the programme we refer them to very particular things.

An example of that is a servitisation programme we run at Aspen Business School, in which we work intensively with people on business model innovation, which is actually bringing in services to manufacturers and selling in a completely different way. That is a way then, once the business owner has been able to build a strategy and really look at their opportunities, you can inject that specialist support.

Another example is that I was talking to colleagues from Loughborough Business School yesterday, and they have a real specialism in sports science engineering. If an entrepreneur were coming to me and they were looking at that, I would refer them that way. It is understanding that whole picture and the growth hubs have an absolute role to play in doing this as well.

David Willett: I would like to come back on the point about tailoring, because that is also linked to cost and it is also linked to this challenge around the inconsistency and the postcode lottery. If we think about the first point I made around small businesses thinking about productivity in terms of skills, we have a national programme and an apprenticeship programme that the Government are currently championing. A lot of the



noise around that has been aimed at large employers around the levy. However, we should remember that a small employer—non-levy payer—only needs to make a 10% contribution towards the cost of training. Higher and degree apprenticeships could play a real part in helping small businesses increase their skills and therefore ultimately their productivity.

We have launched 10 programmes so far, and two of those are in the leadership and management area. One of them is our Chartered Manager Degree Apprenticeship programme. Some 50% of that programme is work-based learning, so that allows us the opportunity to really blend the learning, use that blended learning approach and work with learners in the context of their own business, so that they can apply those skills and gain those skills quickly. We have also launched our first postgraduate level 7 leadership and management programme linked to our MBA, and that addresses the challenge around executive education for small business owners as well. All of those are available on the 10% contribution for small business.

Ben Willmott: A key issue is the maturity of the organisation and the extent to which they are ready for this sort of high value-added activity that David was talking about. Quite often in forums like this we set the bar very high in terms of the level of management capability that we are talking about. We forget that actually for most small firms the bar is much lower. We need to provide the support to help those small firms that are struggling to comply with legislation, even. We know that if you help them get their house in order around the basics that provides a foundation for growth. You are building on sand if you are just talking about the higher value-added activity. That is really important but you have to get the system right.

That is where I come back to: you have to provide the basics in a coherent way through the LEPs and growth hubs, and then you can bolt on the higher value-added activity like investment in leadership and management training and qualifications that are important particularly for certain sectors and certain businesses that have particular growth trajectories. That would be my key point.

Q70 **Antoinette Sandbach:** Sarah, do you have anything to add in terms of specific sectors that you think have specific gaps, or are you saying that actually these are commonly identified problems?

Sarah Underwood: What I was trying to suggest is that there is a strength in them recognising that there are common areas of issues. One of the things that we have potentially not mentioned at the moment is the culture aspect of business. Sometimes that can be more sector-specific. There are certain sectors that do not necessarily focus very heavily on the cultural side, seeing that as a bit of a softer, fluffier thing; that actually can be quite important.

Q71 **Antoinette Sandbach:** What sectors are those?



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Sarah Underwood: I would suggest that this occurs possibly in the more manufacturing-type sectors and where things have been built up through more systematised operational type growth for the company.

Q72 **Stephen Kerr:** I was glad to hear what you said then. Having spent most of my career working in small businesses or with small businesses, I concur with what you said. There can be no doubt that there is a digital skills gap. Just taking one point of evidence, the FSB indicate that 26% of business owners in England lack confidence in their basic digital skills. In Scotland, I have to point out that the Scottish Government research suggests that only 37% of all businesses in Scotland feel that they have the right digital skills set. We have a challenge here that we have to respond to. What will we do?

Ben Willmott: We should get the foundations right first, so make sure that these businesses and managers understand about making sure that the businesses are legally compliant. That might sound like a very low bar but it is important. Of course, everyone has a fundamental duty to comply but it also suggests that by looking at things such as terms and conditions of employment and job descriptions, you start to think more formally about your people. That enables you to then think more formally about the skills that you need for the business as a whole, including what training you might need for the organisation at a higher level. That is when you can then start thinking about the sort of skills gaps you have in your organisation. Owner-managers can then start identifying what those skill gaps are and then how they might invest.

Q73 **Stephen Kerr:** How is that best done?

Ben Willmott: It is a combination of a coherent business support offer through the growth hubs and LEPs, and then it is about making sure you are making the links with the existing programmes, with the business schools and with universities, where there is that support available. You have a clearly navigable system. There is no magic bullet or easy answer to this, but if you get some of those fundamentals in place, you start, over time, to be successful in that.

Q74 **Stephen Kerr:** Does that include digital skills?

Ben Willmott: That absolutely includes digital skills.

Paula Whitehouse: With the digital skills and adoption of digital technologies, people have to be aware of what is out there. They have to be able to make a selection of what is right for them, and that has to be part of a strategy for the business. The peer learning can be incredibly important here. I had somebody ask me the other day what CRM system they should be looking at. I said, "I have this way that you can connect with lots of other people I have worked with. Ask them what they have used. See what works". Those conversations between sectors can help people look at things in a slightly different way, although not necessarily adopting the same method that everybody else in their sector is adopting. That can be very helpful.



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Q75 **Stephen Kerr:** Is that a formal network or an informal network that you are talking about?

Paula Whitehouse: The one I am talking about is the Aston Programme for Small Business Growth, where we work with early stage business leaders and we keep them connected once they finish with us, so that they can support each other as a network.

Q76 **Stephen Kerr:** The reason I say that is that many of the small and medium-sized business in my constituency benefit most when they get together informally. For example, business breakfasts are very popular because people end up talking to each other over their breakfast and walk away with all kinds of ideas and new connections.

Paula Whitehouse: I literally connected him with one other person in the room at the time but also pointed them towards a platform where they could have a conversation online.

Something we are looking at as well at the moment at Aston University, in conjunction with the combined authority, is the adoption of 5G and what the opportunities of that are going to be for businesses. That is not just digital businesses; it is really looking at what new services and products could possibly be brought to market if they really understand the opportunities. That is something that, on a region-wide basis, we can look at very specific sectors that are important for the region and give them that support.

Q77 **Stephen Kerr:** Part of the problem is that you say that businesses need to be able to choose the appropriate digital tool that they need, but often businesses do not know where to begin to look for the tool because they do not know what is out there.

Charlotte Keenan: It is very much part of the culture of the business, and so one of the ways that we have tried to address this is to ensure that in all of the modules and all of the learning, digital skills and technology is at the heart of it, whether it is them thinking about their brand, whether they are thinking about their communication or whether it is how they are approaching finance processes. We show that really it is their friend and very clearly show the link to the bottom line and productivity improvement.

Again, the peer-to-peer aspect here is critical, because otherwise where does a business owner start? If I have learned that you have used product X, or developed a strategy entailing X and Y, and that has worked for you, that is going to help me.

Q78 **Stephen Kerr:** It just has to work more widely than it does in individual programmes or courses.

Charlotte Keenan: Absolutely. We do a huge amount. We have a very strong alumni programme, so once our businesses have graduated we then keep bringing them together through workshops, social events and



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networking, precisely so that they can continue to update each other and learn from fundamentally what works.

Sarah Underwood: I would echo particularly the peer-to-peer nature of how businesses start to adopt technology, and I would extend it to say that it is not just about knowing what is available but also having the confidence to actually use it and incorporate it. Again we are back to the fact that they are often time-pressured and there is consideration around the cost of these things. They have to be persuaded that this is actually going to have the desired effect of helping to make their businesses more efficient and worth that time to learn what it is that they need to do and to integrate those processes into their business.

In order for us to do a good job of supporting these peer-to-peer networks, wherever they are, both informally and the more formal ones that are set up following training programmes, we really need to look at how connected these different elements are across regions.

We have talked a lot about the role of the LEP and the growth hub, and we have talked about the training programmes that SMEs can access and the strengths that come out of that, but what we really need to work on is the connectivity between all of those opportunities, because once they are part of it and have accessed something, as both Paula and Charlotte have already said, they will continue to do that once they have seen the benefits of those peer-to-peer networks and of understanding what is available to them. My experience is they then continue to do that.

Q79 **Stephen Kerr:** It has to be pragmatic and practical, though, does it not? The more practical it is, the more meaningful it is from the get-go, really.

