

THE IMPACT OF FORMAL CAPABILITY ENHANCEMENT PROGRAMMES IN OWNER-OPERATED SMALL BUSINESSES



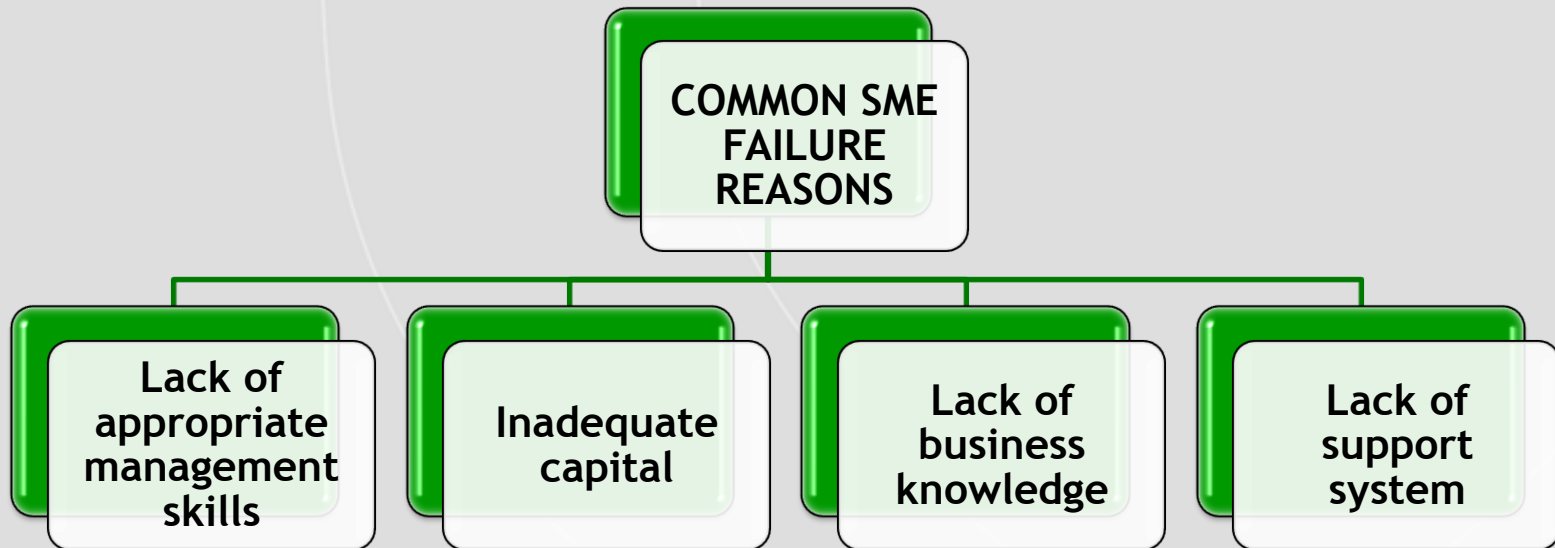
Master of Business thesis project

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THE FACTS: SMEs IN NEW ZEALAND

- More than **97%** of businesses in NZ are SME businesses
- Only **53%** SME businesses survive in the first three years
- Only **34%** of businesses that were born in 2001 existed in 2009
- In 2009, there were more SME deaths than births
- Smaller firms are less likely to survive than larger firms

