Partnerships between small and medium enterprises and universities that add value

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Introduction

The author found, as a result of years working as a consultant with small and medium enterprises (SMEs), that small businesses feel they will benefit from a better understanding of marketing. One of the ways of furthering this understanding is to provide a forum where small businesses can bring their marketing problems and where business undergraduates can bring their current knowledge and expertise to solve these problems. If successful, the resultant learning on both sides is an added value. In order to develop these ideas, a bank of small business marketing consultancy projects, initiated by the small business owner/manager and written into case studies by the author, has been developed. The consultancy is then undertaken by the business undergraduate, the results presented to the small business owner/manager, and this forms part of the undergraduate’s assessment.

The aim of this paper is to introduce the action-based research approach that has been developed to test the underlying concepts of need from both the small business owner/manager’s viewpoint and that of the business undergraduate. In order to do this it is important to substantiate the view that small business owner/managers benefit from a better understanding of marketing and that business undergraduates benefit from focusing on small business marketing issues. It will also be shown that the use of small business marketing consultancy projects/case studies is useful in achieving the stated objectives.

Methodological approach

Current literature tells us that the entrepreneurial learning style prefers active experimentation, with some balance between concrete experience and abstract conceptualisation (Rae, 1999). This is substantiated by Kolb’s Experiential Learning Theory (1984) which proposes that we experience real situations, observe and reflect on these, form or modify concepts and theories, and seek to test these in new situations. If we couple this with a general perception that the case method is effective in developing skills of analysis and synthesis (Gorman et al., 1997), we can begin to see its
value in this particular scenario. In her work on the “Case study method for research in SMEs”, Chetty concludes that it is a rigorous methodology that allows decision-making processes and causality to be studied and has an important role to play in research, and is not merely anecdotal (Chetty, 1996).

The process adopted to structure this action-based research was an approach to owner/managers of SMEs with whom the author had had prior dealings. During this initial contact, a relationship of trust was re-established, based on previous joint experiences. Many small business owner/managers are reluctant to divulge anything other than very basic information about their businesses, for competitive reasons, and therefore a very basic level of total trust is important in this process. Once this trust had been re-established, it was necessary to imbue the owner/manager with enthusiasm for the idea behind the proposition. This was not always easy as the owner/manager has very little time to devote to anything that they do not perceive to be cost-effective, so an innovative, yet focussed approach was important. It was necessary, therefore, to establish very quickly whether there was a problem that could be used as a basis for a consultancy brief, and which, in turn, could be further developed into a case study. The identified problem was then written up in draft form for the owner/manager to approve before the process could begin. In order to be useful to the students, these briefs had to have very specific objectives, and in order to be useful to the small business they had to provide a solution that the small business could use or at least consider using.

The student group then completed their research, based on the case evidence given to them, along with any secondary research that they felt to be necessary. They were asked not to approach the client individually as the owner/managers were unlikely to have spare time to deal with too many individual student queries. Any queries were directed through the author and, as well as covering any points not initially raised by the author and/or client, they helped to develop a more comprehensive scenario when re-writing into case studies for further learning environments. This is a very dynamic process and produces quality case studies. The scenarios are written in such a way that the students have to undertake a situation analysis, which leads them to devising strategies, objectives and tactics in order to solve the defined problem. They then produce their recommendations in a formal report and give a presentation of their findings to the client. Often the outcomes, and sometimes the identified problem, change during this process. This becomes a very valuable learning experience for the student and also for the small business owner/manager as they assimilate all the information and recommendations and experience the strategic marketing audit process.

Why focus on small business?

There is a well-established interest from many quarters in the nurture and development of sustainable small businesses as SMEs make up an increasingly important part of our national economy. This can be witnessed from the increase in the number of courses focussing on enterprise and entrepreneurial activity in the higher education (HE) sector, and on the many government initiatives aimed at supporting sustainability in SMEs. Therefore, the continued success of the SME sector is seen as important by economists, government agencies, academics and industry bodies, all of whom wish to be involved in developing practices that will help to ensure that the sector flourishes. The sector is seen as providing employment growth opportunities, and the key issue facing policy makers is how best to promote the creation of more SMEs with the capacity for management development, innovation and higher quality employment (ESRC, 1997). These companies are seen as sources of innovative ideas, as dynamic and thrusting, and purveyors of change (McLarty, 1997) and those that succeed in growing are more likely to introduce product or process innovation and develop networks of collaborative partnerships.

