

Small Business Development and Export Guidance

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The definition of a 'small business' varies across the world, but irrespective of the definition, small businesses make up a significant component of the number of businesses in many countries. In New Zealand there are an estimated 300,000 small businesses (defined as employing < 5 people). SMEs accounted for 39% of the economy's total output, and yet the training and development of their principals and staff is often limited, and certainly insufficient for them to expand and grow both internally and internationally (only around 11,000 are currently involved in export).

By their very nature small business owners are fully involved in operating their business and this often leaves them time poor, resource poor and difficult to contact. All of these issues often lead to a lack of awareness of skill gaps, management training needs and sources of help available. Couple this with a large amount of these business operators or owners looking for "lifestyle" rather than a formal planned business dedicated to growth and development and you get a critical sector of industry both struggling to deal with day to day business issues and lacking the drive to do much about it.

The result generally means that some small business owners run their business through learning by mistakes (a costly exercise) or taking advice from sources that are not skilled at working with education and training issues.

In New Zealand research has shown that the business advisor most often consulted by small business is their accountant. A professional ideally suited to financial matters but often less informed in matters of marketing, human resources or strategic planning.

SO WHAT IS NEEDED?

A source of education that can be undertaken in the place of the SMEs choosing, at a time most suitable to them, and most importantly only addressing the needs of the individual owner.

ODL would seem to be the ultimate solution given these guidelines. SME owners can adapt their learning to a timetable most suitable to their needs and can choose the optimal place to study.

However feedback from business owners indicates that educational institutions have not read the signals clearly. Very few have made their programmes flexible and even less offer any method of formal recognition of any prior learning.

A study of New Zealand educational institution's programmes show little room for negotiation over what is studied with fixed programmes of learning and most requiring attendance in person during working hours.

The issue becomes even more critical when we address the need to improve export potential of SMEs, not only do businesses need to be able to meet standard business requirements but they are also representing the business acumen of their country.

Innovative projects in New Zealand have recently tried to create a portal to help all SMEs connect with overseas markets to establish a web presence and export their goods and services.

One pilot scheme worked with 30 New Zealand businesses to develop a website that created a catalogue and supported this with online currency conversion and payment systems.

The initial uptake clearly identified that whilst the willingness was there, serious short comings in fundamental skills to support the business were needed to be addressed before these businesses could offer their goods to overseas markets.

Examples of short comings included:

- Lack of marketing skills
- Lack of awareness of costing models, and pricing for varied markets allowing for exchange rates and inflation.
- Lack of a focussed plan with clear defined objectives
- Lack of understanding of what growth would entail

One of the businesses that succeeded using this pilot scheme was Kia Kaha (<http://www.kiakaha.co.nz>), the company increased it's sales and introduced clothing illustrating indigenous art and symbolism. This niche market clearly proved the benefit of using the individualism of local design and skill to enhance modern clothing has a market potential as yet only lightly being tapped. They had a clear vision and direction for the business and appropriate business skills to see it through. Sadly many others didn't.

WHO DO YOU ASK?

No project will succeed unless an in depth understanding of the SME owners business intelligence is gained. The need to consult with as many organisations that interface with SMEs was critical. Longitudinal research undertaken by Massey University in New Zealand helped tremendously to give a clearer picture of the needs, desires and business thinking of SME owners.

The Open Polytechnic of New Zealand has spent over five years in regular consultation with Chambers of Commerce, Government Agencies that work with SMEs and Economic Development Agencies identifying several key factors that were needed for Educational Institutions and SME owners to reach a meeting of minds.

Samples of what SME owners themselves responded:

1. A lack of desire to grow the business
2. A lack of enthusiasm for learning "out of a book"
3. Being time poor for anything other than working in the business
4. Fear of losing control

Samples of what Agencies perceived:

1. A misunderstanding of what 'marketing' meant
2. No clear vision of where the business was going
3. No understanding of what they did not know
4. Living a 'day to day unplanned business

The Open Polytechnic of New Zealand's conclusions drawn from our experience:

1. ODL is perfect for meeting time, place and pace needs of SME owners
2. There needed to be a measure of what SME owners already knew
3. There needed to be a measure of what SME owners didn't know
4. The training/education should only address no.3
5. It needed to be applied to the SME owner's business not just a package of learning "off the shelf".
6. There needed to be a direct correlation between time taken, investment made and improvement in the bottom line.

SOLUTION(S)?

Firstly if you want to measure business nous, what tools were available to help?

Quick answer not a lot, in fact after extensive searching some poor quality assessment tools were all that could be found. It was obvious that there needed to something far more comprehensive, that could be customised as necessary to fulfil the vast variety of different demands.

A capability diagnostic was developed creating banks of questions adopting Henry Mintzberg's mindset model:

In other words what you manage are:

- Self (the reflective mindset)
- Organisation (the analytic mindset)
- Context (the worldly mindset)
- Change (the action mindset)
- Relationships (the collaborative mindset)

Sources:

Henry Mintzberg's own website <http://www.henrymintzberg.com/>

The International Masters Programme in Practicing Management <http://www.impm.org/>

The advanced Leadership Programme <http://www.alp-impm.com/>

Each bank of questions addressed the real world of small business management asking a series of questions, which created a picture of the individual and their capabilities.

