



Stephen Kennedy, managing director, Talent Partners: 'training has to be relevant'

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Training is the key

SMEs need to train managers in order to stem the outflow of top-level skills

A shortage of high-level management talent in Irish small and medium-sized enterprises (SMEs) is a major contributor to business failure, according to Patricia Callan, director of the Small Firms Association (SFA).

"The OECD [Organisation for Economic Co-operation and Development] estimates that 50 per cent of business failure is down to poor management and a lack of business development," said Callan.

"We find time and again that an owner-manager has a great idea and gets the finance. However, when they get to about year three, they find they cannot be a master of all talents – an expert in sales, finance, marketing, HR and everything else. If they do not either up-skill themselves, or hire in the relevant skills, there is a difficulty."

Minister for Enterprise, Trade and Employment, Micheál Martin established the Management Development Council (MDC) last November to remedy this perceived failing among small-business owners and managers in Ireland.

Its remit is to advise the government on the adequacy and relevance of management development provision in Ireland, and to promote a coordinated approach to building awareness and apprecia-

tion in the small and medium-sized business sector for the value of, and need for, upgrading leadership and management skills.

The MDC was established by the Department of Enterprise, Trade and Employment, after submissions from the Small Business Forum and the Expert Group on Future Skills Needs.

Professor Frank Roche, who is deputy principal of University College Dublin's College of Business and Law, chairs the council, which also includes representatives from industry, enterprise development agencies, government departments and institutes of higher education.

The establishment of the MDC will enrich the pool of management talent from which executive recruiters fill high-level positions in smaller businesses, said Yvonne McNulty, director of GMB Executive Search and Selection.

"The Management Development Council is an excellent initiative and should be very good for small businesses and owner managers," said McNulty. "I think managers at all levels and in all sectors, including SMEs, will always benefit from more training and development. That is going to become increasingly important for the SME sector, in order to drive growth and job creation."

Stephen Kennedy, managing director of Talent Partners, said that he hoped the

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training and development schemes pursued by the new body would be relevant to the needs of SME owner-managers.

"The idea of training is a good one, but the training has to be relevant and tailored to the individual owner-manager's requirements," said Kennedy. "That is a challenge, as each owner-manager has different requirements. There

is no 'one size fits all' solution. You have to tailor training courses that are relevant when you get back to the office. What is required by one individual might not be relevant to another."

Internal promotion

Kennedy said that many SMEs do not hire executive search firms to help recruit senior managerial staff. "Promoting from within, or choosing somebody that they know, is probably more likely," he said. "I think this a missed opportunity for the company, as using an executive search firm can bring an awful lot to the recruitment process."

According to Callan, many smaller firms have a tendency to promote staff from inside the organisation. "Owner-managers' natural preference, if they can see talent within the business, is to promote them," she said. She added, however, that this is not always advisable, as a good engineer or accountant might not necessarily make a good manager. "People tend to promote their brightest and best, who are not always the best managers," Callan said.

Kennedy said that management training and development is key to the success of the internal promotion process, particularly where an owner-manager is considering stepping aside at some stage

down the road.

"Irish SMEs should probably be more focused on a talent agenda," Kennedy said. "There is probably a lack of planning, such as succession planning, to make sure the managing director can step aside after running the company for twenty-five years."

Callan said that training and development is, for smaller businesses, a key element of the succession planning process. "The typical advice is that you should start planning your exit strategy five years before you intend to leave," she said. "You certainly need to train people to take over. It is very important from a staff retention point of view to allow people to develop to their utmost, because if you do not, and they are ambitious, they will leave."

In some cases, Callan said that owner-managers worry that staff management training could backfire, enabling valuable employees to secure a new job elsewhere.

"There is a concern in everyone's mind that, 'if I train them up, then my competitors will poach them', especially in a tight labour market," she said. "We have to knock that on the head."

Hiring from the outside

Callan said owner-managers of fast-growing SMEs can, in some cases, benefit from hiring in managerial ex-

pertise. "There is a strong case to be made for the idea that you would have a very high level of general managers who can go into a start up and run the business side of it," she said. "You do not want to lose the fantastic expertise of the engineer who has set up the business. It can be easier to buy in that management experience."

McNulty said executive search consultants, charged with finding managerial staff for SMEs, tend to look for certain qualities in candidates. "In smaller companies, you would be looking for someone with a stronger entrepreneurial flair who could make effective decisions to ensure the profitability of the business," she said.

Callan said owner-managers tend to favour managers who are prepared to embrace the culture of a smaller workplace. "Owner-managers want people who buy into the whole company strategy, and see that the team together are creating something dynamic – that it is not just a job," she said. "You will also be asked to do a lot in a smaller company, and contribute across the board."

Kennedy said that it often makes business sense for SMEs to bring in experienced managers – sometimes on a higher salary than the company is accustomed to, to help grow the business. The right 'personality fit' is, he said, vital.

"Just because you are paying extra money, it does not mean you are going to get the right person," he said. "It really boils

down to whether the individual is going to be able to build a strong working relationship with the owner. That is important, as they will be working day-in day-out with each other."

Callan said some SME owners, looking to bring extra expertise into their business, opt to take on a consultant. "Often owner-managers will look to a mentor, someone outside the business, who will guide them through the processes and give them the skills that are needed, rather than hire somebody new into a full-time role," she said.

Kennedy said many senior managers in larger organisations are happy to move from the corporate environment to take up a new role within an SME.

"Sometimes an individual executive can become frustrated by the bureaucracy within a multinational company," he said. "If they have an idea, sometimes it might be a struggle to get approval, whereas with the SME you can talk to the managing director and they might just say 'let's do it today'."

In small businesses, Kennedy said that managers require a multi-skilled approach with a broad range of competencies. "In an SME, there is less space to hide," he said. "In a big organisation, you might just run one department, whereas in an SME you might be covering a multitude of roles, operating more or less as a general manager."

Career progression

Once they have left an SME, to retire or after selling up, Callan said that 'ex-owners' often have a wide range of new career opportunities to choose from. "There are opportunities as consultants, or as executive chairpeople, or to go in for a short period of time as managing director to a start-up," she said.

She said the image of the SME owner-manager as an 'early school-leaver', who built the company over the course of many years, is out of date. "Most people who become owner-managers now have been in a business for a number of years," she said. "People feel they need some experience under their belts before they go out on their own."

McNulty said formal qualifications can be useful for managers coming from an SME background and looking for a new managerial role. "Employers are increasingly looking to relevant qualifications to complement a candidate's experience," she said.

Continuing education and lifelong learning are common among managerial-level candidates seeking new jobs, said McNulty. "You can choose to get further educated now at any stage in your career," she said. "Executive recruiters would look favourably on people who have done that."