

Ed.D

Theory, Research, Policy and Practice in Education

*“A critical examination of management education and
the small enterprise”*

Abstract

This paper seeks to question the relevance and availability of 'conceptual-level education' (CLE) i.e. conceptualising businesses in the broader context of economic and commercial / industrial conditions, to the small-business owner/manager. To neglect such training renders the small business vulnerable to failure and open to global business threats. CLE, it is argued is a central feature of entrepreneurial awareness and as such is particularly relevant to this sector. CLE is normally associated with more academic programmes aimed at graduates with little or no practical experience.

The paper explores the needs and availability to small-businesses in relation to CLE and the role of education policy in this respect. The current availability of CLE for small businesses is examined and we look at the wider context of education for current and prospective UK entrepreneurs. It is argued that education for business should not be the preserve of the academically suited, but should address the needs of those actually engaged in business as they have the experiences with which to relate. Conclusions are also presented that such change is only likely if government policy reflects the need for conceptual-level educated entrepreneurs.

A critical examination of management education and the small enterprise

Introduction

The growth of the small business sector during the last decade has been, in some part, helped by the increase in accessibility of training and learning resources for the prospective entrepreneur. It is, however, of concern that many of the courses offering opportunities to conceptualise particular business enterprises within the broader context of economic, commercial and industrial contexts, such as postgraduate degrees, are only available to those with academic experience, denying a whole swathe of the population the ability to utilise such tools. ‘Conceptual-level education’ (CLE) is an important part of management education as it allows the production of strategy through models and pre-tested formulae in a variety of theoretical contexts. Whilst graduate students are considered able to understand such concepts, it is the practising manager who is able to find real-life application for the principles studied. In learning these skills, previous case-studies may be applied to local situations; small businesses are able to conceptualise the requirements and results of a business expansion; managers are able to create a ‘tool-kit’ of paradigms useful in strategic analysis.

This paper seeks to focus upon the availability of CLE for managers of small and micro firms, the need for such courses and the importance of such provision in economic terms. Whilst there are several measures that have been implemented at a governmental level, to enhance the desirability of self-employment, it is arguably still rated by many as an option second to that of paid employment. The reasons for this view are varied, but the CLE opportunities for the prospective entrepreneur are, it shall be argued, less than those for managers in large business which may directly affect the social and economic success potential of the small business manager. An owner/manager with CLE skills is in a better position with which to analyse, predict and ultimately react to market forces locally, nationally and globally. It may also reduce the amount of small businesses that fail during their first three years and would almost certainly increase stability and possibly growth in the economy.

It is intended that the relationship between government strategy for school-age education and that of post-statutory education is shown to be *lacking in continuity* in terms of entrepreneurial education, and that higher education providers of business training be shown to ignore the small-business sector in CLE. In providing such barriers to conceptual business training from early years, this situation has resulted in lower levels of education in small-firm management than would be expected given their economic contribution.

The Context of this Paper – An Overview

Economic

Small businesses account for almost half of the UK turnover (SBS1, 2001; SBS2, 2002). They employ over half of the UK workforce and very often are the indicators of economic trends (Deakins & Freel, 2003). Whilst the definition of a Small or Medium Enterprise (SME) can be determined through a variety of methods (turnover, profit, (SBS3, 2004)), this paper will use the definition used most often which is by employee numbers. Accordingly, a company having fewer than 50 employees is determined a ‘small’ business with no thought to the economic implications.

Political

The government stance in ‘Skills: Getting on in Business’ white paper (DfES1, 2005) on work related education, lends support to the seriousness with which they perceive the threat to future UK business from overseas sources – specifically Asia.

Essentially small businesses, whilst traditionally very good at filling niche gaps in the market, are the first to feel economic changes (Carter et al, 2000)- thereby making them inherently risky. The ability to plan strategically, to reflect closely and anticipate changing market influences and act accordingly, is a skill taught on most postgraduate programs and, arguably, vital to the oncoming competition brought by overseas graduates. However, these courses are often not accessible to small-business owners for a variety of reasons such as time, cost, academic suitability and perceived business relevance.

