

# JOURNAL OF INTERNATIONAL BUSINESS AND ENTREPRENEURSHIP

*Special Issue on*

*"Entrepreneurship Around The World"*

**Published by**

MEDEC, UiTM:

(Malaysian Entrepreneurship Development Centre, Universiti Teknologi MARA)

**Sponsored By:**

Universiti Teknologi MARA, Malaysia

Fort Hays State University, Hays, Kansas, USA

**Guest Editor:**

Professor Dr. Ichiro Shiobara,

Graduate School of Commerce

Waseda University, Tokyo, Japan

# **JOURNAL OF INTERNATIONAL BUSINESS AND ENTREPRENEURSHIP**

**SPONSORED BY:**

**UNIVERSITI TEKNOLOGI MARA  
SHAH ALAM, SELANGOR  
MALAYSIA**

**AND**

**FORT HAYS UNIVERSITY  
HAYS, KANSAS  
USA**

## EDITORIAL BOARD

**Editor-in-Chief:**

**Prof. Dr. Zafar U. Ahmed**

Professor of Marketing and International Business  
College of Business and Leadership

Fort Hays State University

Hays, Kansas 67601-4099, USA.

Tel: [1-785]-628-5877

Fax: [1-785]-628-5398

Email: [zahmed@fhsu.edu](mailto:zahmed@fhsu.edu)

**Managing Editor:**

**Assoc. Prof. Dr. Ismail Ab. Wahab**

Malaysian Entrepreneurship Development Center (MEDEC)

Universiti Teknologi MARA

Block 13, Intekma Resort & Convention Center

40000 Shah Alam

Selangor, Malaysia

Tel: [603]-55129077, Extension 3002

Fax: [603]-55113284

Email: [iwahab@tm.net.my](mailto:iwahab@tm.net.my)

**Guest Editor:**

**Prof. Dr. Ichiro Shiobara**

Professor of Accounting

Graduate School of Commerce

Waseda University

1-6-1 Nishi Waseda Shinjuku-ku

Tokyo 169-8050, Japan

Tel: [03]-5286-2048

Fax: [03]-3905-4619

Email: [shiobara@mn.waseda.ac.jp](mailto:shiobara@mn.waseda.ac.jp)

**Patron and Founder:**

**Prof. Dato' Dr. Adnan Alias**

Professor of Entrepreneurship

Malaysian Entrepreneurship Development Center (MEDEC)

Universiti Teknologi MARA

Block 13, Intekma Resort and Convention Center

40000 Shah Alam

Selangor, Malaysia

Tel: (603)-55113276

Fax: [603]-55113284

Email: [Prof\\_Dr\\_Adnan\\_Alias@salam.uitm.edu.my](mailto:Prof_Dr_Adnan_Alias@salam.uitm.edu.my)

## REGIONAL EDITORS

**Canada:**

**Prof. Dr. Sam El. Namaki**  
MISM, Montreal, Quebec, Canada

**ASEAN: Assoc. Prof. Dr. Osman Mohamad**  
University of Science, Penang, Malaysia

**East Asia: Prof. Dr. Ichiro Shiobara**  
Waseda University, Tokyo, Japan.

**Greater China: Prof. Dr. Robert Terpstra**  
University of Macau, Macau, PRC

**Subcontinent: Prof. Dr. Udaya Sharma**  
Tribhuvan University, Katmandu, Nepal

**Middle East:**

**Prof. Dr. Abdul Farooq Khan**  
Sharjah College, Sharjah, United Arab Emirates

**Australiasia: Dr. Matt Ngui**  
University of Wollongong, Australia

**Eastern United States: Dr. Morry Ghingold**  
Bloomsburg University, Bloomsburg, Pennsylvania

**Northern  
United States:**

**Prof. Dr. Mohammad Saeed**  
Minot State University, Minot, North Dakota

**Central  
United States:**

**Dr. Win G. Jordan**  
Fort Hays State University, Hays, Kansas

**Southern  
United States:**

**Prof. Dr. Wolfgang Hinck**  
University of Texas at Pan American, Texas

**Western  
United States:**

**Dr. Ram Sundaresan**  
Thunderbird: The American Graduate School of International  
Management

**Eastern Europe:**

**Prof. Dr. Peter Beidyuk**  
Kieve Polytechnic Institute, Ukraine

**Latin and South  
America:**

**Dr. Antonio J. Rodriguez**  
Texas A&M International University, Laredo, Texas

**Africa:**

**Prof. Dr. Duncan Reekie**  
University of Witwatersrand, Johannesburg, South Africa

### **EDITORIAL ADVISORY BOARD**

Prof. Dr. Subash Jain, University of Connecticut, Connecticut  
Prof. Dr. Shyam Lodha, Southern Connecticut State University, CT  
Prof. Dr. Daing Nasir Ibrahim, University of Science, Penang, Malaysia  
Prof. Dr. Earl Honeycutt, Old Dominion University, Virginia  
Prof. Dr. Syed Akhter, Marquette University, Wisconsin  
Prof. Dr. Joel Saegert, University of Texas at San Antonio, Texas  
Prof. Dr. Frank Krohn, State University of New York College at Fredonia  
Prof. Dr. Donald W. Hendon, Utah Valley State College, Utah  
Dr. Madan Annavarjula, Northern Illinois University, Illinois  
Dr. James Ondracek, Minot State University, North Dakota  
Dr. James P. Johnson, Old Dominion University, Virginia  
Dr. Xia Yang, Nanyang Technological University, Singapore  
Dr. Syeda-Masooda Mukhtar, PriceWaterhouseCoopers, London, UK  
Dr. Peter Robinson, University of Calgary, Canada  
Dr. David S. Shaw, University of Macau, Macau, PRC  
Dr. George O. Tasie, University of Brunei, Brunei  
Dr. Anusuya Yogarajah, Nanyang Technological University, Singapore  
Dr. Micol R.C. Maughan, Fort Hays State University, Kansas  
Dr. Dosse Toulaboe, Fort Hays State University, Kansas  
Dr. Ali Farahani, Fort Hays State University, Kansas  
Dr. Matthew H. Roy, University of Massachusetts- Dartmouth, Massachusetts