A first draft was circulated and immediate feedback looked promising. Of course the first flush was soon overcome and feedback indicated several key issues

- These concepts originated around a large business
- They did not allow for an exporting mindset
- They did not address 'new' issues such as sustainability

So, the shift has been towards managing according to the functional areas of business:

- Marketing – “Is there a market?” Who is the target audience? What is our positioning, product, pricing? How will we distribute the product and how will we promote it?
- The Environment – “What are the trends out there that support my business?” Understanding the context in which the business operates and how this environment has changed, including social, technological, economic, ecological and political trends which affect your business, industry, competitors and suppliers.
- Planning – “Where are we now? Where do we want to be? How do we/will we get there?” Integration around the owner, the management (if any), the Plan, vision, values, objectives and goals. What information is missing?
- Administration – “Is it viable? Is it legal? Is it profitable?”
- Operations – “What we produce? How we produce?” Questions of staffing, equipment, buildings, suppliers and layout.
- Management – “Effectiveness-efficiency” and issues around dealing with money, materials, manpower and the above. The qualities required to be an effective leader and manager.

After considerable work, banks of questions were developed around perceptions and plans for growth, exporting and for many a key worry, the introduction of new personnel and their management.

WHAT TO DO WITH ALL THIS INFORMATION?

It soon became clear that the vast well of information had to be correlated so that a clear picture of the business and its owner could be created. The validity of questions had to be tested and its relevance weighted according to its importance.

The Open Polytechnic of New Zealand realising it's limitations chose a third party, a diagnostic software company (QLBS.com) to help generate an on-line capability diagnostic that produced in depth reports and graphic representations of the information garnered.

Originally three 'willing volunteers' completed the diagnostic and the results have been stunning. It is possible to get clear indicative information as to the capability of each business and it's owner. Allowing The Open Polytechnic of New Zealand to address the competencies each owner had and the existing best practices the businesses were using.

LIMITATIONS?

A major discussion ensued over the validity of the information and as each user was 'distant' from the assessor a danger existed that the business owner was less the honest or delusional with some of their responses. There were going to limits to ODL's effective at this stage. It was decided that there would be a mentor assigned to each submission and they would make face-to-face contact for a 'professional conversation' regarding their response and to sight documents that had been stated as available i.e. financial plans, operations manuals etc.

The network of professional mentors already existing were approached including the government funded Business Mentors New Zealand, a free service using volunteer mentors. One third of these are also professional consultants. Mentors were also contacted from other major professional business counselling services.

WHAT ABOUT EDUCATION?

Current examples of learning material for small business were oriented to teaching discreet subjects that were 'business' material. Subjects were varied and at every level often relied on a set of compulsory papers supplemented by a array of electives covering a multitude of subjects.

Some programmes at graduate and post graduate level took the right approach but were pitched too high for the small business owner who had 'simply got on with it'. One SME owner stated "I have the best silversmith in town, but I'm blowed if I am going to go to school to learn economics, just to get grow my business!" This same woman now exports her hand made jewellery as well continuing with her local markets. She has also been profiled in and up coming book about successful New Zealand Small Businesses.

What worked for her? An applied programme that allowed her to work on her particular business when she had the time and space to do so.

Quote from New Zealand Magazine January 2008

"I wish I had completed the course before we launched the business- because it gave me an overview of everything"

Lori Trigwell www.silver-stone.co.nz

The Open Polytechnic of New Zealand has developed The Certificate in Entrepreneurship (export) with all of this in mind.

It is a full package, integrating the recognition of prior learning, applied ODI study, Mentoring, online support and innovative additions built in by request of the businesses themselves.

To supplement each course an 'on-line campus' was developed which included extra information and a wealth of further sources via the web.

The jewel in the crown for the on-line offering came about after talking to several businesses regarding their desire to hear from experts and role models and to interact with other businesses that were participating. So a 'Business Club' is soon to go live that has guest

contributors for both synchronous and asynchronous discussion. A marketplace has been set up to allow all participants to trade their wares with other participants and to test out their newly generated websites.

ODL A CURE ALL FOR SMES ?

Yes and know. To be completely effective any programme has to be a blend of self directed study and supported learning. In the case of SME owners it can be a boon for them to fit their education around their hectic lifestyle, and for most it is a lifestyle, however they also need the sounding board who can be there to give that important feedback. Hence the reason to add in visits from a trained professional mentor to assist. It is also important that local knowledge be applied. Even New Zealand as small as it is has regional idiosyncrasies that can only be addressed by someone with specialised knowledge.

Many SMEs lack the fundamental tools to plan and organise their businesses, this is where ODL is the genuine answer. Using material developed to allow the learner to engage, reflect and plan in the most appropriate time, place and manner without confining their ability to express their own ambitions. Add to this the ability to refine what is taught so that their agenda is met rather than that of the provider can only be a win-win situation.

A TRANSFERABLE CONCEPT ?

This model allows practitioners of ODL to expand the horizons of their teaching to SMEs in almost any situation. It can assist in developing a more knowledgeable and skilled workforce. It can assist in developing a forward looking SME sector which encourages exporting.

Since introducing this concept The Open Polytechnic of New Zealand has been approached to look at development of a diagnostic tool for the financial sector, and for adult education so that timely and appropriate teaching can take place that addresses the need for upskilling in these critical area.

For any economy to grow it will need to address the educational needs of it's SME sector. More important is to promote the desire to grow and eventually export their product. Programmes such as the one described here using ODL blended with mentors and material and study that are relevant to the learner prove the benefit of a strong connection between the SME sector and education providers. Without the comprehensive networking and consultation and listening and acting on the feedback received it would not have been possible