



SCOTTISH EXECUTIVE

Enterprise and Lifelong Learning

Initial Review of the Implementation of Business Learning Account Pilots

Final Report



**INITIAL REVIEW OF THE
IMPLEMENTATION OF BUSINESS
LEARNING ACCOUNT PILOTS**

FINAL REPORT

INITIAL REVIEW OF THE IMPLEMENTATION OF BUSINESS LEARNING ACCOUNT PILOTS

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EXECUTIVE SUMMARY

The Scottish Executive's Lifelong Learning Strategy and Futureskills Scotland Skills in Scotland 2002 report identified the need for more structured training among small businesses. One initiative that is being considered in relation to this need is the Business Learning Accounts Pilot (BLAs).

The concept of BLAs was introduced in the Scottish Executive's Lifelong Learning Strategy as 'a key driver to stimulate learning and business growth in small businesses, providing them with the tools to link training needs with business growth and funding to support the businesses' own investment.'

This report presents the interim findings of an evaluation programme that is running simultaneously to the pilot programme of the BLA concept. There are four pilots being carried out to test the BLA concept:

- a geographic pilot operating in the Clyde Valley across the Scottish Enterprise Glasgow, Scottish Enterprise Dunbartonshire and led by Scottish Enterprise Renfrewshire;
- a sectoral pilot focusing on tourism businesses operating across the whole of the Scottish Enterprise area led by Scottish Enterprise Fife;
- a sectoral pilot aimed at manufacturing businesses, again across the whole of the Scottish Enterprise area and led by Scottish Enterprise Lanarkshire; and
- a geographic pilot operating in Ross and Cromarty Enterprise LEC area and led by Highlands and Islands Enterprise.

Each of the pilot BLAs offers three core services to businesses. They aim to provide an effective system of information, advice and guidance in order to assess training needs and demonstrate how training is related to business growth. The scheme provides assistance in sourcing and negotiating training, which is directly linked to the agreed training plan. Finally, businesses taking part in the BLA are offered up to 50% of the training costs up to an agreed limit.

The recruitment of business into the pilot scheme is through invitation. BLAs are offered to companies once it has become clear that other available forms of support are not suited to their needs.

A review of the BLA scheme has taken place in the early stage of implementation, which aimed to capture the perceptions of stakeholders and to explore the companies' perceptions of strengths and weaknesses in the approach adopted. A series of face-to-face and telephone interviews were conducted as part of the review. The interviews focused on the initial advice and guidance elements of support and included issues surrounding the selection of training courses and providers. This report will provide an insight into the findings from the initial review.

The initial review suggested that the focus of BLAs on small businesses was welcomed and most of the stakeholders are happy that the emphasis is on companies that were not previously involved with the Networks on training issues. However, there was some scepticism relating to the details of the BLAs.

The majority of companies had been in contact with their local LEC or the Business Gateway before signing up to the BLA pilot. In four out of the twenty cases the companies were committed or recognised LiP firms, which should make them ineligible for BLAs.

It emerged that most companies were first prompted to participate in the BLA pilot because of the funding support and had already identified some training needs. In contrast, however, one quarter joined the pilot to obtain support and advice on what training they should participate in.

Three quarters of the companies included all staff in the training plan and the training was used to upgrade or widen the knowledge on trade specific or business management skills. Overall most of the companies considered that the support offered was sufficient and the support that had been provided was considered satisfactory. However, some companies felt the support restricted as they were limited to the Learndirect Scotland database when choosing training. There were also suggestions for greater guidance on the quality and availability of training, with a preference for recommended and not suggested training.

In addition to the positive feedback that emerged from the review there were a number of criticisms and concerns. These issues could be grouped into three categories: typical ‘teething problems’ – a number of which have already been addressed by the programme partners; issues relating to the operating context facing each pilot; and implementation issues. Subsequent learning points have emerged from the feedback provided in the review during the early implementation stage:

- More clarity is needed over the rationale for the programme
- More thought should have been given to the precise definition of concepts in the pilot at the design stage
- Additional SE LEC staff resources were required to implement the pilots on time due to their more complex operating environment.
- Greater clarity regarding the roles and responsibilities of the various stakeholders would develop a wider sense of ownership of BLAs.
- Within a target driven environment, competition for new blood companies is intense and this is a disincentive for business support organisations to refer client firms to more appropriate support. Within this environment, being the funder of last resort does run against the grain – much of frontline delivery is about achieving targets for specific programmes and it is not easy for frontline staff to retain their focus on engaging new blood companies only for them to see hard-won new contacts slip away to the “competition’s” programme.
- BLAs have underwritten the development of the TNA tool which SMEs appear to like.

In conclusion, the initial review has provided learning points that should be considered in later implementation stages of the BLA pilots, as well as providing some insight into the perceptions of companies towards the BLAs. The findings from this initial review need to be explored in greater depth. The next stage of evaluation will involve 40 case studies who have completed their BLAs. The findings from these second stage interviews, alongside a telephone survey of all participating businesses, will provide a more robust and detailed analysis of the impact of the BLAs on companies.

CHAPTER ONE: REVIEW OF THE IMPLEMENTATION OF BLA PILOTS

1.1. BACKGROUND

1.1.1. This report forms part of the evaluation of Business Learning Account pilots. The evaluation is designed to run alongside the delivery of the programme and it was decided that it would be sensible to capture the early learning developed from the design and implementation phase of the pilots when (a) these issues were fresh in the mind of the individuals involved and (b) at a stage when it might be possible for the pilots to take on board any of the findings of the review as appropriate.