### **REVIEWERS FOR THE SPECIAL ISSUE**

Dr. Naresh Khatri, University of Missouri at St. Louis, Missouri  
Dr. Tan Teng Kee, Nanyang Technological University, Singapore  
Dr. Cao Yong, Nanyang Technological University, Singapore  
Mr. Gerald Huang, Nanyang Technological University, Singapore  
Mr. Ben Chan, Nanyang Technological University, Singapore  
Dr. Peter Maresco, Sacred Heart University, Fairfield, Connecticut  
Dr. James Santomier, Sacred Heart University, Fairfield, Connecticut  
Dr. Gad Salig, Sacred Heart University, Fairfield, Connecticut  
Dr. Vallerie Pashtenko, Sacred Heart University, Fairfield, Connecticut  
Dr. Mary Trefry, Sacred Heart University, Fairfield, Connecticut  
Dr. Vic Heller, University of Texas at San Antonio, Texas  
Dr. Bharath Josiam, University of North Texas, Denton, Texas  
Dr. Sadiq Sohail, Monash University at Malaysia  
Dr. Hormoz Movassaghi, Ithaca College, Ithaca, New York

**CONTENTS**

**Page**

Ichiro Shiobara	Preface	ix - x
Mohammad Saeed and Kamal Kishore Jain	Malaysian Model of Entrepreneurship Development for its Indigenous People	1 - 14
Samir Ranjan Chatterjee and Lim Cheng Hwa	Regionalization Strategies of SME Sector: An Empirical Study of Singapore Managers	15 - 31
Mahfooz A. Ansari, Rehina Aafaqi and Sharmila Jayasingam	Entrepreneurial Success, Gender and Leadership Behavior	33 - 46
Andrea Smith-Hunter	Oligopolistic Discrimination: A New Theory on Women and Minority Business Ownership	47 - 64
Anabela Dinis and Marilyn Helms	Women and Entrepreneurship: A Case of Portugal	65 - 88
Eric J. Romero and Kim T. Hinrichs	Teaching an Entrepreneurship Lab: Lessons Learned	89 - 96
John S. Bowers and Ilan Alon	Globalization of U.S. Small Technology Firms: A Practitioner Perspective on Selected Electronics-Related Sectors	97 - 111
Syeda-Masooda Mukhtar	Lack of Commitment or Lack of Resources? Owner-Managers' Attitudes Towards Training Provision Within The U.K. Firms	113 - 131
Peruvemba S. Jaya and Matthew H. Roy	Placing The Entrepreneur in Context: Lessons From The Leadership Literature for Asia Pacific Region	133 - 151

*The Editorial Board, Publisher, and the Sponsors accept no responsibility for the views expressed by the authors of the articles published in this Journal.*

## PREFACE

Prof. Dr. Ichiro Shiobara

Guest Editor

*Special Issue on "Entrepreneurship Around The World"*

It gives me an immense pleasure to place this special issue of the JOURNAL OF INTERNATIONAL BUSINESS & ENTREPRENEURSHIP into the hands of our esteemed readers. I am grateful to the leadership of the JIBE for providing me this enriching opportunity of acting as a guest editor for this special issue devoted to "ENTREPRENEURSHIP AROUND THE WORLD". I am pretty sure that the readers will find lot of food for thought in the articles that have been carefully selected for this special issue, after a thorough peer reviewing process. I decided to be very selective in accepting articles based on the recommendations of the reviewers, as I intended to provide quality articles representing divergent perspectives on different dimensions of entrepreneurship around the world . It could be possible for me to carry it out only with the help of the colleagues, associates and peers from different parts of the world. I would especially like to record a deep sense of appreciation for the help and support that I got from Professor Dr. Zafar U. Ahmed at all stages of the editing process. My sincere thanks are due to my peers who willingly agreed to act as reviewers.

Most of the books, articles, and research studies in the area of entrepreneurship around the world are confined to the scholarly analysis of the entrepreneurial process, of the traits and characteristics of successful entrepreneurs, guidance on business plans, raising capital, financial projections, venture capital, legal and tax matters, etc. There is another category of scholars and researchers who, out of their excitement, end up confining the discipline of entrepreneurship to motivation and leadership styles, traits, and theories. I don't see a problem either with them or even with those who are churning out literature on "History of Entrepreneurs". But, I hold and support the view that there is a need of concerted efforts on the part of the scholars in the area to examine the multi-dimensional issues of entrepreneurship development from divergent perspectives in order to provide an integrated picture of the discipline rather than



casting reflections, projecting stray thoughts, and coming out with their isolated views, without taking cognizance of strategic implications of entrepreneurial issues.

The success story of Silicon Valley in the United States reveals how universities, governmental agencies, venture capitalists, head hunters and entrepreneurs have joined hands together to create a “unique habitat”, an envy of the globe, that offers an environment fostering the development of new ventures, new industries, new business cultures, and unparalleled growth. It calls for an examination of strategic issues as to how everyone has responded to internal as well as external opportunities and threats.

It is high time for breaking the ground in the area of entrepreneurship research, as there is a great need for a profound research base in order to provide support to the budding entrepreneurs when they strive to enter into business internationally, and to the successful entrepreneurs as they explore virgin and untapped markets. We need research studies to cover the sophisticated topics such as navigating the world of venture capital funding and turning technological innovations into successful market realities, and also at the time to address the political, legal, social, psychological, cultural, and economic dimensions of entrepreneurship problems pertaining to marketing, production & operations, research & development, human resources and finance.

I wish and hope that our business schools and our scholars will respond to the needs of our times, and will play a proactive role in creating an entrepreneurial culture across the globe, for the welfare of the mankind.