Sarah Underwood: Absolutely. Once they have accessed it and once they have got there, they can continue to do that and we see that increase of adoption of technology and other things into their business, which helps to continue to drive their growth in productivity. We need to have that connectedness.

David Willett: I wonder whether there are some interesting lessons to be learned from the consumer space in this. If you think about people like Barclays, which did a fantastic job with its Digital Eagles programme that educated consumers, that was done at a real national level, using national advertising to really help the consumer in that digital space. Are there not lessons we could learn around having a much more national approach?

What we find with small businesses, as colleagues have already said, is that they do not know what they do not know. We had an example this week working in the north-west of England with a small healthcare provider. Just coming back on the question about sectors, if you think about the health space, with our ageing population, their challenge was that they wanted to manage patient data, staff rota-ing and systems for alerting staff about people who had called in sick. They knew they



needed some form of technology. They did not know what type of technology and they did not know what type of person and what type of skills were needed. I was helping them do some thinking through that and found that actually what they really wanted was a data analyst. They had no idea what a data analyst was.

They were lucky that they came across the Open University through some advertising but actually we need a national approach to this. If you look at Barclays—I am not championing Barclays; I am not a customer—that has been a very successful programme. There needs to be something of that scale if we are going to make a significant difference to this.

Q80 Stephen Kerr: Most business people want someone to come in and show them something that they can embrace, rather than talk theoretically. Part of the problem we have got in Scotland particularly, I have to say, is that there is such a plethora of initiatives and bodies that frankly some business people cannot see the wood for the trees. That is one of the big challenges that we have to overcome.

Q81 Anna Turley: What has come through really strongly in your evidence so far—and particularly Stephen made reference to it just then with regards to digital technology—is the importance of peer-to-peer support and peer-to-peer learning. I just wondered if you would all like to say something else about both that informal peer-to-peer support and formal peer-to-peer support and how that builds resilience for what you are trying to do.

David Willett: Clearly peer-to-peer learning is critically important for small businesses, as it is for large businesses. One of the advantages of working with small businesses, using a blended learning approach, is that they get the chance to not only learn skills online but also either come together face to face with colleagues or share together in online forums.

One of the things that we have been doing more and more of with small businesses is bringing them together in online forums and webinars where they can collaborate again. We know that one of the key things that small business owners tell us is that they are absolutely time-poor. Peer-to-peer learning and collaboration can be done but, from a provider perspective, can also be done using digital skills as well, and we are increasingly trying to do more of that with small businesses.

Sarah Underwood: Something I mentioned very briefly earlier but will just make a bit more of a point around now is that developing the peer-to-peer support, particularly around the programmes that they can access but also the other peer-to-peer networks, gives a sustainability to the interventions that they actually experience. It is a way of being able to carry on not just the learning but the mind-set around growth and productivity and bringing those into their business.

That is really essential for them as they come out of programmes and go back into the day-to-day working of their business. It is very easy to



drop back into being very busy and not necessarily thinking about how their business is functioning. That network continues that mind-set of thinking about how they can continue to grow. They push each other. They push each other to stretch their targets to do more with what they have available to them.

Q82 Anna Turley: Charlotte, is that something you are building into your programmes?

Charlotte Keenan: It is fundamental to our programme and has been since the absolute start. As we all know, it is lonely when you are a business leader running an organisation, so it is right from sitting in the classroom, learning together, being vulnerable together, sharing what you do not know and helping others with what you do know, through to Sarah's point, which is critical.

We have the privilege of seeing many of these businesses now seven or eight years on and they are still helping each other. They sit on each other's boards; they help each other with recruitment. Fundamentally, you are sharing that experience with someone who is someone else who knows what it is like to run a small businesses with the HR challenges, with the recruitment challenges and with the board challenges.

Keeping those networks alive in a way that is sustainable, does not become too time-consuming and is natural and organic is something that we have spent a huge amount of time thinking about. One of the things that we do is we have an app that we have created. We connect all of our businesses and we then see them using each other's products and services. The key point is that it is fundamental but it has to be natural, organic and easy, and therefore programmes should do everything they can to engender that culture.

Q83 Anna Turley: Is there any academic research to show the importance of peer-to-peer support?

Paula Whitehouse: There is. In fact, in the university environment we can really use the fact that businesses, from pre-start-up through levels of maturity, will go through common challenges. What we have is people engaging with us at all of those levels, so that we are able to almost connect together those tiers of learning. An example is where I have a student starting up a business. They will typically be mentored by a business owner with a more mature business, who has actually been through those challenges themselves. It is looking at it in tiers.

People who have already been through a growth programme and have grown significantly will quite often then be looking for people within the business quite quickly. Maybe they will take a placement student or they might do a knowledge transfer partnership with a really specific academic research work on an aspect of what they are doing.

Something that the Small Business Charter is doing is helping that transfer between regions and business schools as well, through an



Entrepreneurs in Residence scheme. What you see is all about an ecosystem working but also developing exemplars of good practice and spreading it.

Ben Willmott: I would say that where our pilots work best is where there are very good existing channels and networks. In Glasgow, through the city council we have had great connections with local firms and have been doing a lot of engagement. It was much easier to then do networking events and group training events, bringing business together because, as we have heard, hearing stories from firms that resonate with you are things that really make a difference to other managers. The more that you can use those existing networks through chambers and the Federation of Small Businesses, that is where you start to leverage and get more traction with these sorts of initiatives.

Q84 **Anna Turley:** It is interesting to hear the role of the city council, a municipal body, facilitating that. That is quite interesting. Do you think there is a role for measuring the benefits of management and leadership, as well as the peer-to-peer support and the roles that you play through the business school? Whose responsibility is it to be overseeing that kind of management support and that training and development, and analysing what is working.

Ben Willmott: We think there needs to be formal evaluation of the type of initiative that we run. We ran an academic evaluation through Manchester Metropolitan University and what we have suggested is that you could roll out a people skills type model across all the local enterprise partnerships in England for a cost of about £13 million a year, including evaluation costs.

You run that for three years, you work out where it is working, you really tangibly understand the value it is providing and you then fine-tune and build from there. You have to build in evaluation to ensure that what you are offering does provide tangible value for the owner-management population you are trying to help.

Q85 **Anna Turley:** I would ask the academic institutions whether they agree with that. Do you see the academic institutes having a role in that, or somebody else?

Paula Whitehouse: Absolutely. At a programme level, doing impact evaluation is crucial, plus ongoing feedback to actually understand on a day-to-day basis that what you are doing is working for the businesses, so that you can have a continuous improvement approach to that.

We need national frameworks for evaluating. We need to be able to look on a regional and national basis at what is working, and there is a role there for national bodies to lead that: to develop these frameworks and lead the implementation of those.

Sarah Underwood: Just to expand that a little bit, the ScaleUp Institute already have a system in place for evaluating the way in which some of



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these programmes are actually delivered and assessed, and they have a published site of programmes that they consider to be fit for purpose. That is not necessarily accessed by the businesses as much as it possibly could be. It could be much more widely publicised, and that would give a good evidence base for businesses that are looking for programmes that have some kind of impact.

That leads me on to the second thing that I really wanted to say about this. It is not just important in terms of funding and a sense of making sure that the programmes are working. Actually this is part of the communications back to the businesses: that by engaging in this kind of education it really does make that difference to their business, so it is worth the time and effort that they put into it. It is not just looking at it from a programme level.

Q86 Stephen Kerr: I would have thought it was axiomatic that if we invest in people's skills we are going to get better results. In terms of the measurements that there are, what are they? How can we get those results across as a compelling idea that people must embrace?

Paula Whitehouse: There are research reports out there. There is one very useful one from 2015, which is a BIS report, that shows a direct connection between improving leadership and management skills, adoption of best practice within business and then turnover, productivity and growth. The evidence is there.

Q87 Stephen Kerr: What does it say the connection is in metrics?

Paula Whitehouse: The type of metrics that we use are hard measures such as turnover, employment growth and profitability, but it is also looking at productivity growth using those measurements. Those are key, but there are also a lot of soft measures about people's confidence in growth and their ability to use financial information strategically, for example, which are very important as well.

Q88 Stephen Kerr: If you are talking to a businessman like Mark, for example, the hard facts of the benefits that accrue from investing in people and skills have to be compelling, so what are they?

