

Evaluating the receptivity for change of finance departments in awarded West Midlands SMEs and their role in Strategic Change and delivering Growth

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INTRODUCTION - WHY THIS TOPIC?

- ▶ RESEARCH PROJECT AIM:
 - ▶ Good practice in award winning SMEs
 - ▶ Focus on receptivity for change and finance department
 - ▶ Tested two research hypotheses: there is a positive relationship between receptive to change finance departments and 1) high growth and 2) implementing successfully strategic changes in SMEs

LITERATURE REVIEW – WHAT RESEARCHERS SAY?

RECEPTIVITY FOR CHANGE

- ▶ “*Under-developed notion of change*” Pettigrew (1988), Pettigrew, Woodman & Cameron (2001), Butler (2003), Butler and Allen (2008)

GROWTH AND SUCCESS FACTORS IN SMES

- ▶ The capability to carry through the changes (Whipp & Pettigrew, 1992)
- ▶ Employees’ attitudes towards change (Bordia et al, 2011)
- ▶ Be ready for continuous change, finance support can't be static (PwC, 2012)
- ▶ Higher levels of financial management capabilities (Barbero et al, 2011)
- ▶ Financial planning (Covin & Slevin, 1989)
- ▶ Supply of management advisory services (Menkhoff & Kay, 2000)

BARRIERS AND FAILURE FACTORS IN SMES

- ▶ Lack of determination to bring about change (Larsen & Lewis, 2007)
- ▶ Change fatigue and change resistance (Frahm & Brown, 2007)
- ▶ Poor financial management capital/liquidity (Birley & Niktari 1995)

METHODOLOGY – WHAT I DID AND WHY?

- ▶ SELECTION CRITERIA
 - ▶ *SMEs*: 99% of businesses, 59% of employment and 49% turnover in the UK (2012).
 - ▶ *West Midlands region*: underperforming, in 2013 unemployment rate 9.7% (7.8% for the UK).
 - ▶ *Award winning businesses*: overcome barriers they faced and therefore act as exemplars.
 - ▶ *National or international level*: competition is more intense, harder to win.

- ▶ DATA COLLECTION
 - ▶ *Stage 1 – A survey assessing the receptivity for change of a range of finance departments*: **variation in the practice of finance departments**. A reliable and validated scale designed by The ESRC TRANSFORMATION Project, ABS.
 - ▶ *Stage 2 – Conducting further in depth semi-structured interviews in SMEs at the end of the scale in receptivity for change*: **reveal employees' deeper thoughts and personal experiences**.

RESULTS – WHAT I HAVE FOUND?

- ▶ 1. The “Receptivity for Change” survey
 - ▶ 20 SMEs approached > 8 SMEs took part > 8 heads of finance interviewed
 - ▶ Types of changes (major), uncertainty in the environment (low-medium), receptivity for change (high), organisational capabilities and resources (well utilised), competitiveness and performance (high)
- ▶ 2. Case study, high receptivity for change (95%)
 - ▶ “Just because it works doesn’t mean is good enough...honest and challenging culture...people extremely motivated and very engaged...management team is very empowered” (FC)
- ▶ 3. Case studies, low receptivity for change (58%, 67% and 69%)
 - ▶ “Like Madonna, we are always looking to re-invent ourselves. This culture comes from the top down and anyone who cannot change does not last long with us” (CFD)

DATA ANALYSIS

- ▶ Theory: Low threat from the environment => low “Receptivity for change”. **The results contradict**. Top end receptivity 95% and bottom end 42% low threat.
- ▶ All high performing and significant year-on-year growth - there is **significant variety in practices** when implementing changes.
- ▶ Common Facts across respondents:
 - ▶ Strategic planning in place and correlated to what changes take place
 - ▶ Capability to carry through changes
 - ▶ Attracting and holding “quality staff”
 - ▶ FD are key board members - high financial management skills
 - ▶ High receptivity for change in finance department
 - ▶ Major continuous changes in finance department
 - ▶ Cash, working capital and performance close monitoring

CONCLUSIONS AND RECOMMENDATIONS

Conclusions: Finance department - significant role in change/growth

- ▶ Highly receptive for change finance staff
- ▶ Major changes happen continuously
- ▶ Finance staff involved in changes outside their department
- ▶ Head of finance plays a major role
- ▶ Project limitations – SMEs/interviews sample
- ▶ Hypotheses are true!

Recommendations for SMEs:

- ▶ Nurture change culture in finance department
- ▶ Involve FD/FC in strategic changes & all aspects of business

WHAT NEXT?

1. Develop further the research/collect more data
2. Dissemination/Share good practice from current project:
 - ▶ Executive summary/article
 - ▶ E-letters, e-magazines & The TRANSFORMATION Project website
 - ▶ Workshops/events:
 - ▶ The role of receptivity for change in finance departments in implementing strategic change and driving growth in SMEs
 - ▶ Inspirational tales in entrepreneurship

Thank You For Listening

Feedback and questions?

- ▶ Agree with the preliminary findings?
- ▶ To continue adding data?
- ▶ Other suggestions & questions?
- ▶ Interested in being involved?

