

Anchor institutions and small firms in the UK:

A review of the literature on anchor institutions and their role in developing management and leadership skills in small firms

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Executive Summary

Introduction

Defining anchor institutions

- The aim of this literature review is to assess the type of anchor institutions best suited to supporting management and leadership development in small firms and to present recommendations on how organisations might perform this role better.
- The concept of ‘anchor institution’ emerged in the 2000s as a new paradigm for understanding the role that place-based institutions could play in building successful local economies and communities. Anchor institutions can play a critical role in terms of coordination and support of economic activity. Key characteristics of anchor institutions include spatial immobility, embeddedness in the local economy and community, and a large resource base that is manifested in local purchasing, employment and business support.
- The concept of anchor institutions emerged from the US where it has become an integral part of urban regeneration policy and practice. It is typically related to spatial immobility, large size and strategic contribution to the local economy as purchaser and employer. The longer history of the concept in the US compared with the UK is associated with greater diversity in terms of the organisations that are included in the definition.
- Anchor institutions must have a social role, a social purpose which enables it to develop mutually beneficial and sustainable relationships within the host community.
- Possible anchor institutions include non-profit organisations such as higher education institutions (HEIs), for instance, university business schools, academic medical centres, cultural institutions including museums, libraries and performance arts facilities, religious and faith-based establishments and performance arts centres, utility companies, military bases, sports clubs and, under certain circumstances, large private sector organisations.
- HEIs might perform an anchor role through their activities in research, the provision of knowledge-focused services to businesses and other employers, and educating people to support the labour requirements of innovative local employers. This latter function might include provision of management and leadership development support to small firms, who constitute the vast majority of the business stock in every locality and are important providers of goods and services, employment and income.

How anchor institutions might support management and leadership development in small firms

- Management and leadership development might be defined as the various social processes through which those tasked with the responsibility for managing organisations acquire the knowledge and skills intended to enhance organisational performance.
- Anchor institutions must perform the following interrelated tasks, and address the associated challenges and barriers, if they are to contribute to small firm management and leadership development:
 - Defining the objectives of development support initiatives and identifying and specifying a target population;
 - Reaching the target population;
 - Designing development support;
 - Delivery and facilitation of development support;
 - Monitoring and evaluating the outcomes of development support;
 - Anchor institution developmental learning.

Developing management and leadership skills in small firms

- The small firm population is highly diverse in terms of size, ownership, business activities and sector, nature and shape of markets, the relevance of product and process innovation as a means of creating and sustaining a competitive advantage, and growth intentions. Each of these owner and business characteristics has implications for the nature of management and leadership within the firm, the mix of knowledge and skills required for effective management and leadership, and for how management and leadership capacity might best be developed.
- Most small firms typically have a simple management structure, with one tier of management and sometimes just a single manager, operating according to informal customary norms rather than formal procedure. Many owner-managers do not possess formal educational qualifications and lack any specific formal training, relying largely on prior employment and managerial experience, and their own experiential learning on-the-job to provide them with the managerial knowledge and skills they use to operate their businesses.

- Management and leadership development is a situated and context-dependent activity arising from participation in planned and unplanned activities in the workplace and elsewhere. There is substantial evidence pointing to the ubiquity and importance of on-the-job, experiential learning for owner-managers and employed managers arising from participation in working activities and from interaction with suppliers, customers, employees and others.
- Anchor institutions seeking to support small firm managerial and leadership development should facilitate this process of contextualised learning. Support providers must attend to the diverse managerial skills and development needs observed in small firms. Organisational and market contingencies mean that small firm managers develop their capabilities in diverse and often unique ways.

A review of the evidence base

- The report reviews the evidence for a number of possible anchor institutions—including HEIs, Local Enterprise Partnerships (LEPs) and, in the US at least, hospitals.
- In the UK the most commonly identified anchor institutions are universities. Specific forms of interaction between the universities and small businesses include consultancy and contract research specific to business need; continued professional development; and graduate start-ups. Universities vary in their capacity and willingness to undertake such activities.
- Past experience suggests that, in the absence of intervention, collaboration between universities and small firms tends to be low because of a combination of demand and supply side influences.
- On the supply side, universities often lack a real understanding of SME knowledge transfer needs; second, third sector (or enterprise) activity is not always reflected in promotional criteria for university staff and, third, the bureaucratic culture within universities tends to favour fewer links with larger enterprises as being more efficient.
- On the demand side SMEs have a low intensity of research and innovation, particularly in low and medium technology industries. This limits their demand for collaboration, especially since universities tend to be perceived as ivory towers by business owners. SMEs also face difficulties in finding out how to approach complex organisations such as universities.

- LEPs are non-statutory bodies that have taken on many of the responsibilities of the former regional development agencies and also hold responsibility for enterprise zones. They are part of the government's local growth agenda. LEPs must be chaired by a business person and at least half of their membership must come from the private sector.
- There is some concern that LEPs need to engage more with small businesses. They need to consult with them more often and deliver forms of support relevant to their self-defined needs, for example, procurement advice.
- Three case studies are presented and their good practice points extracted with regard to identifying and reaching a target population, designing and delivering support, and to monitoring and evaluating outcomes.
- Although the cases demonstrate elements of good practice experience with regards to cooperation between SMEs and the university sector, it is doubtful whether this is sufficient to warrant the description of 'anchor institution'.

Introduction

The aim of this literature review is to assess the type of anchor institutions best suited to supporting leadership and management development in small firms. The report is divided into seven sections, including this introduction. The second section is a critical review of the concept of anchor institutions. Section three sets out a framework intended to explore the social processes through which anchor institutions might support the development of management and leadership in small firms. Section four discusses the distinctiveness of management and leadership skills in small firms. Section five reviews the evidence base with respect to anchor institutions and small businesses; highlighting some of the issues that need to be addressed if the impact of anchor institutions on small businesses is substantial. Section six presents good practice case studies assessed on the basis of the criteria described in section two. Finally, section seven sets out the conclusions, outlining both the potential and the challenges to increase current levels of engagement with small businesses.

2 Defining anchor institutions

2.1 A concept in development

The concept of “anchor institutions” has emerged as a way of thinking about the role institutions could play in developing communities. The US think-tank Anchor Institutions Task Force (AITF) has suggested that as urban problems worsened, and resources became increasingly scarce, the higher education sector came to realise that it needed partners in order to deal with complex socioeconomic challenges. As the AITF put it, through the 2000s the concept of anchor institution emerged as a new paradigm for understanding the role that place-based institutions could play in building successful communities and local economies. Yet, it remains an imprecise concept.

There is no widely recognised definition of anchor institution in the UK, neither in economic development nor in social responsibility. Indeed, most of the work on defining anchor institutions has been undertaken in the US, where the concept has contributed to the cultural, social and economic vitality of cities. The US AITF claims that the origins of the anchor institution concept lie in the 1960s and the changes in the structure of the US economy at that time, highlighting the effects of deindustrialisation, globalisation and the rise of neo-liberal policies which undermined the domestically-owned manufacturing sector. In this context, new institutions emerged as anchors of their communities, particularly in higher education. A key point made by the AITF is that with urban conditions worsening in the 1970s-80s, by the 1990s urban universities could no longer avoid the problems of their local communities, perceiving the need to contribute towards dealing with these issues.

2.1 Key characteristics of anchor institutions

The concept of anchor institution refers to a particular role within a local economy. The role involves some strategic contribution and is likely to be a secondary aim rather than the main focus for the institution. Some suggest the role of these institutions has grown in importance as economies become increasingly dependent on service and knowledge sectors (Anchor Institutions Task Force, 2013). The US AITF has suggested that communities cannot be transformed without greater goal alignment across institutions, civic organisations, citizens, policy and the private sector. Anchor institutions can play a critical role, particularly in terms of coordination and support of economic activity.

