

**Management Skills Workshops
Final Report**

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- Acadia Centre for Small business and Entrepreneurship, Acadia University

Quebec City co-host:

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EXECUTIVE SUMMARY

The Small Business Policy Branch (SBPB) of Industry Canada engaged *Phoenix Strategic Perspectives Inc.* to facilitate a series of four workshops with small business advisors in Vancouver, Sudbury, Halifax and Quebec City. These workshops, conducted in February and March 2006, provided SBPB with face-to-face contact with members of the business community to obtain feedback appropriate to a decision on whether or not to proceed with the development of a management competency tool. More specifically, the objectives of the workshops were to:

- Determine the demand for a diagnostic tool in the area of management skills.
- Determine the feasibility of developing such a tool.
- Enhance awareness of research on management skills and of tools available to assess them.

Small Business Advisors were the target audience for the workshops because they are the individuals who have direct contact with entrepreneurs. Participants were representative of the range of small business advisors, including community economic development organizations, provincial and regional development organizations, small business counsellors and consultants, financial/loan advisors, sectoral and professional association, and lawyers. There were between 17 and 31 participants per workshop for a total of 96 participants across all workshops.

These workshops have contributed to increased networking and sharing of best practices between small business advisors, as well as between them and Industry Canada. The outcomes summarized in this document are not meant to represent the opinions of small business advisors across Canada. Instead, this summary and the ensuing conclusions and considerations are intended to provide guidance to the Small Business Policy Branch of Industry Canada as to the directions most appropriate to fulfill its mandate.

Summary Points and Conclusions

- ◆ Managerial skills diagnostic tools are useful
 - These workshops benefited from the participation of professional advisors with considerable first-hand experience with entrepreneurs and the challenges that they face. Their experience seems to concur with the research indicating that, when business crises occur, it is often possible to point to some shortfall in the manager's skill set as part of the root cause.
 - To identify this skill gap and address it with appropriate and timely interventions is in a very real sense at the heart of the business advisor's craft. They exercise that craft through techniques ranging from the purely intuitive to the highly quantitative, and are in general open to any additional tool to complement or extend their process.

- The tools judged most useful are those that guide, rather than replace the advisor's expert judgment, are flexible enough to accommodate the wide range of entrepreneurial contexts, styles and success criteria, and help the advisor objectively highlight a problem area for the client.
 - Tools intended for client self-assessment are considered less useful by these advisors than are tools directed at their own use. Entrepreneurs are viewed as reluctant to use such tools, for a variety of reasons, and there is concern about their ability to interpret the results effectively.
- ◆ No strong demand for new managerial diagnostic tools observed
- There is no indication from these workshops that the development of additional diagnostic tools is warranted. The observations point more strongly to a need to increase the awareness of business advisors of both relevant research and the range of diagnostic tools currently available.
 - There is a general consensus that it is possible, in theory, to select the best and most appropriate tool for a given situation from among those that already exist. But the great number of tools currently available makes the task of finding an appropriate one subject to "information overload".
 - It is often unclear which tools will offer concrete value to advisors and their clients. A tool validation process would help advisors select effective ones and increase the buy-in of entrepreneurs. The demonstration, by reliable sources, that a tool measures what it claims to would be valued.
- ◆ Needs lie elsewhere
- Although tools for assessing management skill shortcomings are valued, many participants believe that they provide only part of what is needed. More important is to follow the gap diagnosis with an action plan that effectively puts the manager and his or her business back on track.
 - The frequent absence of a formal assessment process and the reliance on non-standardized tools mean that the accuracy of an assessment very often depends solely on the advisor's acumen. This acumen is often very substantial and its value to the small business community should not be underestimated. It is worth noting, however, that many participants stated that they would welcome training on the use of the various assessment tools currently available.
 - An experienced and knowledgeable small business advisor was identified by some participants as one of the best "tools" available for small business owners. This observation begs the question of what range and depth of experience and knowledge is required to fill that role. The need for a certification process for small business advisors to ensure some minimal level of skill was raised by participants on several occasions.

- Identifying the appropriate training resources for clients once a weakness is diagnosed is not viewed as a difficult problem, but assistance in this task would be welcomed.
- ◆ Perceived feasibility of developing such tools provides insights
 - When asked to consider the feasibility of developing additional assessment tool(s), participants identified a number of challenges that they consider central to the task. Irrespective of whether the Government of Canada should be involved in the development of such tools, examining these stated challenges provides insights into what would constitute valuable tools to these advisors.
 - Primary among the challenges is the need to customize the tool to the sector, geographic region, size, stage of business, and business model appropriate to each entrepreneur. This customization is essential to both the substantive validity of the tool's output and the credibility assigned to it by clients. Most viewed this level of customization as difficult or impossible to achieve in a single tool, and see the objective as providing a portfolio of more specific tools.
 - Participants note that any effective tool must be susceptible to regular updates that reflect changing economic conditions over time (which will vary by sector and region) as well as evolving business models.
 - A well-rounded assessment must consider soft skills that are notoriously difficult to identify by traditional business assessment methods. Foremost among the areas of concern here are the potential incompatibility of business partners, or of the business owner and the management team.
 - Many participants emphasize that an effective tool must be useable on an ongoing basis and applied to tracking a business' health over its various stages of development. Participants saw this as quite a challenge to achieve with on-line self-assessment tools that are not used under the supervision of a trained advisor.
 - An advantage of having a trained advisor providing an assessment is that he or she can identify problematic areas requiring more probing, without having to probe in all areas. With a self-assessment tool, however—or at least the way most are currently constructed—the entrepreneur has to answer several categories of questions. The questionnaires are often lengthy, and many questions can appear irrelevant to the respondent. This, in the view of advisors, constitutes an important deterrent to busy small business owners. The suggestion made by these business advisors is to have a tool that proceeds in steps, starting with more general questions that identify problematic areas—which some called 'red lights' or 'red flags'—and then probing only the problematic areas. Moreover, the 'red lights' highlighted at an earlier point in this step-by-step process could remain visible and subject to monitoring as the business progresses.