**LACK OF COMMITTMENT OR LACK OF RESOURCES?  
OWNER-MANAGERS' ATTITUDES TOWARDS TRAINING  
PROVISION WITHIN THE UK SMALL FIRMS**

Syeda-Masooda Mukhtar

**Abstract**

In the knowledge-based global economy of the 21st century, investment in human capital will be critical in ensuring business survival and competitiveness. Yet, as we approach the new millennium, it is often frustrating to observe that while small businesses continue to complain of skills gaps, committing resources to training has never featured prominently on their agenda. This study sets out to explore this apparent paradox. In particular, the attitudes of small business owners-managers are analysed since it is their ethos and perspective that is critical in determining the strategic direction of training within their firms. The sample constitutes 144 UK firms.

Syeda-Masooda Mukhtar is affiliated with the PricewaterhouseCoopers, London, U.K.

## INTRODUCTION

Assisted by technological advances, the business environment is fast changing where old assumptions and frameworks no longer apply. Competition is becoming more widespread. In a market place where a company like IBM is now faced with thousands of competitors, an organization's ability to cope with uncertainty is more critical than ever before. "Competitive forces are all-embracing on the global battle field. Twenty-four hours a day competitors are probing for areas of weakness, market outposts that are asleep or otherwise unready" (Coulson-Thomas, 1992, p11-12). Firms are posed with the challenge of either mastering the new technology or face the very real danger of going under. The changing technology and increasing competition are changing the hierarchical structure of firms, encouraging employers to delegate more responsibility to individual employees across a wide range of occupations. As a result, there is a general trend towards increasing skill demands within occupations as increased competition implies greater emphasis on efficiency and cost cutting which in turn is forcing businesses to ask more of their employees.

Operating in such an environment, challenges faced by Small and Medium Enterprises (SMEs) are greater in magnitude simply because such businesses are small. Western governments, in particular, have long harboured the desire to involve SMEs in the growing training revolution. Not surprisingly, this interest runs in parallel to the growing importance of SMEs as potential employers. Between 1994 to 1998, businesses with 20 employees or less generated nearly 9 million jobs in the United States (USA Today, 30 July 1999). In the European Union, firms with less than 50 employees represent 46.2% of all employment (Eurostat 1994). While, businesses with fewer than 100 employees account for around 50% of non-government employment and sales turnover in the UK (DTI, 1998). As a result, there is a plethora of government schemes launched specifically to encourage training among small businesses with a view to improving their efficiency and performance. Some of the latest high profile and aggressively promoted examples include *Jobs for America's Graduates Inc.* in the US, whose biggest beneficiary has been SMEs (Worsham 1999), and *Skills for Small Business* and the *New Deal* in the UK. The seriousness of the British government's intention is shown by the recent launch of a *Skills Task Force* whose main purpose is to keep tabs on national shortcomings in training (DfEE, 1988).

However, despite the periodic *hype* generated by these high profile initiatives, a recent government survey showed that 69% of employers in the UK believe that the skills need of their average employee is increasing due to factors such as changes in technology (42%), changing work practices and/or multi-skilling (32%), greater emphasis on customer care and/or service (17%), and keeping ahead of competition (15%) (SNIB, 1997). While, 15% said there is a significant gap between the current skills of employees and those needed to meet their business objectives (DfEE, 1988). These conclusions support research findings highlighting skills gap and skills shortages within small firms (Lynch 1993; Voss et al 1988; Bloom 1998; Mukhtar et al 1999). However, before a meaningful discussion on small business training can take place, it is important to clarify and define what is meant by a '*skills gap*' and a '*skills shortage*'. The two terms are used rather loosely and often (quite wrongly) interchangeably in the literature.

## **DEFINITION OF SKILLS GAPS AND SKILLS SHORTAGES**

Skills shortage is defined as a "situation where there is a genuine shortage in the accessible labour market of the type of skill being sought and which leads to a difficulty in recruitment" while skills gap implies "a deficiency in the skills of existing employers or new recruits reduces business performance rather than being manifested in a current recruitment difficulty" (DfEE, 1988, p5-6). The former could arise from, for example, a lack of people when there is low unemployment, imbalances in supply where there are adequate skilled people but are not accessible due to geographical immobility, or a genuine shortfall in the number of appropriately trained individuals both at new entrant and higher skilled levels.

It is worth noting that while the consequences of skills gaps and skills shortages may be similar in that both result in a sub-optimal workforce, since their causes are quite different (and therefore the remedies), it is paramount that they are defined accurately. In terms of the above definitions, it is clear that occurrence of skills shortages (a genuine shortfall in the availability of skilled personnel in the labour market) would be rather limited in the economy and it is the prevailing skills gap (lower than suitable skill levels in the existing labour force) that the training and education providers and for that matter small business owner-managers, are trying to address at any given

point in time. In the light of this discussion, this research necessarily focuses on *skills gaps* in SMEs.

SKILLS GAPS IN SMES

Small business owners like any other employer are restricted by the existing skills pool of potential recruits within the wider economy at any given point in time. The more skilled is this pool, the greater the likelihood of finding the ‘right’ people. Evidence shows that, overall, UK ranks poorly compared to Europe as well the US (DfEE 1998). While, the country compares well with France and Germany in terms of the proportion of population with higher or first degree qualification (notably, all three nations lagging considerably behind the United States), at lower levels of qualifications, a more damaging picture emerges (Table 1).

Table 1: Proportion of Population with Qualifications

Country	Higher/First Degree (%)		Level 2 or above (%)		Level 3 or above (%)	
	New entrants	Total population	New entrants	Total population	New entrant	Total population
United Kingdom	23	19	58	45	36	30
France	27	16	78	65	42	30
Germany	13	15	66	70	75	62
United States	23	33	55	50	32	39

*Adapted from DfEE 1998. Note: Level 2 and 3 refer to vocational qualifications*

In addition, skills gap are more likely to occur within the small business sector simply because it constitutes businesses that are small. Some of the difficulties which may act as additional barriers to the deployment of training within SMEs include lack of training budgets (Cohen, 1998), lack of specialist training department and personnel (Kiser, 1999), lack of time (Kerr and McDougal, 1999), lack of experience (Kerr and McDougal, 1999), and an unclear training philosophy (Cohen, 1998). These inhibiting factors not only mean a lack of commitment from senior management towards internal training initiatives but also manifest in a lack of support for outside consultants and advisors if they are utilised. By implication, Government schemes are also doomed to

failure due to this lack of employer commitment (Johnson, 1999). Other 'failure factors' include the level of bureaucracy involved in taking up government schemes, the lack of communication with the organisers and the inherent belief on part of small business owners and managers that such schemes do not cater for their needs and offer solutions that are often inappropriate and irrelevant (Johnson, 1999). Furthermore, small business owners- managers are often distracted by the constant 'fire fighting' on a day to day basis and are unable to plan ahead on a strategic long term basis (Mukhtar, 1999). Training suffers as a result since it demands long term commitment.

