

# Longitudinal Evaluation of Knowledge Exchange over Seven Years: The Impact of LEAD

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# 1. Introduction

- ‘Leadership’ identified as an important factor in the success or failure of SMEs (Kempster and Watts, 2002; CEML, 2002).
- To promote leadership and management development the Leading Enterprise and Development (LEAD) programme was introduced by IEED at LUMS in 2004.
- It is based on informal development activities, by which leadership learning occurs (Marsick and Watkins, 1990).
- Report here on (preliminary) results of a longitudinal evaluation of LEAD programme over 2004-11 based on participant survey.

## 2. LEAD Programme

- LEAD adopts an ‘integrated learning model’ to develop leadership through a range of learning approaches:
  - Overnight experiential, master classes, action learning sets, coaching, peer interaction, exchange and shadowing.
  - Delegates arranged into cohorts of about 15-25 owner-managers.
- Participants make a substantial time commitment:
  - 2-3 days per month for 10 months, plus (possibly) a small fee.
- Initially, 67 participants supported over 2004-06 in four cohorts, since when programme been greatly expanded:
  - 251 by LUMS.
  - Roll-out to 1,250 firms in North West, and 600 in Wales.
  - Funded by NWDA and by EU Structural Funds.

### 3. Previous LEAD evaluation

- Cohorts 1 to 4 evaluated by Wren and Jones (2006).
  - Evaluation conducted soon after completion.
  - Based on *expected* effects over next 2 / 3 years.
  - 42 respondents.
- It found strong effects:
  - Mean increase in sales turnover due to LEAD reported at *£200,000 a year* (on a pessimistic view, £130,000 a year across all firms).
  - Increase in productivity per employee over the medium-term, with two-thirds putting it at more than *£5,000 per annum*.
  - Most firms expected the net number of employees to increase by *3 to 5 jobs* (initial mean employment is 20 employees).

## 4i. Current evaluation

- Of the 251 LUMS-supported LEAD cases over 2004-11.
  - A total of 13 cohorts.
  - Evaluation focused on outputs and outcomes.
- Three main sources of information:
  - Initial contact forms (ICFs).
  - Baseline questionnaire.
  - Self-administered postal questionnaire, with follow-up.
- Survey carried out from November to mid-December 2011.

## 4ii. Survey response

<b>Cohorts</b>	1 to 4	5 to 6	7 to 9	10 to 13	All
<b>Cohort start dates:</b>	Oct 2004 - Jun 2005	Sep 2006 - Sep 2007	Oct 2008 - May 2009	Sep 2009 - Sep 2010	
<b>LEAD participants</b>	64	45	63	79	251
<i>Less:</i>					
Business closure known*	7	6	2	2	17
Business details not known**	3	3	4	5	15
Participant not contactable***	5	2	2	1	10
<b>Effective sample</b> (% participants)	49 (76.5%)	34 (75.5%)	55 (87.3%)	71 (89.8%)	209 (83.3%)
<b>Survey responses</b> (Response rate)	15 (30.6%)	14 (41.1%)	31 (56.4%)	50 (70.4%)	110 (52.6%)

\* Business known to have closed and / or no evidence found of its existence.