1.1.2. The fieldwork was undertaken between May and June 2004 and reflects the early stage of development. In a number of areas, stakeholders had begun to develop aspects of the delivery of the programme and further changes have been implemented since the fieldwork has been completed. Nevertheless, one of the aims of this initial review was to document the issues arising in the early implementation of the pilots.

1.1.3. The Business Learning Accounts (BLAs) Pilots aim to become:

“a key driver to stimulate learning and business growth in small businesses, providing them with the tools to link training needs with business growth and funding to support the businesses’ own investment”. (Scottish Executive’s Lifelong Learning Strategy, 2003)

The development of Scotland’s workforce is a key aspect of the delivery of Smart, Successful Scotland and the need for more and more structured training among small businesses has been highlighted by the Lifelong Learning Strategy and Futureskills Scotland Skills in Scotland 2002 report.

1.1.4. The concept of BLAs was proposed by the Scottish Parliament’s Enterprise and Lifelong Learning Committee’s report on Lifelong Learning in 2002. Pilot BLAs will offer businesses three core services:

- an effective system of information, advice and guidance in order to assess training needs and demonstrate how training links to business growth;
- assistance to source and negotiate the training they decide to undertake that is directly linked to the agreed training plan; and,

- an offer of 50% of the costs of that training up an agreed limit after it has been successfully completed.

1.1.5. Business Learning Accounts is a Scottish Executive Pilot which is being delivered jointly by Scottish Enterprise, Highlands and Islands Enterprise and Learndirect Scotland. The BLA Training Pack contains the following statements concerning their respective roles:

“Scottish Enterprise views the Business Learning Account pilot as an opportunity to provide flexible support towards training that will ultimately improve your business performance. SE’s role within BLAs is to provide a network of advisors who will carry out a Training Needs Analysis (TNA) of your business and project manage the funding allocated to businesses through the pilot”. (BLA Training Pack, 2004)

“Working in conjunction with Scottish Enterprise advisors, Learndirect Scotland for business Training Partners will source and document a range of learning solutions appropriate to the training needs identified within your TNA. These learning solutions will be delivered by training suppliers who have demonstrated a commitment to providing quality training and who are registered on the National Learning Opportunities Database managed by Learndirect Scotland.” (BLA Training Pack, 2004)

1.1.6. There are four pilots operating:

- a geographic pilot operating in the Clyde Valley across the Scottish Enterprise Glasgow, Scottish Enterprise Dunbartonshire and led by Scottish Enterprise Renfrewshire;
- a sectoral pilot focusing on tourism businesses operating across the whole of the Scottish Enterprise area led by Scottish Enterprise Fife;
- a sectoral pilot aimed at manufacturing businesses, again across the whole of the Scottish Enterprise area and led by Scottish Enterprise Lanarkshire; and
- a pilot operating in Ross and Cromarty Enterprise LEC area in the Highlands and Islands area.

1.1.7. A key aspect in the design of the BLAs was that they should be offered only to those companies who need them. The pilots were not to be advertised but offered to companies once it became clear that other available forms of support were not suited to their needs. In effect, BLAs should be “funder of last resort”, filling gaps between existing support offered by the Enterprise Networks and others for structured business learning. Each pilot aims to encourage small companies (less than 50 employees) who had not previously engaged with the Enterprise Networks to undertake a programme of structured training. The costs of undertaking this training are underwritten by the BLA programme to varying degrees, depending on the pilot.

1.1.8. The aim of this initial review of the BLA pilots is to capture the perceptions of stakeholders at an early stage in the implementation of the pilots and draw on company perceptions of the strengths and weaknesses of the approach adopted.

1.1.9. Face-to-face interviews have been conducted with the Scottish Enterprise's programme manager, the LEC manager of each of the four BLA pilots, Learndirect Scotland's executive responsible for BLAs, and a representative of SE's business Development Team responsible for Business Gateways. Telephone interviews were undertaken with a total of twenty companies (five in each of the pilots). In order to be in a position to report their perceptions of the BLA process so far, we stipulated that the sample companies should have completed their training needs analysis and had started the process of selecting relevant training. In a minority of cases the companies had got as far as undertaking some training. In all but one pilot, this meant that we received contact details for between 10 and 15 companies. Given the scale of the interview programme and the small number of companies which fell into the target population, there was no scope to interview a structured sample of companies.

1.1.10. Our discussions with companies focused on the initial advice and guidance elements of support and included issues surrounding the selection of training courses and providers. The remainder of this report presents a synthesis of our early findings.

1.2. DESIGN AND SET UP

Rationale and objectives

1.2.1. There is a general acceptance among all stakeholders that more should be done to encourage small firms to train their staff and develop a culture of learning among businesses and employees. The focus of BLAs on small companies is welcome and most stakeholders we interviewed are happy with an emphasis on those companies not previously involved with the Networks in training issues. However, many of those involved in the delivery of the pilots see the devil in the detail:

- How non involved in training do companies have to be? Those who have absolutely no interest would probably not be a good target audience.
- What constitutes a training budget, do we consider internal training as well as external training?

