

Training Strategies for Small and Medium Sized Business: One Size Doesn't Fit All

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Abstract—The purpose of this paper is to examine the importance of training strategies in small-medium enterprises (SMEs) with specific reference to key issues around human resource development, communities of practice, types of training and education. The approach undertaken in the paper is to draw upon relevant training strategies and research as well as the authors' own analysis of the relationship between strategic human resource management (SHRM), HRD and Communities of Practice (COP), off-the-job training, on-the-job and other type of training and financial needs of SMEs based on prior research. The findings of the research and analysis is that SMEs which take a strategic approach to training and development of their human resources will profit not only from a competitive position in their marketplace but also be well placed to adjust to changing and often uncertain external influences on the business environment presented to organizations in the 21st century. It is envisaged that SMEs should make changes to their current practices and adopt a more strategic approach to the training.

Keywords: SMEs, Training strategies, planning process, communities of practice

1. INTRODUCTION

SMEs Small and medium scale enterprises (SMEs) are a very heterogeneous group. They include a huge variety of firms ranging from village handicraft makers, small machine shops, computer software firms etc. They all operate in different markets and social environment and also possess wide variety of sophistication and skills. Some of the firms are inclined towards innovation and growth while others are traditional family oriented firms which usually remain small. SMEs operate in the formal sector of the economy and participate fully in the organized markets. They usually hire wage earning workers over fixed salary based employees. SMEs desire to get easy access to formal finance and become more capable to grow in domestic and international markets. They sometimes also operate from their place of residence called SOHO (Small office Home office). SMEs development services work in 3 areas: Business environment, financial services, Business Development Services

- **BUSINESS ENVIRONMENT:** The performance of all firms small or large is determined by the business

environment in which they operate. Certain aspects of the business environment are particularly relevant to SMEs. It affects the firm's competitiveness, market risk and cost of doing the business. They include:-Procurement procedures of the government discourage SMEs to bid successfully. Regulations restricting SME operations and their entry into high income markets. Official and unofficial imposing discourage SMEs to grow and operate formally.

- **FINANCIAL SERVICES** Lack of access to formal financing and high cost of credit are the major constraints in SMEs growth and competitiveness. Certain countries have limited competition in the banking sector due to which banks are not in the pressure to lend to smaller clients. High risks, transaction costs and lack of appropriate instruments for managing risks hinder SME's access to formal financial sector. Difficulties in enforcing contracts due to lack of reliable information on borrowers is also a major problem faced by lenders. A market-oriented strategy for improving SME access to financing focuses on eliminating the above factors. Elements of this strategy are:-
 - "Reducing barriers to entry – e.g. by reconsidering capital adequacy requirements and prudential regulations that may be inappropriate for financial institutions serving smaller clients.
 - Reducing the risk associated with lending to small businesses, focusing on laws governing the enforcement of contract, forfeiture and collection of collateral; and the use of movable assets as collateral.
 - Developing the policy, legal and regulatory frameworks that are essential to the development of innovative financial institutions and instruments including venture capital, small equity investments and leasing.
 - Promoting innovation in specialised lending techniques that reduce the administrative cost associated with credit application, monitoring and payment;

- Strengthening the capacity of financial institutions to evaluate SME creditworthiness in a cost effective manner.
- Improving information on the credit worthiness of potential borrowers, by promoting the establishment of credit bureaus and ways to help SMEs prepare business plans and financial transactions “(Hallberg, K. (2000))
- **BUSINESS DEVELOPMENT SERVICES** They include a huge variety of non-financial services which form an important part of the market support structure such as labour and management training. Reduction in traditional governmental role and reduced rationalization of public sector involvement will lead to development of private BDS markets.

2. TRAINING

Training is said to increase knowledge and skills for doing the assigned job. It also bridges the gap between job needs and employee skills, knowledge and behaviors. Training lays emphasis on changing what employees know, how they work, their attitudes towards their work or their interactions with their co-workers or supervisors. SME employers provide informal in-house training or various types of on-the-job training formal training as well as off-the-job training. Johnson and Gubbins (1992, pp.32-33) identified the following three reasons for the dominance of informal, firm-specific and on-the-job approaches to training in small businesses:

"(i) in most cases this is the most appropriate means of introducing new recruits to the job. 'Learning by doing' is seen as far more valuable than the theoretical approach which is thought to pervade college courses;

(ii) Small businesses do not have the resources to develop formalized, general training courses for internal provision. The relatively small number of people involved makes it an uneconomical proposition to move towards formal schemes;

(iii) External courses are seen as too costly (in cash and time) and/or too general. Given that most businesses have their own 'idiosyncrasies', college courses are unlikely to provide appropriate training". Methods for effective training strategies:-

- **ANALYZE YOUR NEEDS:** Take time to carefully analyse the needs when designing your training plan. This will help to choose the right type of training for the requirements.
- **IDENTIFY SKILL GAPS:** Refer to the written job description and start comparing the skills the position that requires with the employees current abilities. Try to understand where there may be gaps that will help to identify the types of training one need.

