

Summary findings for strategic decision-makers in business support organisations



Why is it so difficult to engage and provide advice to small firms in the construction industry? This study for CITB-ConstructionSkills, based on a survey of 4410 small-medium firms and follow-up interviews with 22 of them, unpacked and explained two intractable barriers to engagement and a resultant dilemma.

First, it is very difficult to make contact at a distance with the owner/managers of small firms regardless of which mechanism – phone, letter, e-mail or website – is used to address them. Second, even when contact is made with managers of small firms, they often don't listen to the messages business support organisations are trying to deliver.

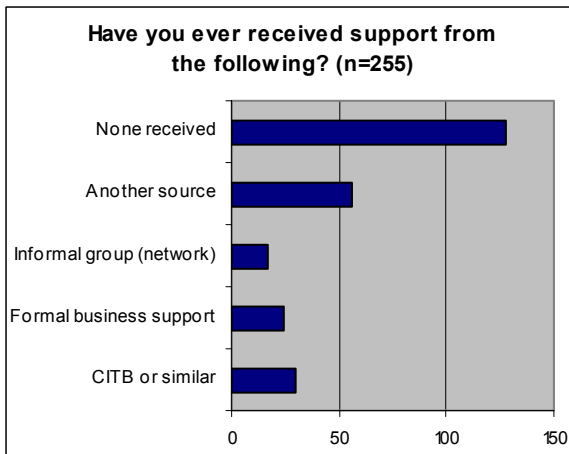
The dilemma is that a strategic choice must be made about which small-medium firms to pitch at – those that are most numerous, or those most likely to come forward for support.

- The difficulty in making contact with owner-managers arises from the nature of small construction firms and how they operate. Most owner-managers spend most of the working day away from their office. They are too busy with core business activities to be distracted with non-core tasks, and often cut off from unusual enquiries by secretaries or other gatekeepers.
- Many small firms are pre-disposed to ignore what outside advisers have on offer – they consider themselves self-sufficient, and rely on their own judgement to solve problems. This study shed light on both why it is difficult to contact small firms and why they are pre-disposed to disregard outside advice.
- This study distinguishes between two quite different pools of small-medium firms in which business support agencies can choose to fish. Construction SMEs are categorised to help find out which are most likely to seek support when they are making changes to their businesses.
- The small-medium firms most likely to seek advice have 2-19 employees and are five or more years old. Typically, they are either builder/contractor limited companies or consultants established as limited companies or partnerships.
- The firms least likely to seek advice have fewer than 2 employees, they are either builder/contractors or consultants, and they have a variety of different ownership structures. Such firms are the hardest to engage, and therefore do not seem to represent the most effective investment of support organisations' time and effort.
- Government agencies consider networks as an important approach to engaging SMEs, but this study suggests that most smaller firms have neither used nor want to participate in networks.
- Respondents did not report a single preferred approach to managing change. But top-down approaches were twice as common as participatory ones.

Self-sufficiency

There is a commonly held belief among small-medium construction firms that they can solve problems on their own. This belief is made up of many strands – attitudes, previous experience and personal predispositions. A significant proportion of firms telephoned about the study declined to participate because they didn't think they needed outside help. It is likely that a similar fraction of those who received a survey questionnaire by post decided not to complete and return it for the same reason.

Even among those who did return the questionnaire (which itself was an indication of openness to outside communication), a fifth said no outside support was required. Most of the firms who returned the questionnaire were survivors: they had survived the early years, when small firms are most vulnerable, and they had survived without outside help. Logically enough, many of them think that they can continue to operate successfully without support from the CITB-CS or other business support organisations. Only half of them had ever resorted to external support of any sort.



Networks

Government agencies working with SMEs attach a great deal of importance to networks as a mechanism for engaging such firms. However, only a small proportion (7%) of respondents had received support from an informal network (see left). These firms tended to have small management teams, with half of them employing no managers, or only one manager.

Moreover, respondents made remarkably few references to networks as a form of future support. When asked what help would have been most useful when managing change in the past, just 8% said that 'advice from similar firms that had already changed in the same way' would have been most useful.

How to spot open firms

The decision to come forward for support was strongly correlated to the number of managers. Firms with more managers were much more likely to seek support outside the company.

However, the best predictor of whether a small-medium firm in the construction industry is open to outside advice was whether they had used it before. Matched pairing used to select firms for interview indicated that firms with precisely the same structural characteristics (age, size, sub-sector) go one way or the other (see page 3).

Those who have used outside advice are typically predisposed to do so again because they recognise its value. Those who have not used it before are typically predisposed not to because they do not value it. This has clear implications for developing a strategy for how to engage effectively with small-medium firms, at least at the initial stage.