- What are the advantages in improving the quality and relevance of the training undertaken by SMEs through developing a more structured approach? In other words, can we be sure of the business benefits arising to companies?
- How can we assess whether the company has been involved with public assistance previously? It is relatively easy to check whether they have been involved in MA/Skillseekers/TfW but very difficult to consider other partners' programmes. Just because a company has been involved in mainstream training, does not necessarily mean they have an understanding of structured training.

1.2.2. The basic approach outlined in the principles of BLAs is broadly accepted but it does throw up a number of issues which have been present in many programmes which sit on the nexus of skills and business development:

- the integration of the skills business development services for small companies – for SE this covers both co-working between the LEC network and Business Gateway on the one hand and between skills and learning and business development teams on the other;
- adoption of flexible criteria in programme delivery and the extent to which targets drive the process; and,
- funding for business growth – advice and guidance.

Key design features

1.2.3. It would appear that there are a number of distinct stages to the development of the BLA pilots:

- the initial conception proposed by the Scottish Parliament's Enterprise and Lifelong Learning Committee's report on Lifelong Learning in 2002 and the subsequent development of this by Scottish Executive;
- initial discussions between the Executive and Scottish Enterprise and Highlands and Islands Enterprise; and finally,
- the implementation of these principles by the lead Local Enterprise Companies to set up the pilots.

1.2.4. The scope of this initial review does not permit a detailed investigation of the early design process, but it would appear that the initial conception developed by the Scottish Executive outlined the broad responsibilities for the proposed delivery agents: the Enterprise Networks and Learndirect Scotland.

1.2.5. The early discussions between Scottish Enterprise Skills and Learning and The Scottish Executive further detailed the shape and delivery of the programme. At this point the three pilot LECs were invited to submit bids to run the programme. No other LEC areas

were asked to do so – the choice was made by Scottish Enterprise centrally (following discussions with LEC Skills & Learning Directors) on the grounds that both SEL and SEF have experience of the manufacturing and tourism sectors and had undertaken similar projects at a local level. SER were chosen to lead the geographic as they have a track record in network participation and also had run similar business training schemes in the past. All the proposed LECs were happy to submit bids to run the pilots.

1.2.6. Scottish Enterprise encouraged SEL, SEF and SER to build staff costs into their bids. Again it is not at all clear why no additional staff resources were identified as being necessary to implement the pilots. It is possible that the resource estimates LECs envisaged were based on what it would take to run the pilots (with a presumption that headcount limits would require that LECs sub-contract delivery to external organisations). It does appear that the resources required to complete the design and set up the pilots were grossly underestimated. All the involved LECs decided to undertake this process without any additional resources.

1.2.7. For their part the LEC pilot managers saw some of the early documentation but were not involved in initial meetings between Scottish Enterprise/ Highlands and Islands Enterprise and The Scottish Executive. They are therefore not aware of whether the design specification changed substantially. The initial proposal was to have the programme up and running in May but this was quickly changed to Autumn 2003.

1.2.8. There is a perception among some stakeholders in the LEC network and elsewhere that this is “not their programme”. A number of respondents have questioned the reasoning behind the strategic position they perceive Learndirect Scotland has in the delivery process. LEC staff are not clear why Learndirect Scotland have been given this role and are uncomfortable with their position as “gatekeeper” to eligible training when there are doubts about the suitability of the Learndirect Scotland training database for this purpose. More than one respondent wanted to know what strategic plans Scottish Executive have for Learndirect Scotland with businesses.

1.2.9. For their part, Learndirect Scotland were clear that their involvement in the BLA pilots supported their particular interest in stimulating demand among SMEs. Their aim is to promote a strategic approach to training by providing companies information and guidance on learning, working in partnership with the Enterprise networks and acting as an honest broker for the learning community. Nevertheless, some LEC stakeholders remain suspicious and this has contributed to a limited sense of ownership of BLAs by the SE Network during implementation.

1.2.10. During the initial design of the pilots it was agreed that Learndirect Scotland's National Learning Opportunities (NLO) Database would be the primary source of information on training. Opinion among other LEC stakeholders on the use of the database was mixed; some felt it provided a good, easily accessible source of information but others were concerned that it was too restrictive and there was a danger companies would see the pilots as being supply-led. Entries in the database do require some detail to ensure that sufficient information is available to users and initially, it did take some time to add entries into the database. LDS have responded to these concerns and introduced a fast-tracking mechanism to be able to add learning opportunities more quickly.

1.2.11. The NLO Database is also used in the RACE pilot, however, there are fewer learning opportunities in the HIE area and while the delivery agents do refer to it and consult with the local LDS training partner it does not play the same role.

1.2.12. There were a number of critical issues in the design specification at the stage that the SE LECs took over:

- There was very little strategic buy-in from Business Gateway although they are central service providers to the BLA client group;
- There were a number of funding and contracting issues which had not been recognised/clarified in initial discussions, in particular:
 - Respective roles and responsibilities of LECs, Business Gateway and Learndirect Scotland in the process – who would be the primary point of contact for the company?, which organisations take the lead on business planning, training needs analysis and the sourcing of training? Some of these issues have been subsequently clarified with the introduction of a service level agreement between LDS and Scottish Enterprise;
 - The contracting process that would be required to deliver BLAs across the LEC network. Both national pilots have found that the basis for contracting even with similar types of organisation can vary to such a degree that negotiating contracts for the BLAs is almost a LEC area by area process;
 - The limited visibility and ownership of the programme among some LEC staff meant that this also slowed the process of contracting with local delivery agents;
 - Detailed decisions on definitions at various levels – what is manufacturing, the extent to which companies had had previous involvement in mainstream training/contact with LECs, level and type of spend, etc;
 - Exit strategy for BLA companies – who takes lead responsibility on aftercare and follow-up?