Considerations for Going Forward

The Small Business Policy Branch (SBPB) of Industry Canada has the expertise and resources to develop and commission research. Moreover, it has a pan-Canadian perspective. These complementing assets can be applied to the benefit of the small business advisors represented in these workshops.

◆ Continue to Disseminate Information and Raise Awareness

The vast majority of participants indicated the value of contact and information sharing with Industry Canada. SBPB might want to pursue ongoing outreach activities with small business advisors.

- Consider the possibility of a regular mechanism for reaching out to these business advisors. In this regard, the present workshops can be viewed as a pilot project to assess the viability of this method of outreach.
- Consider other activities (e.g.: E-bulletin; newsletter) that would help increase the awareness of available management skill assessment tools and other Industry Canada research relevant to small business advisors. Consider abstracting and in other ways re-drafting research reports to make them more approachable to time-pressured small business advisors and entrepreneurs.

◆ SBPB as a Catalyst for Research and Dissemination of Results

These advisors have indicated that they—and their clients—would value a clear demonstration of the link between improved management skills and ‘bottom line’ performance. Moreover, it would be of particular value to these advisors to be able to identify management skills assessment tools that have been demonstrated as valid.

- SBPB is in a unique position to encourage and facilitate constructive discussions among various jurisdictions and business associations on this topic.
- SBPB might also want to consider additional research to investigate the link between entrepreneurs who have invested in management skills and their “bottom line” performance.
- A Web portal or other resource that provides tools with demonstrated value would attract advisors and become a natural point of dissemination for research information.
- Any such national best-practices resource (e.g. Web portal, newsletter, etc.) would provide SBPB with a natural opportunity to facilitate cross-regional dialogue and networking more broadly. Networking of this type is strongly valued by the participating advisors.
 - At the same time, recognition must be given to the importance of facilitating region-specific professional networking. The ability to reflect regional differences effectively in their assessment procedures is seen as vital to

these advisors. The value of cross-regional dialogue must not be perceived as over-riding these regional concerns.

◆ Consider Promoting Information on Training

A number of advisors expressed interest in management skills training and the effective use of management skill assessment tools. This interest presents an opportunity to SBPB to further promote information on existing training programs.

- Consider maximizing information awareness and marketing through partnership opportunities within the public and private sector and leverage existing information channels and vehicles.

◆ Consider Consulting with Entrepreneurs Directly

- Participants in these workshops were small business advisors and not, in most cases, entrepreneurs themselves. Many expressed the view that entrepreneurs should be consulted on some of the issues addressed here. In particular, the entrepreneurs' view of self-assessment tools should be solicited.

INTRODUCTION

Background and Objectives

A growing body of research underlines the correlation between management skills and business success or failure, and the importance of strong management skills in moving entrepreneurial start-ups to profitable businesses. In fact, studies have found that a common reason for failures among small businesses is management weakness.

In 2003, the Small Business Policy Branch (SBPB) of Industry Canada hosted a series of outreach sessions with small business advisors across Canada. During these sessions the advisors confirmed research findings indicating that many small firms do not recognize they have a management skills problem. Nor do they know where to go to address deficiencies. Key to addressing these barriers is the availability of information and diagnostic tools that are supported by the small business community.

In efforts to further its knowledge of small business performance, SBPB has since carried out substantial research on management skills. These activities include:

- Work undertaken on developing a management competency index in order to establish the link between management skills and firm success. The resulting report is entitled, *Management Competencies and SME Performance Criteria: A Pilot Study*, December 2003.
- A review of literature and evaluation of management competencies indices. The resulting report is entitled, *Entrepreneurial Competencies: Literature Review and Best Practices*, March 2005.
- Developed and launched a Management Skills website to offer small businesses information to help address their challenges. This portal has over 270 links to help small businesses address management skill issues (www.strategis.gc.ca/sme-management).

The results of the research and consultations suggest that there currently exists a gap in the tools available to entrepreneurs to assess their management competencies, and to provide information on how to improve these skills. While some tools do exist, they tend to be generic in nature and geared toward less sophisticated or developed enterprises. There is also a lack of awareness on the part of business advisors of current research, training methods, and diagnostic tools to enhance management skills.

As a result, SBPB engaged *Phoenix Strategic Perspectives Inc.* to facilitate a series of four workshops across Canada to enhance awareness of management skills issues and gauge interest in the development of a management competency tool, or in the improvement of an existing one. These workshops provided SBPB with face-to-face contact with members of

the business community to obtain feedback on whether or not to proceed with the development of a management competency assessment tool.

More specifically, the objectives of the workshops were to:

- Determine the demand for a diagnostic tool in the area of management skills.
- Determine the feasibility of developing such a tool.
- Enhance awareness of research on management skills and of tools available to assess them.

Participants

Small business advisors were the target audience for the workshops because they are the individuals who have direct contact with entrepreneurs. Participants were representative of the range of small business advisors, including community economic development organizations, provincial and regional development organizations, small business counsellors and consultants, financial/loan advisors, sectoral and professional association, and lawyers. There were between 17 and 31 participants per workshop for a total of 96 participants across all workshops.

Project Activities

One 5-hour workshop was conducted with small business advisors in each of four regions: Western Canada, Northern Ontario, Quebec, and Eastern Canada. The workshops took place in February and March 2006 (February 28th in Vancouver, March 3rd in Sudbury, March 7th in Halifax, and March 9th in Quebec City). The workshop in Quebec City was conducted in French. Those in Vancouver, Sudbury and Halifax were conducted in English, but French material was made available to participants.

In each location, SBPB engaged a local business development or support organization to co-host the workshop. The local organizations were responsible for identifying a suitable venue and providing a list of potential participants. Potential participants received an invitation letter, signed by both the co-host and Industry Canada, explaining the purpose of the study.

A background paper and a workshop preparation document prepared by SBPB were sent to participants in advance. Included in this material were an overview of recent research in the field of management competencies and an overview of some of the existing tools available.