Ben Willmott: You can look at how much time is lost to sickness absence or how long it takes to recruit someone. Not being able to recruit the right person because you have not looked at the different avenues through which you can reach your local labour market is potentially a significant obstacle. When you start to talk to owner-managers about the tangible impact of poor management, there are things that really hit them between the eyes but quite often they will not necessarily identify them straight off.

Q89 Stephen Kerr: Are there statistics about staff retention and so forth, and the economic cost and benefit of that?



Ben Willmott: You can easily put a cost on the cost of recruitment, the cost it takes to get someone up to speed or how much it costs in terms of sickness absence, if you have a certain level of absenteeism. The holy grail is to find that sort of causal relationship with financial performance. That is tricky, but there is lots of strong correlation data in terms of the links between better people management and business outcomes.

Q90 **Stephen Kerr:** In the Goldman Sachs programme, can you say what the sales increase, profitability increase or economic benefit will be?

Charlotte Keenan: Absolutely. We track and measure all of it. For example, our sales increase in our businesses is 81% per year once they finish the programme. Jobs are 30%. We then benchmark that against a control group of the national average. The fundamental point is how that relates to the programme, and that is ultimately where we look at all of the behavioural factors that underpin that, so the likelihood to take on external financing, the likelihood to internationalise and the amount of time spend on staff training.

Professor Mark Hart at the Aston Centre for Growth helps us and runs all of this evaluation for us, which we do on an ongoing and continual basis, precisely for all of the reasons that you highlight, namely that the business owner needs to know that they are benefiting and that they are growing, that there is an evidence base for our continued development of the programme, for other programmes and a wider picture of how we can then extrapolate this on a wider scale. That link is fundamental for us. If we invest in the leaders and owners and founders of businesses, we then see the link at the bottom line.

Sarah Underwood: I would strongly agree with everything that has been said already in terms of the need and importance of measuring and evaluating these. I would extend that to say that we also encourage that within the business owners as well when they go through the programme. They should develop their own metrics and set their own targets to find ways by which they can achieve what is important for them. Just by doing that, we find that actually that in itself extends what it is that they are aiming to do. That pervades into the culture of what we are trying to do with the growth programme as well.

David Willett: The only point I would like to make is that from previous experience of being a small business owner, the measurement of the return on the investment is even more critical in the early years of the business growth. Finding the cash to invest in year 1 and year 2, knowing that it will hopefully bring growth, is really important. How we think about how we measure businesses in their lifecycle is also important, because it is even more critical in those early years. Finding the money to invest in years 1, 2, 3 and 4 is much more difficult than it is in years 6, 7, 8, 9 and 10 in a small business.

Q91 **Stephen Kerr:** It is about making the proposition compelling enough.



David Willett: Absolutely.

Chair: We have spoken a lot about scale-up and firms who want to grow and invest. Some small businesses, rightly or wrongly, do not have the sort of aspirations that perhaps businesses that come to Goldman Sachs, and indeed others, have for a variety of reasons: they are maybe managing the work around other responsibilities; they are maybe falling into self-employment because they have been made redundant, or things like that. Those businesses need support as well but they are probably least likely to seek it, and also it is not totally clear that they would benefit, unless you could change their aspirations, from some of things you have spoken about today.

If you think about the long tail of productivity in our economy and also the low wage epidemic in some parts of our economy, those are the areas that perhaps you most need to address to boost productivity and ultimately wages and living standards. It might not be something that any of you would be involved in, but how can those sorts of small businesses also get support, not to grow and double in size and all the rest of it but just to sustain and also have those improvements in living standards that we need?

Ben Willmott: Our programme was focused on how you help those hairdressers, those convenience stores and those garage owners. These are people for whom, just by getting their house in order and formalising some people management processes and practices, you actually create greater confidence and ambition and the foundation for the better management of people.

I completely agree that if we are looking to shift the dial on productivity, we have to look at that long tail. As analysis by Andy Haldane, the Bank of England's chief economist, shows, we have a larger tail of small firms with low or negative levels of productivity in businesses employing between one and 50 employees, but when those businesses start to grow they grow fast. There is real productivity growth potential by just helping those small firms to get their house in order. That is something that this Committee should definitely be thinking about.

Q92 **Chair:** How difficult are they to access? I am just thinking about my own constituency and businesses that I meet. I recognise the things that people have said about people who are running businesses being focused in the business, but if there is a business that thinks, "We could be the next Apple or the next Google", or whatever it is, they are likely to seek out that support because they want to grow. I expect that the hairdressers, the small construction firms and those sorts of businesses are less likely to seek it out. Is there a different approach that is needed with them?

Paula Whitehouse: I absolutely agree. We should not forget the minority ethnic-led businesses as well. We have been lucky in the Greater Birmingham and Solihull LEP to work with Professor Monder Ram,



who is at Birmingham University and has been doing a project in particular communities in Birmingham, understanding what the business support needs might be and actually how people might access that support and how to take that support to the area. The next step is to look at how to either bring that into the mainstream or completely change the mainstream, so that we are able to reach out to all sorts of categories of business. That is really important.

Chair: This has been really fascinating, so thank you, all five of you, for coming to give evidence to the Committee this morning.

Examination of witnesses

Witnesses: Tony Danker, Ruby Peacock, Andrew Wright and Rana Harvey.

Chair: Thank you very much, all of you. I think you were all in the earlier sessions and so heard the evidence; I appreciate you coming in for that. We have about an hour for this session, so, like in the previous one, you do not need to answer every question. Sometimes, if we do not have time to get to your answer on one question, you might want to make that point later on. We will try to whizz through the questions and get as much information from you as possible in the space of time we have.

Q93 **Mark Pawsey:** Good morning. I would like to start by asking questions about the awareness of small businesses of the need to improve productivity. If you look at financial information, if you are running a small business, you can benchmark your business against others, because financial reporting is a requirement. You can see how your sales are doing and how your margins are doing against others, but there is no similar available information with regards to productivity. How would a small business identify a need to improve productivity within their organisation?

Tony Danker: Tony Danker, chief executive of Be the Business. Just before I jump into that, I want to say that this line of inquiry that the Committee is pursuing is absolutely at the heart of the solution. There is a very big idea at the heart of this, which is about scaling the kinds of interventions we heard about in the first session. To do that, you are absolutely right that you have to tackle what we call the demand side for business improvement, rather than just the supply side. The data is bad on this.

We did a YouGov survey a few weeks ago, which showed that 80% of firms believe they are as productive as their peers, if not more so. That is just a problem. It is one of the reasons why we often believe quite strongly in the benchmarking process. There is essentially a very quick and accessible self-assessment process.



The other thing we have discovered is exactly what you said. Certainly in the SME sector, from talking extensively to them in the last six months, SMEs usually have a pretty good idea about their financial performance in relation to others, because their accountant will give them that. They have very little idea about how they manage their business's management technology practices compared to their peers. They know little about whether the technology they are using is the right technology and have little idea about whether the way they are managing people is exactly the way they should be.

In order to stimulate that, you need some campaign activity, which is what we are trying to do, as you know. We are trying to be an answer to the exact problem that you described. We need all that stuff about national attention to this issue. You need to be very good at being relevant. This is a very hard nut to crack. We have been having a go in Cornwall with hospitality businesses, and we are just testing constantly what it is that hits the relevance mode. You have to find a way to be relevant for those businesses.

Businesses will have a lot of top-of-mind issues. Stephen, you and Mark were both talking about this earlier. They may have a top-of-mind issue that, fundamentally, is a symptom of a management, leadership and productivity practice, but it is not the way they are approaching it. That is why we never called ourselves the Productivity Movement. They often think about it in a different way and the trick is to tap into the way they are confronting their business challenges and make the connection for them between that and, essentially, good management of productivity practices. I am not sure we have all the answers yet, but you are on the right lines.

Q94 Mark Pawsey: Ruby, does each of your members think, "We are doing fine, thank you very much"? How many of them recognise a need for self-improvement?