1.2.13. Senior representatives from Business Gateway accept that because BLAs came into the SE Network through the Skills and Learning team the initiative “came in under their radar” and did not get any attention until the implementation stage when local Business Gateways raised issues with the SE business team centrally. Their concern surrounds two issues:

- The extent to which BLAs are an additional intervention varies according to the local area (this is mainly an issue with non-SE network schemes, often delivered by local authorities using Objective 2 funding);
- The degree to which the delivery of BLAs cuts across the core Business Gateway client group – local Business Gateways vary in the degree to which they have become involved and there is a perception within SE business development team that this relates to the type of contract under which the local Gateway operates: those operating in a more output-driven regime and those who contract includes coverage of similar ground to the BLAs, the more hostile the Gateway appears to be.

1.2.14. This presents an interesting contrast to the set up of the BLA pilot in Ross and Cromarty Enterprise (RACE). The implementation of the RACE BLA pilot has been a smoother experience for a number of reasons:

- the single LEC area simplifies the contracting and delivery procedures enormously;
- the operating context in HIE is much more straightforward:
 - the HIE network has one long-standing training scheme (the company training grant) which has similar objectives to BLAs. Establishing a niche for BLAs was therefore more straightforward. That said, the pilot team has embraced a concept of learning for businesses which can cater for a wide range of circumstances;
 - the Local Authorities see skills and learning for business as the proper role for the HIE network and so have no competing/ similar programmes;
 - there is no equivalent of Business Gateway in the HIE area and all business development activity is undertaken within the LEC and so there is no shared responsibility for the SME client group.

1.2.15. While the operating context may be more conducive to implementing BLAs, RACE have ensured that the design of their pilot is appropriate. They required changes in the role of Learndirect Scotland in two crucial respects:

- a. that RACE/BLA advisers retain a lead contact/ gatekeeper role with the client companies throughout. LDS still retain the responsibility to review the training plans but do not visit the companies as a matter of course. Clarity over the respective roles was seen as particularly important by RACE staff in ensuring the client companies were not confused; and,

- b. that RACE business development team take the lead on follow-up and aftercare to ensure that any new business activities arising from BLA-funded development are supported as appropriate. LDS are involved in this process as appropriate to companies' needs.

1.2.16. As a result, RACE were able to shape their BLA pilot to local circumstances more easily and more quickly so that they were able to start their pilot in September 2003. Nevertheless, from the outset they have been able to instil a much stronger sense that BLAs support the development of knowledge within the company in a wide range of (mainly) non-traditional learning activity. This is often the start of a more traditional business development process to support the implementation of the learning within the firm.

1.3. EARLY DELIVERY ISSUES

Building Momentum

1.3.1. From the outset, some of the early development issues meant that frontline staff did not take the programme seriously and served to undermine any early momentum in the SE pilots:

- the decision not to advertise and promote BLAs is seen as being appropriate to ensure that available funding goes to those companies who need it but at another level the lack of publicity surrounding BLAs has meant that it doesn't figure on LEC business executives' radar;
- with the target group "not the LEC" but Business Gateway, BLAs have tended to fall into the traditional gap between business support and skills and learning;
- this has been made worse by the nature of 'manufacturing' being a number of sub-sectors and tourism, where there are many different players, limited partnership and confusion over communication channels both internal to SE and externally to companies;
- the geographic pilot has had fewer problems but still suffers from a lack of clout, especially with Local Authorities offering existing similar products;
- the geographic pilot was also surprised that the sector pilots take responsibility in their respective sectors across the geographic pilot – this, in their view, adds unnecessary complication in delivery.

1.3.2. These problems are not beyond the bounds of the 'normal' teething troubles any new pilot may encounter. However, BLAs are a complex process and will only succeed when all frontline business support agencies see value in the BLA 'offer' to "their" clients.

1.3.3. As a result, referrals have been very variable and momentum has been slow to build in some areas. A key issue is the extent to which stakeholders take responsibility for BLAs. In many cases, frontline staff in business advice organisations are just doing what is necessary – so those organisations not directly contracting to deliver BLAs do not see why they should “give up” clients while those who are involved do their best but also have to serve a range of initiatives all with targets.

Companies’ awareness and engagement with BLAs

1.3.4. Prior to their involvement with the BLA pilots, almost all of the companies were aware of the existing support mechanisms, such as local LEC or Business Gateway and most had also been in contact with their local LEC or the Business Gateway before signing up to the pilot. Companies that had been in contact with their LEC/Business Gateway had received information and assistance in various areas;

- Business start-up and high growth support (both advice and start-up grants);
- General business development support (assistance in developing procedures, iIP support etc.);
- Participated in specific initiative (e.g. New Ways Awards, Employer Life Skills Programme, Global Partner Export Initiative); and
- General networking events

1.3.5. Most of the participating firms had done at least some training prior to BLA, but for many this included only the minimal required statutory training. Training was usually provided in-house, but some training was also external (especially in terms of specialised training). Almost all companies said that, in general, they would characterise their employees’ attitudes towards training as positive.