It may be argued that the universities' main motivation for addressing urban problems stems from their spatial immobility. It is this that contributes to the emphasis on a locational dimension in the definition of anchor institutions. The point to stress is that given the magnitude of investment, universities are not able to simply get up and move. Hence, there is an enlightened self-interest for universities to act as anchor institutions because their actions are likely to influence their ability to attract students and research grants.

Webber and Karlstrom (2009) suggest that anchor institutions are tied to specific locations by a combination of factors: invested capital, mission and relationship to customers and employees.

A key feature of anchor institutions is their size, which is likely to have some influence on their impact. AITF (2008) states that anchor institutions have high levels of employment and significant purchasing power. Although there is no simple formula for measuring size, the key point is the influence they have over local economic development. In order to assist in the identification of anchor institutions, the Netter Centre for Community Partnerships Unit, part of the University of Pennsylvania, has developed a useful set of guidelines (2008). These guidelines represent the key characteristics of anchor institutions with respect to their economic role:

- Does it have a large stake and important presence in the community?
- Is it a centre for culture, learning and innovation?
- Is it one of the largest employers?
- Is it among the largest purchasers of goods and services?
- Does it have economic impact on employment, revenue gathering and spending patterns?
- Does it consume sizeable amounts of land?
- Does it have relatively fixed assets?
- Does it attract businesses and highly skilled individuals?

However, as the AITF report emphasises, an anchor institution must also have a social role, a social purpose mission which enables it to develop mutually beneficial and sustainable relationships within the host community.

Although the literature emphasises studies focusing on economic development, there has been a growing concern with social development especially in public education. Significantly, AITF drew attention to the fact that little is known about the role that anchor institutions play in solving societal problems and revitalising communities. The emphasis is very much on economic development. Boyer (1990) suggests that if anchors are to realise their full potential as agents of change they must be prepared to serve a larger purpose. Such a mission would place social responsibility at the heart of the institution's culture and operation. Hodges and Dubb (2012) define the anchor institution mission, particularly for urban universities, as “the conscious and strategic application of the long-term, place-based economic power of the institution, in combination with its human and intellectual resources, to better the long-term welfare of the community in which it resides”.

To summarise, the literature suggests that anchor institutions are large, spatially immobile, and mainly non-profit organisations that play an integral role in their local economy. In practice these three characteristics are interrelated, although the key defining feature is immobility because it is this that cements the relationship between the anchor institution and the local community. The AITF report suggests that the issue of social responsibility is complex and is a desirable, but not essential, purpose for anchor institutions. Whilst, in general, business corporations will not qualify as anchor institutions, there may be some circumstances where a corporation might perform an anchor role.

2.2.1 The economic development role of universities

Although the focus of the present study is on training managers and leaders in small firms, the economic roles associated with universities as anchor institutions covers a number of other areas (Hahn et al., 2003):

- As a major purchaser, offering supply opportunities to firms in the local economy.
- As an employer, particularly where the university is located in geographically peripheral regions with not too much in the way of private sector employment.
- Workforce development. Whilst this overlaps with employment, the emphasis here is on opportunities for skills upgrading.
- As a property or real estate developer, given the scale of the university's operations.

More generally, Shaffer and Wright (2010) suggest that the economic development role for universities is underpinned by four interrelated factors: first, putting their research power to work by developing new ideas that will strengthen the country's competitive edge; second, providing a wide range of knowledge-focused services to businesses and other employers; third, embracing a role in the cultural, social, educational revitalisation of their home communities; and fourthly, educating people to support the labour requirements of innovative local employers.

2.3 Types of anchor institutions

The US literature identifies a range of anchor institutions including private and community universities, hospitals and medical centres, cultural institutions including museums, libraries and performance arts facilities, religious institutions, utility companies and military bases, plus sports teams and large private sector corporations that are locally rooted. The presence of these institutions is understood to generate positive externalities and relationships that can support or anchor wider economic activity within the locality (Goddard et al. 2014). The AITF suggest that anchor institutions are usually non-profit organisations, although Porter (2010) has argued that anchor institutions, such as the Cleveland Clinic, are large organisations deeply rooted in their communities, playing an integral role in their local economy and drawing in billions of pounds from non-local sources. They spend on employment; they spend on utilising their vast resources for the benefit of local communities, but alongside this most authors, when listing anchor institutions, only include non-profit organisations such as universities, colleges, academic medical centres, libraries, faith-based establishments and performance arts centres. This is because private businesses are viewed as footloose and cannot be trusted to remain in a community. Nevertheless, the US literature is mainly focused on the challenges faced by the so-called “eds and meds” to economic development in their local communities (Hahn et al., 2003).

Public libraries might also play an anchor role, specifically those providing business information services (ULC, 2007). Public libraries can offer small business owners a variety of information resources including industry data, statistics, trends, legal indices, local and state regulations, government documents, industry specific journals and company data. Historically these service materials have been housed in central locations but the cost and sheer volume makes it difficult to provide a wide range of resources at branch level; today, sources have shifted online. Whilst it is difficult to envisage public libraries as anchor institutions, they might nevertheless operate as part of an integrated network of business support provision within a local economy.

In the US there are cases where banks take on an anchor institution role. This reflects the structure of the US banking system, which is unusual internationally in so far as it consists not only of very large banks but also a large number of small community banks focusing more on relationship banking. At the same time, there has been a reduction in the number of community banks over the last 20 years as a result of merger and takeover. Clearly, the structure of the banking system lends itself to banks developing an anchor institution role in the communities they serve. In the UK, by contrast, the banking system is dominated by a smaller number of large, often foreign-owned, commercial banks. As a consequence, banks would seem to have less of a role as anchor institutions in the UK than in the US.

An example of commercial banking in the US operating with a strong orientation towards the local community is The Bancorp, which in its promotional material describes how developing communities means investing in people. They aim to achieve this by providing products and services that meet the diverse needs of communities. They refer to an innovative mortgage programme and financial products targeted at first time home buyers and to community outreach programmes with an emphasis, as do other community banks, on housing programmes. Relationship banking in this context means that community banks have specialised knowledge of their local communities and customers, and because of this they are able to base credit decisions on local knowledge and nonstandard data obtained through long-term relationships. It can be argued that the relationship approach to lending is particularly important to small businesses that rely on community banks for loans and services. Indeed, this approach is often the only avenue small businesses have to obtain loans and access other financial services (FDIC, 2012).

Although anchors are typically defined in terms of organisations, McCuan (2007) suggests that outstanding civic leaders may also be considered as anchor institutions, arguing that these individuals and their network of associates may be critical in the development of local communities. No further information is available about these individuals.

2.4 Anchor institutions and small firms

Little attention has been paid in the literature to the issue of how anchor institutions might support small firms in the local economy. Such firms are important providers of goods and services, employment and income. They play an important role in stimulating market competition and in contributing to supply chains, enabling other firms to improve their market offering. But small firms are typically perceived as lacking managerial skills and, owing to resource constraints, are often vulnerable to cost and demand shocks that require the agility to adapt flexibly and promptly to ensure survival and growth. There is a potential role anchors might play in supporting small firms to develop their managerial and leadership capabilities and to address any limitations.