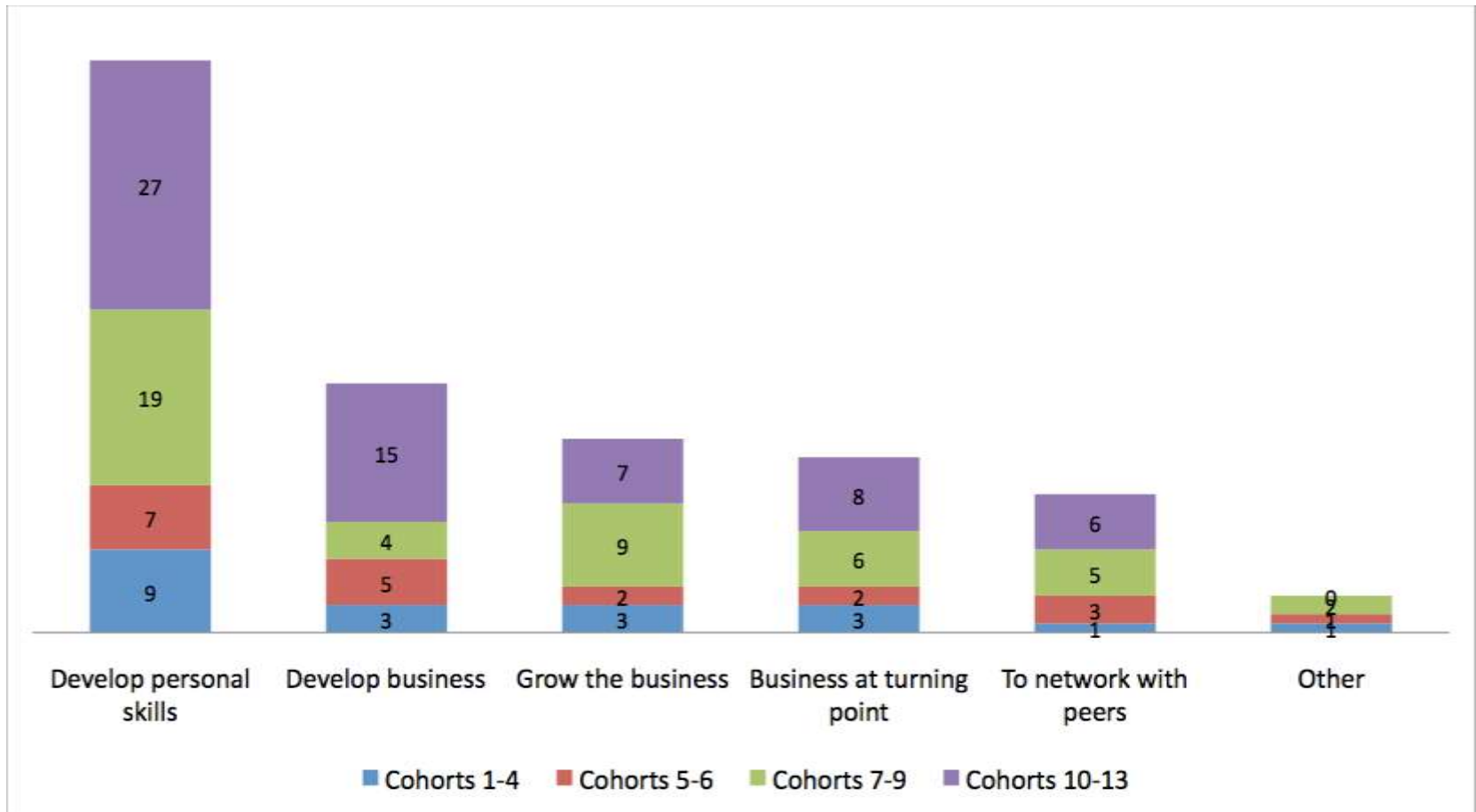
\*\* Survey form returned by Royal Mail or email undeliverable.

\*\*\* LEAD participant no longer working at business and contact details not known.

## 4iii. Nature of survey respondents

- Characteristics of 110 respondents (individuals and businesses):
  - 59% are owners and 24% directors.
  - 42% have a first degree.
  - 8% are social enterprises.
  - 19% in manufacturing and 75% in services.
  - 1-5 employees: 24%; 1-20 employees: 72%; 1-50 employees: 94%.
  - < £100,000 annual sales: 13%; < £1m sales: 68%.
- Survey respondents are broadly representative:
  - In terms of all 251 firms.
  - In terms of time profile of when respond.
  - In terms of previous evaluation of cohorts 1 to 4.

## 5i. Reason for joining LEAD



Note: Interpretation of open-ended question about main reason for joining LEAD. Respondents may have indicated more than one reason (n = 148).



## 5ii. More than half had a business concern

		Importance of business concern					
How well LEAD addressed concern		1	2	3	4	5	Total
	1	-	-	-	-	-	0
	2	-	-	-	3	2	5
	3	1	-	-	4	3	8
	4	3	-	2	13	12	30
	5	1	-	1	1	13	16
Total	5	0	3	21	30	59	

Answered only by those saying that they had a definite business concern or challenge in mind before joining LEAD.