The five-hour workshop sessions were broken down into a series of small breakaway team activities and large plenary sessions. SBPB also provided two presentations on current research and assessment tools. The workshop activities and SBPB's presentations were de-

signed to maximize networking, stimulate brainstorming and discussion among participants, and help answer the main questions of concern to SBPB.

Each workshop had a lead facilitator as well as one co-facilitator for each breakaway team of approximately six participants. The co-facilitators were volunteers from Industry Canada and the co-hosting organizations, and assisted with the breakaway sessions.

Approach to Report Preparation

The content of the discussions and of the various forms completed during the sessions were analysed to help determine the demand for a diagnostic tool in the area of management skills (first objective), and the feasibility of developing such a tool (second objective). Moreover, the participants' evaluations of the workshop were examined to assess the usefulness of this activity for them. These answers help gauge the extent to which the workshops were successful at enhancing their awareness of the research on management skills (third objective). This document presents a summary of the workshops' outcomes followed by conclusions and considerations for going forward.

Caveat

These workshops have contributed to increased networking and sharing of best practices between small business advisors, as well as between them and Industry Canada. The outcomes summarized in this document are not meant to represent the opinions of small business advisors across Canada. Instead, this summary and the ensuing conclusions and considerations are intended to provide guidance to the Small Business Policy Branch of Industry Canada as to the directions most appropriate to fulfill its mandate.

MAIN OUTCOMES

‘Stories from the Trenches’: Identifying Shortcomings

Participants in each city engaged in a team-based exercise during which “*stories from the trenches*” were shared. Working in teams of approximately six participants and one co-facilitator, advisors were asked to summarize four to five stories from their collective consulting experiences that they felt captured shortcomings typical of small business owners who face serious difficulties. The teams completed an information sheet for each of the stories that they discussed. In addition, a spokesperson for each team described one story considered most illustrative of key issues in the plenary session that followed the team exercise.

In addition to relating the essential features of the business concerned and the problem it faced, participants were asked to identify the category or categories of managerial/ entrepreneurial competencies that were most lacking in that particular case. To facilitate this last task, the following check list of competency categories—extracted from their workshop preparation material—was provided:

- Vision/Leadership: communication, entrepreneurial values and creating a climate conducive to high performance;
- Strategizing and Planning: business planning skills, and the ability to develop strategic alliances within the new knowledge-based economy;
- People Management: the ability to hire, train, manage and evaluate employees, as well as interpersonal “soft skills” such as motivation, persuasion and teamwork;
- Operational Competency: the ability to adapt new information and communication technologies, innovation, and quality standards to production and operating systems and to manage risk; and;
- Marketing and Sales: the ability to develop marketing plans, to identify networking opportunities, and to identify new markets and products.

The teams could also identify shortcomings that did not fit in any of these categories but which they felt played a role in the business crises they related.

This exercise occurred early in the workshop in order to quickly engage participants in sharing experiences with their team mates. It helped identify critical shortcomings as witnessed by the people who are in most direct contact with small business owners: the advisors. It also helped assess whether these small business advisors believe that, as the research shows, the most common reason for failures among small businesses is management weakness.

The exercise produced compelling examples and generated lively discussions. The management skill most often identified as at the heart of business difficulties in Vancouver, Halifax and Sudbury was “operational competency”. It should be noted that participants in each city expanded the definition of this category beyond “the ability to adapt new information and communication technologies, innovation...” described in the exercise material. Participants in general use the expression “operational competency” with reference to a broader group of ongoing, day-to-day activities necessary to keep a business running. These included such matters as the inability to make quick and effective decisions about resource allocation, the inaccurate prediction of manufacturing capacity, the inefficient management of meetings, poor time management more generally, and a failure to keep appropriate records. In many instances, the issues identified here could be characterized as reflecting an insufficient attention to detail. Quebec City participants differed from those in the other cities by citing a shortfall in “operational competency” least often (along with “people management”) as an issue. Instead, shortcomings in strategizing/planning competencies were noted most often in Quebec City, followed by shortcomings in marketing/sales, and lack of vision/leadership.

The “people management” competency is an interesting one to consider. Although only mentioned second most often in Halifax and Sudbury, and least often in Quebec and Vancouver, these skills nonetheless surfaced often in the group discussions. This fact is likely due in part to the high anecdotal value inherent in “people stories”, but there are substantive issues of interest here as well. In each city, advisors identified significant gaps in interpersonal skills that are not properly thought of as “people management”. For example, personality and goal conflicts between business partners were cited in each city, and were seen as a factor that business people must be prepared to address (e.g. by a well-considered dissolution plan established at the start of a partnership). As well, certain entrepreneurs are not skilled at interactions with suppliers and/or clients, a problem that could be characterized as ineffectiveness in peer-to-peer (as opposed to employer-employee) interaction. There is reason to identify “people skills” more generally as an important managerial competency that, when missing, causes difficulties.

A shortfall in the “marketing and sales” competency was the most frequently identified problem area in Vancouver (tied with “operational competency”) and second most frequently in both Quebec and Halifax. This was sometimes characterized as a kind of blind faith in “the perfect product” without supporting market data. There were instances where the market assessment undertaken had been informal in the extreme (“*her friends said they would use it*”) and other cases where the entrepreneur simply felt that formal marketing research was just too expensive. In some instances the advisor could point to inexpensive and common sense approaches to market sizing that were sufficient to provide the business manager with a more viable basis for moving forward. One advisor related a story in which this kind of approach “*turned the business around*”.

Serious shortfalls in financial management skills were identified in each of the workshops, although these were not viewed as fitting neatly within any one of the five competency categories provided. The nature of these problems ranged from such basic issues as failing to invoice properly or to keep proper expense records to a more general lack of “financial

acumen”. A few stories centred on individuals who were not able to effectively calculate the true cost of providing their product or service, with the result that the price set was not sufficient to make a profit. In one particularly poignant case, a cabinetmaker was said to have made “*many customers very happy*” with his excellent product, but at a price that made his business unsustainable.

