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**SWP 41/89 THE ROLE OF UK UNIVERSITIES IN SME
TRAINING AND DEVELOPMENT**

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by: Professor Paul J. Burns



THE MANAGEMENT TRAINING BACKGROUND IN THE UK

Recent reviews of management training in Britain make it clear that virtually all firms need to improve their training of managerial skills. Taken as a whole, Britain's 2.75 million managers spend an average of only one day a year on formal training (Constable & McCormick, 1987; Handy, 1987). This falls well below the standards set in most other industrialised countries and cannot be blamed on low awareness or poor provision of training facilities. However, private employers spend an estimated £14.4 billion a year on training and the Department of Employment a further £3 billion, representing 7.8% of Gross Domestic Product - about average for Britain's industrial competitors (Training Commission 1988). The challenge is not merely to provide more training but to ensure that management training is both appropriate and cost effective.

As the size of the firm diminishes, the need for even basic management training increases and the problem of designing suitable training becomes more acute (Mangham & Silver, 1986). Around 80% of big companies in the UK (those employing more than 5000) do provide management training, but only 25% of SME's (employing less than 1000 people) provide it. (Mangham & Silver 1986, Handy, 1987). The proportion shrinks to 18% for small firms with fewer than 10 employees and even less for the self employed (SBRT, No.1, 1988). And yet the need for training in SME's exists. For example, it is generally recognised that most SME's would benefit from training in finance - planning, raising and controlling - and that training is effective in this area. However, for a number of reasons - ignorance of the perils, fear of figures, reluctance to give up autonomy, and so on - finance remains a mystery to most SME managers (Curran, 1988). To be attractive, SME training must satisfy the owner-manager's perceived needs in providing solutions to current, practical problems (Hodgson, 1985).

SMALL BUSINESS TRAINING

Today, about 300 institutions offer courses in new and small business management, and this represents almost a doubling of provision over the last two years. These courses are offered by educational institutions, private sector consultants and enterprise agencies. The vast majority of them are funded by the Government's Department of Employment (DoE) and their Training Agency. However, this training provision is unbalanced.

In 1987/88 the DoE budgetted to provide training courses to over 87,000 new start-up businesses. This represents about 28% of all UK start ups. These range from short one-day courses to the longer part-time programmes like Firmstart, which are spread over 6 months. All these courses generally claim a higher launch rate and employment generation rate for trained firms than is to be expected from national statistics (for example, Birley, 1985). In addition there are some cost-benefit analyses. One found that even if displacement effects were included, and a pessimistic view was taken of the appropriate discount rates, the net present values of such programmes was still sufficiently high, and by quite a sufficient margin, to conclude that start-up training was cost effective (Johnson & Thomas, 1983).

However, whilst training has made a significant impact in the start-up market, it has failed to do so in the market of existing small firms. In 1987/88 the DoE budgetted

to provide training to only 17,000 existing small firms. This represents well under 1% of the total stock of small firms. What is more, many of these courses are of only one-day duration. Clearly, the challenge of bringing effective training to the existing small firms has still to be met.

The Universities have played a leading role, for well over a decade, not only in the provision of these courses but also, and perhaps most importantly, in their design, development and piloting.

PROGRAMME DESIGN

To be effective small business training must be practical, relevant and offer immediate solutions to the problems of establishing a business. The problems of start-up particularly are, by necessity, short-term. The start-up business often lacks the resources to take a longer term view and, with one third of new businesses ceasing to trade within three years, simple survival is a badge of success.

There is strong evidence that the focus of small business management training must be on marketing, accounting and, to a lesser extent people (Gray & Burns 1988). Almost 20 years ago the Bolton Report highlighted small business management deficiencies (Bolton, 1971):

1. Raising and using finance
2. Costing and control
3. Organisation and delegation
4. Marketing
5. Information use and retrieval
6. Personnel management
7. Technological change
8. Production scheduling and purchasing

15 years later, a review of post-Bolton small business research concluded that, despite a significant increase in knowledge about the sector, the broad problem areas remain much the same (Curran, 1986). However, it is probably wise to draw a distinction between a problem and a training need. A problem is a situation the small firms faces. Its solution may need more hard work and perseverance than training.

Training teaches a skill but the skill must be capable of being taught. It may be difficult to teach the ability to unearth new sources of finance or to concoct new deals, but the basic skills needed to manage finance, marketing and people are being taught successfully every day.

Whilst programme design has focussed on providing these basic skills, it has also attempted to help the owner-manager apply them to the problems of the firm. This has been done by mixture of group work and the provision of a personal counsellor for the trainee. The counsellors role is often vital. They act as the bridge between the management skill and the solution to the business problem. But counsellors act as more than just consultants. They also act as friends, helping to allay some of the owner-managers' fears, and non-executive directors, helping to set a broad direction for the firm and available to bounce ideas off.

Group interaction is also important as the owner-managers realise that the problems they face are common to many others. What is more, these problems are capable of solution. This realisation, together with the support of the counsellor, is important in developing the confidence of the owner-manager. Running your own firm is a lonely thing. Unlike in the larger firm, the owner-manager frequently cannot ask advice, seek support or simply bounce ideas off a supportive colleague.