3 How anchor institutions might support management and leadership development in small firms

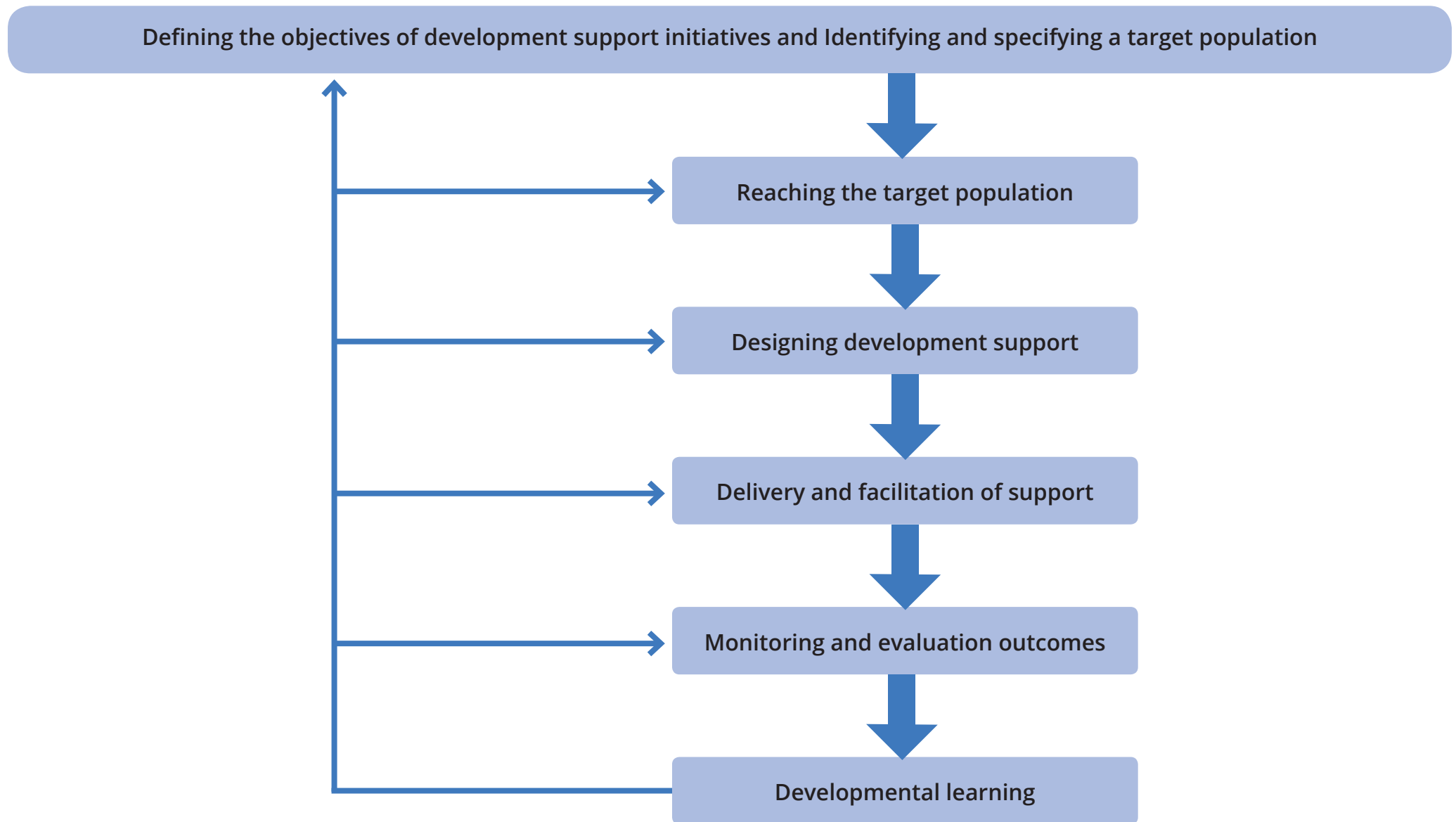
Chapter Summary

This section sets out an analytical framework to guide analysis of the diverse functions anchor institutions might perform in the management and leadership development support process and the consequences of support (Figure 1). Management and leadership development might be defined as the various social processes through which those tasked with the responsibility for managing organisations acquire the knowledge and skills intended to enhance organisational performance. The framework provides a structure for the identification and description of good practice cases.

3.1 A framework for anchor institutions' engagement with small firms

Anchor institutions must perform the following interrelated tasks, and address the associated challenges and barriers, if they are to contribute to small firm management and leadership development. Choices with regard to the objectives of development support initiatives and the target population will shape how institutions reach such firms, the kinds of development support offered, the delivery and facilitation of support and the kinds of metrics and evaluation methods that are relevant. How these tasks are performed, and the degree of success achieved, is likely to vary with the particular type of anchor institution, the quality of their relationships with market and non-market stakeholders whom they rely on within their respective regions and beyond, as well as the characteristics and behaviour of small firms. Such choices are contingent upon the financial, human and other resources anchor institutions are able to mobilise. Anchor institutions will likely need to build relationships with a range of other stakeholders (business and trade associations, professional bodies, and large employers, private support providers) in order to perform the functions set out in Figure 1 effectively. Issues relevant to each of the six stages set out in Figure 1 are discussed below.

Figure 1: Linking anchor institutions, small firms and managerial and leadership development



Defining the objectives of development support initiatives and identifying and specifying a target population—first, anchor institutions must define the objectives of the development support initiatives they offer and define the target population(s) who are the intended recipients or beneficiaries of those initiatives. Initiatives may be formal, instruction-based programmes with strict eligibility criteria or may involve supporting managers to learn while engaged in their everyday work activities. What are the intended benefits for participating firms—for example, increased innovation activity, access to export markets, business growth? Are initiatives intended to offer one-off learning experiences, or to provide the basis for participants’ continuous learning that will endure once institutional support is withdrawn? Institutions have choices with regard to resource allocation. Do they attempt to ‘pick winners’, focusing their support efforts on firms they believe will perform well on one or more desirable criteria such as innovation, export activity or growth—or do they respond positively to demands from small firms from wherever they come? Picking winners is tempting for policy-makers and support providers, but the task is very difficult. A tiny minority of all firms account for the majority of jobs created in any specified time period (Storey, 1994); identifying such firms in advance has proved intractable. The evidence suggests that if policy-makers wish to support fast growth firms (‘gazelles’), looking at past performance is not a very accurate guide to future growth. Firms often expand rapidly for short periods of 2-3 years but then typically consolidate or retract (Coad et al., 2014). Highly innovative firms often look like less innovative firms in terms of their demographic characteristics, including region, and many are no more likely to grow than non-innovative firms; indeed, innovation might be followed by employment decline (Coad and Guenther, 2014).¹

The task of identifying the target population is affected by the degree of embeddedness of anchor institutions in their regions and, in particular, the quality of their knowledge of, and relationships with, small businesses in their catchment area. Do anchor institutions know how many businesses fall within their sphere of influence, their economic activities and management and leadership capabilities, and what their management and leadership development needs might be? Given the heterogeneity of the small firm population, and their high rate of market churn (entry and exit), these are not easy questions to answer and require a resource-intensive, intelligence-gathering effort. To act effectively as an anchor institution, organisations must develop means of generating comprehensive and timely market data.

¹ Claims concerning business growth are highly sensitive to the definitions of growth adopted and the time periods covered. Growth might refer to sales, assets, employment or market share, for example. Changes in these performance indices are not always synchronous: sales may rise but employment may fall, for instance. Firms’ growth performance is also sensitive to variations in the start- and end-points of the measurement period.

Reaching the target population—anchor institutions must communicate with the target small firms in their catchment areas in order to persuade them to participate in management and leadership development initiatives or to engage in particular forms of behaviour deemed desirable. The research literature identifies a number of barriers small firms report as restricting participation in initiatives, including limited awareness of available support, unfavourable perceptions of the quality and relevance of support to development needs, time and convenience constraints, and financial cost (Curran et al., 1996; O'Dwyer and Ryan, 2000; Kitching and Blackburn, 2002). Institutions need to form relationships with firms not only to identify their particular development needs but also to inform them of the support they are able to offer or enable access to. Indeed, one might define an institution as an anchor to the extent it is able to create and sustain long-term relationships with firms of interest and other relevant stakeholders including representative associations and support providers. These are challenging tasks and require a serious effort on the part of the institution to build and maintain links with other organisations.