1.3.6. Most companies heard of the BLA pilot initiative from their Local Enterprise Company. Usually the LEC had approached the company to inform them about the initiative, and on occasions the company had approached the LEC to explore what support might be available for them. Around one quarter of the companies had heard of BLA through Business Gateway. Other sources were:

- Local training provider;
- Local initiative;
- Local tourist board;
- Through word-of-mouth from another company.

1.3.7. Most companies were first prompted to participate in the initiative because of the funding support available and had previously identified at least some of their training needs themselves. Some stated they were now able to train more of their staff or to a higher level due to extra funding available. Around one quarter signed up for BLAs in order to receive support and advice in terms of what training they should participate in.

1.3.8. Many of the companies had recently experienced major changes in the company. A few were newly established companies, nearly half of those interviewed had recently undergone significant changes (e.g. expanding or changing their market place they operate in), and some had experienced recent business growth with new staff that needed extra support and training. A few companies were facing succession issues and required staff to be trained to a higher level in advance of taking on more responsibility for the running of the business and other senior level tasks in the near future.

1.3.9. Most companies had been in touch with their local LEC prior to BLA and at least three companies are IiP recognised and another is committed to achieving IiP. Formally, IiP recognised and committed companies are not eligible for the BLA pilots. In at least one case the company were able to report that while they had committed to IiP, this had lapsed some time ago and their involvement in the BLA pilots had re-awakened their interest in achieving IiP. It would appear less easy to argue a case for the involvement of recognised IiP firms in a pilot programme aiming at ‘new blood’ companies.

1.3.10. It was originally envisaged that the BLA pilot support would be offered to companies once they had been engaged with delivery agents. No advertising would be required (or desirable) as the BLAs are intended to fill gaps in the support available to firms and the support would only be available to those who met the eligibility criteria and who could not get funding from elsewhere (and would otherwise not undertake the training in question). This meant that the pilots could not be openly marketed to all small companies. By implication it also placed a heavy burden on the cross-referral of appropriate clients.

1.3.11. To get ‘fresh blood’ in some areas, the BLA Pilot managers suggest that they will have to go outside of the ‘usual suspects’. In their view, Business Gateways do not necessarily work in that market area (i.e. see themselves as recruiting non-involved clients) or where they do, they are not keen on giving up ‘their’ hard-won clients. The company health check at the start of the process still happens (as a standard procedure) where the local Business Gateway is the delivery agent for BLAs. However, where other organisations

deliver BLAs, it was felt that referring companies back to Business Gateway was too cumbersome and would put people off.

1.3.12. Recruitment of companies to BLAs in the RACE pilot has not been an issue. As noted above, the pilot has benefited from the greater degree of integration between services at a local level to be able to offer BLAs to companies who wanted to undertake learning activities which could not be funded by the Company Training Grant.

Company eligibility

1.3.13. A few companies who have expressed an interest in BLAs have been rejected on eligibility grounds (but the main problem has been identifying sufficient clients in the first place):

- In the geographic pilot the main reasons for non-eligibility are size and involvement in IiP. On a couple of occasions they have rejected small companies (individual self-employed) on the grounds that they are lifestyle businesses;
- The manufacturing pilot has a pre-referral eligibility check carried out by telephone to provide initial feedback on eligibility which is then followed by a more detailed referral pro-forma. The majority of issues surround “what is manufacturing?” and “How much manufacturing does a company need to carry out to be eligible?”;
- The tourism pilot has rejected some applicants on the grounds of involvement in IiP or size issues, where the firm is part of a larger group.

1.3.14. Each pilot has drawn up a list of eligibility criteria and is working with SE Marketing to ensure that the right message gets out to a wider group of companies. While they see the need to raise the profile of BLAs this needs to be done carefully – one Chamber was trying to advertise the programme as a source of free training needs analyses. There is also the issue, identified above, of attempting to focus support where it is most needed on ‘additional’ training.

1.3.15. Frontline staff in the delivery agents report that selling the benefits of training to businesses can be very hard work, especially if they have previously had a bad experience with either the quality of training or the quality of support offered by the Network. These barriers often stand in the way of companies who do need structured training support in order to develop. With such an investment in engaging many of the BLA companies, few agents want to see them referred on to Business Gateway or elsewhere.

1.3.16. Discussions with delivery agents suggested that an ideal BLA company profile would consist of the following:

- Clarity of business objectives - allows delivery agents to sell the business benefits into a context
- Sense of what they would like to achieve but married to a willingness to be flexible – some will have unrealistic expectations of low cost personalised on-site delivery
- Already have network contacts and possibly have a sense of the potential business benefits
- But may have issues with the quality of public support from previous experience
- Buy-in to the process by senior management

Companies' involvement in and attitudes to training

1.3.17. To gain a better understanding of companies' attitudes to training, company interviewees were read out four statements and asked which of these best describes the company's approach to training:

- We have a written training policy which ensures that the necessary learning and training takes place
- We take a positive and systematic approach to training though this may not be set out in written form
- We undertake staff training as and when necessary but don't have a particular policy on the matter
- We have done no training in recent years or only as a last resort

Most of the surveyed companies fall into the middle ground: only two of the 20 companies had a written training policy, but only one had done no training at all. Just over half of the respondents felt that prior to their engagement with BLA pilots, the company was undertaking staff training as and when necessary but did not have a particular policy on the matter and 40% had a positive and systematic approach to training though this may not have been set out in written form.