Key Insights from the ‘Story’ Exercise

- One overriding theme of these stories is the fact that most entrepreneurs have some characteristic that is very positive. (“*Entrepreneurs are unique.*” “*They’re a special breed. I just love them.*”) This positive trait may be creativity, strong leadership, a healthy self-confidence, a powerful business vision, or a unique skill or product. Often, however, this core strength, whatever it may be, needs to be appropriately complemented by skills or knowledge that the individual business person too often does not know they lack. It is filling this gap that these advisors see as a fundamental part of their job and the primary objective of a good diagnostic tool.
- Another key insight from the story exercise is that, as the research shows, small businesses’ failures or difficulties can often be linked to shortcomings in one or several categories of managerial/entrepreneurial competencies. This was the case for many of the stories reported during the workshops.
- Finally, although shortcomings in managerial or entrepreneurial competencies, as defined in the SBPB material, were reported, these do not seem to provide an explanation for all types of small businesses troubles observed by participants. As indicated in the individual workshop reports, advisors in each city identified causes for failure that could not easily be attributed to a shortcoming in one of the five broad managerial skill categories provided. This was due, in many cases, to the fact that these categories were defined so broadly that they were difficult for people not familiar with the contributing research to understand. However, it is also the case that some causes for business failure or near-failure are simply not attributed by advisors to what would normally be thought of as a gap in managerial skill. Conflicting goals and personality conflicts between business partners is a recurring instance of this type of core difficulty.

Assessment Tools/Processes Currently Used

Participants were asked to individually complete a form where they described:

- a) the tools or processes they currently use to identify their clients’ managerial/ entrepreneurial competency level, or to assess their chances of success;
- b) the tools or processes their clients currently use to identify their own managerial/ entrepreneurial competency level, or to assess their own chances of success; and

- c) the approaches or tools they find themselves having to recommend most often to their clients to help them assess managerial/entrepreneurial competency level, or to assess their own chances of success.

The observations summarized below come from an examination of these forms as well as from comments exchanged during the discussions.

Tools or Processes Currently Used by Advisors

An examination of the forms completed by the participants across all four workshop locations indicates that somewhat less than half of these advisors have in place what could be considered a formal (i.e. structured, replicable) process for assessing their client's managerial or entrepreneurial competency level. Approximately half of advisors have a less formal, semi-structured process in place, and some have indicated having no formal, standard tools or processes at all in place. These informal tools or processes tend not, by their nature, to be standardized across the advisor organization, and rely more heavily on the advisor's intuition and professional experience.

One-on-one interviews and, in rare occasions, group interviews, were by far the assessment format of choice for these small business advisors. Many advisors who have integrated standardized assessment tools to their process will often still prefer to go through a questionnaire conversationally with the client rather than simply administer it (on paper or electronically). Some reasons given for favouring interviews include:

- Learning from the non-verbal responses.
- Learning from the unexpected, non-standard responses, and being able to interpret non-standard responses.
- Being able to help the client understand the questions asked.
- Being able to probe when needed to obtain more accurate or truthful answers.
- Some held the belief that their clients would not trust more structured assessment tools. This view was not shared by all participants.

The client's business plan is used as an assessment tool by many advisors across all four cities. Online business planning tools are sometimes used or recommended to clients. In some cases, the advisors simply examine the client's completed business plan. In other cases, they require that their clients go through a business planning exercise interactively with them. Advisors also use the business plan as a form of ongoing assessment tool, and ask that clients assess the realization of their plan against plan milestones at different stages of the business lifecycle. Advisors often mentioned the importance to the entrepreneurs of undertaking the business planning exercise by themselves, rather than to have it done for them by another person (as is often done when applying for bank loans, for example).

Site visits were also cited by many as an important aspect of the assessment process. It appeared to be used more often in Quebec City than by the advisors in the other cities. This

last observation goes hand-in-hand with the fact that the pertinence of assessing the whole enterprise rather than just the entrepreneur was mentioned more often by Quebec City advisors than by participants in the other locations.

A few of the online tools presented in the Workshop Preparation material have been used by the participants. These are:

- The Business Development Corporation (BDC) online tool, reported by a few participants across all four cities.
- The British Columbia based, Small Business Check-up tool was mentioned in Vancouver.
- The Decision Point tool from Nova Scotia – mentioned in Halifax.

Other standard tools or processes mentioned include:

- The Business Retention and Expansion Survey
- Smart Business Interview (originated by Executive Pulse and customized for Halifax Regional Municipality; someone noted that it is soon to be expanded for all of Nova Scotia)
- I.C.E. ('Inventaire des caractéristiques entrepreneuriales', developed by Prof. Yvon Gasse, Université Laval)
- 'Harmonie: Complémentarité de l'équipe', by Coopérative Orion
- Psychometric tests
- Acadia Centre for Small Business and Entrepreneurship's (ACSBE's) Entrepreneurial Cycle and/or Entrepreneurial Decision-Making Process (used as a guide by advisors through the assessment process)

Tools or Processes Currently Used by Their Clients

The majority of advisors have indicated that they don't know of clients who use self-assessment tools. This fact may not indicate that entrepreneurs do not use them, but it appears that, if they do, they do not discuss the tools or their output with their business advisors. The consensus seems to be that few entrepreneurs use self-assessment tools due to a lack of awareness of their existence, and to a lack of recognition of managerial shortcomings. Many advisors also indicated that most entrepreneurs would not have the experience and level of introspection necessary to use the tools appropriately. Other reasons for entrepreneurs not using self-assessment tools is their perception that there will be a monetary cost involved and that they do not have sufficient time to use them.

Given that some online tools appear to be used by a good number of entrepreneurs (for examples, the Small Business Check-Up Tool records 80 to 100 uptakes a month), we could be witnessing the result of a form of self-selection. People who consult advisors might be

less likely to use self-assessment tools by themselves, and those who use self-assessment tools might be less likely to consult advisors.

The service of a business advisor or consultant *per se* was often mentioned as a ‘tool’ used by clients. Other noteworthy mentions included:

- Reviewing the status of the milestones set in the business plan as the business develops is described as a tool used by clients.
- Mentoring; peer support; networking.
- Training; seminars.

