



Business Performance Diagnostic

A toolkit for advisers



BUSINESS PERFORMANCE DIAGNOSTIC
A toolkit for advisers



intro

navigating around the toolkit

This toolkit has been developed around seven main sections, each of which has been colour coded to help you find your way around and orientate yourself through the document as a whole. As you work through the toolkit you will notice that each section has a common structure, and therefore whilst the content of each may be different, you should be able to access information quickly and simply.

Each section opens with some background information which provides a good overview of the key issues within the section and then what follows will be a series of steps which include:

- **Process overview**
- **Key issues**
- **Relevant tools**
- **Hints and tips on using the materials**

S1 the background to the Business Performance Diagnostic an overview of Business Link strategy and the context for the diagnostic

S2 introducing the overall methodology

S3 developing strategy

S4 creating strategic plans

S5 brokering support

S6 implementation

S7 strategic review

Contents

Intro	4
Contents	5
§1 The Background to the Business Performance Diagnostic	
An overview of Business Link strategy and the context for the diagnostic	6
Welcome	7
1.1 The Big Picture – The context for Business Link and the diagnostic	8
1.2 Business Link – the foundations of the new model	11
1.3 Introducing the Business Performance Diagnostic	13
§2 The overall methodology	18
2.1 Introducing the overall methodology – The founding principles & how the components fit together	19
2.2 Introducing the methodology	21
2.3 Introduction to the Benchmark phase	23
2.4 Looking at the modules – The overview	25
2.5 An overview of the Benchmark phase	27
2.6 Measurement	29
2.7 Measurement issues	34
2.8 Comparison	38
2.9 Possible comparison issues	40
2.10 Analysis & review	44
2.11 Analysis & review issues	48
2.12 Exploring cause & effect	52
2.13 Working with cause & effect	56
§3 Developing strategy	62
3.1 Developing strategy – Looking closer at the overall methodology	63
3.2 Vision & goals validation – overview	66
3.3 The goals process – overview	68
3.4 Validating the vision & goals – process tools	70
3.5 Validating goals – overview	73
3.6 Developing the strategic framework	76
3.7 Moving towards great ideas	78
3.8 The creative challenge	80
3.9 Alternatives	81
3.10 Random input	82
3.11 Provocation	83
3.12 Force-field analysis	84
3.13 Contingency diagramming	86
§4 Creating strategic plans	88
4.1 Introduction – what is a strategic plan?	89
4.2 Some basic principles	91
4.3 Breaking down the planning myths	94
§5 Brokering support	96
5.1 The support specification	97
5.2 Introduction to the support specification	98
5.3 Brokering support	101
§6 Implementation	106
6.1 Implementation	107
§7 Strategic review	110
7.1 Introduction	111
7.2 Things to consider when undertaking the strategic review	113

S1

The background to the Business Performance Diagnostic

an overview of Business Link strategy and the context for the diagnostic

There is no secret formula for business success, no magic potion to cure all business ills and transform the face of enterprise...if only it were that simple. What does exist, however, is a recognition that businesses, particularly small businesses, need help, a guiding hand to objectively review their performance enabling them to make better decisions about the future, support to crystallise their vision and develop strategies to make it happen, and help to wade through the mountain of providers each claiming to have the 'answer' to identify the right solutions for their needs.





Welcome

Hello and welcome to the Business Performance Diagnostic toolkit, a toolkit written 'by' advisers 'for' advisers, which is designed to guide and help you through the delivery of the Business Performance Diagnostic process.

The toolkit is designed to reflect the way you work and should provide not only a framework for the delivery of the Business Performance Diagnostic, but also support, guidance and a point of reference to help both you and your clients to get the most out of it. As a result of some of the tools featured in this document having a wider range of applications outside the diagnostic, we hope that it adds value to a broader range of your day-to-day activities.

Working through this document you will find that it is broadly chronological, being built around seven main sections, which reflect the overall process of delivering the diagnostic. It is fair to say, however, that whilst this is a useful mechanism to help with orientation and to underpin your understanding of the overall process, we do not anticipate that advisers will simply work through the toolkit from front to back; the reality of life is that usage will be much more dynamic than that.