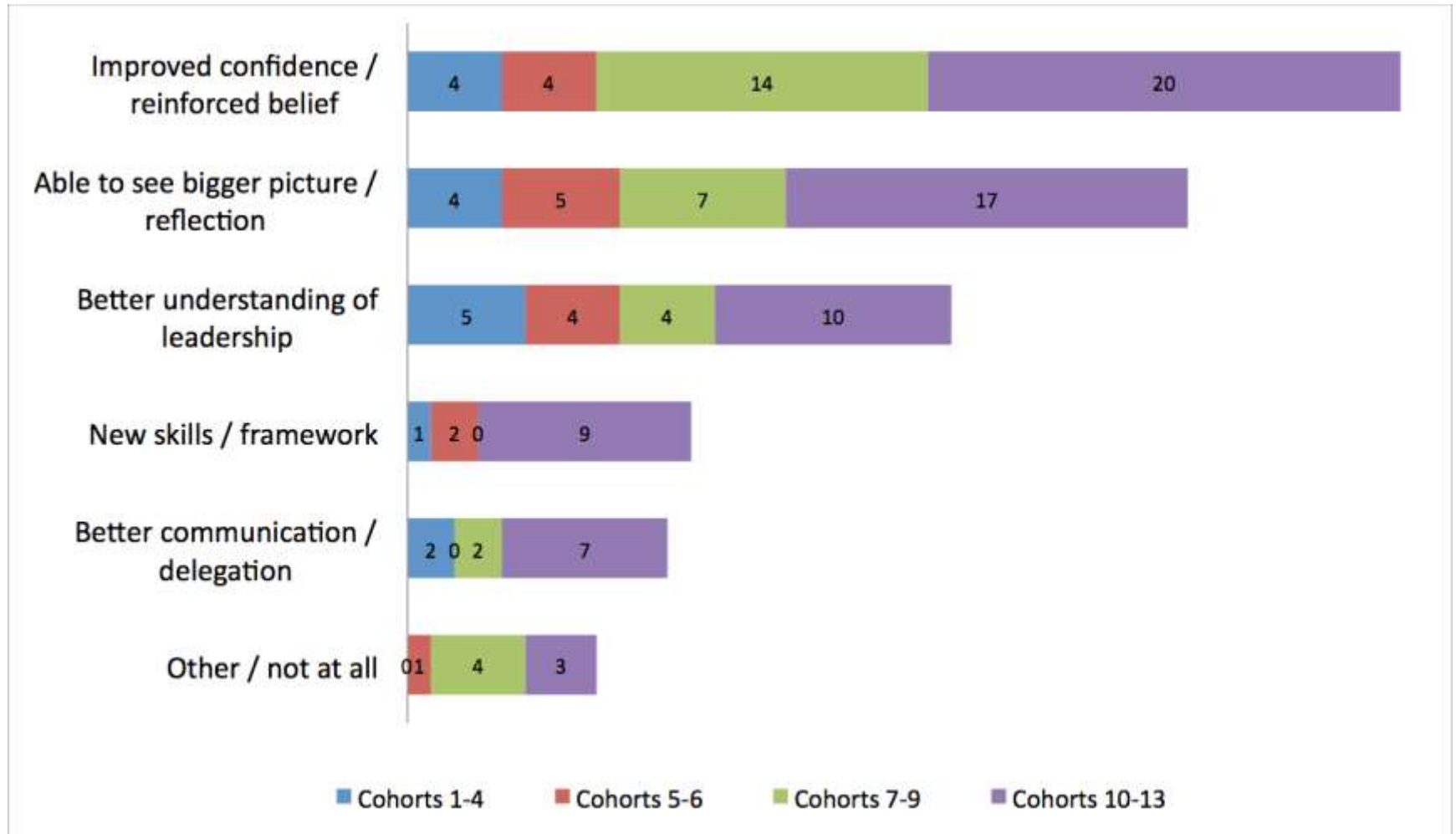
### Columns:

- 1 = very unimportant;
- 2 = unimportant;
- 3 = neutral;
- 4 = important;
- 5 = very important.

### Rows:

- 1 = not at all;
- 2 = slightly;
- 3 = moderately well;
- 4 = very well;
- 5 = extremely well.

# 6i. How LEAD developed participant as leader



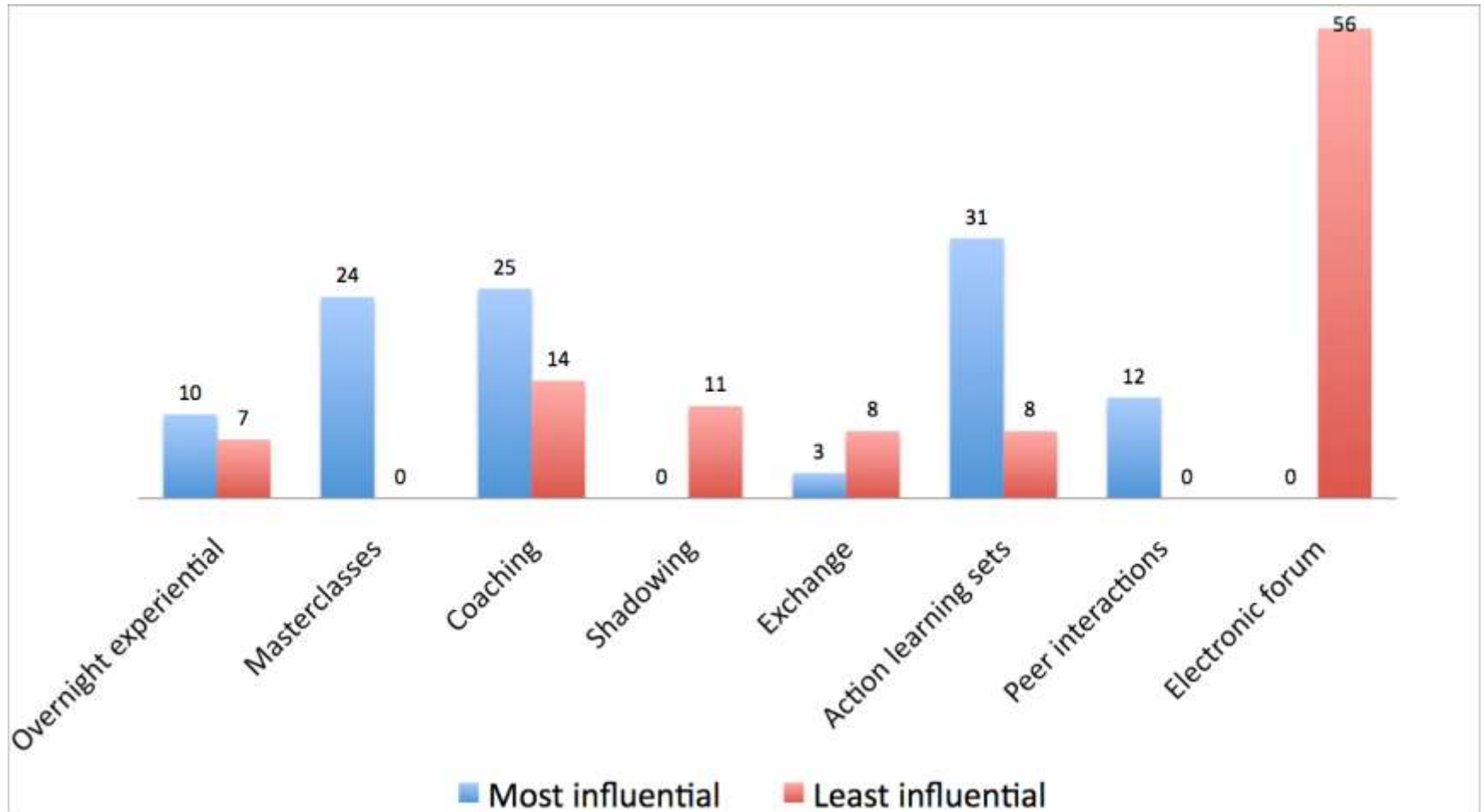
Note: Interpretation of an open-ended question. Respondents may have indicated several (n = 129).