Tools or Processes Most Frequently Recommended to Clients

Except for the Small Business Check-up Tool in Vancouver, management skills self-assessment tools are rarely recommended to clients by small business advisors. In preference to self-assessment tools, small business advisors are much more likely to do the following:

- Recommend training and self-help guides.
- Make referrals to specialized consultants for specific areas.
- Provide clients with tools to perform financial assessment.
- Encourage clients to network or obtain peer support.
- Encourage clients to seek management coaching.
- Encourage self-assessment by examining progress against the business plan.
- Recommend that clients conduct benchmarking or market studies.

Perceived Need for Management Skills Diagnostic Tools

Participants were asked to discuss in teams whether management skills assessment tools were needed for advisors and for clients, whether such tools were currently available and what the gaps were.

Perceived Tool Needs: Advisors

Most participants believe that diagnostic tools are an important element in their overall approach to addressing a client’s needs. There was a strong and almost unanimous concern, however, about the danger of assuming that any tool could, by itself, arrive at the required breadth and depth of understanding appropriate to an assessment. Frequent reference was made to the need to ensure the primacy of an advisor’s common sense judgement and experience in reaching an overall conclusion regarding the viability of any business venture.

With this important caveat in place, many advisors agreed that assessment tools can help them “zero-in” on a matter of particular concern. Such tools not only help the advisor man-

age the flow and direction of the interview, they can help objectify and highlight the area of concern for the client. One discussion group pointed to the role of a good tool within a solid assessment process as highlighting any “red lights” that should be put into the awareness of clients. The view was that these red light issues might not warrant a “no-go” decision, but that they should serve as markers that the advisor and client can monitor in an ongoing manner as the business moves forward.

A predominant view was that, while diagnostic tools might be of some use, what is most critical is to be able to point to “next steps”, i.e. what actions should be taken to address the problem diagnosed.

There was also a general consensus on the importance of flexibility in any assessment tool. The term “flexible” was used to address the need to accommodate the very wide range of differences that exist between entrepreneurs. Most notable in this respect is the variability in business objectives, or criteria for success, that participants have observed over time across clients. Interestingly, this issue surfaced most explicitly when participants were asked whether different tools are required for female and male entrepreneurs. The consensus view was that gender is not the issue. The issue, instead, is the difference in personal goals: some individuals start a business “to make their first million”, whereas others start a business to have greater flexibility in personal time, including time spent with their family. The key point noted in this discussion was that a tool that assesses the likelihood of business success or failure must be able to accommodate these very different outlooks. As well, the importance assigned to a given competency can be affected by these considerations: a people management competency, for example, is not a critical factor for an entrepreneur who does not currently have and never intends to have employees.

The importance of tool flexibility was also related to accommodating differences in company size, sector, and region. Advisors view each of these factors as providing critical context to the evaluation of success. For example, financial requirements are different for a micro-business than for a medium-sized business, and different competitive conditions and labour availability are affected by geographic location. In addition to these substantive issues, advisors feel that the credibility assigned to a tool’s conclusions by a client is critically affected by the perceived relevance of the questions asked to the entrepreneur’s particular situation. If the tool does not seem to be “about them”, clients will not use it or, if used, they will discount its conclusions.

Perceived Tool Needs: Entrepreneurs

There was a wider variety of opinion among participants regarding the potential value of self-assessment tools for entrepreneurs than in the case of tools for advisors. Some felt that this kind of tool is very important as an entrepreneur evaluates and undertakes a start-up opportunity. However, it was generally agreed that, even if a good self-assessment tool can be identified, it is very difficult to get clients to use it. This resistance was attributed to a perceived lack of time, as well as a disinclination to view themselves to be lacking any of the required management competencies. Nonetheless, a few advisors suggested that self-assessment tools might be the only way to get entrepreneurs to recognize—in private—that

they may have some shortcomings, and so might cause them to talk about the issues with the advisor.

There is a general concern that self-assessment tools are unlikely to be used appropriately by entrepreneurs because they are too easily completed in a biased way. Also, the results can be easily misinterpreted by clients. Most advisors felt that some level of involvement on the part of an advisor should be in place even in these self-assessment procedures. There was concern that clients lack the knowledge and introspection required to use such a tool effectively on their own. This view was particularly strong in Quebec.

Several advisors reported that clients too often decide to look for and use such a tool only when a major problem has occurred. They view the use of these tools as part of crisis management, rather than as part of their normal operating procedure.

The primary task in convincing clients to use self-assessment tools is to demonstrate to them that the tool will result in clear, concrete, and actionable output of real value—preferably dollar value—to their business. This observation was reinforced in discussions regarding the ideal format and time demands of potential tools. The view was that it is not the time required to complete a tool, per se, that will determine its uptake. It is the perceived relevance to their particular circumstances of the process involved, and the concrete value of the expected outcome, that are most critical to encouraging use.

What's Missing

A number of advisors expressed the view that the assessment of business skills and the likelihood of success is a multi-dimensional process. This concern is evident in the frequent assertion, discussed above, that even the best tool is only one part of a complete client-advisor interaction. Some advisors felt that tools are very often “one-dimensional”, and that to judge the merits of a case on that tool’s output alone would be an error. For example, a tool that assesses financial stability only might point out that an individual has a substantially negative net worth and not take into consideration the fact that she has recently graduated medical school. To ignore that personal consideration might result in rejecting an individual who has demonstrated considerable initiative and drive. Appropriately multi-dimensional tools would be valued.

Management skills diagnostic tools assess the individual and not the enterprise. This was often raised as a limitation, especially with regard to self-assessment tools used without the guidance of a qualified advisor. Advisors often underlined the importance of assessing the interrelation between the business owner and his or her management team or employees. Also, a frequent cause for the collapse of small businesses seems to be an incompatibility of goals or approaches between partners. Self-assessment tools familiar to these participants are not geared to detect such incompatibilities.

Tools that are currently in use tend not to prioritize issues: they might list a set of problems or missing competencies, but they do not indicate which area should be tackled first. As

well, there is a sense among some participants that the benchmarks used by tools so that clients can compare their situation to others too often fall short of their objective. This is sometimes due to not having a specific enough comparative framework – e.g. similar sector, region, business objectives. It is also the case, according to some advisors, that existing tools are too often out of date with respect to their underlying business model assumptions.