REASONS FOR SME FAILURE



SME business success

**Technical
Capability**

**Management
Capability**

**Identify the impact
on business success**

**Programmes of
Management Capability
Enhancement**

To develop
owners and
managers

Attitude

Skill

Knowledge

**Operations
management**

**Financial
management**

**Staffing
management**

**Customer
management**

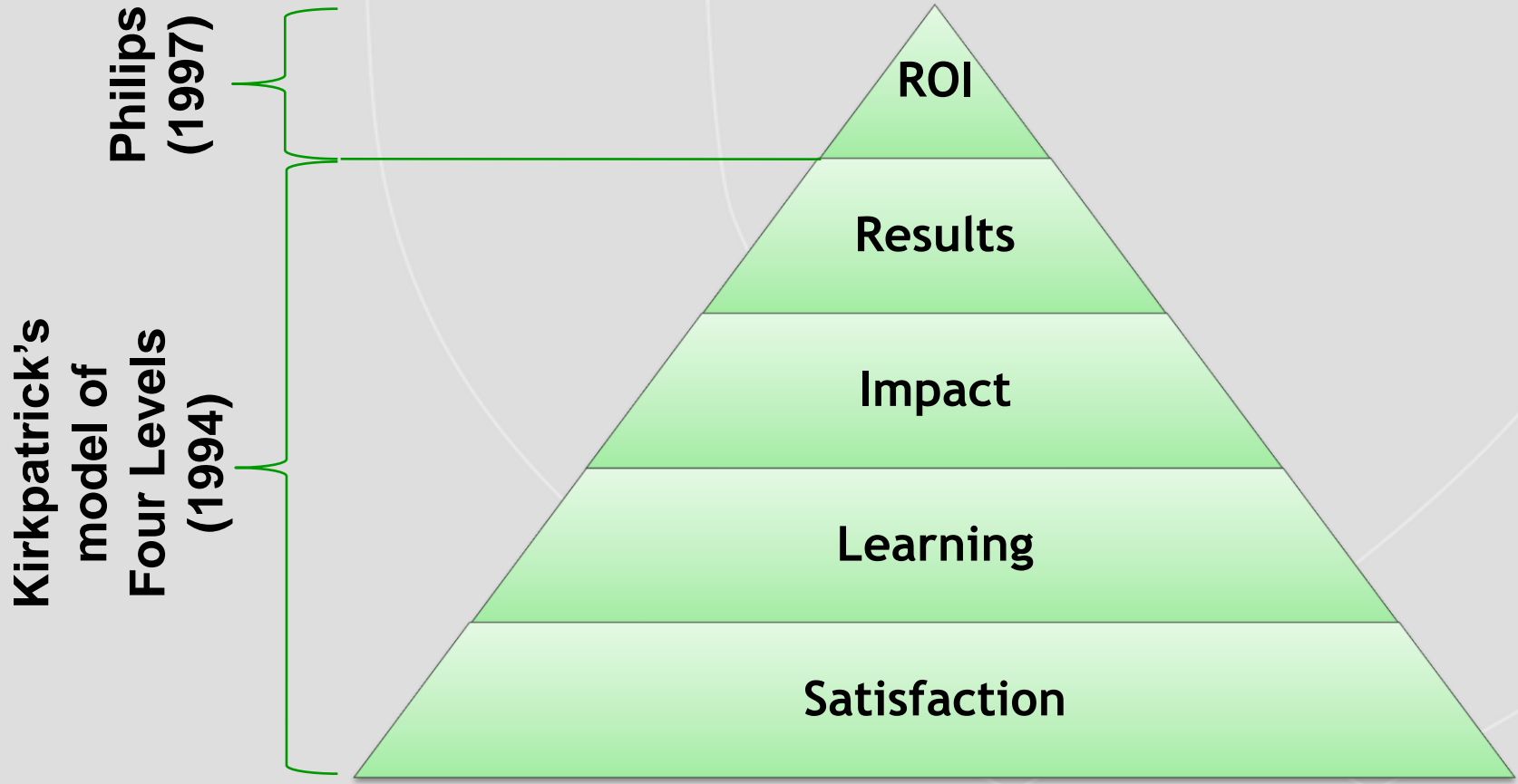
THE PROBLEM:

SMEs tend to disengage from training or other capability development activities (Coetzer, 2002)

Studies also indicate that formal development
not appeal to SMEs in countries such as
England and even
Com

HOW DO WE JUSTIFY THE INVESTMENT OF TIME AND RESOURCES IN A PROGRAMME THAT MAY OR MAY NOT BE WORTHWHILE?

ROI MODEL:



THE RESEARCH QUESTION:

What are the key factors that must be included in the calculation of a training and development ROI for SMEs?