Educational

The general level of awareness and sensitivity to the business environment among small business managers has risen since 1997 (Watts, 2005; Hankinson et al, 1997), however this is often attributed by managers to technical skills learned experientially. The CLE skills such as strategic planning, marketing etc are often not seen as immediately useful and, in the hard pressed and economically limited confines of the small business, are therefore not pursued – small business managers tend to look for quick returns and in this respect only directly productive subjects are entertained. This reflects upon past strategies followed in education that perceive self-employment as a ‘hands-on’ activity that requires little CLE and a great deal of technical ability. What has become apparent from business survival rate statistics (SBS3- 2003) is that less than 60% of small businesses last three years from start-up, which appears, in part at least, to indicate a lack of CLE skills.

Furthermore, business school students have been decreasing for the past 10 years (Mintzberg, 2004; Binsardi & Ekwulugo, 2003; Gwyther & Stern, 2005)) and the competition for prospective new students has become far more intense as a result. HE institutes are having to differentiate their product through a variety of means – some are able to draw upon their reputation alone, although increasing numbers are having to look closely at their market demography and capitalise on niche opportunities such as the small business sector. Legislation governing business is at an all-time high (Baldwin, 2004) and the requirement for vocationally qualified staff and managers is just as strong. However, it appears that many of the courses that are directly accessible due to the funding they attract are at a level that does not require such conceptual thinking as, for example, strategic planning. Also, courses offered by most HE institutes are aimed at students with academic background and miss the very people who could bring new experiences and perspectives back into the classroom. The distinction between small business managers and managers of larger organisations is worthy of research in itself, however small business managers often have a wider variety of management experience than their large-organisation colleagues. At the very least, it would seem a missed sales opportunity.

Interim Conclusion

Thus it can be seen that levels of education in small business managers are influenced by the immediate benefits perceived by the client, the government and also the HE sector. The manager in wanting a measurable return, seeks technical skills; the government requires a balance between financial input and economic gain; the HE sector desires a full complement of students and therefore appeals to the widest audience. This setting does little to promote the benefits of CLE outside the larger academic programmes and perpetuates the perception that the best business benefits are to be gained from technical training. I would argue that all business training from the basic NVQ through to post graduate programmes must include an element of CLE in order to increase the longer term survival advantage of the small business as well as complementing the entrepreneurial skills that are crucial to this sector.

It seems that whilst there is a reasonable economic case for promoting either short CLE courses aimed at small firms, or SME-focussed MBAs for entrepreneurs, the current setting does not allow for, and is not conducive to, conceptual-level education for anyone not considering large-firm employment. It appears illogical, in light of the current business survival statistics, to entertain the notion that strategy, continuity planning, marketing and other skills that benefit from further training are only required in large-business when small firms account for more than half of the UK economic turnover.

Considerations of context examined

Economic position

At the start of 2002, there were an estimated 3.8 million businesses in the UK (SBS-2, 2002), of which 99.1% fall within the definition of a 'small' business, having less than 50 employees. Small and medium-sized enterprise (SMEs) affect every part of UK life, from economic contribution to societal values, and are recognised by governments and financial institutions as being worthy of attention (Griffiths, 2004). SMEs account for more than half of all business turnover in 2002, which equates to approximately £1150 billion per annum (SBS-2, 2002).

It has been noted (Deakins & Freel, 2003; Bolton, 1971; Day, 2000) that small firms often can be seen to lead in terms of business innovation within the UK. The reasons for this have been given, primarily, as attributes of the small size of the company for example, being directly in contact with the consumer/customer, the ability to more quickly react to customer demand and the 'flat' organisational structure that allows for good communication. Increases or changes in demand can be looked upon in terms of strategic importance to the firm and, if it is regarded as in the interests of the company progress, a solution sought. Small businesses may be seen as the 'canaries' of the business world, sensitive to minor changes that larger companies would not immediately notice. Unlike canaries, however, small businesses lead the way in adapting and showing us how to survive in a fluctuating market.

The competition to small businesses from overseas has become a focus for the government, SME representative bodies (such as the FSB) and small firms alike. In both the Skills white paper (p.5) and the 14-19 white paper (p.15-16), the government mentions increased competition in terms of cost per employee and also in terms of skills/qualifications. The Skills white paper, regarding competitiveness in the global context, says:

“Currently companies such as India and China can compete on the basis of lower labour costs (). But with around 20 million graduates in China and 2 million new graduates each year in India, those*

countries are increasingly competing not just on cost, but on expertise.” (p.5, para.6)

It is clear the overall strategy of increasing the average skills-level in the UK across both white papers, is aimed at contesting the skills issue. However it is unclear how this will remedy the labour costs issue (*above), particularly in light of the increased legislative burden placed upon small businesses (FSB, 2004; Baldwin, 2005). It is precisely these issues that support the argument of improved CLE skills within small businesses as they provide good examples of the volatility of the economic and business world where strategic conceptual skills are needed.