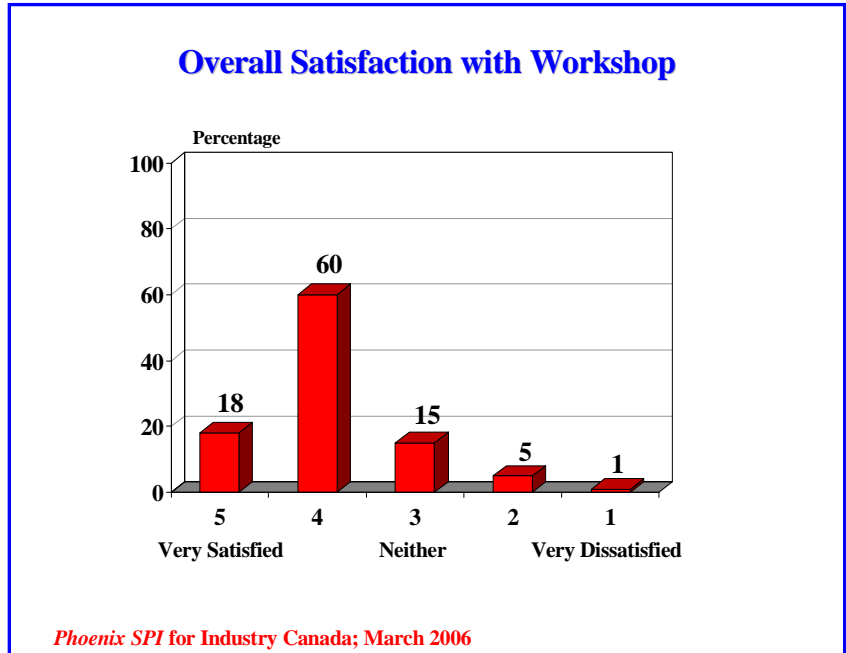
There is a perceived need to increase the awareness among advisors and clients of those tools that are available, In addition, there needs to be some method whereby the potential value of a given tool can be assured, perhaps through some sort of validation process. One impediment to tool dissemination was characterized as information overload: even if one identifies a web portal with links to variety of tools, it is difficult to determine which of these would fit best to the given situation.

Summary of Workshop Evaluation

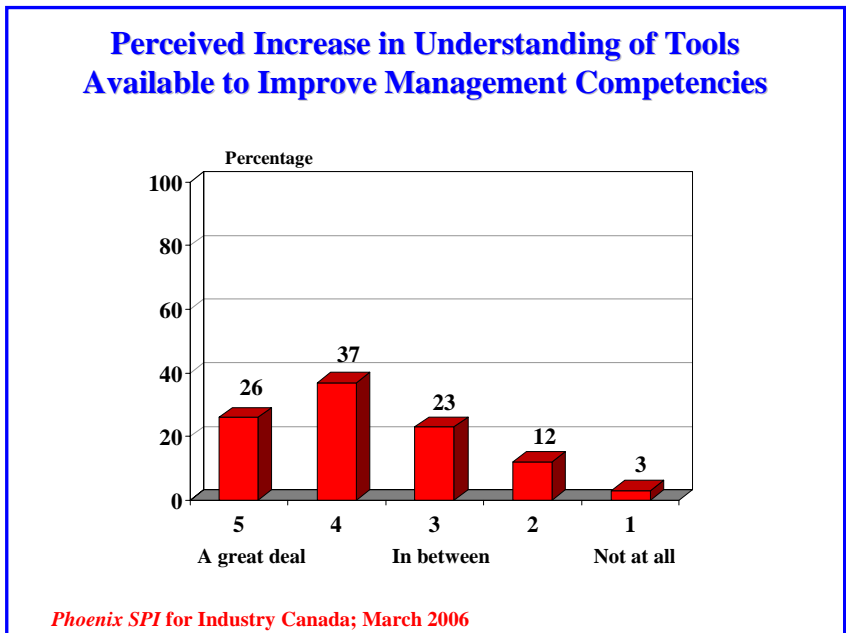
Participants were asked to provide feedback on the workshops. Seventy-eight (78) of the 96 participants filled out the evaluation form provided. The majority of questions could be answered using a scale from 1 (negative) to 5 (positive pole). There were also a few open-ended questions. Selected elements of these evaluations are summarized below. Emphasis has been placed on reporting those findings that help us gauge the success of the workshops in enhancing participants' awareness of the research on management skills and of the tools available to assess these skills in entrepreneurs.

More than three-quarters (78%) of the participants who filled out the evaluation form rated their satisfaction level as either a 4 or a 5 on the five-point scale. While we would have liked for every one to be entirely satisfied, we nevertheless consider this a very high satisfaction rate.