Most firms saw themselves as facing wide ranging problems, and they appreciated the need to change, but typically saw their own capacity to manage change as effective. None at all said it was ineffective.

How do they manage change?

Firms did not report a single preferred approach to managing change, but top-down approaches were twice as common as participatory ones. Comparing firm size to the approach adopted to a past change initiative suggested that there are no rigid break-points in firm size that dictate what management approaches are used. Some firms in all size bands said they had used all the approaches to change offered in the survey, although there appeared to

be a gradual tendency among them to iterate between stages:

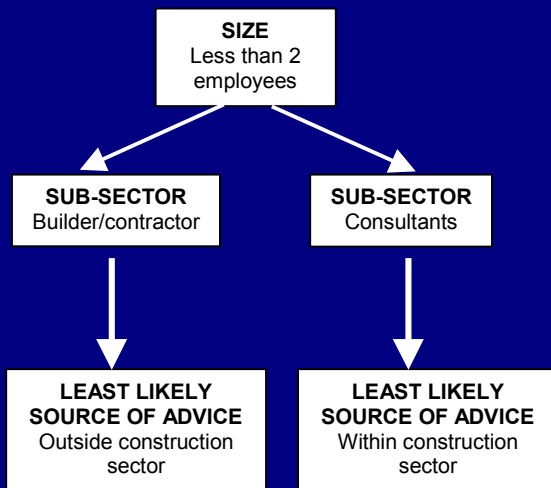
- ❑ management based mainly on 'feeling their way' when they are sole traders
- ❑ through to mainly 'driving through change' when there is just one employee
- ❑ reverting to 'feeling their way' combined with other management approaches, which is the dominant style among firms with 2-49 employees.

The dilemma of two pools

Engaging with small-medium firms in the construction industry is fraught with difficulties. Relatively few firms seek outside advice. When they do, it is often from those closest at hand, from colleagues, friends and family. The type of advice they typically value most is general advice about how to manage the finances of a business successfully – for instance, managing cash flow, chasing invoices, dealing with VAT. Such advice is sourced locally and non-construction specific. In order to engage with these more open firms, it is often necessary to operate locally and through general business advice mechanisms, rather than construction-specific ones.

Any strategy that CITB-CS develops to engage with small-medium firms in the construction industry needs to confront these difficulties head on. This could be done by maturing a partnership-based approach, working with and through local sources of general business advice. This survey suggests accountants are seen by small-medium firms as the most valuable local source of advice. Other local service providers and agencies could also be brought into the partnership.

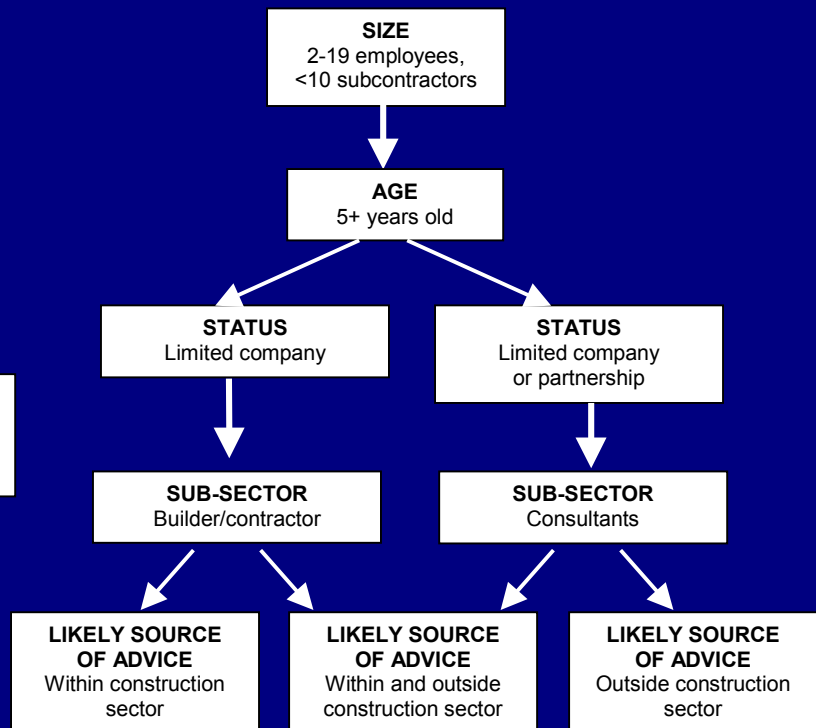
Pool 1: Least likely to seek advice



Pool 1 indicates the types of small-medium construction firms that are currently **least** receptive to the types of bait (the guidance and advice presently offered) by organisations offering support. Under current circumstances, these are the most difficult firms to engage. As a consequence, this is the pool in which fishing is likely to deliver least engagement for effort expended. Such firms made up 31% of respondents to the survey.