Government Policy

The policies examined here differ in their expectations of the skills a student should have acquired during training. The primary difference I shall highlight, is the language used within the policies, in which CLE skills are deemed appropriate at school age and yet appear to be dropped post-compulsory education. This thinking appears to restrict students in their future career choice and, arguably, leaves those seeking self-employed careers at a disadvantage.

The government white paper that may be seen as relevant to education for small businesses, is entitled ‘Skills: Getting on in business’ (DfES1, 2005) and was presented alongside the ‘Skills for Productivity’ initiative in March 2005. This white paper was seen by the government as complementing the ‘14-19 Education and Skills’ (DfES2, 2005) white paper presented a month earlier and, arguably, attempted to show the maturation of government approach to policy in providing a continuity of workforce education. It focuses on young adults already in, or seeking to enter, the labour market, and seeks to identify the skills required by employers and provide training to meet those needs. Both papers may be seen, in business terms, as providing an expectation of skills needed for people from school to work, with an intention of fulfilment devolved to local provision. It is this link between government and provider, national policy and local HE body, that is pertinent to this paper.

The two white papers are relevant to small businesses as the first directly affects business education (and vicariously, management education) and skills demand. The second, as it affects prospective young managers, is relevant in more general terms, as it attempts to identify the skills young people may require to compete in a professional world. There are a number of themes common to both papers; they both state a need for consolidation, for example, before explaining the government's agenda for change. The Skills paper talks in terms of the lack of trade and vocational skills (Pt1, p5) in comparison to Europe and graduate and professional skills in relation to Asia. The 14-19 paper, whilst not focussed on world affairs in quite the same way, also calls attention to education in schools being, and increasingly becoming, compared to education on the world stage (p.10). Within this context it appears that whilst the paper addressing skills at school age accepts the need for conceptual thinking, the paper that could be considered directly relevant toward increasing the UK's ability to compete effectively ceases to support the view, in favour of technical skilling.

Language

However, the noteworthy difference between the two papers lies in the divergent language used; in her foreword to the 14-19 paper, the Secretary of State for Education and Skills, Ruth Kelly said:

“The reforms I set out here are of vital importance...today's teenagers are tomorrow's...entrepreneurs...and community leaders.”

Which appears to contrast in terms of entrepreneurial expectation with the foreword to the Skills: Getting on in Business white paper in which Tony Blair said:

“We...seek a dynamic economy where our national and regional productivity is enhanced through high-skilled, well-rewarded employees working in companies...”

Whilst it is accepted that both entrepreneurs and employees are required in any economy, attention is drawn to the significantly divergent language and therefore

emphasis in the skills training available. Bridges (1999, p598:599) indicated that such use of language pointed to an ontological commitment by the author, to which values are implied but not necessarily stated. Thus with an unclear axiology, the language differential could be of concern as it could imply that the government stance on education for business leaders, rather than business employees, *changes* post compulsory education.

Thus it can be seen that the role of government, in terms of *driving demand for entrepreneurial skills*, has not been forthcoming whether by design or accident and the overall commitment to an entrepreneurial society is left largely to the individual. Of course, one must bear in mind the difficulties of teaching entrepreneurship. This quality is not just a matter of technical know-how, but one of confidence, the ability to take a risk, imagination, etc. Entrepreneurship is as much a matter of culture as it is of learning. However, conceptual-level education, it may be argued is essential to business education in general if those with a developing entrepreneurial disposition are to make the most of it. Despite promoting the concept of entrepreneurial development at school age, this stance changes to promote a more 'employable' individual post compulsory-education. With the emphasis therefore on conformity of thought and skills, the opportunities for advancement as an entrepreneur become limited and thus the *need for CLE becomes redundant in this group*. Either the desire for self-employment is reduced, or the opportunities for appropriate education become reduced as one choice appears to deny the other. This means that the advanced conceptual parts of the course will often remain the domain of academically bright, but inexperienced, graduates.