Ruby Peacock: Echoing others from the earlier session, most of them do not think in terms of productivity. They think in terms of growth and profits. The majority of our members certainly want to grow and we have found that the majority are reviewing their business strategy at least every 12 months. There is a question of whether at least every 12 months is often enough, and then there is probably a question about the fact, as Tony said, that you can get very focused on the day-to-day running of your business and the key challenge that you are seeing. You are not necessarily seeing that in terms of how you might be able to make productivity gains; instead you have a real problem with one member of staff, which is causing a problem for your business, or you are not quite sure how to get into a particular market to sell a certain product, rather than thinking about how you might change your practices to improve things.

That is where external support is really helpful. It helps someone to step outside of the day-to-day running of their business and think a bit



differently. Quite often, they need external advice and someone else to help them think a bit differently, rather than expecting them to be able to do it themselves.

Q95 Mark Pawsey: Andrew, that external support that Ruby has just spoken about is presumably where you guys come in.

Andrew Wright: Yes, indeed. I am also speaking as a person who runs a small business. In terms of the LEP, we know there is a problem. A recent survey last year said that 50% of businesses we surveyed did not have any business plan at all, and 27% of them were businesses of 50 or more people, so there is a long tail that may not be so surprising there. Even many of the quite substantial businesses do not have a business plan, so in knowing whether productivity is a problem you can see straightaway that there is a really hard communication problem.

One of the things we are thinking about in the LEP at the moment is a campaign called No Wrong Door, where we get a set of all the people who such people might talk to to sign up to a set of agreed principles about how to cross-refer to each other, so accountants, the local authorities, the LEP and the sorts of people who run peer-to-peer networks privately. It is a whole group of people who such a person in a quite hard-to-get area might talk to, and they are aware of the others. The principles will say how we talk to people. We have not developed those principles yet, but I imagine one of them might well be to ask if they have a business plan. If the answer is, "No, I do not need it", we will get into the issue of whether that is really right: "Are you investing for growth? Do you realise what might happen if you do not get it right?"

They are those kinds of conversations, which we will stimulate in people who are not looking for them at the moment. The only 50% of people who are aware of the LEP at the moment is the group we do not need to worry about so much. They are already on the path and we are working with them. That is good and we need to do lots more of that, of course, but for the intractable bit maybe this No Wrong Door could help.

Q96 Mark Pawsey: We took some evidence in an earlier session from a small business that identified some of the problems that they had had, and they did not have a business plan. That struck me as extraordinary. Rana, I am pretty certain you will have and that it will be well thought-out and well prepared. How do you identify the training needs within an organisation such as yours?

Rana Harvey: There are two ways to answer that. Previous to having any formal training, I was very much like a lot of smaller SMEs, as I never knew what productivity was and I did not measure it. I was too busy to even pull away and have a look at it. I actually did the Goldman Sachs 10,000 Small Businesses programme.

Q97 Mark Pawsey: Drill down: what drove you to do that? Did somebody tell you about it? How did you get to know about it?



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Rana Harvey: Ironically, a customer called me and said, "I have met you before. My daughter bought a mannequin from you, and I am one of the tutors on this programme course. I think you would really benefit from doing it".

Q98 **Mark Pawsey:** It was just by chance then.

Rana Harvey: Purely by chance.

Q99 **Mark Pawsey:** We want to take the "by chance" bit out of this. We want to make it more systematic. Yours was just a phone call.

Rana Harvey: It was a referral and it was a phone call. My hesitancy immediately was time commitment, before even looking at the financials. I did not know it was free at the time, but the first thing that went through my head was whether I have the time resources to do this. What sold it to me was his endorsement that it would be the best value invested in time. I felt that I needed that management training, because I had no business experience at all. Previous to it, I had no measurement of productivity. After I had been through the programme, I learned the tools and what I needed to measure, and took it forward from there.

Tony Danker: Can I build on your question with one experience? The thing that has worked most that we have seen in the last six months goes directly to your point about how you grab attention. It is by drawing a distinction whenever you talk about the difference between the short run and the long run. Whenever you talk about how your business is going to be high-performing not next month but next year, that, for me, is the differentiator between firms that think about productivity management and long-term health, rather than month-to-month performance. That may be because they are in a sector where they know that trends are against them. Hospitality at the moment has particular skills shortages, rising wage costs, et cetera. It therefore needs to think beyond next month.

The manager may have a feeling that they are constantly running to catch and fighting month to month, and they want to get out of that trap. They may know that an event is going to happen; Brexit is a great catalyst for people to think about their business. There will be other events in a sector or region. That difference between short and long term, next year rather than next month, is the most effective frame we have seen at getting busy SMEs to think beyond those tactical issues.

Q100 **Mark Pawsey:** Ruby, some of your members will be those who the Chair referred to earlier, which are lifestyle businesses that are happy ticking along and do not have any particular ambition to move their businesses forwards. For those that do, how do providers and businesses come together? Is that something that your organisation provides? Are you the link?



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Ruby Peacock: There certainly is a role for trade bodies like ourselves to talk about the benefits of things like leadership and management training. That is something that we do, and also the peer-to-peer networking that was talked about earlier.

Q101 **Mark Pawsey:** Would you say your role is to persuade a business that it is worthwhile taking time out of a business and putting that time investment in? That is the concern that Rana had when it was presented to her.

Ruby Peacock: It is certainly our role to talk about how important it can be to the growth of the business. We tend to think of ourselves as providing that advice and helping them to think differently about what they might do in business, rather than necessarily telling them what to do.

Obviously, we are not looking to provide a particular product about leadership and management productivity. It would be more about saying, "Have you thought about leadership and management? Can we talk about it in a language that makes sense to you as a business?" Often the language that comes from the people who are providing those products is not the way that businesses speak to each other. That bit about promoting it to our businesses is an important role of people like FSB.

Q102 **Mark Pawsey:** Rana, you spoke about the Goldman Sachs thing. Presumably you are now recommending the Goldman Sachs programme to others. Are there better ways that that information could be passed around?

Rana Harvey: It will get better with time. To answer that question, if I am really honest, in the early days when I used to go and seek out what was out there, what was out there was not that great a quality. In my time, it was Business Link.

Q103 **Mark Pawsey:** How could you measure its quality? If you had not accessed the service previously, how did you know it was not going to be any good?

Rana Harvey: I had accessed basic things that Business Link had provided, and there were other consultants who were floating around at the time, who you had to pay for. None of it gave any good value for money. That personally set me back a little, and I stopped seeking at that point. I was so busy running the business I did not have time to seek. I would recommend the Goldman Sachs 10,000 Small Businesses programme to anybody, and I would probably be able to show them the value of it just from my own case study. I would be able to address the same concerns that they have, which is why it has been quite successful in terms of referrals.

Q104 **Mark Pawsey:** You said that your investment in that was time rather than a payment, but do you think that that kind of programme is



marketable, and would small businesses be willing to pay for them?

Rana Harvey: Small businesses would be willing to pay for it if they saw the value in it. The value comes from the providers. What makes it interesting is that it is not just taught academically, but taught about the business. There are plenty of MBAs, et cetera, but no one has time to either do exams or study, and they are irrelevant. It is about being able to learn something that you can apply directly to the business. Also the live cases are very important, as growing businesses can see other successful entrepreneurs and are able to question them openly. That is what programmes like that bring to the table—a resource that you would not normally be able to access yourselves.

Q105 **Mark Pawsey:** Andrew, are you able to link into these kinds of programmes?

Andrew Wright: As a small business, yes.

Q106 **Mark Pawsey:** Do you know about them because you happen to be involved in the LEP, or would you honestly, hand on heart, know about them if you were not involved in the LEP?

Andrew Wright: I probably would not. The research I referred to says 50% of people do not know who the LEP is. That would echo that as well. What we are saying in the Leeds city region is what about the idea of having a fairly major push at identifying super-businesses that are prepared to talk about who they are and what they do. We are trying to find attractive businesses that will communicate not necessarily to the standard groups of people, but maybe a little off-centre. They may be from a particular ethnic group or some other handle that means that they pull in people who would not normally be thinking about us.

Q107 **Mark Pawsey:** Is the experience of both of you that those who have benefited from those kinds of programmes and done well from them have got the time to spread it to others, or do we end up with, "I'm too busy to do that. It achieved something for me, but now I just want to get on and implement it"?

Rana Harvey: It is definitely the first one. Since I left the programme I have become an ambassador for the programme. I have also done lots of work with other institutions, such as Leeds University Business School. You gain your life back when you have been through something like that formal training that helps you put a management team together and understand where the growth comes from, in the business. You are then able to step away and form a strategy. You start to understand what your strengths and weaknesses are.