The skills gaps are exacerbated by SMEs' lack of purchasing power in the labour market (Blackburn and Hankinson 1989) and graduates' natural tendency to gravitate towards larger employers (Mukhtar *et al*, 1999). While SME recruitment procedures remain very informal, often relying on 'word of mouth' and recommendations from other employees (D&B Report, 1987), mutual suspicion between graduates and SMEs persists (Barthorpe, 1996; Mukhtar *et al*, 1999). The need for training (and thus retaining) people with the right skills, therefore, becomes even more critical when it is acknowledged that small businesses are not going to have the pick of the best talent as skilled personnel (Mukhtar *et al*, 1999). Surely, such an environment, if anything, should impel small business owner-mangers to invest in training as a means of ensuring that they employ and retain the best people.

However, all the evidence points to the contrary. Not only does there appear to be an indifference towards training among SMEs but also a lack of will on part of the owner-mangers to give it a high priority. This is partly because small business owners still tend to see investment in training as a cost rather than investment (Finegold and Soskice, 1988) and anything beyond what caters for their immediate need is considered a luxury (Hendry *et al* 1991). The latter is in line with the short-termism in owners' attitude towards decision making (Casson, 1982; Mukhtar, 1999). Any attention towards training is just a gesture, there is often no commitment (Stanworth *et al*, 1992).

In such an uncertain and non-committal environment, training and education is bound to be neglected (Voss *et al*, 1998) or, at best, would result in an *ad hoc* training policy (Hendry *et al*, 1991), informal methods of evaluation needs clear HRD policies (Kerr and McDougal, 1999). As a consequence, small businesses lose out (Bloom, 1998). Poor training combined with a lack of structure and sophisticated support that

knowledge workers find in large companies, implies small businesses risk losing good employees. Small businesses must invest in training if they wish to retain valued employees (Barrier, 1998; Love, 1998; Mackinnon, 1996). There are clear benefits to be accrued even for the smallest firms (Oliver 1998), especially if training is planned (Kerr and McDougal 1999). It is worth noting, however, that these linkages are found to be weak by Gibb (1997) and Westhead and Storey (1996).

## RESEARCH CONTEXT OF THIS STUDY

In an earlier study conducted by this author, 1225 small business owner-managers were asked to rank their 20 most important current concerns (Mukhtar, 1999). The findings show that skills related issues ranked sixth on their list of priorities (Table 2). However, if one considers that the top five concerns relate to various aspects of taxation and bureaucratic regulations (Table 2), issues relating to training take on an even higher significance. This finding is supported by other research. For example, in a recent survey by the LA Times and University of Southern California Marshall School of Business, lack of skilled labour was rated the most pressing need by the small business owners (Newsome, 1999).

Therefore, even by their own admission, the need for a skilled workforce is considered critical by small business owners-managers. Yet, as the above discussion points out, small firms continue to neglect training. The question is, why? In an attempt to explore this question, this study sets out to understand the attitudes and perspective of the small business owner-managers since it is their ethos and strategic direction that would determine the direction of training within the firm (Hendry *et al*, 1991; Jennings *et al*, 1996).

## INSTRUMENT

A random sample of SMEs was selected for interview from amongst the membership of Forum of Private Business (FPB). The FPB is a non-profit organisation with a membership of around 30,000 SMEs that spans across all industrial sectors and geographic regions throughout the UK. A questionnaire was formulated in light of the issues highlighted by the literature and in view of the recent government training initiatives as well as objectives of this study. The interviews based on this questionnaire

**Table 2: SME Owners/Managers Ranking of Their Most Important Businesses Concerns**

Which of the following issues currently affect your business?	Ranking of concerns based on %
Overall level of Taxation	3
Business Rates	2
Tax on profit, capital gains and or inheritance	1
<i>Cost/Availability of suitably skilled Employees and training</i>	<i>6</i>
Employment Regulations including health and safety	4
Tax Administration	5
Other regulations/red tape inc. European Red Tape	9
Availability/simplicity of information on rules and regulations	10
Availability/complexity of business support grants	15
Unfair Competition	11
Late Payment	7
Bad debts, insolvency, court or arbitration costs inc. tribunals	12
Cost/difficulty of exporting	20
Cost/difficulty of selling to the public sector	19
Cost/difficulties with IT (year 2000, Internet etc.)	16
Relevance/ applicability of quality standards	18
Cost/availability of Bank Services (borrowing/charges/credit cards etc.)	8
Cost of utilities/material Supply	17
Cost/availability of insurance	14
Direct/indirect cost of Crime	13

*Ref: Mukhtar (1999)*

were conducted over the telephone during the period May-June 1999. The questionnaire was closed and, in the main, constituted responses to multiple choice statements. Some semi-structured questions were deliberately incorporated in order to gain a broader perspective on the data collected and to gather qualitative information on issues under investigation. The following analysis reports initial findings from 144 such interviews. All interviewees were the owner-managers or directors of their respective businesses.

### **BROAD SAMPLE PROFILE**

35.3% of businesses had a turnover of £150K-499K with 44.2% of businesses falling below £150K and 20.6% having £150K turnover or more (Figure 1). The majority of



businesses in the sample had less than 50 employees (Figure 2) and belonged to manufacturing (23.2%), retail (17.5%) or finance/business services and ‘other’ services sector (28.8%) (Figure 3). The majority tended to operate locally with only 36.4% operating at a national level, while 29.3% also exported. Figure 4 shows that 46.8% firms in the sample are limited companies, while 25.5% are partnerships and 27.4% are sole proprietorships. This sample profile is in line with the national profile of SMEs.

