TITLE: THE PARADOX OF TRAINING IN THE SMALL BUSINESS SECTOR . OWNER/MANAGERS` ATTITUDES TO , AND ACTUAL PROVISION OF , TRAINING IN THE WEST MIDLANDS REGION , 1993 - 1996

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THE PARADOX OF TRAINING IN THE SMALL BUSINESS SECTOR

OWNER/MANAGERS' ATTITUDES TO, AND ACTUAL PROVISION OF, TRAINING IN THE WEST MIDLANDS REGION, 1993-1996

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Summary

This thesis examines the training and human resource development strategies of small business owner/managers. Its premise is that although most small business owner/managers claim to have a positive attitude to training, its actual provision fails significantly to keep pace with their perceived skill needs. The existence and magnitude of the 'training paradox' was explored in a telephone survey focused upon 2000 randomly chosen respondents from the West Midland region of Great Britain. The underlying causes of this paradox were identified and analysed in a longitudinal survey which involved in-depth, face-to-face interviews, carried out with a sub-sample of 246 owner/managers. Furthermore, a wide range of complementary data obtained from 74 'matched' case studies was used to test the cumulative results obtained from both the telephone interviews and the longitudinal survey.

A number of important training-related findings emerged from this research study. Firstly, small business owner/managers' attitudes to training remained remarkably stable throughout the length of the research. The most important factor to affect owner/managers' attitudes to training was the quality of their 'incubator' experiences in this field. Attitudes to training also determined, to a large extent, the recruitment preferences of these respondents. Secondly, according to these owner/managers, the actual provision of training in their firms was determined by a combination of 'directly' and 'indirectly relevant' factors. In the 'directly relevant' category, owner/managers included the market positioning of a firm, prevailing economic conditions and the availability of relevant training. The 'indirectly relevant' category involved factors of secondary importance, such as the cost of training, time constraints, lack of in-house trainers and difficulties relating to trainee cover, motivation and interest.

It became obvious, from the results of this research study, that the recent policy efforts aimed at the small business sector have failed to make a significant impact upon these owner/managers' training and human resource development strategies. This thesis concludes by recommending that the overall availability, both in terms of quantity and quality, of vocational education and training should be improved to at least the level provided by Britain's main competitors. Furthermore, the training industry, itself dominated by the self-employed, micro- and very small firms, should be targeted for selective financial assistance in order to subsidise a range of economically priced and customised training, narrowly focused upon the diverse needs of small businesses.

PART ONE

INTRODUCTION

The Fascinating World of Small Firms: A Personal View

The subject matter of this thesis originates in my long standing fascination with small business environments, their owner/managers, key personnel and other employees. My interest in small firms was first stimulated in the early 1970s when, as an economics and management student in Romania, I was required to spend my summer holidays doing 'practical periods' which were meant to complement the theoretical knowledge gained from university courses. Most of my fellow students chose large local firms where they could spend three months in relative comfort, moving through a succession of prestigious departments. Professor Radulescu, my mentor, who specialised in strategic planning, had arranged for me to spend all my 'practicals' researching the management needs of a nation-wide network of small fruit growers. These were contractually bound to supply, at a nominal price, all their products to Romania's largest international firm, Fruitexport. Apart from a healthy diet of fresh fruit, these assignments provided me with an insight into the mysterious world of small business management, a topic that later would become a professional obsession.

On completion of my undergraduate studies I was allocated to the head office of a Fruitexport regional centre where, as a 'corporate strategist', I was able to continue my research into the management needs of small firms on a part-time basis. In October 1976, soon after my arrival in Britain, I registered with Accountancy Personnel and through a variety of short, medium and long-term assignments I became involved, once again, with small businesses. Thus, my interest in all aspects of small firm strategy was maintained and stimulated by my experiences of working with them - initially as an employee, a few years later as an owner/manager and a consultant.

As none of my Eastern European achievements and qualifications were likely to be recognised in Britain or the rest of the 'free world', I decided to begin my post-compulsory education all over again. In 1981 I undertook an undergraduate degree in accounting and financial analysis, with a special focus on small firm development. On completion, my mentor and international small business authority, Professor Paul Burns suggested that I continue my studies on small business management needs under his supervision. Unfortunately, just as I was about to register for a full-time doctoral research programme, Professor Burns was offered a prestigious position with Cranfield Business School. Due to personal circumstances I was unable to follow him to Cranfield and, instead, I embarked upon a career as a small business consultant.

In 1991, however, I joined a part-time M.Ed programme in the Department of Continuing Education at Warwick University. My dissertation on *'Continuing Education and Training in the Small Business Sector Under Recessionary Conditions'* was well received. In 1993, Dr. Malcolm Tight, M.Ed programme director, and Professor Chris Duke, my future supervisor, suggested that I should further my research on vocational education and training in the small businesses sector by registering on a part-time Ph.D programme in the department. The prospect of fulfilling my long-standing ambition to research this cross-disciplinary topic excited me tremendously. Furthermore, as a self-funding, independent research student, I saw the opportunity to make a real contribution to the relatively neglected topic of my choice. As always, in my chequered existence, when faced with the enormity of my dreams I relied mostly on a long forgotten roman dictum: ***'Labor Improbus Omnia Vincit'* - *'Unremitting Work Conquers Everything'***. The generous assistance of many individuals contributed significantly towards the completion of this project: I sincerely hope that my work does justice to all of those who helped me in my quest.

Training and Small Businesses: A Cross-Disciplinary Quest

Throughout my work experience in diverse small business environments, one interesting aspect of behaviour kept recurring in a variety of inter-related forms. It became increasingly obvious to me that the ability of each member of a small business team to act efficiently upon work situations, problems and challenges, depended largely upon the level of education and/or training that they had achieved. Furthermore, the link between educational or training achievements and the ability to work efficiently - both as an individual and as a team - was not necessarily influenced by the size of firms or the nature of their economic activities. Regardless of the number of employees or the size of the turnover, the responsibility and the financial burden for training their workforce generally fell upon small business owner/managers. Typically, it was the employer who identified a need for training, decided who should undergo it and found the necessary resources to provide for it.

The conventional wisdom relating to training in the small business sector (and indeed in medium-sized or large firms) appears to promise considerable benefits to all those involved in the process. Thus, in the short-term, an employer might expect to recover an investment in training and, in the long-term, benefit significantly from the increased productivity of their employees. To the respective employees, there would accrue benefits in terms of pay increments and job security. *Prima facie*, small business owner/managers would be well advised to invest in the future of their workforce. In practice, however, the small business sector has a long standing reputation for the low educational and training achievements of owner/managers in particular and their workforce in general. Furthermore, training and skill levels in Britain has been repeatedly criticised, by a wide range of commentators, for significantly falling behind the achievements of its major competitors.

Following James Callaghan's Ruskin Speech of 1976, a general consensus emerged within industry on the apparent inadequacy of the British education and training system and the urgent need to radically restructure it. As a direct result, the mainstream education and training system in Britain is on the defensive: there are considerable demands and pressures exerted upon it to 'modernise' the curricula, the methods of delivery and the means of examination or assessment. To complicate matters even further, a diverse collection of educational and quasi-educational groupings, employers, trade unions and government representatives have increasingly imposed their own overt or covert agendas upon the widening education and training debate in this country. Due to the polemical overtones that characterise most aspects of this debate, it is becoming increasingly difficult to differentiate between political dogma, idealistic speculation and reasoned 'hard facts' based on objective research. Similarly, the expanding body of related literature and the associated variability in its quality makes it very difficult for interested parties to keep up to date and remain aware of current research.

The education and training debate in Britain has been fuelled by a perceived - and empirically yet to be proven - causal link between the performance of the educational system and that of the economy. Thus, the perceived failings of the education system are blamed, at least in part, for Britain's relative decline in economic performance. Low productivity levels, skills shortages and the lack of a trained and flexible workforce have been increasingly attributed to the apparent failure of the British education system to address the issue of vocational training. In this context, the obvious lack of vocational education and training in the small business sector could be seen as a poignant reflection of owner/managers' attitudes to educational issues. The owner/managers' 'ignorance of training' and supply- or demand-side failures have repeatedly been put forward as justifications for the very low training provision rates in small firms. Considering the intensity and political significance of the training debate, the relative neglect and lack of empirical research relating to labour education and training in Britain is particularly disconcerting.