## 6ii. Changes to management of business

Question: Since participation in LEAD have you made any changes to way your business is managed (in the case of cohorts 10 to 13 it also includes plans over next 2 years). Closed-ended question. 108 out of 110 replied to at least one of following categories.



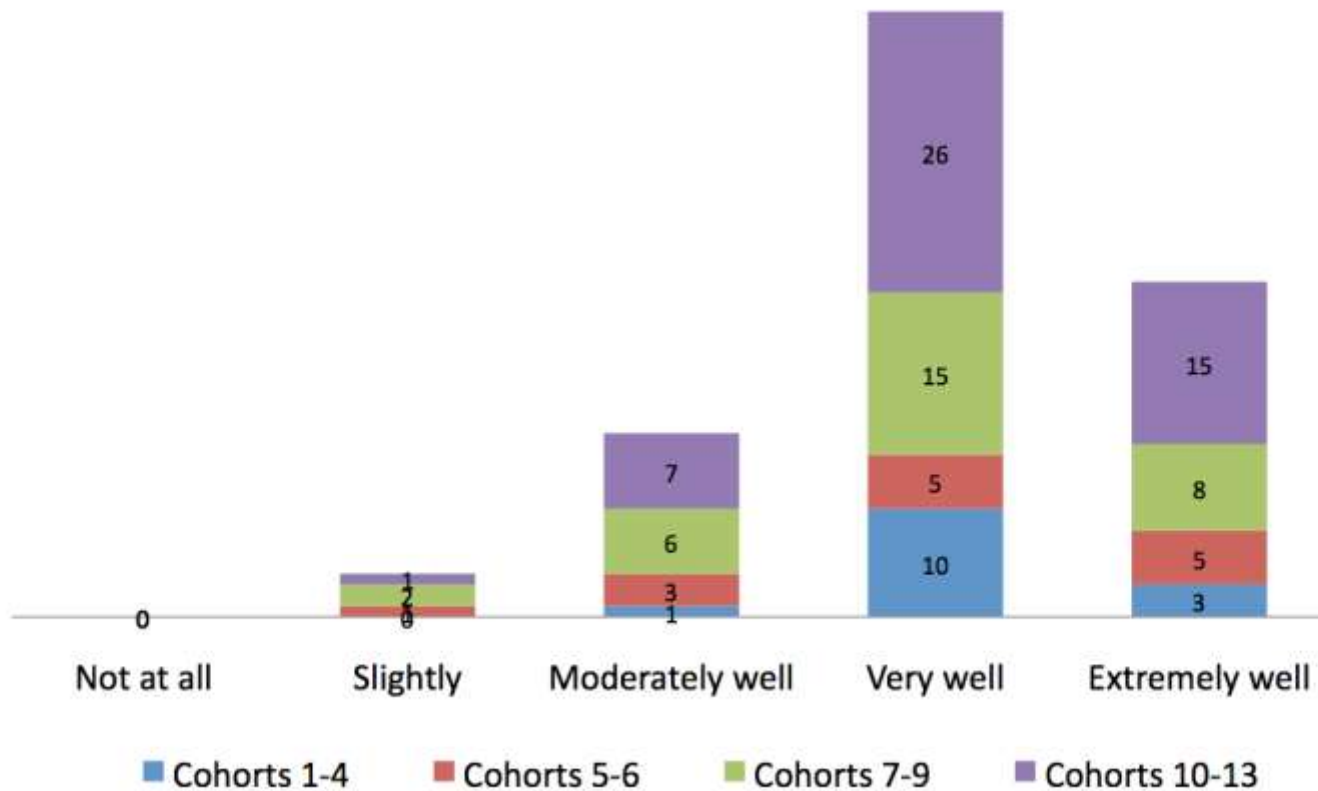
### 6iii. Most and least influential LEAD elements