Figure 1: Distribution of Sample by Turnover

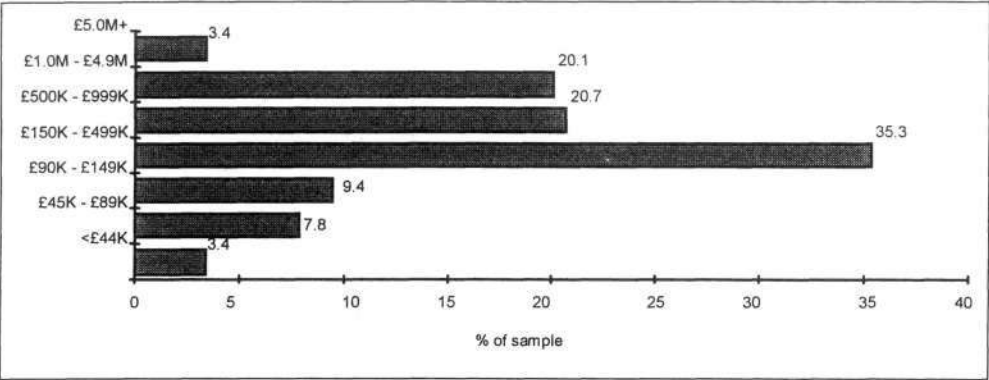
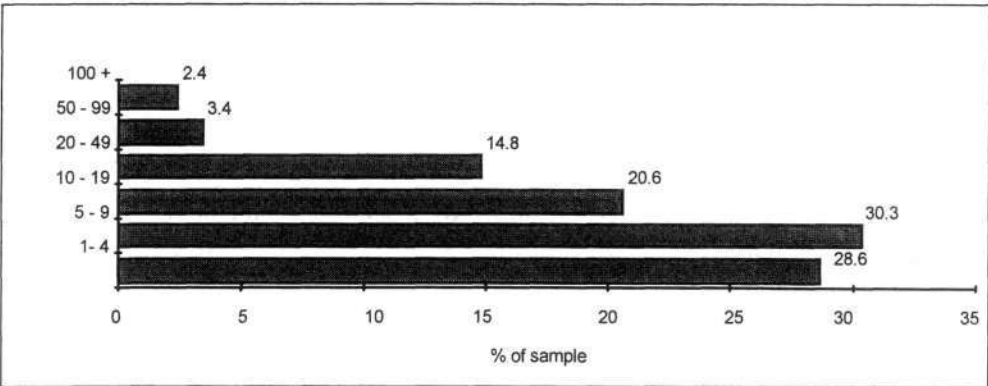
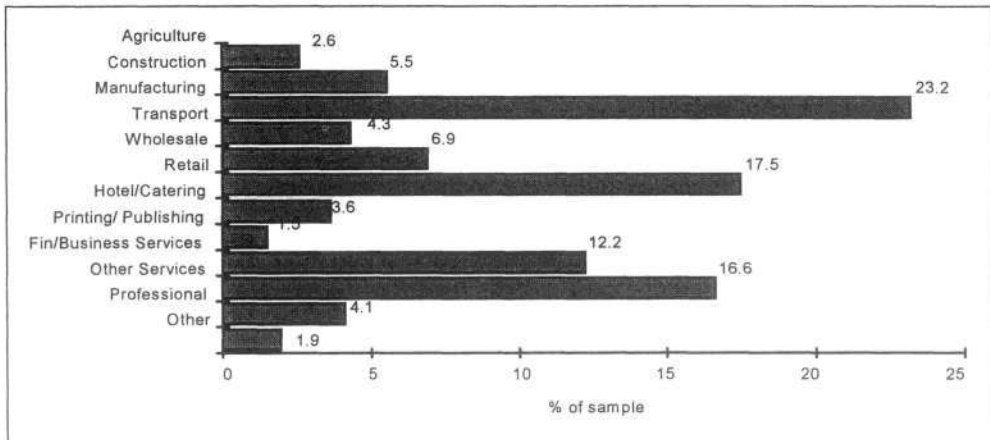
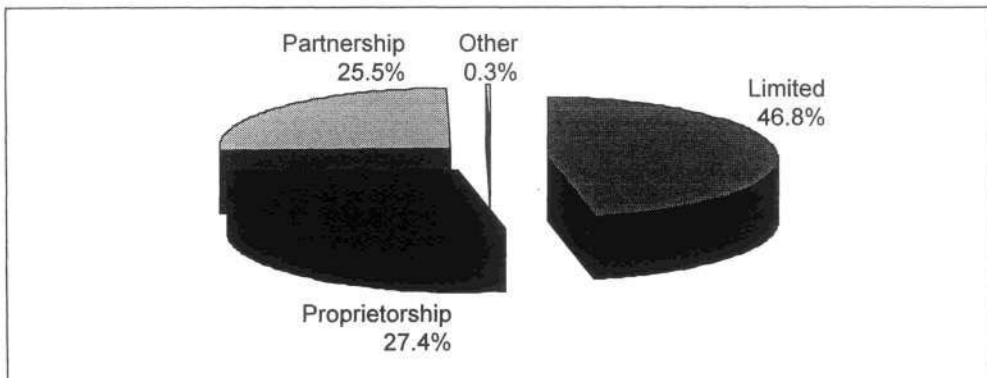