- What are the primary motivators of small business owners?
- How do small business owners define business success?
- How can we measure success?

THE METHODOLOGY:

QUANTITATIVE APPROACH

- Large amount of participants
- The data collected is least biased
- The information may be limited
- Lacks flexibility and feasibility

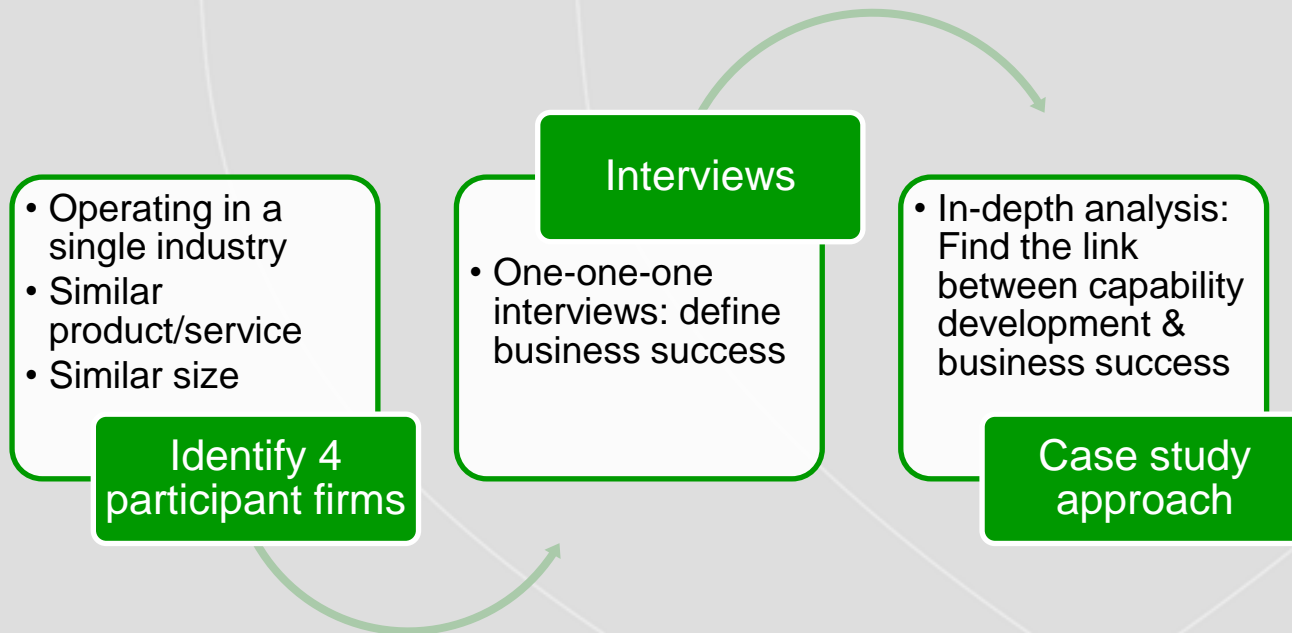
OR

QUALITATIVE APPROACH:

- Small amount of participants
- The information is more in-depth and detailed
- Offers more flexibility
- Highly feasible

CHOSEN METHODOLOGY: QUALITATIVE

THE METHOD:



HOW?

- Identify 4 firms: 2 experimental group of firms and 2 control group of firms
- Conduct interviews with business owners: Define business success
- Implement management capability development programmes in the experimental groups over a period of 1 year
- Observe the changes experienced by both the groups in the four key performance areas and also conduct employee & customer satisfaction surveys over 3 month intervals.
- Analyse the case study evidence to identify the links between management capability programmes and business success
- Develop conclusions, recommendations, and implications based on the evidence

OUTCOME:

- The result will highlight whether management capability development programmes improve business success
- This information can be used to design a customized ROI model for SME businesses
- It can be used to increase SME participation in capability development programmes to increase business success

FURTHER RESEARCH:

How do we measure ROI of management development programmes for small businesses?

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