Table 0.1: Company's approach to training

| | Frequency | Percentage |
|---|-----------|------------------|
| We have a written training policy which ensures that the necessary learning and training takes place | 2 | 10 |
| We take a positive and systematic approach to training though this may not be set out in written form | 10 | 50 |
| We undertake staff training as and when necessary but don't have a particular policy on the matter | 13 | 65 |
| We have done no training in recent years or only as a last resort | 1 | 5 |
| Total Responses | 26 | 100 ¹ |

Note: multiple responses possible. ¹ Percentage of all companies not Responses.

1.3.18. Three quarters of the companies did not have any structured written training plan prior to their engagement with the BLA programme, although around half of the firms carried out regular staff reviews where staff training was discussed, but few had a separate training budget.

1.3.19. Only a minority of companies have set up a separate training budget to pay for their share of the training costs. Usually companies were funding their share of the training from their general budget, cash flow or company profits. A few were funding training from company savings and one through productivity improvements.

Initial advice and guidance

1.3.20. For the initial advice and guidance, nearly all the companies that participated in the survey have been in contact with their LEC, and majority had also had contact with Learndirect Scotland. Around one quarter of all firms interviewed had been in contact with Business Gateway. Other organisations that had been providing initial advice and guidance included a trade organisation, Chambers of Commerce, and training providers. All the companies had been in touch with their BLA advisor.

1.3.21. Training providers are not themselves part of the BLA process but some are offering informal guidance to companies:

- One company had contacted a training provider about training courses and was informed about the BLA programme;
- Elsewhere training providers also offered guidance in cases where courses were not registered on the Learndirect Scotland database;

1.3.22. Companies in the RACE pilot received advice and guidance from the LEC only, apart from one company who had also been in contact with Learndirect Scotland.

1.3.23. The main support provided by the BLA adviser and organisations that companies had been in touch with was mostly general advice and signposting on locally available training courses. This was usually a list of training providers with contact details and courses they provide with price information. BLA advisors also provided support with identifying the training needs in the company and helping in setting up the main objectives, structures and timescales for the training plan.

Business planning process

1.3.24. In order to sell the potential business improvements which might arise from training, delivery agents need to be able to set such changes in a context – this context should be provided by a business plan. A key issue identified by many delivery agents is whether a company has already determined clear goals which it would like to achieve. Many small businesses do not have a formal business plan and a number do not operate with any form of structured targets or even notions of performance benchmarks.

1.3.25. The design of the BLA pilots recognised that not all companies would have a current business plan in place: it was expected that this would be provided from current business planning support services offered by the Business Gateway (or the LEC in RACE). In practice, the extent to which this has occurred has been variable.

1.3.26. Again, the integration of services is an issue: where Business Gateway is more involved in the delivery of BLAs then Health Checks and business planning support are provided as a matter of course. Around one quarter of participating firms had completed the company's business health check prior to signing up to BLAs. However, the companies which did complete the health check felt they did not really benefit from the process or learn anything new about their company. Rather, it was a useful tool in helping their advisor to gain better understanding of their business. The process gave in-depth knowledge of the company to the advisors; *'it helped them to help us'*. Some companies commented that the health check did on occasion over-simplify issues, and that the process had too much emphasis on hard data and numbers.

1.3.27. In RACE the delivery agents have been trained in delivering business planning support and can draw down this service as part of the LECs mainstream business support

budget. Elsewhere, where strong relationships with Business Gateway are yet to develop, the delivery agents are generally reluctant to refer to the Business Gateway (as they believe that they will not see the company again). In most cases they help the businesses formalise what usually exists informally to develop a proper business plan. In a small number of cases, where much more work is required, the BLA advisers recognise there is little they can do but recommend that the company prepare a formal business plan.

Training needs analysis

1.3.28. In all pilots the delivery process is shared between Scottish Enterprise/ RACE (usually through their sub-contracted delivery agents) and Learndirect Scotland. Since the pilots started this has been formalised through a Service Level Agreement to clarify roles as Learndirect Scotland felt they weren't being brought into the process early enough by the delivery agents. The process is built on the local project experience in SEL. The process is as follows: the Business Gateway/delivery agent work with company to identify training needs, then Learndirect Scotland for business (LDS) training partner is brought into the process to help prioritise training and identify courses. LDS then searches their database to source up to 3 providers who would fit companies' training needs. These are presented to the company who has to make the final selection. In their role as an honest broker for training providers, LDS is able to present the different options and implications of the various learning opportunities but it cannot recommend the 'best' course for a company – something which the companies find frustrating.

1.3.29. All the SE LEC Pilots have adopted a computer-based training needs assessment tool. This does require a range of information on the job role and the skills required as well as the employee's current skill levels. This needs to be done for each job included in the training needs assessment. While this is a data hungry process requiring a large amount of information from the companies, most delivery agents appear to be happy with the process and see that it can provide an accurate picture of training needs closely associated with business development needs.

1.3.30. A particular issue is the extent to which this relatively formal process allows for more informal learning activities to be included in the assessment. BLA Pilot managers felt that this was still part of the training needs analysis (TNA) process and were able to cite a number of examples where learning has been delivered by organisations who are not training providers as such.