In view of the traditionally low political and economic profiles of small businesses in this country, it is understandable that issues relating to training in this sector have largely been neglected by academic researchers and human resource specialists. Until recently, this comparative neglect was compounded by the biased, large firm-oriented economic policies of successive British governments. Furthermore, the lack of research focused on the possible causal links between owner/managers' attitudes to and actual provision of training is symptomatic of the official, academic and professional neglect towards human resource development issues in the small business sector. By undertaking the current research programme I intend to redress the balance and contribute substantially to the existing body of knowledge relating to the topic of training and human resource development in the small business sector.

Structure of the Thesis

This thesis is divided into three parts. In the first part I set out to introduce myself and the subject matter of my research. In Part One I have also included a brief discussion of the combined methodological approach which I have used to collect and analyse my primary research data.

Part Two is divided into three chapters. Chapter One gives a historical overview of the paradigms, paradoxes and hypotheses that dominate the training debate in Britain. Chapter Two offers an analysis of the contemporary vocational education and training (VET) system in the context of a free-market economy. Chapter

Three explores the small business training market in contemporary Britain, with a particular focus on recent developments such as the inception of TECs/LECs, the advent of Training Credits and the introduction of NVQs/GNVQs. The first three chapters examine in detail the diverse body of literature which covers the development of the British VET system since the 1979 Conservative election victory.

Part Three contains three chapters relating to the collection and analysis of primary data. In Chapter Four I present the result of the 1993 quantitative survey which involved 2,000 telephone interviews with randomly selected owner/managers in the West Midland region of Great Britain. In Chapter Five I outline the findings of the 1994-6 longitudinal survey which involved in-depth interviews with a sub-sample of 246 respondents. The analysis and discussion of the data obtained from 74 'matched' case studies is summarised in Chapter Six. These three chapters contain the description of individual research samples and quantitative data as well as detailed analyses of qualitative results related to the training and human resource development strategies of small business owner/managers.

Part Four contains Chapter Seven, which includes the conclusion to this thesis and the policy recommendations which emerged from it, followed by References and Appendices.

Researching Training in the Small Business Sector:

A Topic in Search of a Methodology

Introduction

The research project presented in this thesis is firmly rooted in a tradition of social investigation which can best be described as 'real world enquiry' (Robson, 1994:10). It takes place outside the confines of carefully controlled, sterile laboratory environments, in the harsh and competitive world of small businesses. It is important, therefore, that both the researcher and the researched should be viewed as free, but committed, participants in the fast-moving and ever-changing environment of 'real world' research. Further, it should be remembered that before setting out to plan this research project, I myself have been an owner-manager and small business consultant having served for over two decades the challenging apprenticeship of entrepreneurship. I recently decided that the time had come to fulfil a life-long ambition of pursuing related academic interests. There is no doubt in my mind that the knowledge gained throughout the years that I have been closely involved with the world of 'raw entrepreneurialism' (Hosking, 1995:1) have proved to be most helpful in the completion of this project: the study as a whole has been noticeably influenced and hopefully enriched by "... the experience and understanding that we [the researchers] bring to the research" (Robson, 1994:X).

The respondents that chose to participate in this research are real people, governed by individual attitudes, beliefs, motivations and biases. Such factors not only influence the decision-making process of 'entrepreneurs' but often result in diverse, highly personalised and mostly informal management or control systems. Thus, individualism and personalised, flexible, 'front-line' management are acknowledged, by many commentators, to represent the prime competitive advantage of the 'Cinderella' sector of the British economy (see, for example, Storey, 1994; Goss, 1994). The comparatively very high rate of response (89 percent), the breadth and the depth of the data gained throughout this research, could probably not have been achieved without an ability to convince prospective respondents not only that I was one of them, but also that I meant business and under no circumstances was I prepared to waste their time or my own meagre resources on 'trivial pursuits'. Thus, a direct approach (and the use of a carefully chosen 'entrepreneurial' language that owner/managers could understand and relate to) helped me successfully to complete, within a strict timetable, the interview of a relatively large sample of respondents.

The Quest for an Appropriate Methodology

My quest for an appropriate and feasible methodology to be used in the research of training in the small business sector was influenced by a number of factors. Firstly, during my literature search, I became aware that most authoritative studies on training involved large-scale surveys, which made exclusive use of quantitative methods (for example, IFF Research, 1992a, 1992b). In contrast, the very few small-scale research projects that I found in this area appeared to be limited to small population samples and relied exclusively on qualitative approaches (see Johnson and Gubbins, 1991:29). Secondly, the constraints upon my research, both in terms of finance and time, dictated a careful and selective approach in order to maximise the opportunities open to me in this direction. Thirdly, I had no wish to duplicate any of the work already undertaken by other researchers who had access to resources far in excess of my own.

The topic which I have chosen for my doctoral thesis also appeared to narrow, to some extent, the choice of methodological approaches available to me: researchers undertaking attitude surveys positively favoured large scale surveys and the exclusive use of statistical methods. The results of these attitude surveys, however, clearly left many of the implied (and occasionally stated) causal link open to criticism. Thus, large-scale surveys, in general, appear to suffer from certain inherent deficiencies (mainly problems of extrapolation or generalisation) that small scale qualitative projects ostensibly set out to correct (Brannen, 1992:5). In turn, small-scale, qualitative research studies are said to suffer from a different set of deficiencies, such as limited generalisation scope, obvious interviewer bias and possible dissemination difficulties (Creswell, 1994, Hammersley, 1989, Finch, 1986, Silverman, 1985)

In a recent paper, Storey and Westhead, (1994:17), point out that, having undertaken a comprehensive overview of existing research on training in the small business sector, they were unable to "...consistently document methodologically well conducted research..." Their critique of the current state of research on this topic is devastating: the great majority of the projects reviewed - originating both in Britain and abroad - failed to meet with the authors' approval, mainly due to blatant methodological shortcomings. Although the authors tend to concentrate primarily on externally provided management education, their comments are equally valid across the wider topic of vocational education and training in the small and medium-sized business sector (Storey and Westhead, 1995, 1996; Hendry *et al.*, 1995). For example, they point out that most research in this area appears to be quantitative and that the empirical results of such 'snap-shot' studies suffer prominently from typically low response rates. As a result, well conducted qualitative or longitudinal research appears to be notably absent from the body of knowledge relating to the topic of training and human resource development in the small business sector of the British economy.

Quantitative vs. Qualitative Methods: A Matter of Compromise?

Both quantitative and qualitative methodologies appear to present the researcher with choices and compromises. Although 'quantitative' and 'qualitative' are usually taken to denote fundamentally opposed methodological paradigms (McLaughlin, 1991; Guba, 1990, Smith and Heshusius, 1986), in accepting such a forced dichotomy, the researcher is prone to "...deny the variety of ideas, strategies and techniques to be found in social research" (Hammersley, 1992:39). In practice most researchers have a tendency either to ignore the methodological issues involved in their work or else to argue that a particular one (usually the method that they have chosen) has specific advantages relating to the topic under investigation. In my view it devastating: the great majority of the projects reviewed - originating both in Britain and abroad - failed to meet with the authors' approval, mainly due to blatant methodological shortcomings. Although the authors tend to concentrate primarily on externally provided management education, their comments are equally valid across the wider topic of vocational education and training in the small and medium-sized business sector (Storey and Westhead, 1995, 1996; Hendry *et al.*, 1995). For example, they point out that most research in this area appears to be quantitative and that the empirical results of such 'snap-shot' studies suffer prominently from typically low response rates. As a result, well conducted qualitative or longitudinal research appears to be notably absent from the body of knowledge relating to the topic of training and human resource development in the small business sector of the British economy.