We hope that you will dip in and out as your needs dictate and that you will come to rely upon the document as an aide mémoire, a source of reference and guidance information, a prompt, a checklist and, of course, a toolbox.

Nothing exists in isolation and so this toolkit additionally focuses on the context within which the Business Performance Diagnostic sits, and in doing so it is hoped that you will have a reasonable understanding of how this diagnostic fits within the new Business Link Information, Diagnosis and Brokerage (IDB) model, and how it plays its part in helping to deliver the Government's vision for small business in the UK.

In closing, whilst we recognise that this document may not be your idea of great bedtime reading, we do hope that you find it thought provoking, informative and enjoyable to read and to work with, and above all else a useful tool to help you deliver the Business Performance Diagnostic.

1.1

The Big Picture

The context for Business Link and the Business Performance Diagnostic

Over the next few pages we aim to paint a picture of the background to the development of the Business Performance Diagnostic, drawing specific attention to how it fits within the new Business Link model and the contribution it makes to the Government's support for business in the UK.

We start with a brief look back on the development of Business Link in order to explore some of the drivers for change and rationale for the Business Performance Diagnostic.

1.1.1 Looking back – the drivers for change

From the initial launch in 1992 and the subsequent start of trading in 1993, Business Link has continued to provide a 'one-stop shop' service to business (in particular SMEs). Throughout this time Business Link has evolved and developed as it seeks to improve, enhance the overall level and quality of support, and increase the level of market penetration.

A recent review of Business Link performance has indicated that, over the last two years in particular, Business Link has improved its performance significantly with independent research indicating that:

- Brand awareness (prompted) now stands at 68%
- Usage has doubled over the last two year period to 34% resulting in Business Link now having a customer base of 605,000 (market penetration is now comparable to the largest UK clearing banks)
- Satisfaction has increased steadily over the last four years from 75% to 89%

Despite these significant improvements, however, there is evidence that in order to move forwards and to build on these successes, there are still a couple of areas which need to be improved. Specifically these areas are:

- The need to improve the clarity of offer – notwithstanding the overall level of awareness having increased, there is evidence that many businesses aware of Business Link don't really understand what it does. The general perception being that Business Link service covers everything from advice and brokerage through to the provision of services that compete directly with commercial providers
- The need to improve the consistency of offer – having been allowed to develop within a fairly loose set of guidelines of what is or isn't included within the Business Link offer, there now appears to be a wide range of interpretations and variants of the core offer.

1.1.2 Government policy and strategy - 'the backdrop for Business Link'

The Government's policy for small business is well documented, being based on a vision in which the UK is to become the best place in the world to start and grow a business. In order to achieve this vision the challenges that lie ahead are for Government to ensure that suitable economic conditions, a favourable regulatory framework and easy access to appropriate support from the public and private sector are present.

Against a backdrop of this policy, it is clear that the delivery of more effective business support is dependent upon the successful implementation of two main policy strands:

- The effective Business Link brand and service.
- The development of a portfolio of simple, coherent business support products and services.

With this in mind, the Government's strategy and action plan for small business (produced in 2003 and more recently underlined in the 2004 Budget and spending review) highlighted a number of fundamental changes, one of the most important being the devolution of day to day responsibility for the management of the Business Link service to the Regional Development Agencies (RDAs) from April 2005.

1.1.3 Helping business to start and grow – considerations for Business Link

Whilst there is obviously no single model for business success, it is clear that the foundations are an organisation's ability to develop and offer profitable and compelling customer focused products and services. In order for this to happen, however, it is necessary for any business seeking success to have the capabilities (skills, experience, finance and knowledge) to do so. Unfortunately, more often than not, these capabilities need to be developed and thus business support exists to facilitate this.