Designing development support—anchor institutions might offer, or facilitate, different types of management and leadership development support. Business owners may need support in relation to their very specific product and business development issues but also in relation to more generic administrative functions such as financial management, HR, sales and marketing. Others might require support in relation to specific issues such as intellectual property (IP) management or internationalisation. Institutions might focus on particular forms of development support related to their targeting choices. For instance, the development support offered might vary with the sector composition of the catchment area. There may be dominant industries or sector clusters that anchor institutions in particular regions might wish to support. Alternatively, institutions might choose to support growing enterprises, whatever their sector. Hence the focus might be on supporting the distribution of management and leadership functions within management teams and encouraging owner-managers to delegate responsibility.

Delivery and facilitation of development support—anchor institutions might deliver or facilitate management and leadership support in diverse ways, depending on the target population, the type of support offered, and the presence of relevant providers and facilitators. Experiential, on-the-job learning might be contrasted with formal, structured, classroom-based development programmes. Some institutions may provide development opportunities directly. Others may perform an advisory, signposting or enabling role, directing firms to suitable providers, along the lines of Business Link, or by facilitating network-building or -participation. Yet others might provide funding only, with firms left to find their own support providers or build their own networks. Particular initiatives may, of course, incorporate elements of each.

Where anchor institutions deliver development opportunities directly, issues arise as to how and where these are to be delivered. Institutions might provide development opportunities through their own staff at their own premises or by partners at the target firm or partners' premises. If support is delivered and facilitated through partners, institutions may or may not play a role in finding or appointing suitable providers, in designing curricula, in setting performance targets, or in monitoring and evaluating outcomes. Anchor institutions might, for instance, maintain lists of approved suppliers of management and leadership development services, and periodically assess and validate them.

Monitoring and evaluating the outcomes of development support—anchor institutions may or may not monitor and evaluate the development services they offer. Where they do so, institutions must collect data from participating firms, partner providers and possibly other stakeholders in order to determine whether initiatives have been successful and to identify any barriers to the effective delivery of support. There may be enabling or constraining circumstances that influence initiative outcomes that fall outside the effective control of the anchor institution. Small firms may face serious challenges pre-, during and post-participation. To increase the chances of objectives being achieved, institutions must identify, and address, the major barriers small firms face in participating in initiatives and in acting on what they have learned. Such intelligence-gathering would help in encouraging take-up and avoiding attrition, and in redesigning curricula and delivery and facilitation methods as appropriate for participant firms. Assessments should reflect on the conditions that need to be in place for initiatives to work as intended.

Anchor institution developmental learning—institutions might take steps to engage in developmental learning themselves. Institution staff learn from their own experiences of interacting with stakeholders, including small business participants. Unless there is some way of learning the lessons of the past, and retaining this knowledge as part of the institution's 'memory', previous failures are doomed to be repeated. This task is particularly important where there is high staff turnover in the anchor institution and where a reliance on the personal memory of particular individuals provides an insufficient basis for future action.

This framework can be applied to the research literature to investigate what prior studies have claimed with regard to the connections between anchor institutions and small firms' management and leadership skills, development needs and learning outcomes.

4 Developing management and leadership skills in small firms

Chapter summary

This section discusses several aspects of the research literature. First, we discuss the nature of management and leadership in the small firm context, paying due regard to the heterogeneity of the business population. Second, we review studies of small firm management and leadership development, discussing the types of activities encompassed by the term, motivations to engage in these activities and the barriers to engagement. Such issues are pertinent to anchor institutions seeking to encourage and enable small firm managers to participate in development initiatives and the shape such support might take. We draw a distinction between owner-manager (or entrepreneurial) learning and development and that of employed managers.

4.1 The diversity of small firms

Business Population Estimates for start-2014 suggest there were 5.2 million private sector businesses in the UK. Of these, 99.3 per cent were classified as small, employing fewer than 50 people (BIS, 2014). The small firm population is highly diverse in terms of size, ownership, business activities and sector, nature and shape of markets, the relevance of product and process innovation as a means of creating and sustaining a competitive advantage, and growth intentions. Each of these owner and business characteristics has implications for the nature of management and leadership within the firm, the mix of knowledge and skills required for effective management and leadership, and for how management and leadership capacity might best be developed.

Almost all small firms are managed by people with a financial stake in the firm, and most of them possess a controlling interest, either as unincorporated businesses or as limited companies. Many firms have a strong family involvement, with family members holding principal positions in a closely-controlled entity; few have an internal path for non-managerial employees to rise into management. But beyond these widely-held features, small firms are a highly differentiated population. Micro firms employing fewer than 10 staff, for instance, are less likely to have a functional division of managerial labour, whereas larger firms are more likely to employ managers with dedicated responsibility for finance, employment, technical/operations, and sales and marketing, for example. In micro firms, the task of management is often embodied within a single individual responsible for all major functions. These individuals are perhaps more likely to self-identify as 'business people' rather than as professional managers (Devins et al., 2005).

A small number of firms are team-owned or –managed. These firms are, by definition, more likely than those owned by a single individual to operate a functional division of managerial labour. Concentration or distribution of managerial and leadership responsibilities has powerful implications for the nature of skills required by those tasked with management and therefore their development needs. Team-owned enterprises are likely to have access to greater resources, plurality of experience, and enhanced capability for sense-making and problem-solving (Cope et al., 2011).

As businesses grow, owners face pressures to move towards a team management or ‘distributed leadership’ structure whereby owners delegate some degree of decision-making control in order to manage the business development process. Firms seeking growth are more likely to formalise management and working practices either as a consequence of, or in anticipation of, expansion, although this can be a source of intra-firm conflict, including within the management team itself (Gilman and Edwards, 2008; Marlow et al., 2010).

Firms in different sectors encounter different resource demands, minimum efficient scale requirements, market pressures to innovate, and workforce skill requirements. Each of these has implications for the managerial capabilities required to succeed. For some, access to external finance and to relevant workforce skills is a necessary condition for start-up or for product development. A lack of appropriate financial or staff management skills may delay or prevent a firm’s product launch.

4.2 Management and management development in small firms

Small firms’ management skills have been a longstanding concern for academics and policymakers. The Bolton report (1971) highlighted the managerial characteristics and weaknesses of small firms almost 50 years ago; similar analyses are frequently offered today.

Most small firms typically have a simple management structure, with one tier of management and sometimes just a single manager, operating according to informal customary norms rather than formal procedure (Devins et al., 2005). Many owner-managers do not possess formal educational qualifications and lack any specific formal training. While there have been important changes in the intervening period, most owner-managers still rely largely on prior employment and managerial experience, and their own experiential learning on-the-job to provide them with the managerial knowledge and skills they use to operate their businesses. Particularly at micro-levels of scale, business owners possess limited managerial skills and do not operate a sophisticated management structure (Thompson and Gray, 1998). They are competent and knowledgeable with regards to their specific business activities, and in particular to their pursuit of value-generating opportunities (e.g. Rae and Carswell, 2000), but often lack more generic managerial and administrative capabilities such as those related to finance, staff, sales and marketing, legal or other functions (Goffee and Scase, 1995). Despite these deficiencies, and awareness of their management and leadership development needs (Matlay et al., 2009), owner-managers are often unwilling, or lack the resources, to recruit specialist managers and to delegate decision-making authority. Many owner-managers seek to retain control even where responsibilities have been formally delegated.

Management and leadership development is a situated and context-dependent activity arising from participation in planned and unplanned activities in the workplace and elsewhere. There is substantial evidence pointing to the ubiquity and importance of on-the-job, experiential learning for owner-managers and employed managers arising from participation in working activities and from interaction with suppliers, customers, employees and others (e.g. Curran et al., 1996; Gibb, 1997; Perren and Grant, 2001; Anderson et al. 2001; Kempster and Cope, 2010; Higgins and Aspinall, 2011). There are very good reasons why small business employers prefer to develop knowledge and skills this way. Principally, these include the relevance and quality of the skills being learned to facilitate improved management and working practices (Kitching, 2007). Experiential learning is directly related to routine, everyday practice and therefore immediately relevant to solving real management problems, although much of this unplanned, incidental learning arises out of dealing with specific contingencies that threaten business performance on an ad hoc basis (Patton and Marlow, 2002).