Figure 2: Distribution of Sample by Employee Bands



**Figure 3: Distribution of Sample by Employee Sector****Figure 4: Distribution by Form of Business**

## SURVEY FINDINGS

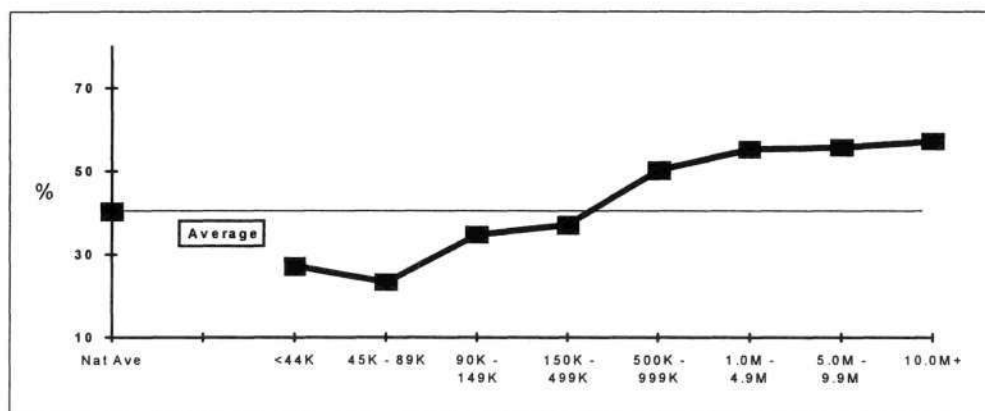
### Skills Gap

Table 3 shows that while 57.7% of owner-managers in the sample reported that they were experiencing skills gap within their businesses, the majority despite being aware of these shortcomings, were unable to overcome them. This was due to lack of finance either to train people within the business (75%) or to recruit externally (74.5%). Other obstacles were a lack of time to train internally (65.3%) and the shortage of trained personnel who could be recruited externally (52.1%).

**Table 3: Obstacles in Overcoming Skills Gap**

Why is your skills shortage not being met?	No. of Businesses (N=144) (%)
Lack of finance to train people within the business	75.0
Lack of time to train people within the business	65.3
Lack of trained people who can be recruited	52.1
Lack of finance to recruit trained people	74.5

Figure 5 shows the level of concern regarding skills gap by turnover of business and in relation to the National Average. The businesses most concerned are above the £500K turnover range, which suggests that this problem is more prominent among the SMEs. This chart demonstrates that the larger SMEs are now being severely hampered by problems in obtaining skilled staff. However, this in no way draws attention away from the plight of smaller businesses.

**Figure 5: Concern with Lack of Skilled Employees  
(Size of Business)**

### Existing Training Assessment Procedure

It is interesting to note that despite being aware of skills gaps, the majority (52.6%) of SMEs neither had a planned strategy to tackle the problem (Table 4) nor had a training budget (66.7%). However, 54.1% of respondents reported that they do keep some kind of 'training needs' documentation for monitoring and reviewing purposes.

**Table 4: Assessment of Training Needs**

<b>Are your firm's training needs formally assessed within your business or on an ad-hoc basis as the training needs arise?</b>	<b>No. of Businesses N = 144 (%)</b>
Part of Strategy	47.7
Ad-hoc	52.6

**Attitudes Towards External Training Assistance and Advice**

What is surprising, however, is that even if there was an acknowledgement of difficulties regarding skills gap and training within their businesses, the owner-managers preferred to solve these internally and were uncomfortable with the idea of an external review or external advice with an overwhelming majority, 63.1%, rejecting such a suggestion completely. **Of the 36.9%** who did use external assistance in the past, had tended to opt for independent consultants (78.5%) or government agencies (81.3%).

**Attitudes Towards Government Training Schemes**

Although the majority (78.8%) were satisfied with the level of advice received overall, a lesser proportion 63.2% were satisfied with the government schemes used. A further analysis revealed that for over 90% **of the 36.8% dissatisfied respondents**, the training was either badly timed, too costly, beyond their understanding, or the owner-manager did not 'trust' and had no faith in the training initiative being undertaken (Table 5).

**Table 5: Attitudes Towards Government Training Schemes**

<b>If the government scheme did not meet your expectations, is this because of:</b>	<b>No. of Businesses N = 144 (%)</b>
Training irrelevant to your needs	75.7
Timing did not coincide with your needs	94.4
Training was too costly	95.1
You did not understand the training scheme	91.7
You were put off by the bureaucracy	84.7
You don't understand the government initiative	94.4
There was a lack of advice and information to make an informed decision	84.7
The government does not really understand small business needs	
- I know my needs best	82.6

The general mistrust of government led training initiatives is further highlighted by the owner-managers attitudes towards one of the most high profile and aggressively marketed schemes ever in the UK, namely the *New Deal*. The findings show that while three quarters of all businesses in the survey had heard of the New Deal, only 44.9% would ever consider taking it up (Table 6).

**Table 6: Attitude Towards New Deal**

Attitude towards New Deal	No. of Businesses N = 144 (%)
Have you heard of New Deal?	74.7
Do you intend to take part in New Deal?	44.9

### **Attitudes Towards Provision of Training**

When training is undertaken, be it on an *ad hoc* basis, the largest proportion of businesses prefer it to be delivered either internally (34.5%) or through a mixture of internal and external provisions (46%). Furthermore, the majority (70.1%) of owner-managers insist that any training, if offered, should be seen as obligatory by their employees. It is note worthy that this attitude conforms with the centralised decision making style of the owner-managers in the sample with the majority (57.3%) stating that any decisions regarding training lie solely with them. Only 10.4% of businesses reported having any consultative process that involved their employees. This attitude is consistent with other findings. For example, in a recent national survey, 46% of employers in the UK who had funded or arranged off-the-job training, stated that training decisions were the responsibility of management, while less than a third had decided to provide training as a result of an individual appraisal (SNIB, 1997).

The owner-managers do, however, acknowledge the importance of, and are willing to offer, incentives for their employees to encourage training within their firms (Table 7). In their view, by far the most important training incentive for their employees is time off work (84.7%), followed by promotion (79.2%) and a salary increase (66.7%). Whether their employees agree with this approach, is indeterminable as they are not likely to be consulted on this issue.

**Table 7: Attitude Towards Provision of Training**

<b>Which of the following incentives do you think would encourage staff to take up training?</b>	<b>No. of Businesses N = 144 (%)</b>
Salary increase	66.7
Promotion	79.2
Time off work	84.7

### **What SME Owners would Like from the Policy Makers**

In view of the mistrust and apathy shown by owner-managers in general towards government initiatives, it is not surprising to find out that 76.5% would like to exercise greater control over provision of training within their businesses. The majority would also like to have a greater say in the choice of the training provider as well as in the allocation of the training budget. More specifically and in contrast to current practice, the majority (65.3%) of the owner-managers stated that they would prefer an allocation of specified lump sum subsidy which could be used in accordance with their specific needs and wants. This is consistent with their attitude reported earlier with 82.6% stating that they know and understand their training needs the best (see Table 5 above) and further highlights the reluctance on part of SMEs to be receptive to any external advice.