Research basis for Policy

Hankinson (1997), the Federation of Small Businesses (FSB, 2004) and Watts (2005) all conducted research into business and management skills in evidence in small businesses. Hankinson and the FSB study were large scale authoritative examples using a wide range of businesses across the SME sector. These research papers make the point that conceptual level skills are often employed in those small businesses that are successful, and in this context it is difficult to accede to the argument that the variety of research in SME skills is unavailable. With this in mind, it could be

suggested that one reason not to utilise such research is due to a failure to agree results; the conclusion of the studies may not have been directly in line with the political presentation of the white papers as they highlighted the lack of conceptual-level skills at management level. Hankinson, whose findings were later given further support in research by Watts, found that whilst daily management skills such as personnel management, technical ability and sales skills were all developed to a high level, strategic skills such as competitor analysis and continuity planning were practically non-existent. Whilst government policy continues to focus upon technical skills at post compulsory-school age, these findings could be seen as inconvenient.

It is significant that the research sources quoted in the Skills white paper are not only government based, they are actually generated from within the same department i.e the DfES. Whilst it is appreciated that any body as large as a government must self-reference to some degree, the intention of utilising research conducted from within the same department could be deemed suspect in its overall validity. The question, therefore, arises as to the role of research within a white paper: Governments may have an interesting comprehensive and objective research but when this research contradicts a political imperative, a difficult balancing act ensues. The question, in this instance, arises as to the role of research within a white paper: Is the research used merely to substantiate a solution already conceived within a political stance, or does the solution genuinely result from research howsoever gained? Furthermore, if the research is merely used as justification, does that invalidate the white paper or could it be seen as fortunate that policymaker's are in line with research? Whichever viewpoint is taken, the fact that the role of research is ambiguous enough to have this question arise, underlines the hazards of a government department using its own research to justify national policy.

Conclusion

This paper sought to focus upon the relevancy and availability of ‘conceptual-level education’ (CLE) for managers of very-small organisations. In doing so, three areas of influence have been examined: Economic, the role of small business in the UK as a contribution agent, its strength as a driver of innovation and future threats from a global perspective; Political, the role of government in creating policies favourable to the supply of skilled entrepreneurs; Current Management Education, the state of provision for managers in general and its impact upon managers of small businesses.

In identifying the problem of relevancy of higher education to small business owners, we have looked at three primary documents: ‘Managers not MBAs’ by Mintzberg, ‘14-19 Education and Skills’ white paper and ‘Skills: Getting on in Business’ white paper. In looking at the business context of such documents, several reasons have been shown as to why small businesses are worth consideration in these terms; namely the slow-down of business school admissions, the high degree of input to the UK economy of small firms and the use of government departmental language to include a world-economy context for small-business skills.

In the first document, it could be seen that Mintzberg, in accordance with other scholars, had argued that current management and/or business programs missed the appropriate audience and, in doing so, they had subverted the nature of management and of management education. His solution was comprehensive and directed toward tutor-guided, student-led courses in which participants would be required to have prior experience of management. Starkey et al, although in broad agreement, highlight the failure of business schools to contribute to further research and suggest that courses such as Mintzberg advocates lead to, or contribute to, further research programs.

Looking at the white papers, the subject of complimentary themes was acknowledged although the divergence in language between the two papers was also noted. Bridges understanding of the use of language was highlighted in order to show possible differences in approach to post-compulsory education and the 14-19 age group. The

role of research in the production of these white papers was questioned and the sources of research were also examined critically.

The role of SMEs in the UK was brought into focus in fiscal and societal terms, with the determination that small businesses act as ‘drivers of innovation’ within the UK economy. The impact of overseas competition was noted, particularly as regards to the references found within the white papers. These factors, taken with the high failure rate of UK small businesses, appear to indicate the need for CLE courses for small business managers.

Management education appears to be aimed at large business and academics with very little direct experience of the business world. Whilst there can be no doubt that the skills of an academically bright management graduate would be an asset to many organisations, particularly in terms of critical thinking, it is doubtful that many of them would represent immediate value for money for a small business. Additionally, the high degree of emphasis the government places upon vocational skills ensures the business school community nurtures technical skills rather than entrepreneurial or conceptual skills, despite the white papers acknowledgement that these broader skills are required in order to compete internationally.

Thus the relationship between research, policy and practise within management education can be seen to be diverse, certainly where small firms are concerned. It has been said (Hankinson, 1977; Watts, 2005) that further research into skills and training for *small* firms is required, however it could also be suggested that if research were to be conducted by a government department it is likely it would *actually be utilised* in future policy.