Although similar motivations and barriers are relevant to the development of employed (rather than owning) managers, there are additional concerns. Employed managers are employees and their learning needs to be understood in the broader context of the employment relationship, one in which employers face pressures to produce goods and services for profitable sale as market commodities while employees are a cost for employers as well as a source of value (Rainbird et al., 2004; Kitching, 2007). Specifically, employers might feel vulnerable to employed managers quitting once they have developed their knowledge and skills in search of more lucrative jobs (Patton and Marlow, 2002). Moreover, business owners might not wish to distribute leadership functions to others because it undermines their sense of 'being entrepreneurial' (Cope et al., 2011). Such concerns are perhaps more likely to arise in growing businesses where owners experience pressures to delegate authority and formalise practices in order to manage internal and external relationships better. These issues of motivation, reward and turnover mean that the task of developing employed managers involves added complexity.

Anchor institutions seeking to support small firm managerial and leadership development should facilitate this process of contextualised learning (Down, 1999; Loan-Clarke et al., 1999; O'Dwyer and Ryan, 2000). Devins and Gold (2002) insist that the development of relationships between small business managers and support providers is a crucial element of the development process. Providers and facilitators of managerial and leadership development support must attend to the diverse managerial skills and development needs observed in small firms. There is no one-size-fits-all approach. Organisational and market contingencies mean that small firm managers develop their capabilities in diverse and often unique ways. Firms vary in the quantity and quality of their relations with significant others possessing the capacity to influence management and leadership development. Such differences might enable support providers to target initiatives better in ways that address the idiosyncratic and situated nature of firms' activities (Macpherson and Holt, 2007). Anchor institutions might therefore seek to support, and deepen, owner-managers' existing relationships with employees, trading partners, business advisers such as accountants, and with membership bodies and professional associations where these are perceived as valuable sources of learning.

Critics of small firm managerial learning and development have argued that there is little evidence to support the view that management training enhances business performance (Westhead and Storey, 1996) and therefore little evidence to support policy interventions intended to tackle perceived market failures in the demand for, and supply of, training (Storey and Westhead, 1997). Indeed, it has been questioned whether business owners learn at all (Frankish et al., 2013)! Yet such arguments define learning in terms of performance and therefore presume a determinate link between learning and its supposed outcomes, rather than treating these outcomes as being determined by multiple causes, one of which is owner-manager knowledge and skills. Other influences shape small firm owner-managers' capacity to enhance organisational performance in addition to their knowledge and skills.

5 A review of the evidence base

5.1 Universities

In the UK the most commonly identified anchor institutions are universities. Whilst this is also true in the US, there is a larger range of organisations that are said to perform this role in that country. The Witty review (2013) identified universities as having an extraordinary potential to enhance economic growth. Since small businesses are such a large part of the economy—99 per cent of private sector enterprises employ fewer than 50 people (Department for Business Innovation and Skills 2014)—the aim of encouraging universities to help facilitate economic growth inevitably leads them to the small business sector. However, one problem is that much of the literature refers to ‘SME’, although at the medium-sized end (50-249 employees) the issues are broadly similar to those faced by larger firms. The category ‘SME’ needs to be disaggregated as it is the smaller, micro end (up to 9 employees) that is particularly difficult to identify, reach and support.

Given the importance of the SME sector, the future growth of the economy would, to a considerable extent, come from fast-growing SMEs, which it was suggested generate half of new jobs (Witty, 2013). The UK record is not good in this regard. Although above the EU average, the proportion of UK SMEs that are innovative is relatively weak. So, there is a strong case for targeting SMEs with innovation potential through cooperation with universities or other higher education institutions (HEIs).

5.1.1 Types of university and small firm interaction

The types of knowledge exchange between universities and businesses can vary according to the role and orientation of a university. For example, research-led universities collaborate predominantly with large firms and the spin-out of new enterprises, whereas so-called business-facing universities collaborate predominantly with SMEs in a range of knowledge transfer activities such as consultancy.

The benefits for SMEs cooperating with universities are varied and substantial. These include “enabling entrepreneurs to launch businesses, consultancies, student internships, year-long student placements, access to facilities, joint working on business and technological problems, running of business-focused networks, and brokering facilities” (Witty, 2013). Significantly perhaps, universities’ alumni networks can be an invaluable source of revenue for SMEs seeking to export.

Hughes and Kitson (2013) systematically describe the nature of business-academia engagement in the UK. They show that knowledge exchange can be multi-faceted. First, it includes technology transfer through patents, licenses and spin-outs, which include more people based, problem solving and community orientated activities. Second, businesses connect to academics from all disciplines; not just those in science and engineering. Third, businesses connect for a variety of reasons, not simply for innovation and growth. This is an important point because hitherto small numbers of businesses have been identified as searching for innovation support. Fourth, the main constraints on the knowledge exchange process include insufficient internal capability to manage relationships; problems concerning cultural differences between academics and business and disputes concerning IP are infrequently cited.

Specific forms of interaction between universities and small businesses include consultancy and contract research where businesses commission researchers to work on problems specific to their needs. This may involve applied research driving near-market innovation. Universities can also add value through offering specialised knowledge services. A second area is continued professional development (CPD), where small firms gain skills development through CPD with universities and typically spend more on this than on other forms of interaction. A third area is graduate start-ups where firms started by graduates are located either in or close to the university.

5.1.2 Barriers to university and small firm interaction

For universities, effective engagement with businesses is central to their anchor institution role. Witty (2013) argued that universities should have stronger incentives to embrace the enhanced third mission, from working together to develop and commercialise technologies to partnering innovative local SMEs. Barriers to successful collaboration are two-sided. It is not just small firms being reluctant to use universities but that universities are reluctant to put significant resources into third mission activity. Witty suggested other changes that needed to be made by universities to make them more attractive to small businesses, for instance, a single point of entry. Universities and business schools, he suggested, should be prioritised; working directly with local businesses on solutions to practical problems. Encouraging cooperation between universities and businesses in the UK is not a new phenomenon, although the present focus on growth in local economies gives the cooperation a new context.

Small firms face a number of barriers to university collaboration. Hughes and Kitson (2013) reported that, according to businesses involved in cooperation with a university, the most commonly reported barrier was their own limited resources, followed by a lack of central and regional government policy to encourage interactions. Approximately one quarter of respondents referred to the difficulty of identifying partners and just under one quarter identified insufficient benefits from interaction. An important finding was that some barriers emphasised in previous studies (such as the incompatibility of time scales for deliverables, cultural differences and difficulty in reaching agreement on intellectual property rights) were the least frequently cited. Arguments based on these particular reasons for incompatibility in knowledge exchange may have been overstated. Although a lack of internal resources was the number one constraint identified by both interacting and non-interacting firms, issues concerned with firm culture, time scales and IP difficulties, whilst rare, definitely mattered a great deal for firms involved in IP-related activities.

Significantly, micro and small firms were the most likely to report interactions as not relevant. Arguably, this deters information seeking with regard to potential benefits or how to establish such relationships. It is possible that government support services already provide information but this does not reach potential client businesses.

5.1.3 Public intervention in the relationship between universities and small firms

The question may be asked why public intervention is necessary in order to promote cooperation. In the absence of intervention, collaboration levels tend to be low because of a combination of supply and demand side influences. On the supply side, universities often lack a real understanding of SME knowledge transfer needs; second, third mission activity is not always reflected in university promotional criteria and, third, the bureaucratic culture within universities tends to favour fewer links with larger enterprises as more efficient. On the demand side SMEs have a low intensity of research and innovation activity, particularly in low and medium technology industries. This limits their demand for collaboration, especially since universities tend to be perceived as ivory towers by business owners, a point made as far back as Bolton (1971).² SMEs also face difficulties in finding out how to approach complex organisations such as universities.