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In his much celebrated volume "Exploratory Data Analysis", Tukey (1977) argues that for any research to be effective and easily comprehensible it must involve a variety of tools, specifically chosen for the task. He differentiates between two major research methodologies: 'investigative' and 'confirmatory'. To each of these he attributes not only a particular character but also a specific genre of data collection and dissemination. Exploratory analysis can be perceived as detective in character and mostly uncovers quantitative indicators (see also, Baldamus, 1979; Douglas, 1976). Confirmatory research, however, can be viewed as judicial or quasi-judicial and relies heavily upon qualitative approaches (see, for example, Frankfort and Nachmias, 1992; Bromley, 1986). Thus, the most commonly applied distinction between the two traditional methodologies appears to rest on divergent forms of data collection and analysis (Bryman, 1992:58).

Furthermore, "...exploratory data analysis can never be the whole story, but nothing else can serve as the foundation stone, as the first step" (Tukey, 1977:3). In view of this, the author concludes that to restrict research to quantitative approaches only would expose it to the real danger that at least some of the results could be accidental, coincidental or misleading. Robson (1994:41) highlights another possible deficiency inherent in exclusive methodological approaches: he argues that a researcher skilled or experienced in only one of the 'traditional' strategies might assume, automatically, that every research issue can be more than adequately investigated by the application of his particular choice of methodology. Other researchers might employ a specific technique because it is the only one with which they are competent or, conversely, because it is the only one in whose overall superiority they genuinely believe (Creswell, 1994; Aronson *et al.*, 1990; Smith, 1975). In contrast, however, Cain and Finch, (1981:111) argue that a particular set of data can only be constituted by a specific method, and it is likely to strongly relate to the initial theories and formulations of the research problem. It would be tempting, therefore, to conclude that different research methods should be viewed as complementary, rather than exclusive, each analytical tool having the potential to 'discover' a different aspect of a 'multi-faceted' reality.

The Case For a Combined Methodology

Most advocates of the 'multiple research strategy' (Brewer and Hunter, 1989, Burgess, 1982) view combined research methodologies not only as superior to the more vulnerable 'single-method' approach but also as an expedient form of 'triangulation'. The term 'triangulation' is taken to denote the use of more than one method of investigation and generally involves more than one type of data (Bryman, 1988:131). For example, Cohen and Manion, (1994:233) claim that "... triangular techniques in the social sciences attempt to map out, or explain more fully, the richness and complexity of human behaviour by studying it from more than one standpoint and, in so doing, by making use of both quantitative and qualitative data". The main advantage of triangulation appears to rest on its potential to increase the 'internal validity' of data, by mitigating inherent methodological disadvantages and/or enhancing the complementarity of different research tools (Bryman, 1992:60; Creswell, 1994:174). Further, drawing on Denzin's (1970, 1978) work, Brennan (1992:11) points out that triangulation can involve 'between-methods' or 'within-method' approaches, depending upon the researcher's focus, choice of data collection and analysis techniques, as well as the weight afforded to each of these.

In choosing my methodology I aimed to integrate both the above approaches: firstly, different, yet complementary, data sets were to be derived through the application of both quantitative and qualitative methods; secondly, by the use of the same method of data collection (in-depth interviews), I planned to analyse any changes and developments that might take place within the same sample across a three year period; and thirdly, in my case studies, I set out to collect data from a number of different sources within the same firm (such as owner/manager, key personnel and skilled, semi-skilled or unskilled workers) in order to add both depth and width to the research process. By combining a number of approaches I also hoped to be able to analyse the ways in which my various data sets complemented or contradicted one another. In the process I also aimed for a better understanding of the relationship between the theories, methods and data sets appertaining to my cross-disciplinary research project.

Concluding Remarks

On the basis of the insights gathered from an extensive literature review and in view of my own research and consultancy experience, I have reached the conclusion that the most appropriate research methodology for the study of training in the small business sector should combine three different (yet interrelated) investigative and analytical approaches. Consequently, this research study was designed to incorporate, first, a cross-sectional, investigative telephone survey, to gather relevant attitudinal, sectoral and compositional data from a set of 2000 small businesses, randomly selected from within the 'standard' West Midlands region of Great Britain. It focused, in particular, upon the well-documented diversity of the small business sector in this region (Storey, 1994, Goss, 1991). The survey incorporated specific questions on firm ownership, management and workforce structure, the market it operated in and the nature of the competition it faced. Secondly, a longitudinal approach was also included, comprising in-depth, semi-structured interviews. These targeted a subsection of about 200 firms, representing 10 percent of the chosen population. Its main purpose was to identify and analyse, over a three year period, changes and developments in small business owner/manager attitudes to, and actual provision of, a wide range of training programmes. Finally, a number of illustrative case studies were conducted, in order to compare and contrast, in detail, the main strategies and approaches that small firm owner-managers adopted in relation to their training needs.

PART TWO

CHAPTER ONE

TRAINING IN CONTEMPORARY BRITAIN:

PARADIGMS, PARADOXES AND HYPOTHESES

Some observers and commentators conveniently date the beginning of the modern education and training debate in Britain to James Callaghan's Ruskin College speech of 1976 which was to launch the 'Great Debate' movement on skill shortages and related issues, such as human resource planning, development and management (Finegold and Soskice, 1991; Dale, 1991; Whitty, 1985; Jamieson and Lightfoot, 1982). In fact the contemporary debate on education and training had already been joined in the 1960s when representatives of the business community made tentative moves aimed at improving the quality of school-leavers entering the labour market (Senker, 1992; Woolhouse, 1991). Prior to the 1960s, the involvement of industry with education was limited, and mainly comprised short-term links and collaborations (directly motivated by recruitment considerations). At the time, the prevailing orthodoxy viewed industry-education initiatives as peripheral and discrete activities to be conducted with utmost care and consideration (Gibbs *et al.*, 1991:47). Invariably, the impetus for closer links between industry and education originated in the widespread concern for the comparatively rapid decline of the British economy that followed the relative boom years of the post-Second World War period, from the end of the reconstruction (*circa* 1950) to the energy crises, rising inflation and galloping unemployment triggered by the 1973 oil embargo (Aldcroft, 1982:36).

Arguably, the impact of such negative forces was greater on a British economy considerably weakened, since the beginning of this century, by two prolonged war efforts, and a depression, difficult conditions which were further compounded by a long-term, relative economic decline (Barnett, 1992:304). To add further to its growing problems, beginning with the early 1970s, British industry found itself operating in an increasingly hostile and competitive environment, both on the domestic and international markets. As a direct result of rapid technological changes and globalisation of markets, industrial productivity did not grow consistently: in the 1960s and 1970s output increased slowly, followed by a decrease during the 1980-3 recessionary years, before it surged considerably until mid-1989. Since 1990, however, industry has undergone a further recessionary period, characterised by a dramatic slow-down in output (Ingram and Lindop, 1990:33). According to Hyman (1992:10) the blame for Britain's poor and erratic economic performance in recent decades has increasingly been cast upon the apparent failures of the nation's labour force.

Most commentators imply a positive relationship between vocational educational and training levels and the productive potential of a workforce. At the same time work performance is assumed to have a crucial role in the process of economic development, the benefits of which are seen to affect directly a nation's living standards. In Great Britain, in particular, the relative lack of attention given to the matter of labour education and training has come as a surprise to some observers, especially since economic growth traditionally holds considerable political promise (Barnett, 1992, Hyman, 1992). The growing influence of media networks upon public opinion has further ensured that productivity has become the main yardstick by which economic and political success is to be measured, both in Britain and elsewhere. A clear-cut manifestation of government policy failures to significantly affect productivity through labour controls can be distilled from the 'stop-go' cycles of alternate inflationary and deflationary measures applied by consecutive governments in pre-Thatcherite Britain (Hyman, 1992:2). For the greater part of this century, however, economic output has not responded well to such policies and has only improved in the short term, typically in post-recessionary times (Whittington, 1989; Matlay, 1993).