### **Does Strategic planning help?**

A comparative analysis of businesses with a training assessment as part of formal strategy (47.7%) with those with none (52.6%), reveals some significant differences in their approach. For example, the former have a greater propensity to record their training needs (Table 8), undergo an external review (Table 9), use consultants (Table 10), approach government agencies (Table 11) and to take up government led training initiatives (Table 12). The last point may indicate that if small businesses do have a planned approach towards training, their expectations are more strictly defined. While, those businesses with no clear policy even if they do undertake a training initiative, do not know what their end objective is and hence are more likely to be disappointed with the outcome.

**Table 8: Training Needs Documentation and Reviews**

Do you have training needs documentation and regular training reviews?	Training as part of strategy	Ad hoc training
Yes	67.4% (31)	42.0% (21)
No	32.6% (15)	58.0% (28)

*Chi-Square=6.698 p=0.03*

**Table 9: Use of External Resources to Review/Advise Training Needs**

Have you ever used external resources to review/advise on your training needs?	Training as part of strategy	Ad hoc training
Yes	56.5 % (26)	24.5% (12)
No	43.5% (20)	75.5% (37)

*Chi-Square=10.143 p=0.00%*

**Table 10: Use of Independent Consultants**

Were the external sources independent consultants?	Training as part of strategy	Ad hoc training
Yes	67.4% (31)	84.3% (43)
No	32.6% (15)	15.7% (8)

*Chi-Square=3.828 p=0.05*

**Table 11: Use of Government Agencies**

Were the external sources government agencies?	Training as part of strategy	Ad hoc training
Yes	69.6% (32)	88.2% (45)
No	30.4% (14)	11.8% (6)

*Chi-Square=5.150 p=0.02*

**Table 12: Intention to Take Part in New Deal Initiative**

Do you intend to take part in the 'New Deal' initiative?	Training as part of strategy	Ad hoc training
Yes	58.8% (20)	30.3% (10)
No	41.2% (14)	69.7% (23)

*Chi-Square=5.50 p=0.01*



It is worth noting that no statistically significant differences were found between business practising a formal training policy and those that did not, in terms of their desire for greater control over the nature of training provided within their businesses. Furthermore, both set of businesses were equally happy with offering incentives for their workforce if it helped to promote training amongst their employees. Overall, both set of businesses felt very dissatisfied with the current training provision and believed that their expectations were not being met satisfactorily. The statistical results of these findings are not reported here.

## **POLICY IMPLICATIONS AND THE AGENDA FOR THE FUTURE**

The lack of employee skills continues to rate as a major concern for small businesses with 57.7% of SMEs in this study reporting skills gaps. Some 57% of SMEs operate with “on-the-job” training, possibly without the support of any “external” training process, and it is this characteristic of small business training that needs to be more fully understood, in order to fit it with the provision of “formal” training processes. Around 50% of SME recruitment is conducted on an “informal” basis, and consequently may not consider the relationship of employee skills to the established “formal” systems of qualification through current processes. It is therefore vital to find some method of combining real “on-the-job” training with any external programme, and even the ability of well qualified SME owner-managers to accredit qualifications within the business. This view is supported by this study with 80.5% of SMEs preferring training provision to be either internal or a mixture of internal and external measures.

Small business training programmes are popular with policy makers and policy deliverers alike because of their potential to create employment. However, such programmes invariably tend to be *supply driven* resulting in standardised ‘off the shelf’ type training packages which are unpopular and even resented by small business owners. There is an immediate need for such programmes to become *demand driven*. Greater involvement of small business owner-managers is absolutely critical to the success of any training programme. They need to have a sense of ownership of the training provision within their firms. 57.3% of SME owner-managers in this study see training assessment and provision as their sole responsibility within the company, while 76.5% would like greater control over training provision in terms of how training

subsidy is spent as 'they', the owner-managers, know their needs the best (82.6%). 65.3% reported that they would favour a lump-sum subsidy payment. Training provision, therefore, needs to shift its emphasis away from being generic in nature towards becoming more customised if it is to meet the needs of small business sector. It is argued that such an approach is likely to stimulate sustained small business growth (Tendler and Amorim, 1996).

However, a customised approach is not without difficulties. One of the factors that makes targeted training within the small business sector so difficult is the diverse nature of businesses within this sector. However, any potential difficulties are counter balanced by the finding that owner-managers, once committed, are willing to encourage their employees to take up training by offering incentives such as, time off work (84.7%), promotion (79.2%) and salary increment (66.7%). Surely, any option would be superior to the present *status quo* whereby small business at times have no alternative but to hire unskilled employees if their business is faced with the prospect of either taking on anyone or risk losing customers and deadlines.

There are obvious benefits to be accrued from cultivating relationship with local colleges and universities and partaking in internships and apprentice programmes. However, even if small business owners were partial to such initiatives, there are often no mechanisms to facilitate such exchanges (Mukhtar *et al*, 1999). The result, small business owners continue to view educators as too academic, graduates as irrelevant, and any attempt to bridge the gap between the two as a waste of time.

## **IMPLICATIONS FOR SMALL BUSINESS OWNER-MANAGERS**

Inability of small firms to take advantage of training initiatives is in part self imposing. The onus should be placed on small businesses to shoulder part of the burden of training. Small business owners cannot rely entirely on external assistance, offer no input and later complain that the outsiders do not have any clue about their training needs. SMEs need to take a more proactive stance.

In addition, there needs to be a realisation that for small companies with limited funds, learning what local training help is available is only the beginning. This is the point at which the real work begins involving commitment and dedication on part of the owners

to see it through and ensure that it is enhancing the skills of their employees. SMEs should also seek to design more informal customised training programs for their employees if they cannot afford a more formal programme (Gruner, 1997). If anything, the constraints of time and funding mean that informal training and learning methods take up even greater importance (Bacon *et al*, 1996).