- **PRIORITIZE:** Assign the training activities into categories. Is it mandatory, or nice it's absolutely required or not, a training effort becomes imperative.
- **PLAN AND DELIVER THE TRAINING:** Once it has been assessed and prioritized the need for training, the next step is to secure what type of training can be used and how one can offer it. There are several factors that can be considered.

3. REASON FOR SMALL FIRMS PROVIDE LESS JOB-RELATED FORMAL TRAINING THAN LARGE FIRMS

'Ignorance' and 'market forces' explanations have been presented to explain why small firms provide less formal training than large firms (Storey and Westhead, 1997; Westhead, 1997).

THE 'IGNORANCE' EXPLANATION

Job related formal training is low in small firms because owners and employers do not understand its significance. They do not perceive that the same training needs are required by them as those in larger firms for their workers. Main reason which comes across for this is that the SME owners underestimate or are ignorant towards of the benefits reaped by training. They associate with 'schooling' which they find unrewarding and irrelevant.

In order to build the 'ignorance gap' government has provided direct and indirect subsidies to encourage provision of training in SMEs.

THE 'MARKET FORCES' EXPLANATION

This explanation suggests that low provision of formal training shows 'non-ignorant' attitudes and decisions of the firm owners/managers/suppliers of training. One of the reasons for this situation is that the cost of training is higher in small firms. Second the employers fear that their trained employees will get poached away or leave the jobs for higher remuneration elsewhere. Thirdly, many small firms under invest in training provisions because they are unable to capture the return of it due to lack of subsidy to repair job mobility externality.

4. STRATEGIC PLANNING PROCESS IN SMALL AND MEDIUM SCALE ENTERPRISES

4.1 SWOT ANALYSIS

As a first step in the development of a strategic planning system, business managers should initiate by identifying and evaluating the strategic factors which assist or hinder the company in reaching its full potential. The greatest advantage is that it helps managers of SMEs survey different management areas, and gain insight into the significance within the framework of the company and accordingly initiate suitable actions.

The recognition of the internal strengths and weaknesses, as well as external opportunities and threats, takes place on the basis of a study, also called a SWOT-analysis. Here SWOT stands for ‘‘strengths, weaknesses, opportunities and threats’’ These are the results of the SWOT-analysis:-

The external environment consists of variables existing outside the company, which in the short-term are not under the control of the company. These variables form the context in which the company exists and functions. The external environment can be further subdivided into a direct environment and an indirect environment. The direct environment includes those elements or groups which are directly influenced by the actions of the company. Examples of these are the shareholders, the government, the suppliers, the local authorities, the competitors, the clients, the creditors and the employee’s organizations. The indirect environment includes more general forces which primarily have an influence on the long-term decisions of the company. These are economic, socio-cultural, technological, political and juridical influences. The internal environment of the company consists of variables within the company itself, of which the business management of the company does not have an influence in the short-term. These variables form the enterprise context in which work takes place. They also include the company structure, the company culture and the resources of the company. The formulation of a strategy is a process for the development of long-term plans, to effectively respond to environmental opportunities and threats in the light of the strengths and weaknesses of the company. (Houben, G., Lenie, K., & Vanhoof, K. (1999)

5. HUMAN RESOURCE PRACTICES

As a second step in the development of a strategic planning system, formal business managers should be hired and HRD research organized. Organisational learning needs should be established throughout the organisation and must be attached to broader strategic issues to maximise human resource potential in SMEs. Personal capability of the key players should be focused in order to highlight the importance of prior exercise, background of the employee, training, education and attitude in developing the organisation.

Human Resource Department (HRD) encloses broad set of schemes and activities that will help upgrade the performance of individuals and the firm. The central idea of HRD is to use traditional training, organisational development and career development. HRD also expands workforce competence, skills development and quality, as well as motivation and commitment to the organisation and the development of teams. With this process of organisational learning employees acquire skills with response to change in time and also commit to lifelong learning. Strategic HRD is concerned with linking training and development to organisational objectives and responding to changes in technology and other factors in the external environment (McLagan, 1989). Reasons why

strategic HRD may not occur in SMEs include cost, ill-defined or absent strategic objectives, lack of managerial support for the value of training, neglect of long-term plans and a lack of training-needs analysis (Beaver, 2002).