Nevertheless, the most common and persistent explanation given for the relative decline of the economy in post-war Britain remains the apparent lack of vocational education and training of the labour force. Related issues such as motivational, skills and attitude deficiencies of the British workforce are also found to compare unfavourably with Western Europe, United States and Japan. It is common knowledge that such perceived failings have often been exaggerated or distorted to suit the hidden agendas of a variety of interested parties, to the extent that these have now become a culturally accepted blanket excuse for Britain's poor national economic performance (Nichols, 1986:15-20; Roderick and Stephens, 1982:3-7). Arguably, the cumulative economic distress of post-1973 Britain has became increasingly reflected in political uncertainty. Both the demise of the Conservative government in 1974 and that of Labour in 1979 could be attributed to economic crises precipitated by their obvious failure, through Keynesian intervention, to maintain a productive but stable economy (Hyman, 1992:23). Since the 1979 election victory of the Conservative government, attempts to revitalise the flagging British economy have been based upon the rejection of the Keynesian demand-management theory in favour of free-market doctrine. In this context, both the radical process of reforming the education and training system and the emphasis placed by government upon the rejuvenation of the small business sector in Britain can be seen as directed at the perceived positive impact that these sectors could have upon expected economic outcomes (Matlay, 1993, West 1992).

Britain's Low Skill Equilibrium: Supply vs. Demand for Training

Since its publication, Finegold and Soskice's (1991) formulation of the 'low skill equilibrium' in which much of Britain's industry is apparently trapped has caused a great deal of comment and controversy. In their view, the great majority of enterprises in Britain are staffed with poorly educated and trained managers and workers. In consequence, these firms can produce only low-quality goods and services (Finegold and Soskice, 1991:215). The authors further claim that, in contrast to the majority of firms in Britain, a small number of mainly foreign-owned, multinational corporations have not only succeeded in recruiting the country's 'educational elite' but also offered 'good training programmes' for their personal development (ibid.: 258). The implications appear to be that such firms have managed to produce high quality goods and services which emulate those of Britain's successful competitors. The well-rehearsed arguments outlining the apparent inferiority of the British workforce as compared to their international competitors are repeatedly put forward as both a justification and an outcome of the main cause which underlines the relative economic decline experienced in this country (see: NEDO/MSC:1984; Cooper and Lybrand, 1985).

Although circular and mono-causal in nature, these authors' arguments go a long way to reinforce the widely held view that better education and training provision could prove to be the panacea for most, if not all, of Britain's economic ills. Quoting the results of Daly, (1984), Worswick (1985), Streeck (1985) and Steedman (1986), the authors attempt to reinforce the positive correlation between productivity and skill levels. The evidence produced, however, is not as impressive as they would like us to believe. Daly (1984: 41), sets out to prove that British manufacturing firms fared so badly on both domestic and international markets because they lacked a vital pool of workers with intermediate vocational qualifications. In his comparison of US and UK manufacturing industries he found that a small shift of the labour force from unskilled to skilled status roughly doubled the effect on raised productivity. The author admits, however, that his results are significant only if a multitude of other factors affecting productivity are held constant. Steedman, (1986) found similar results in his comparison of French and British construction firms. According to him, the greater breadth and quality of the French training provision aimed at intermediate-level skills underlines the main reason for much higher labour productivity in that country. Worswick (1985) and Streek (1985) extol the qualities of the German workforce, in particular its comparative flexibility, independence and sophistication, which they attribute to its broader skill base and levels of vocational qualifications.

More recently the comparative lack of skills in the British economy has been reinforced by Prais (1989) who sets out to link national productivity levels to intermediate skills and the provision of vocational education and training. Similar conclusions have been reached by other researchers, notably Ryan (1991) and Aldcroft (1992). Williams *et al.*, (1983), however, found that in general the levels of intermediate skills have been sufficient for the needs of the British manufacturing industries. They point out that pools of unemployed workers holding intermediate level qualifications co-existed alongside demand throughout the 1970s and the beginning of 1980s. In common with more recent research (see, for example, Hyman, 1992; Ryan, 1991) they shift the onus of blame away from the British workforce and their unions (which they see as 'scapegoats'), towards the failure of financial institutions in general and misguided government policies in particular.

The concept of a 'low skill equilibrium' in Britain has been recently resurrected by Glynn and Gospel (1993) in an attempt to prove that employers were the main culprits for the nation's relative economic decline. According to them, the training of the British workforce has been neglected because employers consistently failed to break into new technology markets and had to adjust to (and hence, reinforce) the existing skill situation. A number of well-rehearsed themes emerge from their analysis. These include such familiar arguments as: heavy reliance on technical continuity, long production runs and a preference for unskilled or semi-skilled labour (ibid.: 112).

The low-skills position of British industry, expressed in terms of 'equilibrium' by Finegold and Soskice (1991) implies a long-term balance between supply- and demand-side for skills in the labour market and by definition a similar stand vis-à-vis training. Historically, and in contrast to most of its competitors, in Britain skills did not command large enough premiums to justify investment in training at similar levels to other industrially developed nations. Human capital theory (see, for example, Blaug, 1970; Oi, 1962), while providing some insights into vocational education and skills development in market conditions, fail to clarify the importance of related issues such as training investment decisions and cost allocation between employers, employees and the state (Marsden, 1986). Most of the mono-causal explanations given for the comparative lack of vocational education and training of the British workforce involve either the apparent failure of the demand- or the supply-side of the equation. It is important to recognise, however, that the acquisition and utilisation of skills could plausibly be constrained by supply- as well as demand-side influences.

Demand-side difficulties could arise in situations where certain skills could not be developed due to a (real or perceived) lack of need on the part of employers or in cases where certain segments of labour are discriminated against (such as women, ethnic minorities and the disabled). Similarly, supply-side problems would arise when existing skills are available but have not been acquired due to individual, organisational or market failure. Both types of difficulty could arise at either macro- or micro-economic levels, depending upon the general nature of the perceived deficiency or on the individual attitudes of employers, managers or employees (Glynn and Gospel, 1993:113). Thus, corrective action directed at the labour market may have to be focused proportionally both at macro- and micro-economic levels (Bosworth, 1992). Seen in this context, Britain's relatively abundant supply of skills during the nineteenth century could have proved, arguably, disadvantageous in the long-term development of its industry just as, over the same period, the scarcity of skills and labour may have been beneficial to the promotion of higher productivity and technological change in Germany, the United States and Japan (Gospel, 1990; Habbakuk, 1962).

The Impact of Keynesian Demand-Management on Training

According to Glynn and Gospel (1993:119) from the end of the Second World War to the mid-1970s the British labour market has been generally supply-constrained due to initial post-war industrial successes. On the domestic market the demand for products and services was inflated by full employment incomes and increased public expenditure. British industry also gained significantly on international markets from the temporary economic destruction of virtually all its major competitors (with the exception of the United States). Paradoxically, over this period, output and productivity in Britain expanded rapidly to satisfy the increased demand (Cairncross, 1992) even though to a large extent the industrial structure and productive methods remained substantially unchanged (Williams *et al.*, 1983). Unfortunately, short-term favourable influences were not to last for long and beginning with the late 1950s renewed competition, combined with a lack of capital investment in new technologies began, once again, to erode the apparent competitive edge of British industry. Furthermore, as the temporary post-war expansion took place under largely unchanged corporate and managerial structures, the inherent industrial weakness of the British economy soon became apparent in face of increased international competition (Aldcroft, 1989).

Some observers (see, for example, Sheldrake and Vickerstaff, 1987; Gospel, 1990) appear to favour the hypothesis that Britain's post-war boom masked a continuation of the skill shortages reality caused by a long-term, demand-side problem. Thus, the unfulfilled demand for improved management structures and a better skilled labour force, once again is put forward as the main cause for the decline in competitiveness of much of the British industry since the end of the post-war period of relative boom. Some supporters of the 'deskilling ' hypothesis (see Bravaman, 1974), however, link skill reduction, as a conscious policy by employers, to the concept of labour control. In view of the much-publicised drive to weaken the bargaining power of the British labour force, this hypothesis has received much attention in recent years: there is, however, little empirical evidence to date which supports the idea that lack of control was indeed a function of skills. More commonly, British employers are blamed for their preference for cheap labour rather than higher productivity solutions, such as investment in training and new technologies. Paradoxically, it was the employer's emphasis on wage costs which, combined with the effects of the Keynesian demand-management policies of successive governments, was the key factor which contributed most to the reduced demand for training in Britain.