Note: Self-assessment by respondents in terms of developing their leadership abilities.

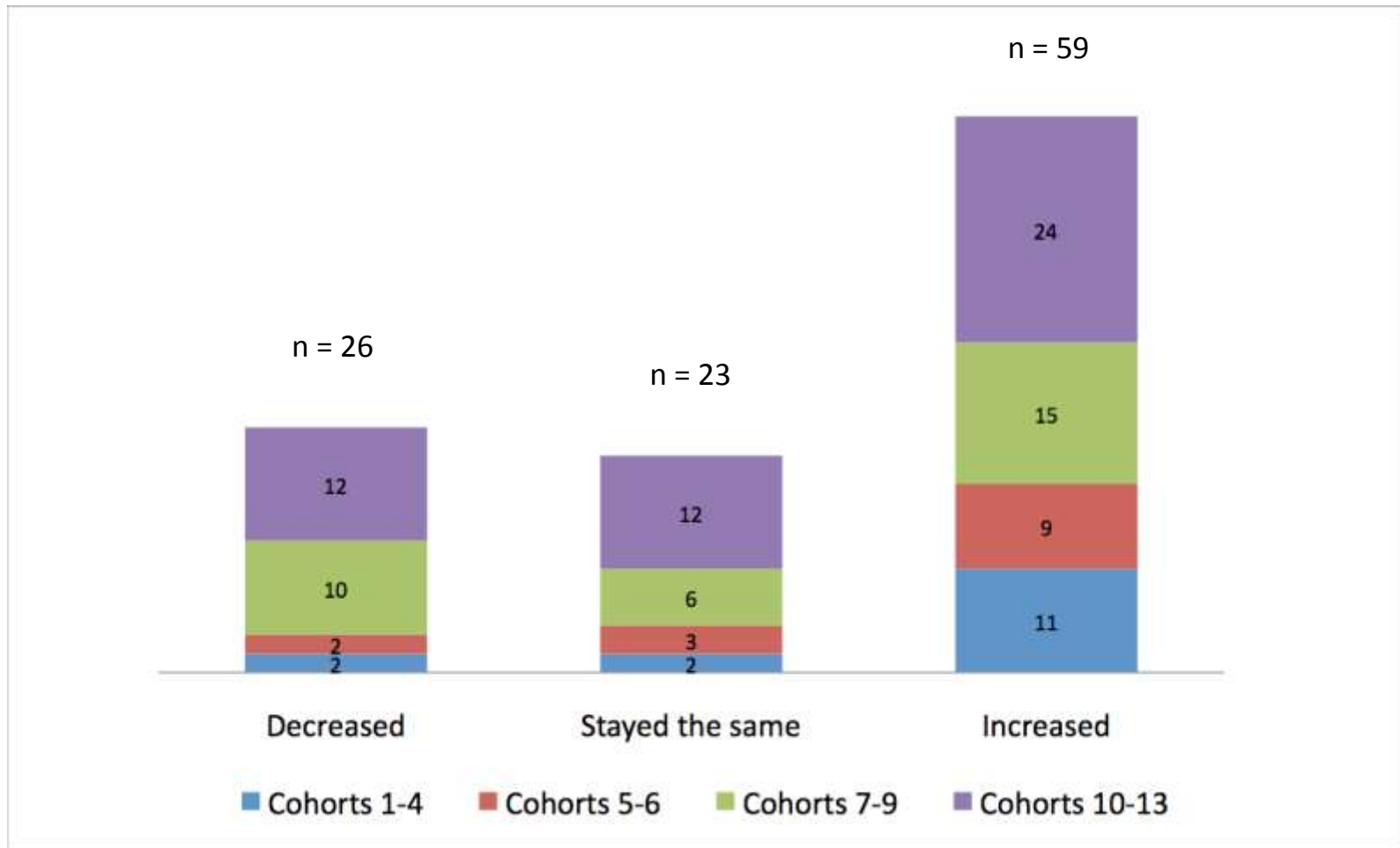
## 6iv. Participants' evaluation of scheme

Question: Overall, how well did LEAD meet your expectations? (n = 108)