However, it has been shown that 400,000 firms (mostly micro in size) fail each year, only a small percentage stay in business in the long term (DTI, 1996) and companies that grow are less likely to fail than those that do not (Stokes and Fitchew, 1997). This study also showed that the most important factor in ensuring survival and growth was in terms of active market development and broadening the customer base. However, there are growth constraints. Fast growth firms in the 1990s
reported higher constraints associated with shortages of management skills. This raises important questions about the availability and quality of training in an economy with an increasingly important SME sector and a willingness on the part of SMEs to develop appropriate strategies to train and develop core managerial staff or recruit externally (ESRC, 1997). The lack of proper marketing is seen as the key constraint on growth for SMEs, along with the ability to manage through others (Mazur, 1994).

The small business owner/manager is, by definition, personally committed to their business, has often risen to that position by ownership rather than by training, and does not often behave in traditional management ways (Carson and Gilmore, 1997). This can cause difficulties when it becomes important, by virtue of increasing size and complexity of the business, to realise that they should be managing the business rather than being the business (Rae, 1999). There are also people who can be attracted into a business that has already been set up by an entrepreneur in order to help it develop. These are being categorised as prompted or induced entrepreneurs (Pitt, 1998). These induced entrepreneurs do not have an original business idea, they do not assume an entrepreneur’s degree of risk, but enjoy working in a business run in an entrepreneurial way. They often see this as a springboard to their subsequently forming their own business. This development increases the belief that it is possible to learn entrepreneurship, that there are degrees of entrepreneurial behaviour and activities and that there is room for the young entrepreneur to be trained to delegate and to become a professional manager (Mazur, 1994). There is also a role for small business in enterprise education, and this is to enhance the enterprise generation by managing the entrepreneurial attributes of young people and to support this process by providing role models, exposure and insight into the independent business process (Gorman et al., 1997).

The role of HE in this equation

Universities and colleges could help this development process by offering business management courses more directly oriented towards those who have a talent for innovation and enterprise, as well as for the professional business manager. However, for all this to happen, small business perceptions of the need for higher level skills training (post NVQ Level 4) would have to change. There is increasing evidence (Sadler-Smith et al., 1998) that small businesses identify training needs as a reaction to marketing requirements, i.e. new product or market development, and then proceed to search for providers of this training. This is a reactive rather than a proactive stance and is very specific and task focussed. This perception of training as task-specific, rather than concept-based, leads them to believe that they have no need of universities. Universities are seen as providing education rather than training and, while it is universally accepted that universities give quality and value, it is felt that this benefits the economy as a whole rather than a specific company (Gorman et al., 1997; Sadler-Smith et al., 1998; Johnson and Tilley, 1999).

The trend is developing for universities to align qualifications more with employer’s needs, as is evidenced by the growth of business qualifications with sandwich and work experience elements, and this development is matched by an increasing demand from graduates for flexibility of employment. Traditionally, business graduates worked for the big companies as they were seen as dynamic, challenging and providing structured career prospects (McLarty, 1998). However, times are changing. The openings for graduate training schemes in large organisations are becoming fewer and people increasingly have a more open-minded view of the world (NWLMMP, 1999). There is an increasing desire for personal fulfilment, flexibility within a career structure and working within SMEs is often seen as providing this variety (Johnston, 1998).

However, graduates are seen as being expensive (McLarty, 1998). Barriers of entry on the graduate side are the perceptions that there is lack of progression and promotion and that they will have to work longer hours with less security, while from the SME side graduates are often seen as being too qualified and too specialised. However, as graduates could fill the knowledge gap of management skills and a capability for long-term strategic thinking which are necessary for survival and growth, the key policy issue here is how can HE bring the two sides together? Expanded
curricula, focussing more on the SME sector, exposing undergraduates to SME problems and SME owner/managers to undergraduates’ skills will help develop closer working partnerships (ECLCI, 1998; Johnson and Tilley, 1999).

**Changing small business owner/managers perceptions and attitudes**

It has long been the view among traditional owner/managers that they learn better from experience rather than from courses delivered in the classroom. They are seen as process people rather than strategic thinkers and “thinking rather than doing” challenges core work values (Lancaster and Waddelow, 1998). This lack of perceived need for formal courses shows the way forward for consultancy at an affordable cost where the needs of the small business are not addressed by simply replicating solutions usually applied to large firms (Sadler-Smith et al., 1998). This poses the problems of how to ensure that a small business consultant understands these concepts and the processes and solutions that they can apply to solving the unique problems.