It is generally accepted that the private sector is flooded with organisations providing training, advice, networking, funding and information to help businesses build the necessary capabilities referred to above. These organisations, which can range from accountants and banks to management consultants, are often trusted advisers who not only provide valuable support in their own right, but also refer businesses to other business support providers when they are unable to help. Notwithstanding the fact that there is a substantial supply base, the dynamics of it are such that there are several intrinsic faults, which can often compromise the overall provision of business support. Two of the most visible flaws in the private sector model are:

- Objectivity and the 'here's one we prepared earlier' syndrome.
In order to compete in the dynamic marketplace, private sector suppliers tend to specialise and focus their offerings in those areas of business performance and support where there are profits to be made. Unfortunately, this can mean for those businesses who are unclear as to where they should be focusing their efforts and improvement resources, (and consequently are also unsure as to what support they need or how to access it from a range of support providers), that the support they ultimately receive may not be optimised against their specific needs.
- Inability of businesses to identify and select the most appropriate provider.
Given the breadth of the supply base, it can sometimes be hard for a business to identify the 'right' support providers in the market. Apart from word of mouth or direct experience, there are few mechanisms by which businesses can make any form of judgement of the relative merits of any provider.

1.1.4 Looking forward – shifting the focus

By focusing on these intrinsic problems with the private sector provider market and working with, rather than competing against, commercial providers of business support, Business Link can help businesses (and those considering starting out) overcome these deficiencies and thus optimise the support they receive and in turn be in a far stronger position to:

- Understand the need to develop their capabilities
- Be engaged in the process of change
- Highlight the areas in which the business needs to focus and where capabilities need to be developed
- Identify their priority areas
- Scope their requirements for business support
- Identify a range of suitable providers
- Provide a framework for selecting the most appropriate support provider

Whilst there has been much debate as to the merits of the brokerage model for Business Link, it is clear that by adopting this approach there are a number of significant benefits to UK businesses and thus in turn the economy. Some of the benefits include:

• **Increasing the number of businesses engaged in best practice and innovation**

Those businesses engaged in change have double the growth rates of those that are not, therefore achieving a four percentage point increase in the number of businesses engaged in best practice and innovation could lead to a 2% increase in turnover for the segment overall*.

• **Increasing the propensity to use professional business support**

Research indicates that organisations using professional business support achieve double the growth than similar businesses that don't use professional business support. An uplift of ten percentage points in the number of businesses using professional business support could result in a 3% increase in the overall turnover of the segment*.

• **Help in locating appropriate solution**

Nearly a third (30%) of businesses say that it is very or extremely difficult to find the support that they need and to access and use it. Central, regional and local government do not have common and easy routes to the support they provide. If this confusion were removed and better access provided the benefits could be considerable. 10% of all businesses claim that if they had better access to advice and support they may have been able to increase their annual sales by in excess of 20%. 17% claim sales could increase by between 5% and 20%*.

• **Providing a single, cohesive point of access for business support**

Whilst individual product solutions can be effective, the dynamics of business mean that often packages of support are required which may combine information, advice and products/services from a number of different providers. A single vehicle that can bring together and offer solutions, over and above individual products, increases the likelihood of success for the business.

* **Business Link Market Mapping**

1.2

Business Link

The foundations of the new model

1.2.1 Introduction

The new Business Link is built on the belief that all businesses, whether new or established, need to improve and grow continually if they are to compete effectively and meet their future goals. As such, easy access to relevant and affordable business information, advice and assistance is the catalyst to their future success.

1.2.2 Business Link's Vision

Business Link's vision (its reason for existence) is to forge a progressive management culture within all commercial organisations – one founded on an ingrained belief in the benefits to be gained from sound business advice and support.

1.2.3 Business Link's Mission

The mission for Business Link (how Business Link will bring about this change) is to reduce the barriers that inhibit businesses' ambitions and the ability to operate effectively and achieve their goals by:

- Fostering a belief in and understanding of the benefits of business advice, assistance and support
- Engaging with and supporting business managers during pre-start and in the first years of operation
- Offering business managers an initial point of access for business development through which every type of business support service can be simply and easily accessed and explained
- Analysing business needs to tailor development solutions for those businesses who have the potential and the ambition to progress
- Offering business support providers an additional way to present their products and services to potential customers
- Ensuring all activities achieve the most effective economic impact.