There appears to be no long term planning and strategy for training. SMEs need to realise that training is an ongoing process, not a one off event that would somehow solve all their problems. It is an attitude of mind. Furthermore, small business owners should not confuse experience with competence. One is not a substitute for the other.

Small businesses tend to hide behind the fact that they do not need training because they are too small or that they cannot afford the cost (75%) or the time (65.3%). However, they may find that embracing a training oriented culture, reluctantly or otherwise, will be inevitable if they are to survive in the new millennium. If they remain unconvinced, small business owner-managers should be reminded of this sobering thought. *"The manager who says [he or she] is too busy for training is like the woodcutter who says he or she is too busy cutting down trees to sharpen the axe"*. (Krause, 1996).

## REFERENCES

- Bacon N. Ackers P. Storey J. and Coates D., (1996). It's a Small World: Managing Human Resources in Small Businesses. *International Journal of Human Resource Management*, Vol:7, No:1, pp 82-100.
- Barrier, M., (1998). Develop workers—and your business. *Nation's Business*, Vol: 86, Iss: 12, Dec 1998, p: 25-27.
- Barthorpe, F. 1996 Grab yourselves a graduate. *Professional Engineering*, Vo:19, Iss:20, p32.
- Blackburn R. and Hankinson A. (1989). Training in Smaller Business. *Industrial & Commercial Training*, Vol 21, Iss 2, Mar/Apr 1989, pp 27-29.
- Bloom, J., (1998). Mind your language. *Management Today*, Aug 1998, p: 72-73.
- Cohen, S. (1998). 'Big ideas for trainers in small companies'. *Training & Development*, Vol: 52, Iss: 4, Apr 1998, p: 26-30.
- Casson M., (1989). *The Entrepreneur: An Economic Theory*. Oxford, Martin Robertson.
- Coulson-Thomas C. (1992). *Creating a Global Company*. McGrawhill Book Company, London.
- DfEE (1998). *Towards a National Skills Agenda: First Report*. Department of Education and Employment.
- DTI (1998). *Small Firms in Britain Report*, HMSO, London.
- D&B Reports (1987). *Hiring the Right Person*, Vol 35, Iss 3, May/Jun 1987, pp 26-31. Eurostat 1994, HMSO.
- Gibb, A., (1977). Small firms' training and competitiveness: Building upon the small business as a learning organisation. *International Small Business Journal*, Vol: 15, Iss: 3, Apr/Jun 1997 p: 13-29.
- Hendry C. Jones A. Arthur M. and Pettigrew C., (1991). *Human Resource Development in Small to Medium-Sized Enterprises*, Warwick Business School, Resource Paper No 88.
- Finegold D. and Soskice D., (1988). The failure of Training in Briatain: Analysis and Prescription. *Oxford Review of Economic Policy*, Vol:4, No:3, pp 21-53.
- Gruner, S., (1997). Our employees need specialized training. *What Can We Offer*, Vol: 19, Iss: 1, Jan 1997 p: 82.
- Johnson, R., (1999). The real deal. *People Management*, Vol: 5, Iss: 6, Mar 25, 1999 p: 54-58.
- Kerr A. and McDougall M., (1999). Small Business of Developing People. *International Small Business Journal*, Vol:17, No:2, Iss 66, Jan-Mar 1999.

- Kiser, K., (1999). When those who 'do,' teach. *Training*, Vol: 36, Iss: 4, Apr 1999 p: 42-48.
- Klaus, L., (1997). Small companies finish first. *Quality Progress*, Vol: 30, Iss: 11, Nov 1997, p: 12-13.
- Krause, Hal (1996). 5 training myths. *Franchising World*, Vol: 28, Iss: 4, Jul/Aug 1996 p: 22-23.
- Love, T., (1998). Training can reduce employee turnover. *Nation's Business*, Vol: 86, Iss: 8, Aug 1998, p: 11-12.
- Lynch, (1993). The Economics of Youth Training in the United States. *Economic Journal*, 103, pp 1292-1302
- Mackinnon, I., (1996). Post-university training challenges small firms. *People Management*, Vol: 2, Iss: 25, Dec 19, 1996 p: 39.
- Mukhtar S.-M (1999). Keeping Business On-line On hold: Reluctance or helplessness on part of Small Medium-Sized Enterprises, *International Management Development Association*, Kanyak E. (ed.), 30 June-3 July, pp 579-586 Monterey, California, USA.
- Mukhtar S.-M. Oakley R. and Kippling (1999). Utilisation of Science and Technology Graduates by the SME Sector. *International Journal of Entrepreneurial Behaviour & Research*, Special Issue on Enterprise and Learning, Vol 5, No 3, pp 126-143, June 1999.
- Newsome, M., (1999). Capturing top candidates. *Black Enterprise*, Vol: 29, Iss: 7, Feb, p: 46.
- Oliver, J., (1998). Train your managers and break through the growth barrier. *Management Today*, May 1998 p: 92-93.
- Skills Needs in Britain (SNIB) (1997). *IFF Research*, DfEE, HMSO.
- Stanworth J. Purdy D. and Kirby D., (1992). The Management of Success in 'Growth Corridor, Small Firms'. *Small Business Research Trust*, Milton Keynes, Open University.
- Tendler, J. and Amorim, M. A., (1996). Small firms and their helpers: Lessons on demand. *World Development*, Vol: 24, Iss: 3, Mar 1996, p: 407-426.
- Voss, C. Blackmon, K. Cagliano, R. Hanson, P. and Wilson, F., (1998). Made in Europe: Small companies. *Business Strategy Review*, Vol: 9, Iss: 4, Winter 1998 p: 1-19.
- Westhead, P. and Storey, D. (1996). Management training and small firm performance: Why is the link so weak?. *International Small Business Journal*, Vol: 14, Iss: 4, Jul-Sep 1996, p:13-24.
- Worsham, J., (1999). Helping students graduate to jobs. *Nation's Business*, Vol: 87, Iss: 5, May 1999 p: 34-35.
- USA Today, 30 July 1999.