6. TRAINING, DEVELOPMENT AND EDUCATION

Small firms largely use **on-the-job training (OJT)** because of its low cost and their prevalence to use ad-hoc training, where provided. While with the use of OJT the maximum transfer of knowledge is possible it is deficient in providing an expert trainer due to which evaluation of effectiveness is much more difficult. For SMEs to utilize external trainers in-house would go some way towards reducing the problems associated with OJT’s lack of evaluation analysis and would not prove as cost-intensive as off-the-job training. Job instruction training and apprenticeships are the most common forms of OJT in small firms.

Off-the-job training is more costly for smaller companies and can be difficult to organise, but it also offers expert training, minimal interruptions to daily work and can be quite efficient for small companies if they participate in ‘central’ courses. Where this method is utilized by small companies it tends to be limited to seminars and classroom teaching rather than the potentially more useful simulations and programmed instructions.

Self-education of employees is rarely supported by SMEs because of financial constraints and the more advanced forms of training characteristic of organisational learning that promote life-long learning are also very rarely utilized either. Further, management development is often neglected in SMEs. Moreover, the development of managers may contribute to organisational learning through improvements to organisational practices being embedded in the organisation and becoming part of organisational culture through transition from one generation of employees to the next.

7. TRAINING STRATEGIES IN EUROPEAN SMES:-

Lisbon strategy of 2010 ... to have the competitive as well as dynamic knowledge that is based on the economy in the world which requires active support that can bring development and adoption of **e-learning** throughout Europe, at all levels of education and training, including SMEs. Its flexibility and facility of access e-learning is rightly seen as an enabler of lifelong learning. E-learning has potential to transform how and when employees learn. Ultimately, e-learning is a catalyst of change and integration, unleashing processes affecting life and work as a whole. It seen as a chance for SMEs to improve their business and to integrate into the European market, too.

The main advantages that organizations have from e-learning:-

- Reduction in transport expenditure
- Means of not moving users from their work place
- Identification of paths

- Possibility of access for employed users
- Flexibility in training material
- Better learning
- Cost saving
- Time saving

The most significant key factors negatively impacting e-learning and knowledge development in SMEs as identified are:

- Training culture within the SMEs –conventional training methods are mainly involved; skills are required for a more independent approach and new media learning are missing. Face-to-face activities such as conferences, workshops, lectures and seminars are mostly preferred.
- Lack of appropriate software and contents – the major part of commercial e-learning software is modelled on the requirements of big enterprise or higher education. Software development is mostly centred on e-learning platforms, usually consisting of a basic product and additional modules, which is really costly and demanding installing it and maintaining its contents are usually very expensive, it contains standardised contents which is largely inappropriate for SMEs.
- The attitude of managers – they often have not enough knowledge or are not convinced of the effectiveness of e-learning. Instead they put their trust in classroom based training. They usually prefer face to face learning they don't find suitable in e learning.
- Lack of time and lack of access to sufficient bandwidth to ensure high quality training, especially user-friendly tools and quality content.
- Lack of knowledge flows in the company corresponding to its business and staff work tasks.
- Lack of immediate context of applying the learning for example by incorporating new learning in a personal knowledge schema or portfolio...
- Lack of knowledge management in the company.
- Lack of knowledge of agreements and associations that could be useful both in resisting the power of intermediaries and large competitors as well as adopting policies of communication.

8. COMMUNITIES OF PRACTICE AND KNOWLEDGE MANAGEMENT

Communities of practice (Cops) can become a powerful way for SMEs to innovate and develop new capabilities. Some main characteristics of CoPs are the following:

- A shared domain of interest of its members, their commitment to this domain and a shared competence that distinguishes members from other people,

- Common ideas, joint activities. Members engage in pursuing their interest for the domain and build relationships that enable them to learn from each other,
- Common practices because members of a community are practitioners with different levels of expertise. They develop a shared repertoire of resources e.g. experiences, tools, ways to solve problems, a knowledge base of best practices
- Four major types of CoPs can be identified:
 - Innovation communities which work out in innovating for new solutions,
 - Helping communities so that they can solve their problems,
 - Best-practice communities that actually elaborate best practice in a given field or on a given topic which is very beneficial.
 - Some principles of “designing for aliveness”, which can guide organisations wishing to start a CoP are explained here:-
 - Design for evolution e.g. design elements should be combined in a way that they may act as catalysts for a natural evolution to a life-long learning oriented CoP,
 - Keep an open dialog between inside and outside perspectives of the CoP because the last one can help community members to see new possibilities and help them to act in an effective manner,
 - Consider different levels of participation for the members of the CoP (leadership roles, core active group, rare participants, etc.),
 - Develop public and private community spaces,
 - Create a rhythm and rules for the community.