Successful businesses don't waste time – they concentrate only on the issues that contribute to the achievement of their goals

1.2.4 The Business Link Proposition

Business Link's new proposition to customers will be:

"Business Link is an easy to use business support, advice and information service funded by Government and managed by the DTI. We are dedicated to helping businesses develop and progress by ensuring they can quickly and easily locate and benefit from the broadest range of private, public and voluntary business support services. Business Link is a national network with local presence, managed by business people for business people. This means we have the expertise to understand the diverse needs of businesses and we are well placed to offer insightful, affordable and relevant advice".

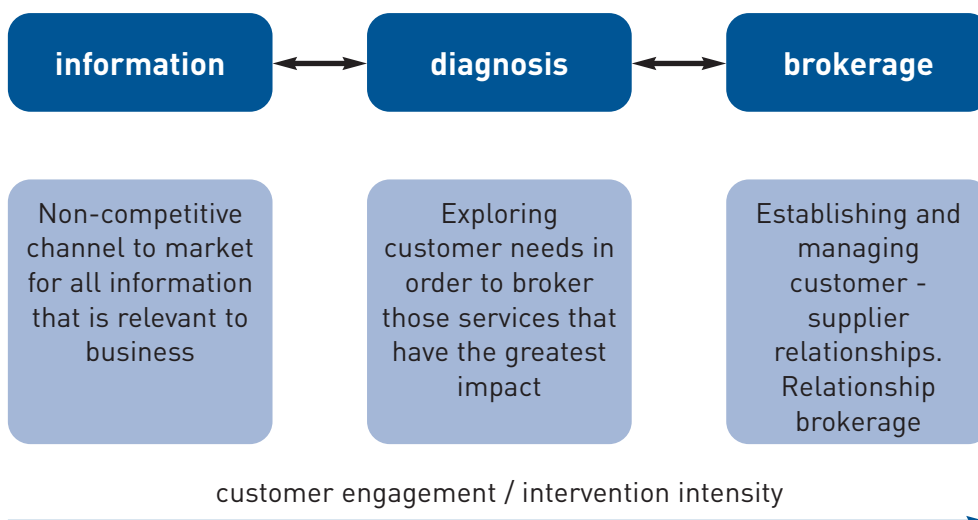
What this statement means in practice is that in the future Business Link will solely and exclusively focus on providing access to support provided by third party suppliers, thereby offering customers a service portfolio which consists of three main components, these being Information, Diagnosis, and Brokerage (sometimes referred to using the acronym IDB).

As a direct result of this shift Business Link will cease to undertake direct delivery or consultancy. Instead Business Link's role will be:

- to provide businesses with access to information
- to help them objectively review their performance and the key priorities
- to signpost to the appropriate expert providers and monitor the resulting relationship.

The Information, Diagnosis and Brokerage model represents a significant step forward in the provision of Government's support for businesses, which builds on the core strengths of Business Link and the brand, whilst at the same time addressing some of the intrinsic flaws in the private sector provider supply mechanism.

In simple terms the IDB model provides the means by which Business Link (and in turn the public sector) can deliver on both its obligations and also its aspiration to make the UK the best place in the world to start and grow a business.



1.3

Introducing the Business Performance Diagnostic

Hopefully by now you will have gained a reasonable understanding of the background to the Business Performance Diagnostic and the role it plays in the new Information, Diagnosis and Brokerage (IDB) model operated by Business Link. What is probably less clear, however, is the detail of the diagnostic itself.

Until now, the diagnostic methodology has been known as the DTI's Support to implement best business practice (SIBBP) programme, which since its launch in 2004 has been widely regarded as a significant step forward in the provision of business support, and which has been used extensively by Business Link to deliver many of their deeper client interventions.

Whilst the overall methodology and the processes involved in the delivery of the diagnostic remain, the transformation of SIBBP into the Business Performance Diagnostic coincided with the de-coupling of the process from the grant. As a direct consequence of this separation, and reflecting the need to provide each Region with a diagnostic process which is able to be integrated into their own strategic framework, the brokerage component of the diagnostic has been opened up to the extent that it can now be used as the basis for the brokerage of any external business support option.