Pool 2 illustrates the small-medium construction firms currently **most** likely to seek advice and guidance when making changes. It indicates the types of construction firms that are, at present, most

Pool 2: Most likely to seek advice



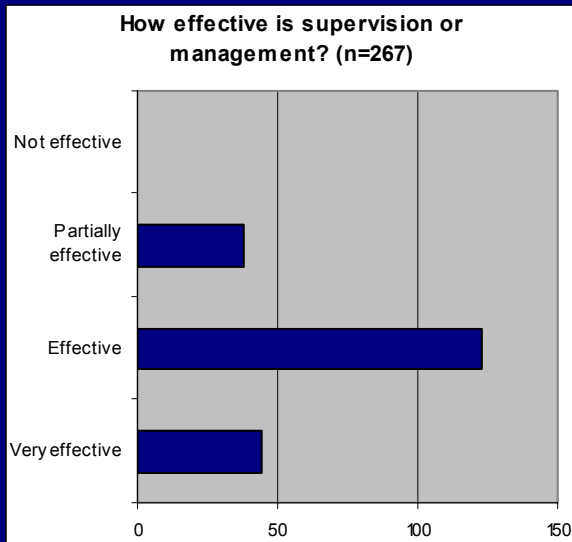
receptive to the types of bait by organisations offering support, like the CITB-CS. Under current circumstances, these are the easiest firms to engage.

However, this is not a large pool. Just 11% of survey respondents identified themselves in this pool. It does not therefore represent all the firms the CITB-CS is seeking to engage.

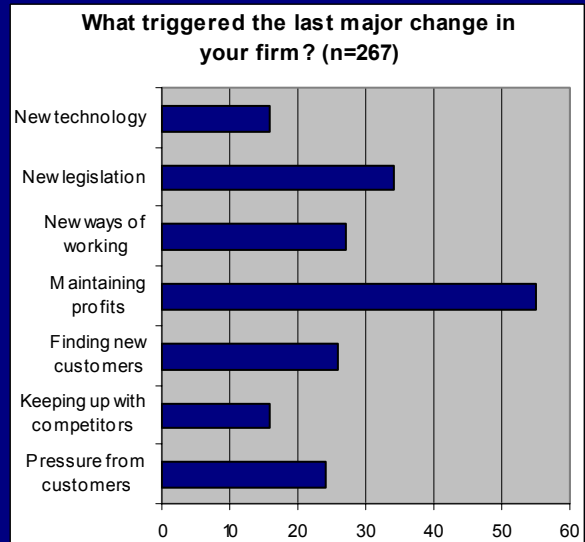
Specialist (sub-) contractors make up nearly half of small-medium construction firms but are absent from this pool. So too are the 78,000 sole traders. Both of these types of firm are less likely to seek advice.

Views on change management

Most firms saw themselves as facing wide ranging problems, and they appreciated the need to change, but typically saw their own capacity to manage change as effective. None at all said it was ineffective. This helps to explain why only half of the firms had sought help from outside to improve business management.



The most commonly cited trigger for a change initiative was maintaining or raising profits. Other important triggers were new legislation, pressure from customers, finding new customers and new ways of working. Keeping up with competitors and new technology appeared to be less important as prompts for change.



Recommendations

CITB-CS should start a strategic dialogue with:

- other national and regional business support organisations, and
- local sources of general business advice.

Such dialogue should be used as a means of making contact with and catching the attention of small-medium construction firms. Initially, CITB-CS could use these local providers to identify construction firms that have already received advice from them.

These firms might be responsive to an approach from CITB-CS, initially via the local providers. CITB-CS and other business support organisations

need to use their business development priorities to identify which of the two pools of small-medium construction firms identified on page 3 to target first for business engagement activities.

Using the database constructed for this study to identify candidate firms, and working with other business support organisations, CITB-CS should undertake detailed case studies of outward-facing, strategically orientated firms. This would allow CITB-CS to identify what makes such firms different from their (less communicative) counterparts in the sector. The case studies should include a range of firms, categorised by age, management style, size and sub-sector.

About the study

A representative sample of 4410 firms were canvassed in a postal survey, using a specially commissioned sample from Experian's database of 127,000 construction firms.

1257 of the firms were phoned in advance, the questionnaire was posted on four construction websites, and 116 firms were sent the survey by e-mail.

Overall, the corrected response rate was 9.2%. Respondents were a reasonable match for the

composition of all UK small-medium construction firms in terms of size and sub-sector.

Further information

is available from Ian Cooper, Eclipse Research Consultants (icooper@dircon.co.uk) or Jason Palmer, CAR (jason@carltd.com). A more detailed report is available on the CITB-ConstructionSkills website: www.citb.co.uk