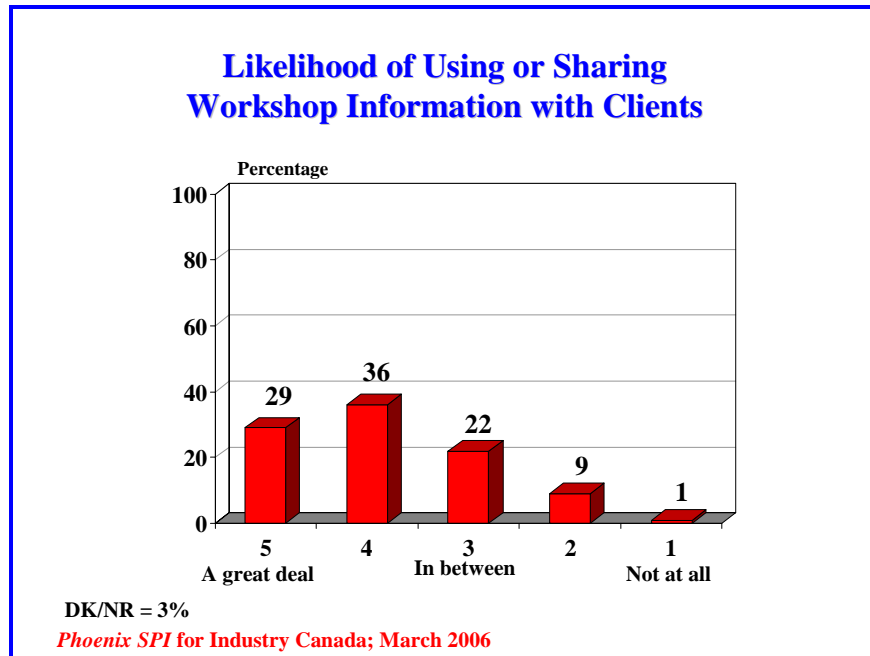
One of the workshop objectives was to increase participants' awareness of the management skill diagnostic tools that are available to small business people and their advisors. Sixty-three percent (63%) indicated that their understanding in this area increased either somewhat (4) or a great deal (5) as a result of the workshop. For some respondents, a ceiling effect regarding tool awareness was apparent: Some of the respondents who provided a lower rating (3 or less) for "increase in understanding" stated that knowing about such tools is their business, therefore they could not rate an increase.



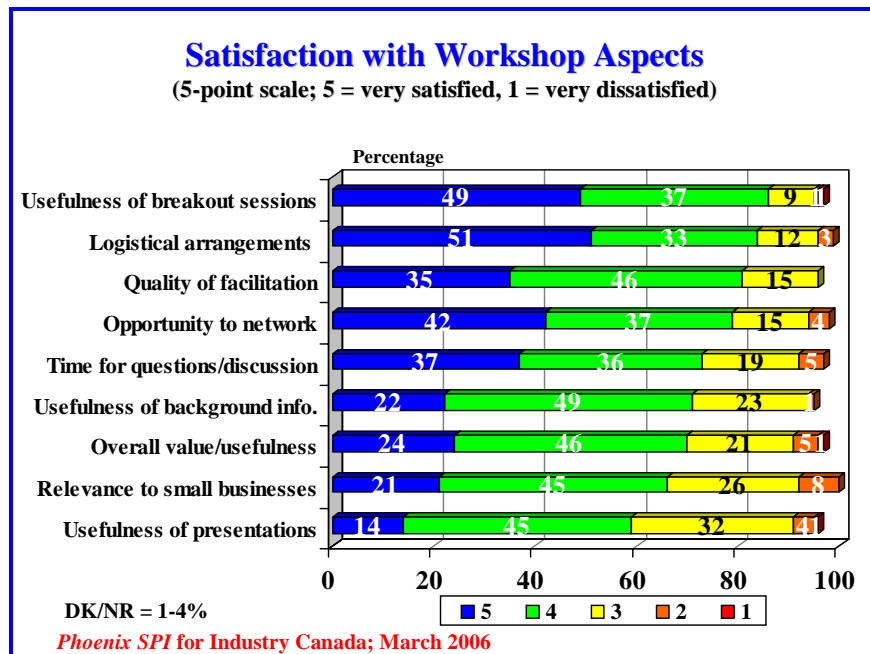
However, judging by the large proportion of respondents who indicated an increase in understanding, and the lack of awareness of such tools frequently identified as an issue throughout the discussions, it is clear that SBPB's goal to increase awareness in this area is very much worth pursuing. It is also clear that the workshops had a good amount of success with the target audience in this regard.



A sizeable majority of respondents (65%) indicated that they would be likely to share or use the information gained through this workshop about existing assessment tools with their clients. This is a good indication of the perceived value and usefulness of the information



The respondents' levels of satisfaction with various aspects of the workshop are presented below. In general, the feedback received indicates that the majority of business advisors were very satisfied with the quality of the workshops.



Overall, participants felt that the sessions met their expectations and found the information sharing to be very useful. Some highlights common to all four workshops included:

- Appreciation for the information exchange and the interactive group discussions
- Networking opportunity the workshops provided
- Gaining a better understanding of the tools available to small business

Although the evaluations underscore the benefit of networking and awareness of existing tools, participants also pointed to areas for improvement to possible future sessions. For instance, many indicated that they would have preferred a full-day workshop with more breaks and opportunities to network. Others indicated that they would have liked more concrete and specific information on existing tools and/or tools used by other participants.

CONCLUSIONS AND CONSIDERATIONS FOR GOING FORWARD

Summary Points and Conclusions

Managerial Skills Diagnostic Tools Are Useful

- These workshops benefited from the participation of professional advisors with considerable first-hand experience of entrepreneurs and the challenges that they face. Their experience seem to concur with the research indicating that, when business crises occur, it is often possible to point to some shortfall in the manager's skill set as part of the root cause.
- To identify this skill gap and address it with appropriate and timely interventions is in a very real sense at the heart of the business advisor's craft. They exercise that craft through techniques ranging from the purely intuitive to the highly quantitative, and are in general open to any additional tool to complement or extend their process.
- The tools judged most useful are those that guide, rather than replace the advisor's expert judgment, are flexible enough to accommodate the wide range of entrepreneurial contexts, styles and success criteria, and help the advisor objectively highlight a problem area for the client.
- Tools intended for client self-assessment are considered less useful by these advisors than are tools directed at their own use. Entrepreneurs are viewed as reluctant to use such tools, for a variety of reasons, and there is concern about their ability to interpret the results effectively.

No Strong Demand for New Managerial Diagnostic Tools Observed

- There is no indication from these workshops that the development of additional diagnostic tools is warranted. The observations point more strongly to a need to increase the awareness of business advisors of both relevant research and the range of diagnostic tools currently available.
- There is a general consensus that it is possible, in theory, to select the best and most appropriate tool for a given situation from among those that already exist. But the great number of tools currently available makes the task of finding an appropriate one subject to "information overload".
- It is often unclear which tools will offer concrete value to advisors and their clients. A tool validation process would help advisors select effective ones and increase the buy-in of entrepreneurs. The demonstration, by reliable sources, that a tool measures what it claims to would be valued.