Internet-technologies extend the interactions within communities of practice beyond geographical limitations and make possible the building of **virtual CoPs (VCoP)**. These communities free their members from constraints of time and space. Sometimes a transition takes place from a face-to-face to a virtual CoP, in order to reach more continuous levels of information sharing. In this case it is important to choose adequate software to support.

SIMPEL is a current European project financed under the European eLearning Initiative. Comparative analysis of e-Learning projects have been completed by SIMPEL partners and e-learning models have been discussed in seminars with managers of SMEs, consultants, e-learning experts

Comparative analysis of project results undertaken by the SIMPEL partners are following:-

1. Identification of needs and objectives of training:

Owners of the SMEs should be encouraged and they should be helped to carry out a training analysis in the wider context of business aims and longer term business planning, before the training process begins.

2. Engaging employees: Unlike classroom based learning e-learning is not a familiar process to novices; it is most successfully introduced when linked very closely to day-to-day tasks.

3. Time factors and form of training used: SME staffs are guided by daily business pressures there for they are ; so informal, on-the-job, forms of learning often taking place through sharing experience with colleagues about job tasks and these should be combined with e-learning.

4. Courses/Learning Content: The most important focus for training courses in SMEs should be the “core business” of the company and should take into account the competences staff need for their work tasks and procedures etc. should be given to help the given SME to survive in the market; in addition, key competences are important such as management skills, accounting and language skills

5 Learning infrastructures: space, time, environment, etc. to support e-learning have to be created within the organisation.

6 Organisational perspectives, transfer of knowledge: community of practice, teaching groups, partnerships supported by learning platforms and special connections have to be developed, in order to strengthen dialog and knowledge transfer.

7. Economic aspects: A cost-benefit analysis of the e-learning strategy has to be part of the business plan.

8 Quality and (self) evaluation criteria: Quality criteria have to be established. Evaluation tools for efficiency and results of the training efforts should be developed that can be easily handled because SMEs rarely evaluate training and lack the staff and know how to carry it out.

In SIMPEL an “optimal model” for the introduction of e-learning in an SME has been developed. It shows the structure of a sustainable e-learning strategy and describes the steps for the introduction of e-learning in the SME. Its conception, execution and evaluation ought to be an integral part of the SME’s whole vocational training strategy

SME SPECIFIC TRAINING CHALLENGES

1. The lack of skilled labour is a problem for more than one third of all SMEs
2. The issue of a skilled workforce, educational attainment and access to continuous training is crucial in this context
3. Existing training offers and programmes are normally designed and organised from the point of view of larger companies and they simply don’t fit into the organisational needs of smaller companies

IMPACT OF MANAGEMENT TRAINING IN SMEs:-

- The supply of management training of SMEs is not homogeneous. Some training may focus on developing particular functional skills, others may focus on SMEs at particular development stages i.e. start up, growth of business or etc.
- Some training is provided by public organizations such as universities colleges and etc. whereas for others it is provided by private sectors training consultants.
- Small firms which have participated in management training schemes generally suggest their business have derived some benefit by the training process and participation in the training process. The balance sheets of the small firms have heavier contributions from current rather than the fixed assets hence, it provides flexibility to them

9. CONCLUSION

Despite setbacks in the past, mostly caused by exaggerated expectations and inappropriate approaches and products, e-learning is still considered as a key for the solution of the HR and training problems of European SMEs. To work towards sustainable learning strategies, however, e-learning has to be embedded in intelligent and adequate “mixtures” of different learning methods and technologies. Also, the blending of information, communication and learning on the one hand and learning and knowledge-management on the other need to be taken into account, in order to avoid to look at learning and e-learning too much in isolation. “Learning for tomorrow” requires fast transfer of the right kind of knowledge. Underpinning the right mix of approaches and technologies are the “e-competences” [18], beginning with computer literacy and including the ability to supplement know-how with know-who and know-where. We are confident, e-learning 2.0 and learning in CoPs will make a positive contribution to rooting and spreading strategic approaches to learning in SMEs. We are working towards this in SIMPEL and the wider e-learning networks.

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