According to Sheldrake and Vickerstaff (1987) the state in Britain has traditionally maintained a passive stance vis-à-vis training. National crises in production, such as occurred during the First and Second World Wars, were largely averted by positive action from the State: unskilled men and women were recruited and processed speedily through high-quality training programmes. As soon as the war-inflicted emergencies had passed, the state would revert to its traditional, non-interventionist stance. Beginning with the mid-1960s, however, successive governments were forced, by economic considerations, to adopt increasingly interventionist policies which were focused mainly on restraining the cost of labour. Typically, alternative 'stop-go' policy cycles included deflationary measures aimed at an over-heated economy and inflationary measures directed at safeguarding employment. In the early 1960s, state intervention increasingly took the form of policies aimed not only at labour cost restraint but also at the active encouragement of industrial restructuring, seeking competitive advantages based on economies of scale (Hyman, 1992:46). Furthermore, co-operation from both the TUC and the newly formed CBI was actively sought in an attempt to involve these organisations at various levels of economic management.

Such a government-imposed shift from a voluntary to a consensus-based planning model was meant also to significantly improve the skills situation by actively supporting the training of the British workforce. To this end, the Industry Training Act of 1964 established the Industrial Training Boards (ITBs) to foster a climate favourable to the upskilling of industrial workers and their managers. Employers in each occupational sector were compelled to pay a levy based on employee numbers (in the form of 1.5 percent of total payroll) and had the opportunity to claim a grant which would cover the cost of providing approved training. Even though at their peak, in the early 1970s, there were twenty seven Industry Training Boards that potentially incorporated more than half the workforce in Britain, their overall success has been relatively limited. In particular, they never gained the intended popularity with employers who resented state interference in the conduct of their businesses, and who found the scheme ineffective and administratively difficult to maintain or control. During the 1970s and 1980s successive governments curtailed the Boards' numbers and activities and most were eventually abolished as part of moves to return to voluntarism (Rose and Wignanek, 1990; Sheldrake and Vickerstaff, 1987; IDS, 1980).

Various reasons were given for the apparent failure of the Industrial Training Boards. Marsden and Ryan (1991) attributed their overall failure to the ITBs' apparently half-hearted attempts to correct the training market rather than replace it. Others find fault with the ITBs' failure to take control of training activities away from 'indifferent employees' and 'defensive trade unions' (see Sheldrake and Vickerstaff, 1987:40). Farley, (1985) criticised ITBs for their inherent failures to cater for the training needs of particular segments of the workforce such as young people, women returners and ethnic minorities, trapped in unskilled or semi-skilled jobs. It soon became obvious that the cross-sectoral variations as well as the regional and local needs of individual employers could never have been satisfactorily resolved by the existing ITB national structure. In Rainbird and Grant's (1985) view, however, employers and their associations did, and always will, represent their own self interests and would actively undermine any national training strategies that fail to take full account of them. Perhaps what most of these commentators have failed to notice is that the ITBs were the first to formalise 'on-the-job' training and to call for qualified trainers to supervise firm-based training activities (Matlay, 1993:19). According to Finegold and Soskice (1991:222) they also contributed to a fairer apportionment of training costs and a raised awareness of skill shortages.

The Impact of Free Market Doctrine on Training in Britain

In the first few years following election victory in 1979 the Conservative government had to face up to a major economic dilemma: although ideologically committed to a free-market economy, based on minimal interference with its operation, the Tory leadership was forced to reconcile the failure of its voluntarist system with rising inflation, galloping unemployment and rapidly declining economic output (Wiener, 1981). The recessionary years of the 1980-3 period appeared to have dealt a serious blow to the government's non-interference stance: industrial output was suffering through skill shortages and the lack of sustained corrective action promised no short-term recovery miracle from Britain's relative economic decline. Initially, the Conservative government's belated response to inherent skill shortages was based on the familiar hypothesis and assumptions of a supply-side failure of the British VET system. The fact that skill shortages co-existed alongside record youth and adult unemployment was interpreted by policy-makers to represent proof of such failure. The plight of Britain's education and training system, which continued to fall further behind that of its main competitors, gave added impetus to Thatcher's determination to reform it. In MacInnes' (1987:51) view the re-orientation of the education system towards vocationalism was delayed, partially due to the onset of recession but mainly as a result of the priority given by the government to the politically sensitive issue of inflation. Unfortunately this resulted, on the one hand, in a severe and prolonged decline in economic output, and on the other, in youth and adult unemployment at record levels (Blyton, 1990; Cassels, 1990).

Tackling the perceived 'union problem' also appears to have ranked higher, on the governmental agenda, than the reform of the education and training system (Hall, 1986). This was achieved relatively quickly by the curtailment of union access to and influence on government-sponsored policy-making bodies (such as Wages Councils) and by undermining their bargaining powers in the private and public sectors (Hyman, 1992:24). Falling membership numbers, which were a by-product of high unemployment rates in traditionally unionised industries, together with the cumulative effect of privatisation programmes aimed at relatively large sections of the public sector, further weakened trade unions' influence on the labour market. The leading edge of the Conservative move against 'union power', however, proved to rest on a stream of legislation which appeared regularly throughout the 1980s. It is clear that the government's intention was to relieve employers of both state and union restrictions in order to encourage them to take advantage of free-market opportunities in their pursuit of wealth creation. Yet, in the early years of Conservative power, throughout all the politically-inspired rhetorics, there remained a heavy emphasis on the control of labour costs and little stress was placed on actual training for skill formation (Brown and Lauder, 1992). At the same time, due to the prevailing recessionary conditions, employers drastically reduced expenditure on training, research and development as well as the recruitment of technical and scientific staff (Crafts and Woodward, 1991; Metcalf, 1989).

When it eventually got under way, the Thatcherite reform of the education and training system could be based, at least initially, on a State structure that has been in place for some years: the Manpower Services Commission (MSC) - described by Finegold and Soskice (1991:227) as a 'tripartite quango' - was established in 1973 to co-ordinate training efforts across all industrial sectors of the economy. In 1978 the Department of Education and Science established the Further Education Unit, which, through the publication of a number of 'influential reports', is sometimes credited with beginning to shift educational opinion towards a 'new vocationalism' (Esland, 1990; Statham *et al*, 1989). Instead of replacing, or at least complementing, the training activities of ITBs, the MSC was used to channel funds and supervise the efforts of consecutive governments engaged in desperate efforts to mitigate the impact of growing youth unemployment. Its role in such schemes as Training Opportunities Scheme (TOPS) and Youth Opportunities Programme (YOP) has been widely criticised and is generally seen to have contributed little to the improvement of the skills situation in Britain (Finn, 1987; Benn and Fairley, 1986).

Nor was the New Training Initiative (1981), through its centrepiece, the Youth Training Scheme (YTS) and later Youth Training (YT) any more successful then YOP (which it replaced) in improving the training standards of school leavers and the young unemployed. Criticism of its low standards of training and the MSC's widespread failure to find job placements for trainees grew in proportion with the number of places it had on offer. Despite such criticism (or perhaps because of it), the scheme was expanded from the initial one year to two years and all youths of age sixteen and seventeen were made eligible to join it. Another major reform was launched by Margaret Thatcher in November 1982: the Technical and Vocational Education Initiative (TVEI), which was aimed mostly at increasing the industrial relevance of the curriculum structure and content of the 14-18 age group (Dale, 1991:228). Over time, TVEI has undergone a number of subtle changes, aimed at fostering a Tory-led 'enterprise economy' in Britain. Although massively funded for a number of years, its real impact upon the VET system is still keenly debated (see, for example, Harrison, 1991; Mason, 1988; Berliner, 1987). Under the impetus of economic recovery, the government set up in 1985 a working party to review the skill requirements and the increasingly diverse array of vocational qualifications available in post-recessionary Britain. Reporting one year later, the recommendations of the De Ville Committee (1986) were at the basis of the inception of the National Council for Vocational Qualifications (NCVQ), with an agenda set to rationalise the complex, and often confusing, national system of training qualifications.