1.3.1 What the Business Performance Diagnostic exists to do

The Business Performance Diagnostic methodology can best be described as an end-to-end process for the provision of strategically aligned business support, which provides the support and encouragement that businesses so badly need in order for them to improve. The diagnostic seeks to:

- help remove the barriers to the implementation of best practice – paying specific attention to enabling organisations in their implementation of best practice in those areas of business performance which will have the greatest impact on productivity
- stimulate and sustain market demand for the adoption and implementation of best practice by helping organisations to measure the benefits and performance improvements which arise
- help organisations focus their implementation efforts on those areas of activity which will have the maximum benefit.

1.3.2 How the Business Performance Diagnostic fits within the IDB model

It doesn't take too much thought to work out that within the scope of a new Business Link model, that contains the word 'diagnosis' in its name, the Business Performance Diagnostic is itself a core component of the Business Link offer. It is worth exploring in a little detail, however, the broader role that the diagnostic methodology has within the scope of the IDB model.

1.3.3 A diagnostic or a methodology

Perhaps one of the most important points to highlight is that in the context of the process which you and your colleagues are currently being trained to deliver, the term 'benchmark' refers to the tool and the processes used to generate benchmark reports, whereas the term 'diagnostic' refers to the methodology as a whole i.e the process. A detailed explanation of each of the facets of the methodology is outlined later in this document, however, it is useful to consider that the main components of the methodology include:

1. An in depth diagnosis and benchmark: this element of the methodology directly addresses the need to help businesses objectively and realistically review their performance, identify their real strengths and weaknesses and the priorities for improvement, without any preconceived notion of what support may be required.

This element encourages the development of measurement cultures that are an essential component of ongoing business success and helps embed the disciplines and processes necessary to facilitate sustainable measurement of performance by the business.

2. A review of the business's vision and the development of a strategic improvement plan: the strategic improvement plan is one of the most important outputs of the diagnostic process and provides the business with a structured framework and plan for the future.

Combining the results from the benchmark with the client's own vision, mission and goals, the plan helps the client to brainstorm the most effective strategies for achieving their goals and helps them to record them in a succinct, connected and powerful way.

The underpinning rationale for this element of the methodology is that it encourages businesses to be forward looking and to direct their energies and resources to developing the capabilities and competencies that they will need to meet the challenges of tomorrow, rather than simply address today's problems.

3. The creation of a support specification: one of the most fundamental changes embedded within the new IDB model is the notion that Business Performance Diagnostic is separated from delivery. This separation, along with the corresponding withdrawal of Business Link from direct delivery, means that the business support needs can be objectively, accurately and speedily identified without any bias being introduced as a result of provider pressure, or supply push.

The support specification itself sets out to match and align specific support recommendations and solutions, whether they be signposting to a seminar or to a large scale consultancy project delivered by specialists to meet one or more of the business objectives.

Inherently a simple document, the support specification is however quite profound in its implications and its power, in that it underpins the notion of strategically aligned business support, whilst at the same time providing the mechanism for effective brokerage.

4. A strategic review: at the heart of both the Government's and Business Link's philosophy on business support is the simple idea that improvement and development are ongoing processes.

Real and sustainable improvement, with all the economic benefits that ensue, is a function of continually seeking to reframe goals, and raise the bar. With this in mind, the diagnostic methodology contains a component called a 'strategic review'.

In essence the strategic review is an exercise undertaken between twelve and eighteen months following the initial benchmark, whereupon the client is provided with an opportunity to review their progress and the impact of any brokered solutions which may have been procured by them, as well as repeat the Business Performance Diagnostic and reframe their goals and plans for their next planning period.

The strategic review serves to ensure that businesses are truly 'engaged' in improvement and the adoption of best practice, that they are encouraged to innovate and develop new ideas, and that they truly understand that what constitutes best practice today, may not do so tomorrow.



1.3.4 Identifying suitable clients – target market

“To SME or not to SME, that is the question...”