² "Academic institutions of most kinds arouse in most small businessmen a degree of mistrust second only to that accorded to Government." (Bolton 1971)

Some aspects of the UK approach to promoting university-business links are considered to be good practice internationally. One example is the Higher Education Innovation Fund (HEIF), introduced in 1999 to encourage universities to work with businesses and other community partners. HEIF is a partnership between the Higher Education Funding Council for England and the Department of Business Innovation and Skills. HEIF is the main vehicle for funding knowledge exchange and enterprise activity in universities. Other initiatives over the years have included the University Challenge Fund, providing universities with seed money, and science enterprise centres to teach entrepreneurial skills to students. Funds were allocated according to criteria based on the institutions' past successes and strategies developed by individual universities. HEIF's strengths lay in the principles of competitive bidding in the early days, which encouraged universities and other local actors to cooperate in the preparation of proposals; second, using financial incentives combining national government policy priorities with local bottom-up partnerships and, third, the programme has been subject to regular independent evaluation, which is always a good sign.

A number of weaknesses have also been identified in HEIF. As with any programme with limited core funding, beneficiaries find it difficult to plan beyond the funding period and uncertainty tends to produce short-term focused action. Second, HEIF-supported projects lack embeddedness in some institutions and, importantly, staff are often contracted for specific projects rather than permanent faculty. Third, most academics are still rewarded and promoted primarily on the basis of their research record, suggesting that university culture has been slow to change. So the principle that entrepreneurial society needs entrepreneurial institutions including universities is a long established one and not specific to current policy priorities. UK universities are undoubtedly becoming more entrepreneurial, suggesting that progress has been made, although this tends to be focused in a limited number of universities.

5.2 Business schools

One type of anchor institution with a potentially key role with regards to management and leadership development are the UK's business schools. Recognition of this is evidenced by the Association of Business Schools (ABS) commissioning an Innovation in Growth Task Force. The ABS identify opportunities for practical action to increase the impact of Britain's business schools on innovation and growth (Thorpe and Rawlinson, 2013). This report recognises the criticisms often made of business schools, including their limited impact on business practice and innovation, and the relevance of the skills developed. This specifically includes criticisms of the extent of business schools' connections with, and impact on, the SME sector. Moreover, business school staff have had little influence on government policy with regard to what type of support and engagement with SMEs works, or does not work.

Thorpe and Rawlinson identified six main areas where business schools need to change, some of which are particularly relevant to this review:

1. to be more ambitious about the integration of practice into teaching. This needs to be associated with a gradual focus on pedagogy, the application of established experience and the development of institutional relationships with businesses. In other words, one can question whether or not business schools have appropriate capacity to develop sustainable relationships;
2. to bring more practitioner experience into the faculty which would certainly help the process of integrating theory and practice;
3. to develop and manage company relationships institutionally, at university rather than departmental level;
4. to improve measurement and assessment of research impact;
5. to promote research in larger teams, and centres with multi-dimensional roles;
6. to move to more distinctly defined roles for different institutions.

In the longer term, business-oriented doctoral programmes might be developed and junior faculty nurtured to acquire the skills to engage with business. The approach used is a useful one because it begins by setting out current aims, and then identifies the weaknesses among ABS members that affect their ability to achieve those aims.

Thorpe and Rawlinson's (2013) findings have implications for this review. One is the need to improve connectivity to help universities to increase engagement with SMEs; a key point being to improve the diffusion of research findings to industry experts. Universities need to offer staff appropriate rewards to engage in activities beneficial to innovation, and the third dimension more generally because teaching faculty, and those employed for third dimensional activities often don't have permanent positions. Strategic partnerships might be developed to improve collaboration with other organisations. Following the demise of regional development agencies, local enterprise partnerships (LEPs) may be the mechanism for the continuation of regional agendas, as well as promoting sponsorship of business clubs and involving practitioners in the work of business schools.

In many ways this report is a breath of fresh air because, instead of blaming SMEs for a failure to cooperate, it focuses on weaknesses within UK business schools that reduce their attractiveness to SMEs. The authors also present a useful summary of existing knowledge of business school-SME cooperation. The report is also refreshingly honest with regards to the challenges involved in making change for which they identify a number of reasons. One is that UK academic structures are driven significantly by the US system. Different sponsorship and foundational choices have been made in other countries such as France where many business schools have been traditionally sponsored by chambers of commerce rather than universities. This means that there is typically much more of a mix of practitioner and professional faculty.

The report also contains case studies to illustrate particular themes. The University of St Andrews School of Management is presented as a relationship-based pedagogy, facilitated by the four-year undergraduate programmes in Scotland. The School has developed long-term research relationships with organisations that have a good fit, in terms of interests and also in values. Some partners are deeply involved in the education and development of students. One result is the use of case studies designed to bring students face-to-face with organisational realities. Senior managers spend time in the classroom with students and academics, giving a picture of the company and the issues it faces. The processes are not rocket science but rely on relationships between academics and managers and their willingness to engage. From a student's perspective it offers access to real life examples as well as opportunities to work in groups and to develop cognitive skills. In terms of how participating firms benefit, one said the programme enabled them to “explore the context of running a cultural business from both a practical and conceptual viewpoint, accessing knowledge, insight and expertise in a mutually supportive and progressive way.”

Other case studies presented in the report include:

- 'Agency Life' internships as part of the BA programme in the Faculty of Business and Law at Manchester Metropolitan University;
- in-company BA Business Management at Nottingham Business School;
- a module of entrepreneurship and business at Nottingham Business School led by Martin Binks;
- postgraduate certificate in professional innovation management in the University of Leeds.

Other cases include online learning, which is clearly potentially relevant to most programmes. The case studies include one from the Open University and one from the University of Liverpool. A case study that is particularly relevant focuses on the master's programme in manufacturing leadership at the University of Leeds, although the programme ended in 2013. The report recognises that many business schools have engaged with SMEs although their personalised management style, limited funds and shortage of time means that interaction needs to be managed in a different way.

In terms of connection with business, the authors recommend business schools commit time and effort to developing, managing and sustaining company relationships, as well as helping companies access business school capabilities. This means moving away from single types of cooperation and making it much more organisation-focused. This section of the report also contains case studies including an innovation lab-based cooperation led by Professor Birkinshaw.

One of the more explicitly SME-focused case studies is a project at Kent Business School. Whilst this type of knowledge-based network represents a mechanism for potential cooperation, the example is concerned with SMEs and not just small business. The report contains many examples of case studies or approaches to facilitating knowledge exchange based on cooperation with local business. But, unfortunately, none are explicitly focused on small businesses. Potential vehicles for cooperation with small businesses include knowledge exchange partnerships and also the Foundation of Management Education (FME) and Society for the Advancement of Management Studies (SAMS) fellowship schemes undertaken in partnership with the Economic and Social Research Council (ESRC). Clearly, significant increases in cooperation with local businesses are likely to be associated with developing practitioners within the faculty.

The London School of Economics, for example, employs a professor of management practice. This is a good way of demonstrating to the business community that the university is about more than scholarly activity. Clearly, however, the impact on business depends on what the professor of management practice does.

As mentioned above, the Thorpe and Rawlinson (2013) report is a refreshing one in that it demonstrates a powerful understanding of the problems of developing successful business-HEI partnerships, whilst also representing a genuine attempt to contribute to their further development. The variety of projects represents the heterogeneity of UK business schools. As far as cooperation with local business is concerned there should be different models reflecting different strengths and also different specialisms within the business school sector.