As a result of all of that, you as an individual can step right back. I have no involvement in the day-to-day running at all. When I first joined the programme, I was on my phone the entire time texting work and emailing, "Are you okay? Is everything okay?" "No, it is not; the printer has stopped working". None of that happens anymore. You find that you



want to give back. I am more than happy, because I have the time now, to go round and spend some time with other budding entrepreneurs, and people in my own position as well, to share that learning.

Q108 Stephen Kerr: We mentioned digital skills in the last session and you have just highlighted a digital skill—the printer is not working. These are things that tie up people's time, so how do we get these skills to the businesses that are crying out for them?

Rana Harvey: Digital tools providers are very good at knocking on your door and telling you, "I've got this app. I have this software". They are very good at doing that and are doing it. What stops businesses from taking it on, in my opinion, is not always the cost, because sometimes these things can be very cheap. It is the implementation and the change within the organisation. That is the biggest inhibitor.

As an example, if somebody came now, knocked on my door and said, "We have X, Y and Z that would be brilliant", usually they would give you a week's or a month's free trial. They will then send you some sort of PDF that shows you what to do. SMEs are normally either under-resourced or resourced sufficiently. Hardly any are over-resourced. What you end up doing is starting to read it and getting some people involved, and it withers away.

If, on the other hand, the providers were incentivised in some way to do the implementation for you, coming into the business, setting it all up, training the staff then coming back a week later—it is a very expensive option, but if they were able to do that—I can almost guarantee you would have much increased conversions of people moving to digital. Most people recognise the benefits; it is the implementation that is normally painful.

Stephen Kerr: It is the practical stuff—the rubber hitting the road.

Andrew Wright: There is a good programme in Leeds city region, where we hand out vouchers for IT-type projects and moving things forward in IT. It is enormously popular and sells out quite quickly.

Q109 Stephen Kerr: How does that work?

Andrew Wright: With a very small and easy form, you propose a digital improvement to your business and it is decided whether or not that meets the criteria.

Q110 Stephen Kerr: Who decides that?

Andrew Wright: The LEP decides, and an amount of money is handed down. It is not typically a huge amount—£400 or something like that. It is very popular and is getting to a lot of people who are hearing about it.

Q111 Stephen Kerr: Will it create a step change in results for those businesses?



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Andrew Wright: I doubt that that particular thing does but, in terms of creating awareness and getting people on the ladder of saying what we could do that would be better, it is pretty effective for that. Also getting the growth service more tuned into this and being able to talk about it is key. The growth services are increasingly good at talking about digital, but they could be even better.

Q112 **Stephen Kerr:** The talking about it is the frustrating thing for businesspeople. They have a lot of people talking to them or at them about stuff, but it is more pragmatic, as you just described it. Do you have any ideas on that?

Andrew Wright: There is the superheroes thing again, in which the person who is talking is somebody you relate to. You were saying that: that the reason that it spoke to you was because people you related to were advocating it, and they felt like people like you.

Stephen Kerr: They are a business mentor.

Andrew Wright: Yes, and if there is a financial incentive it definitely helps. If the incentive is geared to something that is about productivity and not about creating jobs, that can help.

Q113 **Stephen Kerr:** The FSB has spoken a lot about the digital gap, both in England and Scotland. What have you specifically recommended about how we deal with it?

Ruby Peacock: We think that there is a significant digital skills gap. A significant proportion of our business owners—26%—say they are not confident with their own digital skills.

Stephen Kerr: It is much higher in Scotland, as I mentioned earlier.

Ruby Peacock: Worryingly, a fifth of our businesses reported that a lack of digital skills in their staff was holding them back from becoming more digital. We think it is vital that there is some investment in improving digital skills and targeting that towards small businesses and their staff.

Q114 **Stephen Kerr:** How will you do that?

Ruby Peacock: Look at things like the national retraining scheme and how you might be able to target that towards small businesses and their staff. Also, as people have identified earlier, it can be challenging for the Government to communicate to small businesses. Look at how you might be able to use national and government promotion to talk about the importance of digital skills.

Q115 **Stephen Kerr:** I think people have got the importance of digital skills. It is the actual transfer of the skills that is the problem.

Ruby Peacock: It is about finding ways in which you can help them know where to go to get those skills, linking that promotion of digital skills with how you then access that training and what training would be



right for your business. That is looking at how you do that on a national scale, but also looking at how you use growth hubs and LEPs to provide that support.

Tony Danker: This is a classic example of market failure, I think. It is quite unlike the management training. As we have talked about, the supply side of the technology space is crowded. There is a huge amount of people trying to sell you stuff. The demand side is the challenge. The buyer is slightly overwhelmed by this, and there are two main challenges.

One is the information asymmetry of understanding technology. If you are a big enough company, you will have a chief technology officer who will help you through that process. If you are not, technology is a hugely technical space that you may or may not have been trained in.

The second thing that comes up time and time again for us is the independence issue. Everybody is trying to sell me something and I am just not sure who to trust. It is a bit like plumbers: one guy tells me that I need to move the whole bath, and the other guy tells me I just need to change a washer in the tap. The thought that we have had is that the intervention missing is something like *Which?* Magazine—essentially an independent, trusted and accessible source to help the buyer be more aware about what the right technology answer is for their business.

The Made Smarter pilot that the Chancellor announced a couple of weeks ago is an attempt to do that. It is an attempt to try to bring independence, awareness-building and capability-building to SMEs to implement digitalisation and manufacturing. It applies to the whole economy, because this is going to be a market filled with people trying to sell your stuff. Unless we help the buyers be more informed and confident about who to buy from, we are going to struggle.

Stephen Kerr: I should say, as the chairman of the APPG for Professional Sales, it sounds to me like there is a huge opportunity to redefine what selling this stuff means in this space.

Q116 **Albert Owen:** A lot of small businesses often rely on contracts with other medium-sized or large enterprises or public sector bodies. How important is training and mentoring these SMEs to obtain those contracts? A lot of businesses in my area have had a failure; they have applied for contracts and not got them or had feedback. How important is that training and mentoring?

Andrew Wright: It is important. In our experience, particularly with defence primes, they are prepared to train us. There is a recognition that there can be a problem there and they coach us through that. For the space programmes we have done, there has also been some coaching available.

Q117 **Albert Owen:** How do they access that training and mentoring?



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Andrew Wright: The people from each organisation involved in it sit with each other and say what is really involved in doing that, navigating their way through it. The two organisations are speaking. In terms of a third party that might help with that, there are consultants available. I have never availed of that myself, but I am aware that you can go to people who will offer you training and mentoring on how to sell to a particular large body.

Ruby Peacock: It is hugely helpful, particularly when you think about public procurement. It can be really challenging for a small business, particularly if it has never done it before, to understand how to fill out those forms correctly and write the pitch in the right way so that the business stands out. There is advice and support available, alongside consultants.

We go back to some of the problems with the piecemeal nature of business support and the large number of schemes available. It can be really challenging for a small business to navigate where they are able to access that support. That is where we think the role of growth hubs and LEPs can be to bring that together and help small businesses, when they go into it, to think about what support they might need holistically.

It is not just that if you talk to them about exports, you just provide them with export support. You also say, "Maybe you want to think about procurement; maybe you want to think about leadership and management", and have a bit more of a holistic piece when businesses go there.

Tony Danker: You are absolutely right. We have a lot of big companies on our board but, essentially, work to serve SMEs, so have been trying to get into this whole issue of supply chains and how to use them as the main propagator for this. Defence, aerospace and automotive do it very well, but other people do not really.

There are a few things we have picked up. One is that you need the prime to genuinely want to invest in the capability of their supply chain. You have to be incredibly careful how you deploy the link to procurement. I hear from a lot of SMEs that they would love mentoring or to do training from the prime, but they need to know that they are not going to be dinged by the procurement people. They need to know they are going to get points from the procurement people for doing so.

As a lot of procurement people in primes and supply teams spend their time wrestling with productivity efficiencies, i.e. efficiencies, the ability to do that and provide capability has to be executed very well. Defence and aerospace manufacturing do that well, but other sectors do not yet.