1.3.31. The RACE Pilot does not employ the same approach. The TNA process has evolved through the lifetime of the pilot. In keeping with the pilot's emphasis on learning rather than training the emphasis of this TNA is on identifying a connection between the learning to be undertaken and the development of the business as a consequence. This has been sufficiently successful that RACE has adopted the TNA approach when working with companies applying for the Company Training Grant.

1.3.32. At this stage of the evaluation we do not have sufficient information to make a comprehensive assessment of the different approaches to the TNA adopted by the pilots but this is an area we expect to research in greater detail during the remainder of the evaluation.

1.3.33. All the companies had started their TNA and a great majority had already completed it. Some companies had prepared a TNA previously, before their involvement with BLA. This was done either as a part of another programme (IiP, Employer Life Skills) or when the company was initially being set up. A great majority of the companies interviewed found TNA a helpful process. Comments included:

- Provides a holistic structured and formalised approach, gives clarity on training needs and brings focus (e.g. clarifies individual employee's role in the company, reinforces the importance of being in touch with their staff to keep them happy);
- Made the company look for new/neglected areas of business operations, such as statutory requirements and changes in legislation (realisation that companies need to adapt to changes and review their operations regularly);
- Showed the company's strengths and weaknesses, where training is needed and what benefit would be gained from this (e.g. if someone trained as first aider, this will reduce insurance costs);
- Helped with other business areas, such as business development (identified management training needs, helped in identifying budget for training and priorities for business development), legal issues (e.g. health and safety), and in identifying what qualifications are needed (e.g. in engineering several different qualifications for similar type of work).

Training plan process

1.3.34. Nearly half of the companies that participated in the initial survey had already completed their BLA training plan. This was mainly designed by the BLA contact person in the company together with the BLA advisor. Around one quarter of the companies also included managers and other staff in the process. In addition, most of the companies consulted employees when setting up the plan. This was usually done through individual discussions or appraisals. Some companies consulted staff through group meetings or only

consulted line managers. A few only notified employees to participate in the courses they had chosen.

1.3.35. Around three quarters of the companies had included all staff in their training plan. Those companies that did not cover all their staff in the training plan usually only included senior/management staff and staff at supervisory level in the training plan. Other type of employees not covered by the training plan included:

- Those who made the decision not to participate;
- External contractors and summer students; and,
- Those who already have qualifications.

1.3.36. All, apart from one company, felt that they have received enough support in setting up and designing their training plan and believe that it reflects their business needs. However, when asked, only a minority of firms were able to clarify how their proposed training related to the company's business needs. Those who did, included the following:

- Upskilling staff on their existing knowledge and expand skills base which will allow more staff to provide more services;
- Upgrading knowledge of the junior staff to take over senior roles within the company in the future;
- Setting new standards, which can then be rolled out to other units;
- Improving customer experience through improved staff skills and knowledge;
- Providing a wider range of services due to higher standard of knowledge acquired through training;
- Improving business development through specialised management skills training, which was lacking.

Selection of courses and training providers

1.3.37. Selecting courses and providers has been an ongoing process linked with establishing the company's training needs and setting up the actual plan for training. Most companies reported that they had started looking for courses and training providers, usually with the help of the BLA advisor, using the list provided by Learndirect. In these cases, they were aware that only courses on the Learndirect's list would attract funding and the firms felt it was not worth the hassle to go outside of the list.

1.3.38. One company reported that they could not find any training relevant to their needs on the NLO database. In this case they found a relevant course but then had problems

persuading the training provider to register for fast-tracking on to the database. While this is just one case, it does raise a concern that registration on the NLO database presents another hurdle for BLA companies. More evidence is required to establish whether this is an isolated example and we expect to include more detailed questions on this issue in the forthcoming fieldwork with companies who have completed the BLA process.

1.3.39. The majority of companies found the process of choosing appropriate courses and providers relatively easy. A minority said they found sourcing training difficult for a number of reasons including:

- Lack of providers or limited choice of providers/courses locally. This was especially the case with more specialised courses;
- Not able to judge which provider/course is good, as there is no indication of quality, and not knowing where to go for further information regarding this;
- Too many qualifications available, which makes choosing courses confusing.

1.3.40. A few companies said they had gained some qualitative information on courses and providers from their BLA advisor (e.g. which courses are popular or have been given any awards/good ratings) or through word-of-mouth from other businesses. However, most companies were not able to access such advice and wanted at least some indication on the relative quality of courses and ‘who is good’ in providing this training.

Company satisfaction with BLA support

1.3.41. Companies were generally very satisfied with the support that has been provided for them so far. However, companies that participate in the manufacturing BLA pilot were finding support provided so far slightly less helpful than did companies participating in other BLAs, judging it as average instead of good or very good.

1.3.42. In terms of gaps in support, most companies felt that the current support provided by the initiative was sufficient. However, around one third of the companies were suggesting improvements for the scheme including:

- Have more training providers and courses to choose from and go outside the Learndirect listed courses. This was an issue especially among specialised firms, such as those providing health & beauty services, where the courses they wished to participate in were not approved by the Learndirect.
- Provide more information on the quality of the courses, a list of training providers and courses is not sufficient. Some of the course and contact details provided were also reported as being out of date.

- Include more support for in-house training as especially among the manufacturing sector skills are often gained by on-the-job type of training (e.g. how to use certain machinery) using external trainers.
- Make process quicker; smaller companies felt the process unnecessarily long, sometimes it could take weeks for an advisor to come back to them with an answer to straightforward questions on the BLA process (although it must be noted that this has also been said of BLA companies by those involved in the delivering the programme).

