

SWP 73/91 TRAINING WITHIN SMALL FIRMS

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I. INTRODUCTION

- 1 Britain has a bad record for management training. Studies have shown managers spend, on average, only one day a year on formal training, far less than most industrial nations. What is more, the amount of training diminishes with the size of firm.
- 2 TA/TEED used to provide the vast majority of training for owner managers of small firms. They estimated that some 25% of start-ups received some form of training, although this might be for as little as half a day. However, only some 1% of established firms received similar training.
- 3 Whilst most training has been directed at owner managers, research shows that those who benefit positively from training are themselves more likely to invest in their staff's training and development.

II. THE BENEFITS OF TRAINING

- 4 There are a large number of studies evaluating start-up training. All disclose a higher launch rate and employment rate for trained firms than is to be expected from national statistics. Similarly cost benefit analyses using discounted cash flow have concluded that start-up training is cost effective. However, since most courses involve selection, it is impossible to conclude whether this is due to the course or to that procedure.
- 5 The link between training and some beneficial outcome in existing firms is even more difficult to establish unambiguously. There are issues of cause and effect and what outcome to measure. However, training is held generally to improve company performance, motivation and staff relations.

III. THE MARKET FOR TRAINING

- 6 It is important to remember that the population of small firms is not homogeneous. It is composed of a wide variety of types and sizes of firms, at many different stages of development. This diversity reflects itself in their training needs and gives important clues about how to market training to them.
- 7 Potential small firm segments include:
 - ◆ Start-ups: -self employed -starter companies
 - ◆ Growth companies: -early growth -later growth
 - ◆ Mature companies
 - ◆ Women's enterprises
 - ◆ Ethnic minority enterprises
 - ◆ Professional partnerships
 - ◆ Cooperatives
 - ◆ Franchises
 - ◆ Community businesses

- 8 If training is to be successfully marketed to these segments it has to be tailored to meet their specific needs, described in ways that they regard as meaningful and marketed through channels that they value.

IV. THE BARRIERS TO TRAINING

- 9 Owner managers are resistant to training. Most are seeking independence, have little desire to expand, have only local horizons and a weak grasp of technological and business principles. They often have unpleasant memories of formal schooling and lack a training "tradition". They dislike formal structures and bureaucracy and often have difficulty understanding the complex, jargon-laden language of trainers.
- 10 Owner managers do not see training as relevant or practical. They seek to optimise trading conditions rather than undertake staff development and therefore look for very practical, highly specific courses that address the current problems they face in business.
- 11 Owner managers are short of time. Usually they cannot afford to take protracted periods away from the firm to undertake training unless they have at least the rudiments of a management team or they see their other problems as paramount. What is more they are often reluctant to expose their own deficiencies.
- 12 These factors combine to make "value for money" the most commonly given reason for small firms' reluctance to invest in training and development.

V. IMPLICATIONS FOR TRAINING STRUCTURE

- 13 Most training of small firms involves a mix of three elements, albeit in differing proportions to suit different target markets:
 - i. Skills training: The necessary skills to manage firms at different stages of development, in different industries and regions can be identified and courses adjusted to reflect the different base skills of owner managers.
 - ii. Entrepreneurial development: This vital ingredient is concerned with motivational and behavioural training that develops self confidence, initiative and commitment to implement change. A major element in this is peer group support.
 - iii. Information: Small firms constantly need information on a wide range of topics before they can make effective business decisions. This can come from formal information sources or informal networks.
- 14 The previous section suggests that there is indeed a set of principles of good practice to be applied to the design and delivery of training programmes for small firms:
 - ◆ Provision should be practical, relevant and problem-based.

- ◆ Provision should be pitched at an appropriate level, using plain language.
 - ◆ Training should be linked to the real world, in particular the participant's own business.
 - ◆ Training should be action based, rather than lecture based, using discussions, exercises, case studies and other techniques to encourage participation.
 - ◆ Encouragement should be given to the development of peer group training, support and networks.
 - ◆ Provision should use time effectively.
- 15 The most important point is that training should be related to the needs of the firm. This involves:
- i. Tailoring programmes to different segments.
 - ii. Preceding training with needs analysis.
 - iii. Using counsellors to bridge "theory" and practice and relate skills to the problems facing the firm.
 - iv. Using action based exercises to encourage application of "theory" to the participants' own firms.
- 16 This analysis argues that the best source of training material comes from the owner managers themselves - their own firms. It is no wonder that the most frequently used focus for small firm training is the production of a business plan.
- 17 This analysis also implies that the most effective provision is resource intensive both in training time and the linkage with counselling. This is particularly problematic when considering the provision of in-company training.

VI.IMPLICATIONS FOR MARKETING

- 18 Over 60% of firms employ two or fewer people, including the owner manager. Because of this, and their gatekeeper role in the provision of training for other members of staff, the owner manager continues to be the focus of small firm training.
- 19 Marketing remains the major problem. This requires:
- i. The design of appropriate products to suit particular market segments.
 - ii. The development of a language appropriate to the target market.
 - iii. Influence on the fundamental attitudes of owner managers (missionary selling - notoriously difficult).
- 20 Small firms are most influenced by an immediate network of family, friends, business associates and acquaintances. Most take less notice of the more formal networks of professional advisors, local enterprise agencies etc.. In the longer term, more influence may be brought to bear

through this form of "indirect" marketing than any "hard-sell" to invest in training. Unfortunately this takes time.

- 21 The sales message must relate to the clearly identifiable contribution training makes to improved business performance - increased profit, sales efficiency etc.. Only after these benefits have been proved to be real are owner managers likely to realise that they can also reap the benefits of improved staff relations, increased skills and an improved ability to combat competition. To do this case histories and role models are needed.

VII.CONCLUSION

- 22 This paper set out to provide a framework of ideas and issues for discussion by workshop participants. It leaves many issues unanswered. However, if persuading small firms to invest in training and development was easy, the time, effort and money already expended would surely have solved the problem. The reality is that changing attitudes is a long term process and we have made a good start doing that. The problem is that the good start may not be good enough in an increasingly competitive environment.