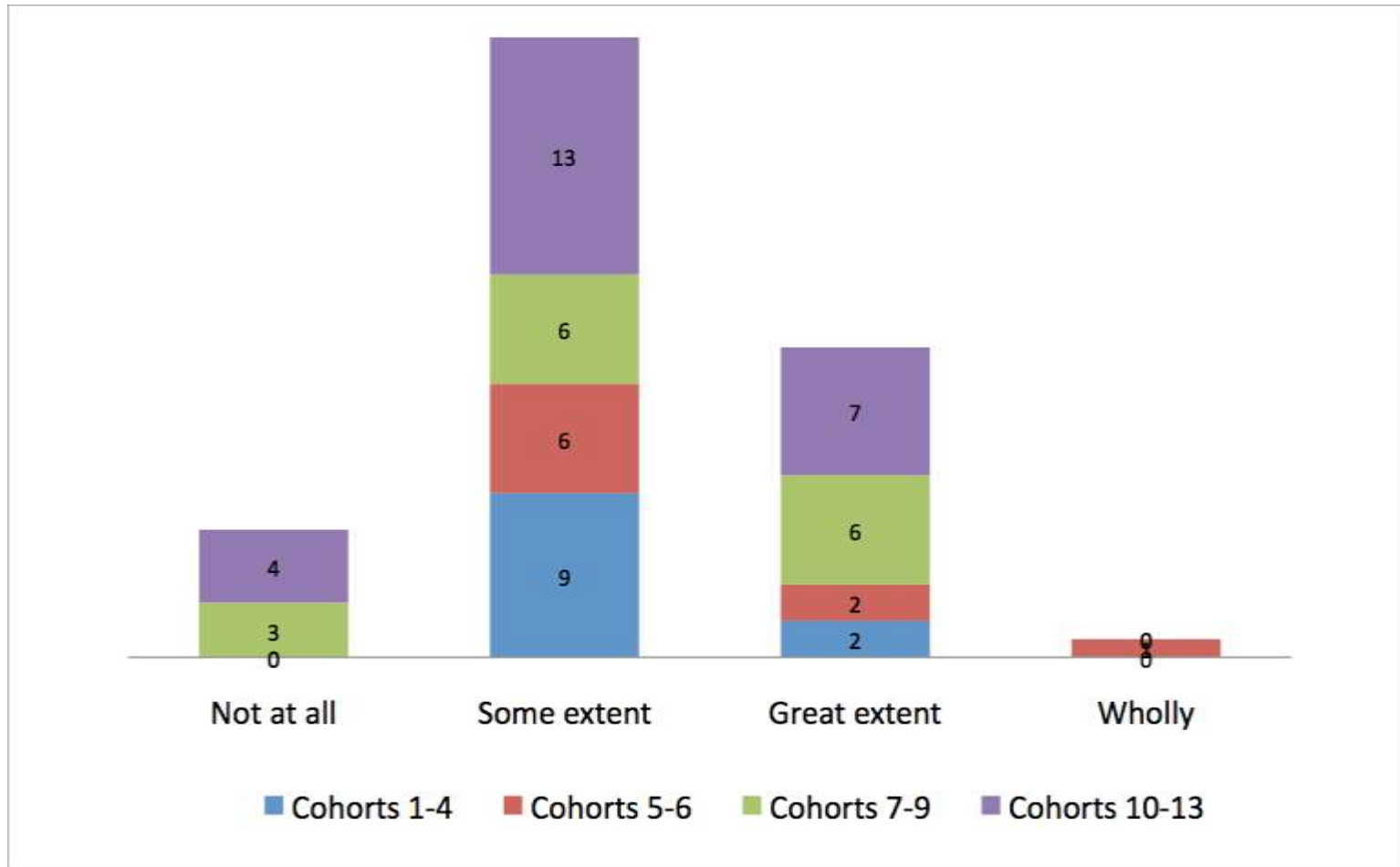
# 7i. Change in sales turnover

Question: Since you commenced participation in LEAD what would you say has happened to your sales turnover (after allowing for the effect of inflation)? (n = 108).