1.4. LESSONS SO FAR

1.4.1. This is an initial review and as such highlights the issues as the BLA pilots moved through their early implementation stage. Many of the issues identified are typical of the teething troubles of new initiatives and some have already been addressed by the programme partners.

1.4.2. Some of the problems encountered relate more to the operating context facing each pilot at the start of the pilots, rather than the design features or implementation of the programme itself, but are worth recording here:

- Competitive contracting, KPIs and outcome-related payments do not lead to an open culture, sharing of lessons and particularly sharing of contacts.
- This can be worse in some areas where programmes external to the Network could be seen to compete for similar business.
- Divided by internal teams and external contracting procedures, the skills and business development activities and the LEC and Business Gateway operations of the SE Network can struggle to communicate effectively. This is made worse when operating across a number of LEC areas as the contracting procedures, and preferred contractors tend to differ.

1.4.3. The RACE pilot, operating in a different context with fewer operational boundaries, has performed well to date. We believe that this is because this BLA pilot has a clear rationale (any form of learning which supports business development and cannot be funded through more 'traditional' training support programmes). The RACE team have made the best use of this distinct offer to attract business interest in more informal learning but integrate the support into existing business support services, for example, BLA delivery agents have been trained to deliver business planning support. Crucially, each BLA is seen as the start of the process – the 'output' of the BLA learning experience is expected to be some form of development of the business. As the evaluation progresses we will be in a position to assess the degree to which this happens in practice.

1.4.4. The development of the Scottish Enterprise pilots has been slower but their operating environment is more complex and it is only to be expected that they will take longer to bed-in.

1.4.5. However, there are a number of issues which do relate to the implementation of the BLAs themselves. The principal learning points are as follows:

- More clarity is needed over the basic rationale for the programme – is it about structured training with SMEs, engaging with unengaged SMEs or both – and how this fits with the current delivery infrastructure. How do BLAs fit with other business support initiatives in general (and with particular reference to the Networks’ emerging workforce development strategies)? At present getting more structured training is one thing but getting new recruits in a delivery process which is target-driven is perhaps more difficult.
- More thought should have been given to the precise definition of concepts in the pilot at the design stage (in particular a definition for the degree of previous involvement with Network activity to remain eligible for BLAs and what constitutes “manufacturing”). In practice, these issues were left to the implementation stage.
- Additional SE LEC staff resources were required to implement the pilots on time due to their more complex operating environment. We understand that resources were available but were not taken up by the SE LECs. The complexities of setting up contracts for each of the sectoral pilots were underestimated by many, particularly for the manufacturing pilot where it was necessary to determine which areas of activity constituted ‘manufacturing’ before it was possible to network with existing agencies and set up contracts for delivery.
- Reflecting the issues raised above, what should be the respective roles and responsibilities of the different players (Scottish Executive, Scottish Enterprise, Highlands and Islands Enterprise, Learndirect Scotland and Business Gateway)? Greater clarity would help develop a wider sense of ownership for BLAs and needs to cover the nature of training and learning and how this links to business develop, who should carry forward the process and who should play the lead role post-programme (business development or training)? The service level agreement does now provide a statement of who does what but this does need to be communicated across the large number of players in the Scottish Enterprise pilots;
- Within a target driven environment, being the funder of last resort does run against the grain – much of frontline delivery is about achieving targets for specific programmes and it is not easy for frontline staff to retain their focus on engaging new blood companies only for them to see hard-won new contacts slip away to the “competition’s” programme. In part this does reflect the complex pattern of existing provision (mainly outside of LEC network).
- BLAs have underwritten the development of the TNA tool which SMEs appear to like. The general feeling is that it strikes a balance between depth of analysis and time required to produce it. It is an important part of the process in that it sets an objective starting point for the delivery of assistance and provides a relationship

between what needs to be done in terms of skills development and business improvement.

1.4.6. These are important learning points and it should be stressed that despite these issues the pilots have been building momentum and most expect to be able to deliver a substantial number of BLAs to eligible companies. The results of the survey of 20 companies interviewed in this study suggest that there is value in the BLA delivery to date and many expect to see real business benefits arise in future as a result of the pilots. The key points from the survey are as follows:

- The majority of companies had been in contact with their local LEC or the Business Gateway before signing up to the BLA pilot, in four cases (of 20) the companies were either committed or recognised IIP firms which should make them ineligible for BLAs;
- Most companies were first prompted to participate in the BLA pilot because of the funding support available and had identified at least some training needs, although one quarter decided to join the pilot to receive support and advice in terms of what training they should participate in;
- Three quarters of the companies included all staff in the training plan and training was used usually to upgrade existing knowledge of staff or widen staff knowledge on trade specific or business management skills;
- Most companies felt that the current support provided by the initiative was sufficient and companies were generally very satisfied with the support that had been provided so far;
- However, some companies felt it restricting to be limited to the Learndirect Scotland database when choosing training. It was also felt that more guidance was required on the quality as well as availability of training – companies would like to have courses recommended rather than suggested to them.

1.4.7. These initial findings need to be explored in greater depth and the next stage of the evaluation will involve 40 case studies with companies who have completed their BLAs. The findings from these case studies and a telephone survey of all business participating in BLAs will provide a more robust and detail analysis of the impact of the BLAs on companies.

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