In the 1987 Conservative Election Manifesto there were strong indications that the education and training issue was beginning to emerge as a major political priority. This indicative document was followed in February 1988 by the government's White Paper entitled '*Training for Employment*' which represented a more concrete political commitment to the Conservative government's priorities with regard to training and the related issue of skills shortages. The new NCVQ training initiative would target not only the existing workforce but also the short- and long-term unemployed, with preference, however, still being given to the 16-24 age group. The proposed scheme was to be administered by the newly formed Training Commission (TC) which was designed to replace the MSC. Most importantly, the new organisation, while still benefiting from relatively generous financial backing, had a much simplified structure and a significantly reduced brief. As the Department of Employment has inherited the MSC's employment functions, the governing board of the Training Commission was to be opened up to the (politically beneficial, if rather limited) influence of industrial employers. The DES also got into the act by expanding its Professional, Industrial and Commercial Updating Programme (PICKUP) in an effort to help higher education cater more effectively for the employers' needs (PICKUP, 1987).

Competence and Vocational Education and Training

Competency-based education and training (CBET) in Britain has its recent roots in the performance-based education movement which enjoyed a great deal of popularity in the United States from the 1960s to the mid-1980s. The borrowing of American education and training (as well as economic) policies by the Conservative government has been a common practice and there are a number of well documented examples of this kind of 'appropriation' published recently by academics and researchers (such as Finegold *et al.*, 1992, Phillips, 1992, Bailey, 1993, Richardson, 1993). Competency-based education and training appealed in particular to policy makers who have become preoccupied with 'input/output efficiency in the British climate of economic realism in the 1980s' (Hyland, 1994:1). Ironically, policy makers in Britain became interested in the CBET approach to VET at a time when its influence in the United States began to show a marked decline. Norris (1991) notes that competence strategies in education and training have been around for a while and that much of the earlier criticisms as well as the poignant lack of specific research in this area have been mostly ignored, even though they are relevant to the British approach (see, for example: Smith, 1975; Hertzberg, 1976; Broudy, 1981; Tuxworth, 1989).

During the 1980s, under the growing influence of 'new vocationalism' (see Esland, 1990; Dale, 1985) the restructuring of British VET policy and practice has continued with varying degrees of success. Arguably, in recent years TECs and LECs have achieved a great deal more than their predecessors: in this the NCVQ framework is said to have played a crucial role (Smithers, 1993; Evans 1992). It is not the purpose of this thesis to describe in detail the National Vocational Qualifications (NVQs) system or to outline the ongoing debate on the effects it had on various aspects of the education and training system in this country. As another ostensibly 'employer-led' initiative, however, the introduction of competence-based NVQs has proved to be central to the rhetoric of industry-oriented training schemes such as TECs/LECs and Youth Credits. To what extent these training initiatives are truly employer-led is of crucial importance to the hypothesis underlining my current research in that, arguably, it could have a considerable effect upon attitudes to training.

In their 1990 publication '*What's In It For Employers?*' the National Council for Vocational Qualifications (NCVQ) claims that employers would benefit from the

NVQ system in terms of "improved profitability and economic performance" (NCVQ, 1990:4). This, they argue, can only be achieved by a training strategy which is better structured and more closely tailored to the specific needs of industry. Interestingly, those familiar with the contemporary 'training for improved economic performance' debate, which can be traced back to the early 1960s, will find nothing noteworthy or new in such claims. Hyland, (1994:10) who is willing, for the sake of argument, to accept the tenuous link which apparently exists between VET and economic performance, goes on to question such claims and asks whether these can still be justified after eight years of NCVQ development work. Field (1995:28) further questions the claims of 'employment-led' training provision which underpin the NVQ ideology.

Definitional problems apart, (see, for example, Ashwort and Saxton, 1990; Hodkinson, 1992), the debate on the subject of NVQs has been considerable, focusing on a wide range of related issues, such as: employer and trade union attitudes (Field, 1991, 1993; Field and Weller, 1992), human capital (Marshall, 1991) and philosophical aspects of this particular VET strategy (see Hyland, 1992, 1993). However, Field, (1995:29) points out that "by comparison the social and economic analysis of NVQs remains in its infancy". As such, no serious challenge has been made to the well advertised view that NVQs are 'employer-led'. Data for Field's original research were collected during autumn 1993 from interviews conducted in large and medium-sized enterprises. By coincidence the primary research data for this thesis were collected at about the same time but focused narrowly on the experience of small firms. At the time, an extensive literature search has failed to identify even one study on the uptake of NVQs in the small business sector. Thus, the NVQ aspect of this thesis could be viewed as complementary to Field's (1995) research and reflects some of his major findings in this area.

Field (1995:30) argues convincingly that "NVQs have arisen less because of demand from those involved in managing labour than from the ideas and aspirations of a small coalition of modernizing civil servants and highly-placed training professionals". Its development is typical of conservative-led training initiatives, taking place chiefly in a heavily sponsored 'quasi-market' and under the pretext of increasing employer involvement. Smithers (1993) further argues that NVQs are too narrowly defined to have any long lasting effects for industrial competitiveness. Hyland, (1994:11) although critical of much of the NCVQ development, concedes that it has provided some individuals with an opportunity to gain recognised vocational qualifications in areas outside the traditional VET system. There is little evidence that the 'vocational qualifications jungle' (Jessup, 1991:9) is more coherent, uniform or standardised; indeed, if we are to believe Smithers (1993:18) it has become even more impenetrable due to the complexity and contradictions which resulted, inevitably, from the activities of rival lead bodies and competence assessment procedures.

Not surprisingly, Hyland (1994:12) feels justified to claim that "... these lead bodies will continue to multiply and breed new levels of administrative bureaucracy far in excess of anything which existed in pre-NVQ days". The need for a future rationalisation of lead bodies and their activities or even their replacement (with a more reasonable number of 'occupational standards councils') has recently been raised to a less than warm reception (St John-Brooks, 1992). It would be difficult, however, to restructure the system without upsetting an uneasy balance between the rhetoric of 'employer-led' training and low-level outcomes which, in the main, are characteristic of the NVQ reality in Britain.

The Impact of TECs/LECs on National Training Standards

The 1988 White Paper '*Employment for the 1990s*' sets out, in broad terms, the reasoning behind the creation of Training and Enterprise Councils (TECs) in England and Wales and Local Enterprise Councils (LECs) in Scotland. Fundamental to this document was the concept of employer involvement in, and responsibility for, the management and delivery of training (Department of Employment, 1988). Although hailed as a 'truly radical step', the publication of this White Paper occasioned few surprises: by proposing local management and delivery of training it formally recognised the positive effect that this would have upon both (un)employment and economic growth (arguably, two of the most important concerns of successive governments in contemporary Britain). The authors have admitted a conceptual debt to the Private Industry Councils (PICs) in the United States, but claimed that TECs were more consistent with the Boston free-market model. This concept, in turn, has been modified to accommodate the Thatcherite onus on employers' responsibility for the investment and control of the training function - as and when relevant to their particular enterprises (Dale, 1989; Stratton, 1989). Concessions were also made to the Conservative-inspired 'partnership' ideology, as applicable between the local, employer-led delivery of training and the central formulation of national economic policies and priorities - which the authors claimed to represent a significant departure from past thinking in this area of policy-making in Britain (Department of Employment, 1988:8-28).

The social, political and economic background to the White Paper could be summarised as relatively favourable and stable: after nine years in power, the Conservative government could boast that they had inflation under control; since the end of the 1980-3 recession, economic recovery has exhibited a remarkable growth rate; and, over the same period, both youth and adult unemployment have declined steadily. As in the past, however, post-recessionary rapid growth conditions have highlighted the problem of skill shortages which were particularly acute in Britain. By increasing the employers' responsibility for enterprise support and development the government claimed to have found an acceptable solution which could ensure that investment in training would be more relevant to the actual needs of individual firms.

Furthermore, TECs and LECs were conceived not only to promote training arrangements linked to the particular skill needs of a local workforce, but also to increasingly generate private investment in training. Most importantly, for the small business sector, the new training initiative was aimed to meet (both quantitatively and qualitatively) the needs of new and established firms, through a combination of local enterprise support networks and specific national training programmes (Johnson and Gubbins, 1991:2-3). It is interesting to note, at this point, that the other main political parties also supported the establishment of TECs, in the process giving further credibility to the deeply entrenched belief that as far as training is concerned, industry knows best (Fass and Scothorne, 1990; Gleeson, 1989; Ainley and Corney, 1990).