Owner/managers learn from both external and internal relationships (Dragoi, 1998) and there are increasing opportunities for HE institutions to become part of external networks along with government agencies. Meeting the training needs of smaller firms calls for a close relationship in order to ensure that training intervention has an immediate and tangible impact on the performance of small firms as this is the criterion on which the providers are likely to be judged. Personal contacts are inherently part of the entrepreneurial approach to doing business as they stimulate ideas about products or markets, provide feedback from people who are known and respected and form a mechanism that can be used proactively in making key marketing and planning decisions (Soper and Stainsby, 1998). This indicates a market opportunity for SME/university partnerships in developing management skills and provides the environment for ensuring the acceptance of marketing as an expertise that can be trained (HEBAS, 2000).

As has already been stated, for organisations to grow, the role of the owner/

**Using the small business/marketing case study**

The case studies are all based on different companies, with particular marketing problems at the time of writing. (It has to be emphasised that the problems were often perceived as business problems, not marketing problems, by the small business owner/managers, and were written-up as business problems but solved by marketing techniques.) There are manufacturers as well as service companies, companies owned by women as well as by men, husband/wife partnerships, sole traders, and companies operating locally, regionally, nationally and internationally. There are some that have been in existence for a number of generations and others that are very new. There are those that are owner/managed and those that have a management team. The one thing they all have in common is that they are all seen as small businesses, and all felt they had a problem. The owner/managers all perceived they had no marketing knowledge, and none of them had a formal marketing background.
At the end of the process, the report and presentation outcomes form an integral part of the students’ assessment and reward the small business owner/manager for devoting some of their time and energy to the exercise. The outcomes also become incorporated into the scenarios as they are written-up as case studies for use as ongoing problem-solving vehicles. When they are rewritten, names and data are often changed in order to ensure confidentiality. They are then used in small business marketing workshops, both with undergraduates and also with small business owner/managers who join specific workshops to gain marketing knowledge and experience.

In the last five years, both business undergraduates and small business owner/managers have expressed continuing interest in, and enjoyment of, this interaction and comments from both parties would indicate a growing understanding of each other’s strengths and weaknesses, which can only benefit all parties.

Conclusions

As the graduate population increases and the number of small businesses looking to recruit new staff grows, it would seem likely that the opportunity for more graduates to be recruited into small businesses will increase. However, for this to happen, both graduate and SME perceptions have to change. Traditionally, business studies graduates have looked to large businesses for their first employment and small businesses have perceived graduates as being too expensive and too specialised to be of much use to them. Graduates in turn have perceived a career in an SME as not as secure, lower-paid and with fewer perks than a corresponding job with a large employer (Hanage et al., 1994), but this is changing too. With many larger companies downsizing and others cutting down on their graduate trainee programmes, the whole employment scenario for graduates is changing.

At the same time, as SMEs grow in size and stature they move into the management phase of their development and will need recruits with management skills. The generalist nature of an SME’s manager’s job, however, would eschew specialisation in specific functions and would require a well-rounded graduate that the company would recognise as being beneficial to them. The Hanage et al. research tells us, however, that SME owner/managers have preconceived notions about graduates that include terms such as “sheltered” and “divorced from reality”. If, therefore, graduate recruitment into SMEs is to grow, this perception has to change. It must not be forgotten, however, that SMEs have an inherent tendency towards short-term approaches to business and a reluctance to admit the need for “expert” advice (McLarty, 1997) and this will have to change before they can recognise the value of employing graduates in management positions.

However, McLarty also informs us that there is evidence to suggest that managers in SMEs are beginning to concentrate more on future needs than on competences of existing staff, and if this continues, they will be looking to recruit people with wider skills. To further develop this process, a number of schemes have been initiated to encourage graduates to go into SMEs and to encourage SMEs to employ graduates (Hanage et al., 1994) but these are largely localised and therefore leave room for further development.

The more that graduates are exposed to small business marketing problems and find them equally as challenging as large business marketing problems, and the more that they can be seen by SMEs to be able to solve them, the narrower the gap will be between their relative understanding of each other. Also, for the graduates going into large organisations, the concept of intrapreneurship is expanding and if the student has experience of operating in a marketing/entrepreneurial way they will have no difficulty in responding to those challenges.

References


NWLMMP (North West Labour Market Partnership) (1999), "Profile of graduates educated in the north-west and currently based in the region", LMI Briefing, No. 3.


