

## Why do SMEs so often fail to develop Future Business Leaders

### 4 ideas that might help improve the situation

For a country that is dominated by SME's, (99% Of UK businesses employ less than 250 people) which by definition is as a result of the leadership skills of its owner managers, it is strange that so many businesses fail to achieve stellar growth due to their inability to develop the leaders they need.

In a recent paper McKinsey provided some insight into the importance of leadership development;

“In their survey upward of 500 executives sited leadership development as both a current and a future priority.”

“Almost two-thirds of the respondents identified leadership development as their number-one concern.”

“Only 7 percent of senior managers polled by a UK business school think that their companies develop leaders effectively.”

As with most of the excellent work McKinsey produce their main focus are large multi-national corporations. However the dilemma that they have identified is arguably more acute within smaller enterprises where resources for development and recruitment programmes are more limited. So here are a few suggestions that might help leaders of SMEs improve their ability to bring on new leaders and to avoid many of the expensive pitfalls that we have all been through.

### **Before Leadership comes Follow-ship?**

So here is a typical Leadership Development scenario:

“The CEO – often the founder in the case of SME's - identifies that to grow they require additional leaders to deal with new projects or the burden of their ever-expanding span of control. They engage their HR head if they have one or bring in a specialist firm or individual and brief them on the issue. The HR head or the chosen specialist surveys the firm, pulls together a curriculum and there after sets about running a series of workshops and classroom sessions. The product of these programmes is usually a series of processes, a structured working schedule and various metrics to measure results.”

These sessions are important and the outcomes are often essential in building new leaders in the business, but too often they miss the first most basic principle of leadership. To lead people must follow. A former assistant of mine told me I shouldn't use the word “Followship” it was not correct. She was a Graduate in English so I got her point but to me Followship brings the issue to life so I am sticking with it.

The problem is that the CEO has got all protective over his or her biggest asset and not used it in this most critical of issues; how did the CEO set the firm up in the first place and attract the people they have within the firm – “Followship”. They presented a compelling proposition, a passion, drive, commitment, they presented an exciting vision of the future, they demonstrated that they are good and caring and value the people around them, they are authentic.

My message is that the qualities of the CEO need to be at the heart of the leadership development programme. The CEO and their immediate senior leadership team need to buy in to the programme, be involved at every step of the programme; its design, how it is delivered, who delivers it, deliver parts of it themselves, demonstrate through their own actions that they believe in every aspect of the programme and be able to demonstrate how every part of it can be used to better the careers of the people receiving it, how it benefits the firm.

### **It's not a Contest it's in the in Context**

In their paper Mckinsey go on to report that delegates attending classroom based generalised leadership development training retain less than 10% of the course content. The reason; so much of it does not relate to their real World.

To be successful the leadership development programme needs context. The most successful programmes will have case studies and role play exercises based on real events from within the business.

I was fortunate that in my 30's I had the most inspirational business leader to look up to, a mentor that developed my leadership skills way beyond my own expectations, or in my opinion my own abilities. This was done not in a classroom, not in a series of courses but by what he called "corridor management"

We always had a formal reporting structure, a weekly report and a structured monthly meeting but what had the most impact were the regular interventions on what at the time seemed small matters but I soon realised that these interventions were building up a library of knowledge on how to deal with a wide range of scenarios. He would pick up that there was an issue, may be an individual performance issue, or a behavioural issue or maybe a customer problem. He would simply ask "how are you going to deal with that".

I would go through my understanding of the situation and talk him through how I would deal with it. I would usually get one of two answers;

"That's a good solution but why not also do the following ....."

Or

"Not sure I would do it that way, what about the following ....."

Over time my capability grew and I was able to run my own operations with minimal input. The reason; everything I was being told and helped with had real World Context.

### **To Power up you need to Empower**

This point connects to the previous one. Leaders need to lead, they need to be capable of doing their own job without tight supervision otherwise you end up doing their job as well as your own. The result being unfulfilled projects and an increasing span of control which in turn will lead to low growth and poor overall performance

At some point, usually much sooner than you are comfortable with you need to allow your developing leaders to make their own decisions, and as part of being empowered they need to understand how empowerment and high-quality collective decision making are not mutually exclusive. Good leaders

need to be able to judge how to make effective use of the talent around them and where and when to rely on their own judgement.

To manage risk there are a series of simple tools that can be used to get the right balance. An agreed budget with sign off limits is a good place to start. The problem is however that leadership is about so much more than making well-judged financial decisions, it is mostly about people based or commercial decisions.

My mentor used a really impactful statement to help me and others to understand how Empowerment interacts with effective collective decision making. He said “as a leader you will make thousands of decisions but only a handful will be truly business critical. The difference between success and failure is your ability to get these ones right”. My interpretation of this was that if you feel you are dealing with a business critical matter then it is best to work with colleagues to ensure high quality collective decisions are made

I have always used this comment to help draw up management frameworks so that a balance between “empowered leaders” and “collective decision making” can be achieved.

### **You can not put in what God left out**

In any development programme be it a structured class room based course or a more on-the-job progressive learning experience, or a combination of the two, understanding the impact of the programme on the business and measuring its results is vital.

What the measurements are will depend on the nature of your business but I would suggest that they will include something around productivity, maybe sales or earnings growth or perhaps time to market for key projects. What ever the measure you should use the results as a meaningful management tool. This might lead to more accelerated training or coaching or a change in subject matter or it might mean that despite your best endeavours the person you have backed as a future leader is simply not going to make it. If that is the case be decisive, don't continue to invest when you know it won't work out, deal with it.

### **About the writer**

Jonathan Wright is now a non-executive Chairman and Director and a speaker on leadership within growth businesses. Through his career he has been the CEO of both publicly quoted and private businesses. He has managed two IPOs, ten rounds of Private Equity funding as well as conducting 15 acquisitions