The other thing we have discovered in supply chains is a real bifurcation between those who make it to the supply chain and those that do not. In some supply chains, if you are good enough you are in and will stay there for a long time. Others will struggle to get in. There is a real gap for



helping those firms that could be in supply chains get competitive for supply chains, and nobody seems to be doing that bit.

Q118 Albert Owen: Whose responsibility is it to help those firms that have failed or, for whatever reason, not got in the supply chain?

Tony Danker: There is a natural market failure there. It is one of those national endeavours that needs a partnership between Government and probably big business, to say, "We are going to commit to investing in the pipeline of UK supply chains".

Q119 Albert Owen: Rana, your business grew very quickly. Is this something you have experienced and overcome very quickly, or did you have failures before you had great success?

Rana Harvey: It did grow very quickly but, actually, in the first five years it grew very slowly. The turning point for my business was understanding where the growth was coming from, and I was only able to do that when I stepped back and learned certain tools that enabled me to understand that. That is when the growth became very big, but there are challenges with high, fast growth, as well as with normal growth. We overcame a lot. We have never, touch wood, had failure as such, but we have had a lot of challenges, the normal challenges that you get in a business. The fast growth came after five years. That is when we saw rapid growth.

Q120 Albert Owen: Did you expect that change?

Rana Harvey: That was a critical point. Before then I never had any business experience, so I was running a business like you would run a lab. That is what I had run before. It was very manual and intensive. There was no technology at all, other than on the e-commerce side. By building in these technologies and just having the skill sets and confidence to do it, I was able to completely increase it from that point.

Q121 Albert Owen: There is one final comment I want to make on the digital skills gap. We heard from the first panel about this gap. How large is it with younger people, because many people are now computer-savvy and have digital skills? Is it older businesses that are used to doing things the older way that are finding it difficult? Can you elaborate on the gap?

Tony Danker: I think that is right. I have seen a lot of SMEs where the young person in the office is the person who is given digital as the job to do, but that does not solve the independence problem in procurement.

You usually still have a business leader in that context, who is being advised on good digital answers and is still sceptical about the cost. It is just a snake-oil salesman trying to sell us stuff. We have to think about their capabilities to have a sufficient understanding of digital to be good managers for—you are right—the younger generation of managers who know what the answers are.



Ruby Peacock: There is definitely a problem with businesses that have always been doing things a certain way, do not think about digital and probably are not very confident in their digital skills. It is very easy for people to say that all young people are digitally capable, but that is not true.

If we approach this just as an older generation issue, we will miss out on a gap of people who will never have the digital skills that they need, because we have not given them to them through school and education. We do not want to miss out on that group.

- Q122 **Stephen Kerr:** Someone said that leadership is not doing the work of 10 people, but getting the engagement of 10 people to do 10 people's work. In terms of growth and in terms of running a business, people management skills are pretty paramount. What difference do those skills make and how can we equip our SMEs with those skills? Let us start with Rana; you are at the cutting edge.

Rana Harvey: Probably the most important skill is the people management part. When you are growing a business, you need the team to run the business, because one person alone can never do it. More important is growing the skill set of that team. I have run the business for 11 years and I have learned the importance of making the managers leaders, as well as myself. That is a really important part of making a growing business scalable as well. It is very difficult to do.

- Q123 **Stephen Kerr:** How did you do it? You mentioned that, at one point, you were attached to your mobile phone, running the business remotely at all hours of the day and night.

Rana Harvey: The plan that I did on the programme highlighted the need for a management team. I was a manager.

- Q124 **Stephen Kerr:** It came out of the programme.

Rana Harvey: It came out of the programme, and the first step was employing that first manager. I recruited him using another peer member to help me recruit, because I did not know what skill sets I was looking for.

When that first manager came and I saw how much burden that lifted off me, it was almost like a bug and I went on to a second manager for a different department. It got to a point then where, for any area I was dealing with, I found somebody to lead it, up to the point that I was not leading anything but just had a strategic overview. That is the point you get to when you can step back and let the business run itself, but it is leadership management training and employing the right people.

- Q125 **Stephen Kerr:** Presumably you are using a performance management tool of some description in the business to keep people engaged.

Rana Harvey: That did not come at first, but it did with time. Appraisal mechanisms have changed over time. One thing that any of these



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programmes teaches you is the sheer importance of continuously improving. You think you have a brilliant system—I would have said my appraisal system was brilliant five years ago—but if you do not change you become stale. Making little improvements, day in, day out, has been one of the prime reasons for the success and growth we have seen; it is those little tiny improvements along the way.

Andrew Wright: I agree with that. As a business leader, you have to try to lead by example, by delegating effectively and properly, by modelling the behaviours and doing it right, so that people see that it works for you, for them, for everybody. Delegating properly is probably the key thing. I also agree that appraisal is important.

Q126 **Stephen Kerr:** As businesses grow, that is a pretty tough thing to ask of an entrepreneur.

Andrew Wright: It is, and it changes all the time. I really echo what you are saying about how you might think you have done a good job one year, but you will probably have to come back to it sooner than you think. What was good one time will not be next time.

I also want to blow the trumpet a little for the skills service in Leeds city region. We recently trained all of our middle-management cohort to level 2 in management, using a scheme provided by a private provider that was paid for. We probably would not have done that if it had not been paid for. It has had a mixed response, I would say. Some people have said it was a waste of time, was just box-ticking and was useless. Other people have said, "I really got a lot out of that actually. Can I go on? I would like to do something to level 4 now".

Q127 **Stephen Kerr:** How do you measure the impact of that? You got a mixed response, but do you have an objective way of measuring it?

Andrew Wright: It is through appraisal. Is this person a better manager or not? It is fairly early to say. We did this thing last year, but I am looking at the appraisals as a result of that. There is a correlation.

Q128 **Stephen Kerr:** Does everyone know that?

Andrew Wright: Yes, I am sure they do. I train them on appraisals as well. There is definitely a correlation between those people saying, "I would quite like to do some more", and behaviours that have been modelled through the appraisal process anyway as effective management.

The people who have got it are getting something out of it. It also suggests to me that there are some other people who may not be apt at that kind of thing. Therefore, you have to find different horses for the different courses. If somebody is really a technical person, you should probably not delegate too much management to them. If they are somebody who is not particularly engaged and does not wish to be, again, think pretty carefully about it. It is not a sheep-dip job.



Q129 **Stephen Kerr:** What does FSB do practically to help small businesses with this kind of issue, which seems to be paramount from listening to the two witnesses we have heard speak so far?

Ruby Peacock: Many small businesses start because they are good at a particular thing. That particular thing is not necessarily people management and they do not have HR departments or legal advice. One of the things that we offer is a legal advice helpline. Some of it is just getting the basics of understanding employment law.

Lots of them want to do the right thing but do not understand how to do it. That legal advice helpline is hugely helpful for them in navigating what is quite a complex area. Once you build on that—and CIPD has talked about it—you build on the basics and then can start talking about people management in a different way and start to think about leadership and management training.

Q130 **Stephen Kerr:** It goes beyond job descriptions and contracts.

Ruby Peacock: Yes, start building on it. Get that bit first and then start building on how you might be able to think about people management in terms of how you can develop staff and delegate.

Stephen Kerr: It is performance management.

Ruby Peacock: Yes, performance management.

Tony Danker: I would totally agree. Off the back of Goldman Sachs's programme, we have been championing a programme called Productivity through People, which we are doing in Bath, Lancaster and Strathclyde, and rolling it out around the country. That gets to the heart of this. The big lesson for us has been good HR and performance management for sure, but employee engagement is critical.

Almost all the success stories of productivity in small businesses we see start with employee engagement. The reason why this is quite important is because there is a risk that productivity is seen as an agenda that makes employees the problem. In fact, all our discovery has been that productivity is an agenda where employees have answers. Front-line employees have solutions to firm improvement. This employee engagement movement, which is now a few years old, is a really big part of the answer on the people side.

Q131 **Antoinette Sandbach:** I was quite interested reading in your evidence about the need for the growth hubs and LEPs to effectively provide guidance. The FSB is a federation of small business; why are you not providing guidance? I speak as a member of the FSB and a small business owner.