5.3 Local Enterprise Partnerships

Local enterprise partnerships (LEPs) are non-statutory bodies that have taken on many of the responsibilities of the former regional development agencies and also hold responsibility for enterprise zones. They are part of the government's local growth agenda (HM Government 2010). Essentially, they are joint local authority business bodies designed to promote local economic development. There are currently 39 LEPs covering the whole of England. In 2012 LEPs were asked to lead the development of new strategic plans for local growth. LEPs are expected to build on existing plans and include coordination with public programmes. Since LEPs are non-statutory bodies they have considerable discretion with regards to membership, although they must be chaired by a business person and at least half of their members must come from the private sector. The LEP network is currently facilitated by the British Chambers of Commerce.

Although Witty (2013) suggested putting universities at the heart of local enterprise partnerships, both LEPs and universities are very heterogeneous. An important element of LEPs' role is to understand local comparative advantage and sector strengths, and to use this understanding to create strong economic plans. Witty suggests that universities offer LEPs a valuable resource both as sources of local comparative advantage through the attributes and roles described in sections four and five, and in the practical task of developing those plans.

The evidence suggests that LEPs need to engage more with small businesses. The Federation of Small Businesses (FSB) suggests that LEPs are the right vehicles to deliver economic growth across the country but stressed that the voice of small businesses needs to be heard, particularly since SMEs have been responsible for four in five jobs created in the private sector between 2010 and 2013 (Thompson 2014), and generate half of private sector turnover (FSB 2014).

The FSB are critical of the lack of effective consultation by LEPs with small business. Community procurement support is offered as a case in point. In a survey three quarters of small businesses wanted LEPs to offer procurement advice as part of their business support package but only 25 percent of LEPs were planning to offer this. The FSB is critical of the reliance and focus of LEPs on the strategic role, when what small businesses need is concrete advice and services to help them to access procurement opportunities. The FSB also suggested that LEP accountability to local businesses may be easier to maintain if there was a national framework for assessing their performance. Only 31 per cent of LEPs published annual accounts and 44 per cent produced annual reports. Since LEPs would be spending £17bn of public funds between 2014-21 accountability is essential.

The FSB survey findings have implications for the ability of LEPs to perform an anchor institution role. For example, only 18 percent of LEPs think they are adequately funded. 89 percent think their primary role is to provide strategic direction and most significantly, despite small firms creating the vast majority of private sector jobs, two thirds of FSB representatives felt that large businesses exert the greatest influence over LEPs. Engaging small business owners in consultation and in representative panels is a long reported problem. This requires anchor institutions to make a real effort to engage with small businesses. But, at the same time, there are other factors outside anchor control that militate against small business participation.

The FSB survey found considerable disparity in levels of funding and capacity across the LEP network. Whilst some of this can be explained by differences in local need, resource disparities go beyond that. Worryingly, the FSB study also shows a lack of clarity on LEPs' purpose and functions, which has produced widespread misunderstanding and frictions in practice. Overall, much of the current concern regarding LEPs as a mechanism for undertaking subnational economic policy emanates from the lack of a clear vision for what they are meant to be. Moreover, the challenges LEPs are facing, for example, a lack of sufficient staff, makes it difficult to see how they might take on the kind of anchor institution role some recommend.

5.4 Hospitals

US evidence suggests that, as a group, hospitals have the greatest economic impact of any non-government anchor institution. As a result, hospitals are well situated to lead regeneration programmes by highlighting the anchor institution mission. Such a strategy, first, generates economic returns to both the community and the institution; second, it aligns with the hospital's commitment to promote health and, third, it provides an opportunity for the hospital to justify its tax exemption and support local government. In the US some hospitals have increased their efforts at community engagement and development, which implicitly recognises the social factors that influence health outcomes (Zuckerman et al., 2013).

A hospital's decision to leverage its resources to target specific social determinants of health, such as access to affordable housing, education and healthy food options, draws attention to its anchor role. One of the specific areas explored in the US is where hospitals operate supplier diversity programmes. These focus on increasing the number of healthcare system suppliers owned by ethnic minorities, women and veterans, and in some cases locally-owned businesses too (Zuckerman et al., 2013). As with any supplier diversity programme, a key issue is the fitness of potential suppliers, as reflected in their quality assurance programmes. One way of operationalising this, as in the Mayo Clinic, is the business mentorship programme organised in partnership with Rochester Area Economic Development, Inc. (RAEDI).

In the US, all not-for-profit hospitals are required to complete community health needs assessments, which forces them to seek community input. These not-for-profit hospitals are anchor institutions because once established they rarely change location. The Mayo Clinic has helped to finance a community land trust in order to provide permanently affordable housing for community members as well as employees. So far, 875 units have been constructed (Zuckerman et al., 2013).

Supplier diversity programmes by hospitals are already established in the UK. One example is the Maudsley Trust in South London, which is reported to prioritise local suppliers of food products for its canteens (Smallbone et al., 2007).

6 Good practice case studies

Chapter summary

This section uses the analytical framework introduced in section two to identify and describe good practice case studies. To reprise, the main criteria included in the framework are: defining the objectives of the support initiative; identifying the target population; reaching the target population; designing development support; delivering the support; monitoring and evaluating; and developmental learning.

Each initiative is discussed in terms of the criteria set out in the analytical framework. However, the level of detail available in the public domain makes it difficult to refer to these examples as good practice case studies in their entirety. It is more realistic to think of good practice with respect to one or more of the criteria included in the analytical framework. Each of the case study examples offers important lessons for the provision of small firm management and leadership development support in relation to one or more aspects of the framework. Arguably, further development of these initiatives (or their successors) would be required to make them robust, well-rounded and persuasive examples of good practice.

6.1 LEAD 2 Innovate

Programme objectives

Run by the University of Lancaster from 2004 to 2011. To promote business growth by developing the leadership abilities of owner-managers of small businesses, by offering an entrepreneurial learning framework to increase profitability, innovation and growth.

Reaching target population

Since the programme was targeted at a specific segment of the SME sector (growth-oriented firms), this raises the question of how effectively targeting could be implemented. Although support providers must define programme requirements in light of the local context, the process must be self-selective, in the sense that interested business owner-managers come forward. So if they are “winners”, they pick themselves. One cannot assume that growth is an objective since this is not the case for many small businesses, despite what policy makers may want them to do.

It is important to stress that Lancaster is not an urban catchment university but one that serves a large territory in the North West of England. Details are not provided regarding the geographical distribution of participants but it is clear from their profile characteristics that they are not confined to local business stock nor typical of the UK small business sector.

The participants look distinctive in the context of the UK small business population. More than half were graduate-led, for example. The mean employment size of 20 employees shows that they are larger than the average small business.

Designing developmental support

One of the strengths of the Lancaster programme is its foundation on entrepreneurial learning, a field to which Lancaster researchers have made a major contribution. As a consequence, there is a sound theoretical underpinning for the approach adopted.

The programme drew heavily on research into management and entrepreneurial learning and a variety of formats were used including master classes, shadowing managers, coaching, action learning and experiential events. Self-reported data suggests that the programme integrated active teaching with practice, encouraging and supporting participants to apply their learning to their own businesses. However, whilst the pedagogical approach may emphasise learning frameworks rather than classroom teaching, the organisation of the content appears more familiar in the division between the business and the business owner.

Since first introduced as a pilot funded by the Northern Regional Development Agency, it is claimed that LEAD has worked directly with more than 270 companies.

Monitoring and evaluation of outcomes

One good practice feature of this programme is that it has been subject to independent evaluation (Wren and Jones, 2012; Magnus, 2013). This is always healthy, both in contributing to ongoing improvements and to delivery but also to demonstrate whether or not it represents good value for money. Wren and Jones (2012) show that, on average, 70 percent of participants reported an increase in profit, 63 percent in productivity, 55 percent in turnover, and 49 percent in employment. Based on this evidence LEAD appears to support growth, although the data are not disaggregated by business size. There is a world of difference between a small and a medium-sized business. The evaluation further shows that LEAD programme participants were more likely to be university educated to first degree level (60 percent), compared with 43 percent of owner-managers in a representative sample (BIS, 2013a).