Needs Lie Elsewhere

- Although tools for assessing management skill shortcomings are valued, many participants believe that they provide only part of what is needed. More important is to follow the gap diagnosis with an action plan that effectively puts the manager and his or her business back on track.
- The frequent absence of a formal assessment process and the reliance on non-standardized tools mean that the accuracy of an assessment very often depends solely on the advisor's acumen. This acumen is often very substantial and its value to the small business community should not be underestimated. It is worth noting, however, that many participants stated that they would welcome training on the use of the various assessment tools currently available.
- An experienced and knowledgeable small business advisor was identified by some participants as one of the best "tools" available for small business owners. This observation begs the question of what range and depth of experience and knowledge is required to fill that role. The need for a certification process for small business advisors to ensure some minimal level of skill was raised by participants on several occasions.
- Identifying the appropriate training resources for clients once a weakness is diagnosed is not viewed as a difficult problem, but assistance in this task would be welcomed.

Perceived Feasibility of Developing Such Tools Provides Insights

When asked to consider the feasibility of developing additional assessment tool(s), participants identified a number of challenges that they consider central to the task. Irrespective of whether the Government of Canada should be involved in the development of such tools, examining these stated challenges provides insights into what would constitute valuable tools to these advisors.

- Primary among the challenges is the need to customize the tool to the sector, geographic region, size, stage of business, and business model appropriate to each entrepreneur. This customization is essential to both the substantive validity of the tool's output and the credibility assigned to it by clients. Most viewed this level of customization as difficult or impossible to achieve in a single tool, and see the objective as providing a portfolio of more specific tools.
- Participants note that any effective tool must be susceptible to regular updates that reflect changing economic conditions over time (which will vary by sector and region) as well as evolving business models.
- A well-rounded assessment must consider soft skills that are notoriously difficult to identify by traditional business assessment methods. Foremost among the areas of concern here are the potential incompatibility of business partners, or of the business owner and the management team.

- Many participants emphasize that an effective tool must be useable on an ongoing basis and applied to tracking a business' health over its various stages of development. Participants saw this as quite a challenge to achieve with on-line self-assessment tools that are not used under the supervision of a trained advisor.
- An advantage of having a trained advisor providing an assessment is that he or she can identify problematic areas requiring more probing, without having to probe in all areas. With a self-assessment tool, however—or at least the way most are currently constructed—the entrepreneur has to answer several categories of questions. The questionnaires are often lengthy, and many questions can appear irrelevant to the respondent. This, in the view of advisors, constitutes an important deterrent to busy small business owners. The suggestion made by these business advisors is to have a tool that proceeds in steps, starting with more general questions that identify problematic areas—which some called 'red lights' or 'red flags'—and then probing only the problematic areas. Moreover, the 'red lights' highlighted at an earlier point in this step-by-step process could remain visible and subject to monitoring as the business progresses.

Considerations for Going Forward

The Small Business Policy Branch of Industry Canada has the expertise and resources to develop and commission research. Moreover, it has a pan-Canadian perspective. These complementing assets can be applied to the benefit of the small business advisors represented in these workshops.

Continue to Disseminate Information and Raise Awareness

The vast majority of participants indicated the value of contact and information sharing with Industry Canada. SBPB might want to pursue ongoing outreach activities with small business advisors.

- Consider the possibility of a regular mechanism for reaching out to these business advisors. In this regard, the present workshops can be viewed as a pilot project to assess the viability of this method of outreach. Participant evaluations indicate that the workshops served to increase awareness, at least to this limited group of small business advisors, as well as facilitate the network of professionals in a region. Adjustments to the process that enhance the networking aspects of the workshop sessions should be considered.
- Consider other activities (e.g.: E-bulletin; newsletter) that would help increase the awareness of available management skill assessment tools and other Industry Canada research relevant to small business advisors. Consider abstracting and in other ways re-drafting research reports to make them more approachable to time-pressured small business advisors and entrepreneurs.

SBPB as a Catalyst for Research and Dissemination of Results

These advisors have indicated that they—and their clients—would value a clear demonstration of the link between improved management skills and ‘bottom line’ performance. Moreover, it would be of particular value to these advisors to be able to identify management skills assessment tools that have been demonstrated as valid. There are a number of issues and challenges implied by such a validation process.

- SBPB is in a unique position to encourage and facilitate constructive discussions among various jurisdictions and business associations on this topic. These discussions would be aided substantively by the wealth of research data on this topic available to SBPB.
- SBPB might also want to consider additional research to investigate the link between entrepreneurs who have invested in management skills and their “bottom line” performance.
- A Web portal or other resource that provides tools with demonstrated value would attract advisors and become a natural point of dissemination for research information. Similar portals already exist, but methods for making the actionable conclusions of the supporting research available in a manner readily absorbed by time-pressed professionals should be explored.
- Note that each region tended to identify diagnostic tools developed regionally. SBPB is in a position to facilitate cross-regional dialogue which would help advisors identify best practices with respect to management skills assessment tools and other aspects of the advisor function that would be to the benefit of all regions. Any such national best-practices resource (e.g. Web portal, newsletter, etc.) would provide SBPB with a natural opportunity to facilitate cross-regional dialogue and networking more broadly. Networking of this type is strongly valued by the participating advisors.
 - At the same time, recognition must be given to the importance of facilitating region-specific professional networking. The ability to reflect regional differences effectively in their assessment procedures is seen as vital to these advisors. The value of cross-regional dialogue must not be perceived as over-riding these regional concerns.

Consider Promoting Information on Training

A number of advisors expressed interest in management skills training and the effective use of management skill assessment tools. This interest presents an opportunity to SBPB to further promote information on existing training programs.

- Consider maximizing information awareness and marketing through partnership opportunities within the public and private sector and leverage existing information channels and vehicles.

Consider Consulting with Entrepreneurs Directly

- Participants in these workshops were small business advisors and not, in most cases, entrepreneurs themselves. Many expressed the view that entrepreneurs should be consulted on some of the issues addressed here. In particular, the entrepreneurs' view of self-assessment tools should be solicited.