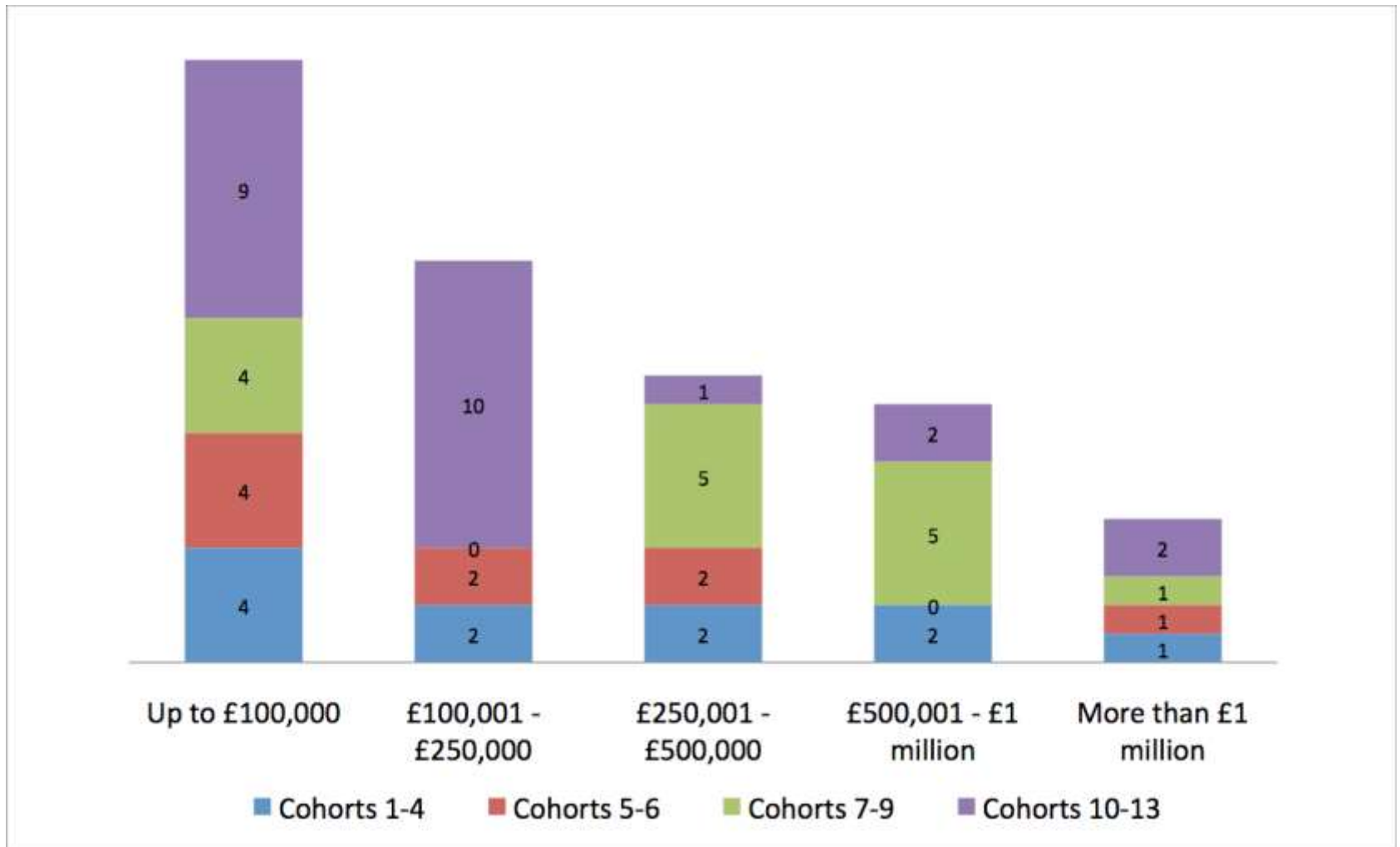
## 7ii. 'Additionality' of LEAD on sales turnover

Question: To what extent do you think sales increase depended on LEAD participation? (n = 59).



## 7iii. Magnitude of sales increase

Question: What would you say this increase in sales has been, as an average per year? (n = 59).





## 8. Summary of business outcomes

All cohorts	Sales turnover	Employment	Productivity
<u>Since participation in LEAD:<sup>1</sup></u>			
Decreased	26	31	9
Stayed the same	21	25	15
Increased	59	53	72
Too difficult to know / non-response	4	1	14
<u>Of those experiencing increase:<sup>2</sup></u>			
Mean	£360,000	13.4	£8,800
Standard deviation	£425,000	24.0	£5,700
<u>Additionality:<sup>3</sup></u>			
Not at all	11.9%	17.0%	11.1%
To some extent	57.6%	54.7%	56.9%
To a great extent	28.8%	26.4%	30.6%
Wholly	1.7%	1.9%	1.4%
<u>Mean increase by cohort:</u>			
Cohorts 1-4	£396,000	23.3	£9,200
Cohorts 5-6	£297,000	23.6	£9,900
Cohorts 7-9	£486,000	10.5	£7,700
Cohorts 10-13	£288,000	8.6	£8,900