Ruby Peacock: We provide a vast range of member services, from the legal advice line to some additional ones, which include the ability to put your business through a performance review and then have some details



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about what differences you might be able to make. We do not offer formal business support.

- Q132 **Antoinette Sandbach:** What I am asking is why you are not signposting? You have local groups and know your local area through your local groups, so why are you not linking into the LEPs to signpost for those smaller businesses that do not have 13 or over employees, but are the one-to-10 employee group?

Ruby Peacock: We have local staff. Many of them signpost and many of them sit on their growth hubs or LEPs. They are able to feed into that. It is about being part of that local community. We certainly see our role in those areas as helping those small businesses to identify what that support is, but a lot of it is focused on how we invest in the growth hubs and LEPs as an organisation, so that we are able to provide that clear signposting for those businesses to think about what support they could get.

- Q133 **Antoinette Sandbach:** Andrew, having sat on a LEP, how much engagement do you have with your local FSB?

Andrew Wright: I do have engagement. I know the person and they come on sit on panels. We are aware of what they offer. There is also the chamber of commerce.

- Q134 **Antoinette Sandbach:** Do you use it the other way: to get out information about courses that are available to the FSB's local network?

Andrew Wright: I personally do not, but I would not be able to answer about whether the LEP does that or not. If I had to guess that, I would say it probably does. The link is actually pretty good. Witness the fact that people are involved in the panels already.

- Q135 **Antoinette Sandbach:** You were very open and said that, if you were not sitting on the LEP, you probably would not know about the support that is available, so what do you think is the barrier?

Andrew Wright: It is an absence of publicity. Where would you go to look for a LEP? Why would you think about it?

Antoinette Sandbach: That is why I am asking about engagement with the FSB and others.

Andrew Wright: As a businessperson, I do not. I am a manager; our owners probably do. That would have been a way that we could have been signposted to that, so it does exist. The chamber of commerce is another place that I know works to signpost people.

I referred earlier to the No Wrong Door effort that we are making in Leeds at the moment to link the various people together. We have a charter that says how we signpost people, who is going to do what and who can really help with what. Rather than having that as an informal, "I happen to know because I speak to the FSB person and they seem to be



really good”, we can have that more widely and formally disseminated, so that people who are involved in the scheme all have a better idea of the best way to signpost people.

Q136 Antoinette Sandbach: Tony, your evidence has largely been about supply chains and manufacturing. What about the service sector, which is the biggest part of our economy? What do you identify as the main obstacles to SMEs accessing leadership and management training in services, as opposed to goods?

Tony Danker: All the same factors apply. It is just that productivity is a better-known term in manufacturing. Manufacturing supply chains have therefore been able to build in capability at scale. Of course, there are supply chains in retail, food and other service sectors.

I personally think that at the heart of this one is an issue that is at the heart of all of this, which is the economics of SME management and training. The truth is that the economics do not really add up. The reason why national advisory firms do not touch the SME sector is that it is just not economic.

The reason why business schools focus on MBA programmes rather than the stuff that the folks here from Aston and Leeds do—and by the way can usually only afford to do because of European money, or from Goldman Sachs because they have a foundation—is that the economics do not stack up. We need to find a way, and it is even truer in the service sector because there is no obvious manufacturing uplift, to tackle the economics of this problem.

There are three things you would look at. One is SME incentives. Why would I do this? Do I get recognition, kitemarking or accreditation? Do I get something of worth beyond knowledge and improvement? The second one is the procurement area, which might be about government procurement or about supply chains, as we were talking about earlier. This is going to be recognised in economic decisions for me. The third one is the role for Government to play on incentives. It might be the use of a tax system or otherwise to incentivise this, but the economics of this provision are all out of whack. That is why it is so sporadic.

We all loved the Goldman Sachs programme, because they had the economics to do a brilliant job. We loved the fact that, 20 years ago, NatWest did a brilliant programme for services businesses. They all still talk about it, because they had a moment when they invested in it economically. This is where the supply and demand sides do not really meet. Until we have good economics here, we are not going to be able to build compelling services-led programmes to get those SMEs, rather than just the guys who are in supply chains, to engage with this.

Q137 Antoinette Sandbach: Do you agree with that, Rana?

Rana Harvey: I do, yes. I am nodding because, for an SME to take time out of the business and attend somewhere, it needs to be a really good



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programme to make the time worth investing. I can completely see that, from a provider's point of view, is it economically justifiable, because I am sure it is not very cheap to run a very good quality programme like that. That investment in time is what small businesses would look for and seek. They might even contribute some money towards it, but it is that quality of training that is lacking more than anything.

Q138 **Antoinette Sandbach:** You said that you found the support through a customer of yours. Were you a member of the FSB?

Rana Harvey: Yes, I was and I still am.

Q139 **Antoinette Sandbach:** Did they make you aware of any of these programmes?

Rana Harvey: I was very aware of the legal helpline. Probably most SMEs know, if they are part of the FSB, about the legal line. That was incredibly useful in the early stages and we still have it as a backup, because it is relatively cheap to be a member of the FSB, and useful. No, I did not know about any other training programmes as such.

Q140 **Peter Kyle:** Chair, can I apologise to you and the panel for being late to the session? Can you talk, Ruby, about the content of some of the programmes? When it comes to capacity-building, what is it that works when you are building the capacity of an organisation? What is the training and what are the programmes? What is it that delivers the best bang for your buck?

Ruby Peacock: There probably is not one model that delivers for every business. Sector, size and where it is in its lifecycle will all make a difference in terms of what is useful for that business. There are a couple of things to think about. As people have identified, small businesses tend to be time-poor. Look at more flexibility in some of the training courses, whether that is online or allowing them to do it outside of business hours or times that work best for them.

One of the things that we have also looked at is small taster courses. For things like leadership and management, it can be quite difficult to get businesses to think about why they are important to their business and why they should invest in them rather than, say, technical skills. They are focusing on the day-to-day running of their business. Having some small taster courses can help instil them and help them think a little differently about why that will improve their business.

Q141 **Peter Kyle:** You are still saying it is a bit of everything. This is why it is so difficult to do a report like this. There have been many done in the past, but what you are really saying is that you need more of everything.

Ruby Peacock: It is difficult to identify one programme that would work for every business. There are 5.7 million small businesses in the UK. Maybe we are not targeting all of them with business support, but there are fast-growing businesses and businesses in service sectors that will



need something different from manufacturing. You cannot have a one-size-fits-all programme that will deliver the kinds of productivity gains that we want across the board.

- Q142 **Peter Kyle:** We have spoken about, and previous questions have been about, access to leadership and management development. What about the value of leadership specifically? One of my previous jobs was helping to run ACEVO, the umbrella body for the voluntary sector, doing a very similar job to you, Ruby, at the FSB. We found that, in terms of delivering value for money, investment in leadership at the very top of an organisation was very good value for money. Tony, you mentioned employee engagement, but if you have a bad leader, no employee at any point in the organisation is going to feel valued or want to become more productive. Do you think that a good place to start is investing in the leader?

Tony Danker: It is the place to start. It is striking that a Small Business Survey said—and I hope this statistic is right—that 81% of SME employers are offering training to managers, but usually on things like technical or job-specific stuff. Only 39% of training was for leadership and management. It is absolutely right that the Committee looks at leadership and management. The whole Mayfield review was about leadership and management capabilities in comparison to the G7, where we are poor.

In terms of proving the case for value for money, what I have found interesting about the productivity debate so far is that we all strongly believe that more business investment is critical to productivity. We all believe that more technology is critical to productivity. For me, the biggest barrier to both those things is leadership. It is the leadership of the firm that gives you the confidence and understanding that these things matter and it is worth taking those risks. There are no silver bullets in productivity but, in the same way that we already accept in education that head teacher leadership is the critical lever for improvement of a school, it is absolutely true for ourselves.

- Q143 **Peter Kyle:** Finally from me, Rana, good managers or chief executives are very good at getting other people to get training and support. A lot of very good leaders in organisations are terrible at getting leadership and support for themselves. If you are running an SME, where you do not have a non-executive board or an independent chair looking at for your interests, how do you get a leader of an organisation to accept the need and desirability to have leadership training themselves? Clearly it has been a very beneficial thing for you personally.