One important issue is whether these programmes can "teach" entrepreneurship; the ability to see business opportunities and a willingness to make the most of them. I believe they can, although not in a formal sense. It is the group that encourages the development of this trait. When you are part of an enterprising environment, constantly looking at new business opportunities and analysing how they can be capitalised upon, then you cannot fail but become more entrepreneurial yourself. Entrepreneurship is a character trait, a flair, that some people do not have. But, if the spark is there, I believe it can be encouraged and developed - just like an ability with music.

Course designs have also recognised that owner-managers have unpleasant memories of school and feel that tutors lack business "reality" (Keisner, 1985). Consequently, courses are less formal, make use of business people rather than trainers and approach topics from a practical viewpoint.

Finally, programme designs have recognised that owner-managers have considerable pressures on their time with little "cover" if they absent themselves from the firm. This means that courses have to be convenient for the owner-manager. Often they are held in the evenings or weekends. They tend to be modular - broken up into convenient blocks that the owner-managers can undertake over a longer period of time so that they can minimise their time away from the firm.

START-UP PROGRAMMES

Firmstart is an example of a start-up programme first introduced in 1977. The current design was introduced in 1986 and represents both training refinements proposed by the Universities running the programme and the effect of cost economies introduced by the Government. The programme is currently run by 9 Universities and, from last year, by the Hotel and Catering Industry Training Board. In 1988/89 there will be under 500 training places available, so the course is targetted at start-ups with growth potential.

The programme is modular, providing 15 training days over a 6 month period. These take place at evenings and weekends. The programme also provides a ½ day a month of counselling to the owner-managers. The focus of the programme is the development of the business plan.

The programme has proved very successful. A recent survey by independent researchers showed that, nine months after completion of the programme, participating firms had, on average, created 5.3 new jobs.

A related start-up programme, launched in 1984 is the Graduate Enterprise Programme. This programme aims to help graduates from Universities and Polytechnics in Britain who wish to set up their own business. In 1988 some 400 places were available on the programme.

These young entrepreneurs face particular problems. With an average age of 24 years, they lack business experience and capital. Consequently, their businesses take longer to launch and grow. A survey of 36 participants on the first English programme tracked their progress over their first three years, (Brown, 1988). It showed that 75% of participants were still fully employed in their business. This

compares to a national average of 67%. However, the scale of these businesses was very modest, 15% were still trading below break-even and each firm had created, on average, only 3 new full-time jobs and 1.7 part-time jobs.

PROGRAMMES FOR ESTABLISHED SMALL FIRMS

Established small firms have proved altogether more difficult to target. Part of the reason for this is that many small firms simply do not want to undertake training. They have only local horizons, a weak grasp of technology and business principles and little desire to expand (Binks and Jennings, 1986; Storey, 1986). The most common ambition for owner-managers is simply independence and autonomy, (Bolton, 1971; Curran, 1988).

Programmes for existing small firms have therefore tended to concentrate on training which helps them solve practical day-to-day problems. The DoE offers a Private Enterprise Programme - a series of one-day training modules for established firms. Take up of the programmes has been patchy, but the two most popular modules by far are Book-keeping and Selling, indicating the strong desire for practical solutions to business problems.

Some Universities have been successful in mounting "Growth Programmes" targetted at ambitious small firms looking for second stage growth. These courses focus on strategic and personnel management skills, once more matching skills to the practical problems the firm will face in achieving growth. These programmes also use counsellors as the bridge between the management skills and the solutions to the business problems. However, the counsellors' role is far closer to that of a consultant and non-executive director. These firms are usually well placed to achieve their second stage growth and their owner-managers have more confidence in their ability to achieve it. However, these courses are expensive since they receive very little Government subsidy and are very labour intensive. Consequently, they reach only a very small proportion of the potential market.

An ambitious project designed to remedy this deficiency is due to be launched in the UK in 1989/90. It is called, The Small Business Programme and is a complete distance learning package targetted at small firms with growth potential. It comprises of 25 modules each made up, generally, of video and audio tape and workbook. It is supported by a series of programmes to be broadcast on the BBC and a reference book containing information sources. When it is launched, there will also be a national network of agencies offering workshop support for the programme. The project is the result of a Government initiative involving collaboration between Cranfield School of Management, The Open University and the BBC.

The advantages that distance learning offers to small firm training are fairly evident:

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| Flexibility | - | training can be undertaken when and where the small firm wants |
| Autonomy | - | training can be undertaken at the pace the owner-manager dictates, which can vary widely because of differences in educational background |
| Innovative | - | the programmes are non-traditional using new technology. For example, videos use professional studio presenters, film inserts of small business case studies and well produced graphics. Audio tapes are designed to be listened to in the car. Workbooks have a light "magazine" feel to them. The whole package is |

designed to look as little as possible like formal training material

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| Practical | - | the programmes use questions and activities to apply the skills learnt directly to the business |
| Economical | - | provided there is sufficient take-up, distance learning offers the prospect of reducing the unit costs of training dramatically and providing the owner manager with an information source for future use, instant revision and the basis of an in-house staff development training programme. |

CONCLUSIONS

The Universities have done much to help in the development of training for small firms over the last two decades. However, the training need in the UK has shifted. We now have an ample supply of new firms being set up every year which are well catered for through existing training programmes. The challenge for the 1990's will be to help the firms that are set up to grow. This will prove difficult because many firms simply do not want to grow and are resistant to training. Also, traditional training techniques are expensive. Distance learning may offer an answer to some of these problems. One way or another, the Universities must find a way of addressing this new challenge. Based upon past experiences, they are likely to do so.

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