In terms of programme outcomes, over three quarters of participants (81 per cent) reported that LEAD had equipped them to deal with an existing business challenge. Significantly, virtually every participant said that LEAD had developed their leadership skills. One third reported that participation had improved their confidence, self-belief and the ability to step back and reflect. The majority of participants reported improvements in business performance, which they associated with LEAD participation. Furthermore, virtually all participants have undertaken change in management, with more than half indicating they had appointed a business manager since joining LEAD.

6.2 ULMS LEAD

Programme objectives

Run by the University of Liverpool Management School, this LEAD programme was based on the Lancaster LEAD programme. Therefore, the objectives of the programme were broadly similar; to use leadership as a stimulus for business growth.

Reaching target population

The target group were owner-managers based in Greater Merseyside from 2009 to 2010 who might benefit from original research undertaken at the University of Liverpool. In terms of reaching the target group, a database of eligible small businesses within Merseyside was compiled, with 351 owner-managers contacted by telephone to explain the principles and benefits of participating in the programme. Subsequently, 122 attended a four-hour taster session and 104 of these were enrolled onto one of four LEAD cohorts.

A Future North West report published in 2010 highlighted the fact that in terms of skills, employment and enterprise the region was amongst the lowest in the UK (ref). In this context, a priority focus is the development of enterprise capabilities through education and skills within the region.

Designing developmental support

As in the case of the Lancaster version, the ULMS LEAD was very much research-based; drawing on the experience of three knowledge and learning research projects that had previously been undertaken in the university.

Monitoring and evaluation outcomes

No formal, independent evaluation was undertaken, although all participants were contacted subsequent to their enrolment to complete questionnaires.

This programme appears to have been successful in engaging with SME owner-managers that have not previously cooperated with the university. This is an important point because a key rationale for this programme is to engage such small business owners in management skills development.

6.3 Further cases

- The government's recent Small Business Charter initiative gives some indication of universities that are interested in cooperating with SMEs. Some 20 business schools have received a Small Business Charter Award³; the recipients of which have all demonstrated a willingness to help improve support for the local small business community. Support includes the provision of onsite incubators and dedicated space for students and small businesses to start-up and grow. Universities that have received the award could be the focus for interventions designed to encourage and facilitate growth in the small business sector. This is because the awards signal that the universities have a wide interest and expertise in the small business area.
- Aston University, which received a Gold Award in the first round of the Small Business Charter⁴ for recognition of the role it has played in helping to kick-start British enterprise, operates a number of programmes including:
 - Goldman Sachs 10,000 Small Business programme, designed to encourage the growth and job creation potential of small businesses through providing leadership and management education;

³ <http://www.associationofbusinessschools.org/content/twenty-schools-receive-small-business-charter-award>

⁴ <http://www.aston.ac.uk/about/news/releases/2014/june/aston-receives-prestigious-small-business-charter-gold-award/>

- the Aston Centre for Servitization Research and Practice, which helps SMEs to develop more holistic business models to offer better growth opportunities;
 - innovation vouchers for SMEs that were conceived and led by Aston University and are now in their eighth round.
- The BSEEN (Birmingham Skills for Enterprise and Employability Network) programme, is a business start-up programme for students and graduates.
- Similarly, at Nottingham University Business School the Charter has been received for the University's work in its Growth 100 programme⁵, a partnership initiative between the university business school and city council helping owner-managers of small businesses with the promise to think, act, evaluate and implement growth plans. The award brings some benefits to Nottingham Business School including the ability to play an active role in initiatives such as Growth Vouchers, Growth Accelerators and start-up loans.
- The Wilson review (2012) identifies Plymouth University as a good example of a university with an explicit enterprise mission seeking to drive innovation and economic growth. A key point is that university investment in marine and maritime research is very much a reflection of its local economy. More than 400 academic staff and researchers are involved in this research and the university has a good track record of cooperating with other local institutions. It was, for example, the only university to secure a university-led round one Regional Growth Fund bid, to provide grants to SMEs to stimulate expansion and new jobs.

Plymouth is a good example of a university that both reflects local economic structures while, at the same time, is also helping to shape them through investment. Indeed, the location of Plymouth within one of the peripheral regions is particularly significant because through a regional network of innovation and business incubation centres a business eco-system is being moulded which the university has helped to develop critical mass.

- Another interesting initiative is in North East England where the LEP is working with business networks, universities and professionals to create a Business Growth Hub⁶ targeted at micro and small firms. The role of the hub is to coordinate and drive access to both local and national business support, with particular attention to businesses in rural areas with greater problems accessing business support.

⁵ <http://www.nottingham.ac.uk/news/pressreleases/2014/june/nottingham-university-business-school-wins-prestigious-small-business-charter-award.aspx>

⁶ <http://www.businessinspiredgrowth.com/media/167751/local-growth-deal-implementation-plan.pdf>

Finally, although these examples demonstrate elements of good practice experience with regards to SME-university cooperation, they do not typically warrant the description of anchor institution. Single initiatives might work successfully for a limited time with a limited number of participants but for a university (or other organisation) to justify the tag of anchor institution, a broader raft of support programme is required. To be considered an anchor institution there needs to be strong evidence of its contribution to the economy and society. Inevitably, such processes require finance, skills and other resources to establish and take sufficient time to generate positive impacts.

7. Conclusions

7.1 Defining anchor institutions

- The concept of anchor institutions emerged from the US where it has become an integral part of urban regeneration policy and practice. It is typically related to spatial immobility, large size and strategic contribution to the local economy as purchaser and employer. The longer history of the concept in the US compared with the UK is associated with greater diversity in terms of the organisations that are included in the definition.
- In the UK, the role of anchor institution is most likely to be approximated by either higher education institutions (HEIs), notably universities or business schools, or LEPs. Universities and business schools perhaps provide the best potential to play an anchor role in the UK context. In principle, LEPs might be considered an ideal choice, particularly in relation to reaching and supporting small businesses.
- Within the context of a partnership approach there are other institutions, such as hospitals, that might contribute to the local economy through their, and their employees', expenditure.
- The fuzziness of the anchor institution concept has implications for its application. For example, the purported key defining characteristics (including strategic contribution to the local economy, large size and spatial immobility) are difficult to operationalise when applied in practice. This raises the question of the extent to which anchor institutions actually exist.

7.2 Developing management and leadership skills in small firms

- The small firm population is highly diverse in terms in terms of size, ownership, business activities and sector, nature and shape of markets, the relevance of product and process innovation as a means of creating and sustaining a competitive advantage, and growth intentions. Anchor institutions seeking to support small firm manager or leadership development must recognise this diversity, first, with regard to the diverse range of skills required and, second, acknowledge the importance of experiential learning that is typical in firms of this size.

7.3 A review of the evidence base

- In the UK the most common type of anchor institution are universities and business schools. Specific forms of HEI-small business cooperation include consultancy, contract research, continued professional development and graduate start-ups. Universities vary in their ability and willingness to undertake such activities.
- Policies designed to promote HEI-small business cooperation are not a new phenomenon, which means there is experience (both positive and negative) that can usefully be drawn upon. One positive example is HEIF, which has features that the UK Futures Programme would do well to take on board. Moreover, HEIs with a strong track record of winning bids from HEIF could be useful targets at the initiation of the UK Futures Programme.
- There is limited independent evidence available to assess the experience in the UK with anchor institutions. An exception is the LEAD 2 Innovate programme where part of the success may be attributed to the fact that the delivery of the programme is based on research undertaken at Lancaster University Management School on entrepreneurial learning.

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