Rana Harvey: Yes, it has. Every manager or leader deep down wants to be better or wants their life to be easier. The main part there is displaying what benefits and value they would gain from that. There may be a way of almost showing someone what skills sets they would learn and what they may be lacking. A good leader is a combination of lots of things. They are a good people person, someone who understands



financials and somebody who is very good at overseeing the operations. They are not necessarily good at any one particular thing, but know who to recruit in the right places. You will also find that a lot of leaders can be quite stressed, so by having a programme you might not need that much convincing to take part. Having a programme where they can gain some skills and alleviate some of the pressures would be good.

One other thing to add is that one of the main things from going on a programme, in my opinion, is not just what you learn but the peer-to-peer networking. That is immensely powerful. In fact, I would say it is probably more powerful than what you learn on the programme itself, because you have other people who share the same issues as you, regardless of what industry they come from. We all have people issues and we all have financial issues, et cetera. Having that peer-to-peer network is immensely powerful.

As a very quick example, when I met a peer I was doing everything on pen and paper. He had exactly the same business model as me and everything was automated. I was spending half an hour processing one order and his took two minutes. I modelled and learned directly from that peer. Had somebody knocked on my door and said, "I've got the software", I probably would not have gone for it because, as someone said earlier, there are a lot of providers out there and it is a very crowded market. If peer-to-peer networking is sold alongside the programme, it is a very powerful thing to have.

Peter Kyle: A "peer" means something different in Parliament; I have never heard a peer in this place talk for less than two minutes.

Q144 **Antoinette Sandbach:** I was quite interested in the coaching aspect of it. You have an executive coach on the board of Reliance, do you not, Andrew?

Andrew Wright: Yes, that is right, so we explicitly get help in that way. That has been good.

Q145 **Antoinette Sandbach:** Was that a conscious decision?

Andrew Wright: Yes. It means we have explicit conversations about how to improve management, what management is and what we are trying to do, which are facilitated by that, which is good. The other thing I would add that I have personally benefited from is action learning networks; they are a variety or species of peer-to-peer network, where you sit with other people who are doing similar jobs to you in leadership and share problems and approaches.

Sometimes you get some sort of support, morally almost, but also some very practical things such as you were saying about particular IT skills. That would be a classic case. For leaders to be outward-looking, within their sector and maybe even outside their sector also, is sensible and action learning can be a good part of that.



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Q146 **Chair:** Can I follow up on something that you said at the beginning, Tony? You said that the real question was how to scale up all of the good things that are happening, so that more businesses can access it. Later on, you said that the economics of this just do not stack up at the moment.

I am wondering how you can scale it up until the economics stack up. Do you have any thoughts about how you can achieve that? There have been so many good things today but, as Andrew and Rana have indicated, most businesses do not know what training is worth accessing and what the value will be until they have it. There is a chicken-and-egg problem.

Tony Danker: I do not think that a lot of public policy time has been put on solving that exact problem as yet. That is what is interesting about the Committee looking at it now and the Chancellor doing his call for evidence about productivity and how you diffuse best practice. Now is the time to start tackling that question. The Small Business Charter, which was mentioned earlier, is a really interesting signal of the problem we need to solve and how to make the economics work.

I do not want to repeat exactly what I said, but it will require a balance of three things. One is there being an immediate badge of recognition and tangible value. That may or may not be worth contracts, but it will be worth pride, marketing value and so on for the SME to put in some money. I believe SMEs should pay something, because otherwise there is no skin in the game, even if it is not a lot. By the way, somebody suggested to me the other day that we could take a student loan approach. Should we be providing loan finance, rather than just directing European funding to pay for some of this stuff?

The second thing is the supply chains. Large companies should have a vested interest in rewarding this. The large companies that we work with, such as BAE, Siemens, Rolls-Royce and GSK, are interested and in fact have invested in training for their supply chains. I am not a tax expert, but there are interesting ways to think about how Government can incentivise people to go and do this, rather than just direct funding. I am a fan of direct funding as well, by the way, to make the programmes better, but there must be ways to think about incentivising firms to do this.

Q147 **Chair:** We have not discussed what is best globally, so far, but there must be other countries that have tried things and things that have worked. Tony, and perhaps Andrew and others, might have thoughts on whether there are international examples you can point to that have really made a step-change or scaled up in the way that we need to.

Tony Danker: We are looking at exactly that at the moment. What we know about the US is that they have a more thriving business school sector and a culture of people learning from business schools, whether or



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not they are doing degrees. There are more executive education programmes.

Q148 **Chair:** One of the issues that was raised earlier by some of the people from the business schools was that the MBA business school approach is great for larger businesses, but just not accessible to smaller businesses. Do they have something different in the US?

Tony Danker: There are more small businesses participating. They have a dedicated Small Business Administration, but I do not yet know the exact answer to the question. We know that Germany, first of all, has put more management elements into technical qualifications, in order that people can become not only technically superior in their trade, but also good managers of businesses. They have institutions like banks and compulsory chambers of commerce that professionalise this networking and peer-to-peer activity, rather than it just being a good business breakfast. I think these things are a great opportunity for us; I just do not have the exact answers yet.

Q149 **Chair:** Maybe as you look into it more, Tony, you could perhaps feed back to the Committee. I would be very interested to know more about that.

Tony Danker: We will do.

Andrew Wright: This is at the other end of the spectrum—it is micro, really—but we have had some good experience from our company in Ireland, where we accessed some public money. The strings that came with the public money were that we had to do some Lean-type training from an approved list of suppliers. That is probably not something we would have done otherwise. I guess we might have done it, but it became obvious that we would do it so that we could get the capital grant. We did it and it has been a big success.

We are thinking about whether we might be able to do something like that in Leeds city, and possibly carve out some portion of the capital grant area to put in some things around productivity improvement, training or other kinds of productivity improvement. Those are the strings that get you the money. At the moment, it is still mainly about whether you are creating more jobs. That shift in emphasis in public support from making more jobs, particularly if they are jobs at less than living wage, into what would make the jobs more productive in the firm could be a useful thing.

The other thing I wanted to say, because it has not come up today, is a bit more push on innovation as a way of accessing productivity increases. Get more awareness in SMEs that there is a lot of support for innovation out there, through LEPs linking to universities or through Innovate UK getting grants. Those can build your supply chain, introduce you to interesting people and leave you, at the end, with a product that is potentially really exciting for you. That, as a way of thinking, is something that needs even more airtime than it gets.



Q150 **Antoinette Sandbach:** I wanted to come back to the barrier around people investing in skills in their workforce. Is there a fear in business that, if you train someone and you pay for that training, they will leave and go and get a better-paid job somewhere else? If there is that, what can Government do to incentivise business managers to take that risk of upskilling people so that, if they do then leave, there is some way of making sure they have not lost out?

Ruby Peacock: We hear anecdotally that businesses are worried about poaching but, when we have surveyed our businesses about barriers to training, it comes very low. It is much more the cost, knowing where to go, whether the training will be appropriate and will deliver what they need, and then the business of themselves or their staff. Those three things are bigger than poaching, which usually comes quite far down the list.

Tony Danker: I did not think it was so, but our experience in Cornwall is exactly that. When we have got a lot of hospitality SMEs together in Cornwall, they have confessed with some prodding to that being a real challenge. The only effort to overcome it has been trying to have a sense of "We are all in it together". Visit Cornwall, for example, the trade promotion industry, is trying to suggest that the whole sector and the whole region need to lift together, and therefore, invest in training; what goes around comes around. I think it is a real barrier.

Q151 **Antoinette Sandbach:** Is that your experience, Rana?

Rana Harvey: Partially, yes. When you are quite small that may be a fear. I did hear a quote once that you can train them and they will leave or, even worse, you could not train them and they will stay. It is one or the other. The biggest fear is that really good quality training costs quite a lot of money.

Last year, I invested a significant amount of money in leadership training of my managers, and it took me about six months to find the right provider. A lot of the providers who were doing it did not have an interactive approach or were very academic-led. I just did not feel they were going to deliver value for money, and it is expensive. I would love to do it again this year but, if I am really honest, probably what is holding me back is the cost. I was not so concerned about them leaving because, if you deliver a very good programme and create a great environment, they are more likely to stay.

Chair: Thank you very much. It has been a really interesting session. Thank you for all of your ideas and experiences. Tony, perhaps we will follow up on some of those issues.