In Coffield's (1991:248) view, the social history of Britain in the 1980s could be concisely described in terms of an 'enterprise culture'. This much quoted expression has come to epitomise a loosely connected collection of social, political and economic values, which could be directly attributed to the Conservative government's determined efforts to rejuvenate the British economy (Ploszajska, 1994:51). According to Gibb (1987:3), since the early 1980s the 'entrepreneur' has acquired the status of a god(dess) and has come to play a leading role upon the scene of the (Conservative-inspired and dominated) 'new economics' theatre. The Conservative government's ideological preference for a free labour market has been evident throughout the 1980s, mostly in their rhetorics but also, increasingly, in their policies (Cross and Payne, 1991; Keat and Abercrombie, 1991). In parallel, some observers (see, for example, Evans, 1992:127; Shackleton, 1992) noticed a Conservative predilection towards relevant 'enterprise culture' training models borrowed mostly from the United States' experiments in this direction.

Evans (1992:129-134) argues that it is impossible to understand the government's pattern of thought with regard to the inception of TECs, except within a context of continuous reluctance of British employers to commit themselves to a 'training culture'. He claims to have been told (in confidence) by a number of 'senior officials' that the government viewed both the ITBs and the MSC as having failed to adequately involve employers in the training effort that was necessary to reverse Britain's long-term relative economic decline. Since it has always been the Conservative government's intention to transfer to industry a large proportion of training costs, it became inevitable that a successful economic policy would have to conceive a device aimed at engaging and committing the mass of reluctant employers. In order to achieve a greater employer participation in the local management and delivery of training they were to be provided with an opportunity to serve on the board of local TECs, a move which also promised them real executive and budgetary powers (Peck, 1991a, 1991b, Banham, 1992, Boddy, 1992). In practice, however, the initial reluctance of senior civil servants to concede central control of training activities to local employers has generated some conflicts which almost defeated the TECs during their first few months after inception (Evans, 1992: 130).

The launch in 1989 of TECs/LECs has been seen by many as the latest and most ambitious scheme to promote an enterprise culture movement (see, for example, Storey, 1994, Evans, 1992, Raffe, 1989). It was claimed that by October 1991 the complete network of 82 TECs and 22 LECs was in place and that a campaign to establish their credibility and reputation with local employers had already begun (Felstead, 1994 21, Vaughan, 1993 1). Although since then a wide range of initiatives, styles and approaches has been used, the actual impact of these councils on national training standards remains difficult to ascertain. Nevertheless the government's drive to create a dominant position for employer participation is seen by many as having actively ensured the end of tripartism in the employment and training policy-making in Britain (CBI, 1993; Bennett and McCoshan, 1993; Bennett *et al.*, 1994; Prais, 1993). In Unwin's (1994:84) view, however, the extent to which the government has managed to involve local employers in training and development activities or succeeded in motivating them to serve on the TECs' executive boards remains highly debatable.

Ernst & Young, (1993) in their review of TECs' activity during the 1991-2 period found that few of these had adopted a proactive or strategic approach towards national training or local development needs. Most of the ten TECs in their sample lacked the organisational capacity or analytic framework necessary either to generate ideas internally or to link outside projects to their corporate plans and strategic objectives. The costing of inputs by these TECs was severely criticised on the basis of relative lack of control as well as extensive reliance on rough estimates. The great majority of shortcomings, however, were attributable to the TECs' overall failure to seek guidance and support from the Employment Department. More than three-quarters of national development work undertaken by these TECs had been sub-contracted to other organisations, which, in the authors' view, resulted in considerable under-utilisation of in-house resources. It is also important to note that in Ernst & Young's view, at the time of their research and four years since their appearance on the training scene, it was still too early to fully assess the outcome of the TECs' activities aimed at improving the local provision of training and enterprise support (Ernst and Young, 1993:11-19).

Vaughan (1993) set out to ascertain the patterns and the impact of TECs' links with local employers. Though Vaughan was on the Employment Department's payroll, nevertheless his findings make interesting reading. He concluded, for example, that neither size nor age of TECs would significantly influence the development pattern of employer contacts. His findings do not appear to support anecdotal evidence which claims that TECs headed by chief executives originating outside the Employment Department were more likely to succeed in their training brief than those led by individuals with Civil Service background. Furthermore, size of working population and character of (local) economic environment do not appear to be statistically significant factors affecting patterns of contact with employers.

Given that they are required to have two thirds of their executive board membership selected from the private sector, it is interesting to note that 32 per cent of the sampled TECs have failed to meet this requirement and 21 per cent have experienced considerable membership turnover difficulties (Vaughan, 1993:37). The question of how effective TECs have been in improving VET strategy at local levels has largely remained unanswered. Apart from Vaughan's study, the Employment Department has also commissioned Crowley-Bainton (1993) of the Policy Studies Institute to carry out a complementary study of the TECs' links with employers and their impact upon the local provision of training. In many aspects the findings of these two surveys are remarkably similar. With regard to small business owner-managers' membership of TECs' Boards of Directors, Curran (1993:6) corroborates Vaughan's and Crowley-Bainton' claims of serious under-representation. TECs Boards tend to be dominated by representatives of large manufacturing firms (Field, 1995:36; Peck and Emmerich, 1991:23) and exhibit a distinct white, male majority (Felstead, 1994:23).

Matlay (1994) found that although owner-managers of small enterprises located within the West Midland region are largely aware of the training activities and development services provided by local TECs, few are inclined to use them or involve themselves at board level. However, it appears that there are regional variations in representation rates: for example, Storey (1994) found that in Leicestershire small business owners are better represented at board level and Field (1990) reported similar results for the Sheffield TEC. Larger firms' representatives appear to be more enthusiastic in taking up the responsibilities and challenges of TEC/LEC boardroom membership (Peck and Emmerich, 1993).

It is now widely accepted that, throughout its relatively long existence, the MSC has failed to instil positive attitudes towards training (Evans, 1992:202) and that for much of its time the YTS (in its various forms) has dominated its agenda (Hyman, 1992; Lee *et al.*, 1990; Dale, 1989). Arguably, other worthy initiatives, such as the Enterprise Allowance Scheme and Enterprise in Higher Education, have suffered considerably while priority was given to training the 16 to 19 cohort (Bennett and McCoshan, 1994; Ainley and Corney, 1990). As such, the MSC experience has important lessons to offer for the future of training in Britain: so far, however, it is unclear whether the TECs/LECs have succeeded in motivating employers and, most importantly, in changing their entrenched attitudes towards training. Both Coffield (1991) and Evans (1992) question the TECs' capacity to affect small and medium-sized employer attitudes towards training on the grounds that while Britain still lacks a coherent strategy for training at the specific level of a particular firm they cannot influence outcomes at national level, but only accommodate it to local needs. Furthermore, from a financial point of view, the government still continues to control as much as four-fifths of the purse-strings and, to date, the TECs' efforts at increasing private investment in training have not met with much success.

Thus, five years since their first appearance in Britain, two endemic weaknesses are attributable to TECs: firstly, the localised nature of their activities would serve to widen the disparities within and between regional economic and labour markets; secondly, by their very nature, TECs cannot provide the coherent national strategy which is needed not only to reverse the long term economic decline in this country but also to convince the great majority of employers in small and medium-sized enterprises to change their entrenched attitudes to training. It is important for the Conservative government to realise, sooner rather than later, that TECs/LECs are unable to provide a 'quick fix' to the endemic training problems that successive governments had struggled to overcome. Further research is needed, both at local and national level, on all aspects of TEC funding and activity.