One of the core characteristics of the diagnostic is that it has been built with the flexibility to adapt and support each RDA's specific strategic focus, and thus it may be the case that the market priorities will change depending upon the region in which the diagnostic is delivered.

In line with the majority of the Government's business support activities, however, the primary market for the implementation support offering is the SME and (whilst we are all familiar with the term), it is important to underline that in this case SME means any business employing less than 250 people.

In practical terms however, this definition does not help with the identification of suitable targets, as there are approximately 3.85 million businesses which fall into this category (representing 99% of all UK active businesses). A more meaningful perspective is to look a little closer, which shows that of the 3.85 million, some 3.6 million are micro businesses (less than 10 employees), 175,000 are small (10 – 49) and 29,000 are medium (50 – 249).

Given that over 2.6 million of the micro businesses have no employees, being self employed owner managers or sole proprietorships for example, it is unlikely that they will have the degree of sophistication or capability to implement an effective change programme to improve their business.

The focus will therefore be placed on 'small' and 'medium'. One exception to the rule may, however, be 'high growth start-ups' where the business may be embryonic but has the organisational and 'people' capacity to grow rapidly.

1.3.5 Looking closer – identifying the 'best prospects'

It is crucial that the support and aid that is available to business is used effectively; that the benefits of that support are maximised and that it is used as the leverage to the business' own input that it is intended to be.

Probably the most important criteria in identifying any potential client for the programme is fundamentally, therefore, not their size, or age, or sector, but their willingness to change and to improve. Whilst this may sound like a statement of the obvious, it is surprising how much time and effort can be wasted trying to convert those who steadfastly refuse to change, regardless of how compelling the case to do so may be.

Research indicates that in the next two years 68% of the 175,000 small businesses and 100% of the 29,000 medium businesses are expecting to grow and of all start-ups approximately 4,000 will have the potential for high growth.

At the core of the new strategy for the support and development of business is an understanding of the importance that the adviser plays in encouraging and facilitating the implementation of best business practice

The Business Performance Diagnostic helps to provide real, objective information about a business' performance across the entire spectrum of its activities

1.3.6 Where the support can help – typical applications

In a recent study to identify the growth potential of UK SMEs, four clear themes were identified in terms of the challenges that business anticipated facing over the next two years. These challenges help us to paint a picture of the likely drivers for business support and serve as the backdrop against which the Business Performance Diagnostic has been developed. The four main challenges facing SMEs were identified as being:

- **The need to improve efficiency**
- **The need to improve workforce skills**
- **The need to increase return on investment in technology and I.T**
- **The need to increase investment in IT**

Of course, in addition to the broad picture which the challenges identified creates, there is the ever present challenge of 'competition' and the need to improve competitiveness, continuously finding new and different ways of improving competitive performance.

Understanding exactly what constitutes 'being competitive' is therefore critical for all businesses; the need to identify those elements of a business' performance and its offer, that have the greatest impact on competitiveness, is critical to growth and development.

Sadly for most, objective, fact-based information such as this is beyond their grasp and consequently, in order to deal with competition they either bury their head in the sand and carry on doing what they do, until the reality of their competitive weaknesses stares them in the face, or they rely on instinct and gut feel.

The Benchmark phase of the diagnostic process helps to provide real, objective information about a business' performance across the entire spectrum of its activities and thus clearly identifies these competitive weaknesses. This objective picture not only supports the identification of strategies and plans for improvements to address specific areas (such as those reflected in the challenges identified in the research), but also helps to develop a more positive, tailored, evidence-based competitive strategy. Given that competitiveness is dynamic and that 'what constitutes being competitive today will no longer do so tomorrow', the Business Performance Diagnostic also enables any business to continuously evolve their competitive model so as to ensure that any improvement activity results in them moving forwards, rather than simply maintaining the status quo.

SAMPLE



For further information contact:

Business Performance Diagnostic

Field House, Mount Road, Stone, Staffordshire, ST15 8LJ

Hotline: 08700 111142

email: info@supportbbp.com

website: www.bbp.dti.gov.uk

© Crown copyright