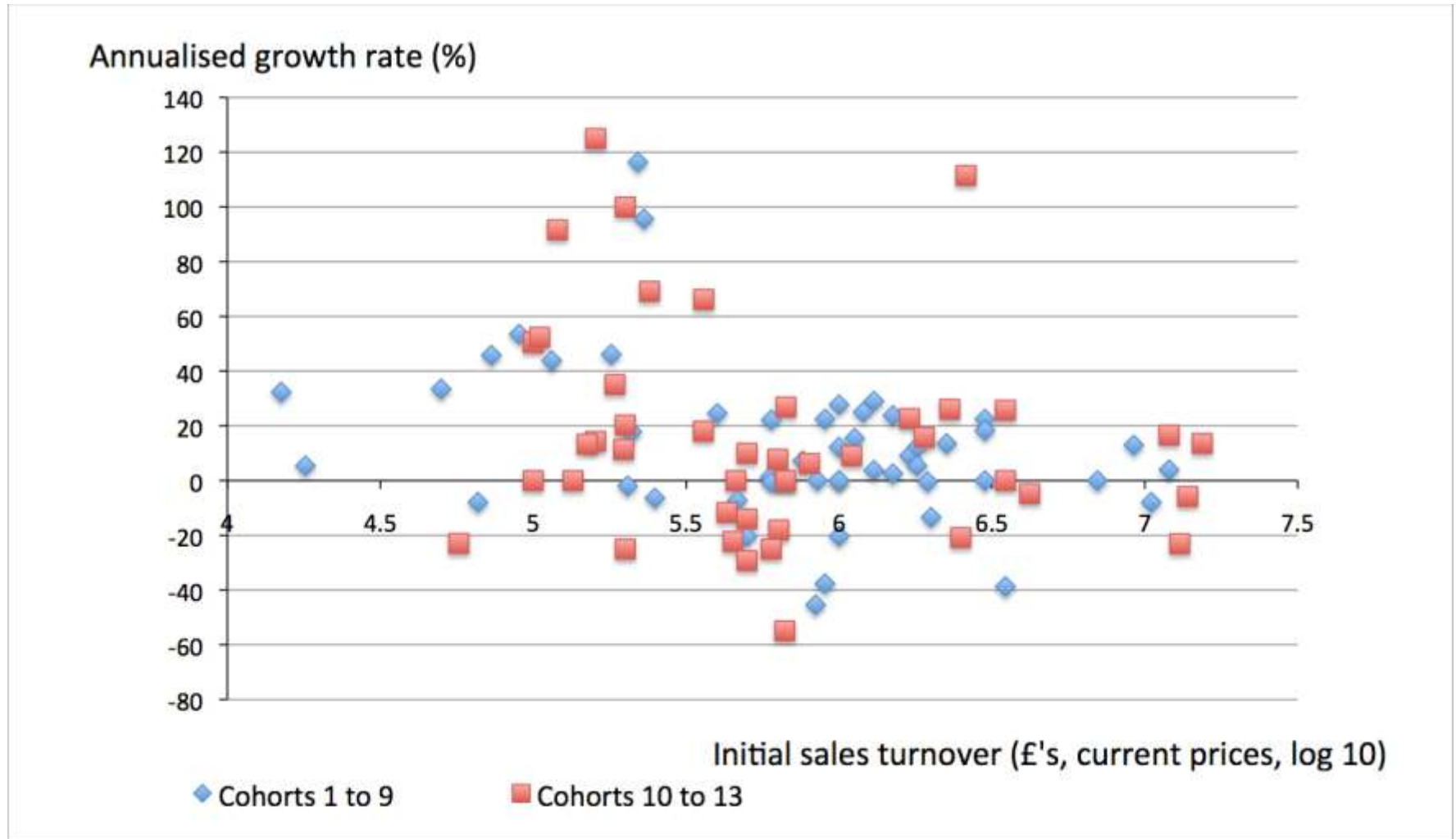
## 9i. Check on sales results

- Actual sales data collected for the year prior to joining LEAD and for latest financial year.
  - Correlation between change in this and that reported by respondents is 0.66.
  - For those experiencing a sales increase, the actual sales change is £650,000.

	Cohorts				All
	1 to 4	5 to 6	7 to 9	10 to 13	
<u>Mean annual growth rate:</u>					
Nominal	11.0%	18.2%	11.3%	48.7%	30.3%
Real	8.3%	15.4%	8.8%	44.4%	26.8%
<u>Overall annual growth rate:</u>					
Nominal	9.7%	8.8%	4.5%	9.7%	8.1%
Real	7.1%	5.8%	2.2%	6.5%	5.2%

Notes: The first part of table calculates the annualized growth rate for each participant and gives the mean of these. The second part calculates the annualized growth rate of the total sales for participants in each group. Growth rate in final column is an average of those in the other columns based on the number of observations. Real turnover figures use a GDP deflator. Calculations based on 97 of 110 observations, due to missing data.

## 9ii. Growth rate against initial sales (all firms)



Note: Four outlier cases where growth rate > 350% not shown.

# 10. Conclusions

- Overall, LEAD programme is well-appreciated by participants:
  - It draws strongly on their time, but virtually all participants complete.
  - About 80% say it met their expectations 'very well' or 'extremely well'.
  - Strong benefits in management and other intermediate outputs.
- Participants are not a random draw, and over half entered the programme with a definite business concern in mind.
- Nevertheless, there are strong increases in sales and other outcomes, which to some / great extent depend on LEAD:
  - Annualised effects from different cohorts are broadly constant over time.
  - Real terms annual growth in sales of 6-7%.