Youth Credits

Youth Credits represent a new training scheme in Britain, focused narrowly upon the perceived needs of young individuals. By the end of 1996, every young person aged 16 or 17, on leaving compulsory education will be entitled to receive an individual credit to be exchanged for part-time continuing vocational education and training. In contemporary Britain, the concept of providing training for school-leavers, however, is not new and can be traced back to the post-war period when young people often left compulsory education with few, if any, qualifications. The escalation of youth unemployment, which followed in the wake of the energy crisis of 1973, proved politically embarrassing to both the Labour and Conservative governments. Following the Great Debate of the late 1970s both governments responded with a series of schemes aimed to better equip school-leavers for the labour market. The Youth Opportunity Programme (YOPS) was introduced in 1977, followed by the Youth Training Scheme (YTS) in 1983 which continued to operate, under various disguises, until 1990 when the government introduced Training Credits - known as Youth Credits since 1993 (Finegold, 1993:46). Training credits have been seen both as a continuation of the present government's preoccupation with youth unemployment

(Sexton, 1990) and as part of a longer-term, overall strategy to improve the skills of the British workforce (Evans, 1992; Coffield, 1990).

Ostensibly complementing the training activities of TECs and LECs, Training Credits appear to have shared the Government's emphasis on increased employer control and have been subjected to the same principles of individualism and free-market competition for the allocation of training funds. This particular training scheme was piloted, beginning with 1991, in 11 areas (ten TECs and one LEC) during its first stage and, as part of stage two, in a further 9 locations (seven TECs and two LECs) in 1993 (Employment Department, 1993). During both stages, however, individual schemes were deliberately targeted and operated in significantly different ways, partly due to their flexible brief (see Employment Department, 1990:7-11, MacDonald and Coffield, 1993:7; Spours, 1993:82) but also as a result of interpretations and adaptations of activities at local level. Some of these schemes were designed to provide 'general' training credits to individuals entering local labour markets within two years of minimum school leaving age. Others were specifically focused on markets which exhibited particular skill shortages or targeted narrowly on the perceived needs of local small firms. Furthermore, most were expected to support Compacts as well as a wide range of industry-education partnerships (Coopers and Lybrand Deloitte, 1992; Employment Department, 1992b).

Hodkinson and Sparker (1994) in their research on the Devon and Cornwall Youth Credit scheme have found that a number of factors have combined to undermine this specific market model of training. In particular, the young people in their research sample failed to behave as customers in search of training. Their obvious lack of confidence resulted in attitudinal problems, towards training in general and Youth Credits in particular. Furthermore, prevailing recessionary conditions have had a negative influence on the relationship between the prospective trainees and 'host' employers. The authors also detected wide variations in employers' views on the nature of training: some expected theoretical provision while others insisted on specific training, narrowly determined by individual workplace practices. In practice only about a third of employers were willing to accept a broadly based skills training provision based on five bands, each focused on different levels of National Vocational Qualifications (as suggested by Hodkinson *et al*, 1993 and PIEDA, 1992).

In their conclusion, Hodkinson and Sparker (1994:17) claim that Youth Credits are not effective in delivering the customer-led market for training envisaged by the CBI and supported by the government. They conclude that the scheme would possibly be more successful in a favourable economic climate (such as post-recessionary recovery or expansion) or in local markets where medium and larger firms were more predominant. Unwin (1994:174), however, found that employers' attitudes to training credits varied considerably according to the size of firms. Employers in firms with up to 50 employees appear to be more positive towards employing and training school leavers. Larger employers are likely to be less positive or even cynical towards Youth

Credits. Matlay, (1993, 1994) argues that the small business owner-manager's preference for recruiting and training school-leavers is based on strategic considerations which originate mainly from their need to 'home grow' employees. Most view their firms as an 'extended family', rely almost exclusively on informal methods of recruitment and are compelled to 'test' new recruits for future suitability and trustworthiness. Thus, their personal involvement in the recruitment and training of new employees as well as in the day-to-day management of their firm could largely explain small business owner-managers' positive attitude towards Youth Training.

Concluding Remarks

It is often stated that the impetus for the contemporary VET movement in Britain originated from a widespread concern for the rapid 'relative' decline of the national economy since the end of the Second World War. On both the domestic and international markets British industry found itself operating in an increasingly hostile and competitive environment. Increasingly, most of the blame for this poor overall economic performance has been cast upon the apparent failure of the nation's labour force, and in particular its comparative lack of vocational qualifications. As most commentators imply a positive relationship between vocational education and training levels and the productive potential of a workforce, this particular aspect has been increasingly targeted by policy-makers in their effort to revitalise the flagging British economy. Since its 1979 election victory the Conservative government has implemented a string of training initiatives aimed at improving the vocational qualification levels of the British workforce.

Under the influence of the 'new vocationalism' movement, the restructuring of VET policy and practice has become focused on 'employer-led' training policies which are ostensibly better structured and more closely tailored to the particular needs of industry. Over the last decade three such interrelated training initiatives have dominated the British economic arena, aimed specifically at improved profitability and better performance at micro-economic level. Firstly, the NVQ system has been set up to rationalise the vocational qualifications 'jungle', to make it more coherent, uniform and standardised. Secondly, TECs and LECs were created to facilitate a widespread involvement of employers in the local management and delivery of training. Thirdly, Youth Credits were implemented with an emphasis on increasing employer influence and control over the training of school leavers.

Characteristically, the rhetorics of these training initiatives have been informed by the Tory-inspired principles of individualism, and in turn, each has been subjected to free-market competition in the allocation of training funds. Yet, it has become obvious to the informed observer that, in common with previous training interventions and under the pretext of increasing employer involvement, these initiatives still operate in a heavily sponsored 'quasi-market'. Each of these training schemes contains elements which focus on the lack of skills and other labour needs of small firms. There is an acute shortage of independent research on the outcome of training initiatives in contemporary Britain and their relevance to employers. This research study on employer attitudes to NVQs, TECs/LECs and Youth Credits is likely to provide an important indication of the impact such schemes have had on both the quality and the quantity of vocational education and training uptake within industry in general and the small business sector in particular.

CHAPTER TWO

EDUCATION, TRAINING AND SMALL BUSINESSES IN A FREE-MARKET ECONOMY: AN OVERVIEW

Introduction

Most contemporary writings on small business begin with the findings of the Committee of Inquiry on Small Firms (1971), better known as the Bolton Report. It is not difficult to see why: the Committee, chaired by J.E. Bolton, was appointed by Anthony Crosland - a Labour government minister - on 23rd July 1969, at a time when little was known about this seemingly neglected sector of the British economy. It was felt, at the time, that the small business sector was in danger of being further marginalised by the powerful conglomerates that emerged in the wake of the Second World War, to the extent that its very survival would be in balance. Large firms began to predominate the British economy as far back as the second half of the nineteenth century and questions have been raised, from time to time, about the role and contribution of the small sector to the British economy (Dintenfass, 1992:4; Stanworth and Gray, 1991:1). For the first time, however, the Bolton Committee set out to use international comparisons for the purpose of placing and assessing the role of small businesses in economic development.

In the event, the Bolton Committee reported that although numerically still relatively large, the small business sector and its share of economic activity was in decline. Furthermore, this general trend was manifestly more acute and rapid in Britain than anywhere else in the industrially developed world. A concern was expressed that without an expanding 'seedbed' of new and prosperous small businesses the British economy, dominated by large firms, could not avoid stagnation and eventual decay. Thus, the concept of the small business sector as the seedbed of a nation's economic success was established, a notion which would have long-lasting and far-reaching repercussions in Britain and abroad. An agenda was set for assisting the recovery and growth of this sector, to include important areas such as: finance, taxation, education, training, government intervention and economic policy. According to Storey (1994:4), even though the economic environment has markedly changed since 1971, the agenda set by the Bolton Committee remains strikingly relevant to that facing the small business sector in contemporary Britain.

It should not come as a surprise, therefore, that for the last two decades or so, small firms have been increasingly viewed as the key to economic success throughout the industrially developed world. In theory they are said to benefit both from an entrepreneurial ability to read the market place and an intrinsic flexibility in the allocation process of resources, thus, able to fully exploit the advantages inherent in their small size (Acs and Audretsch, 1990:17). In Great Britain, however, there is a growing body of knowledge which argues that small businesses often lack the wide range of skill which are necessary not only to analyse the market place accurately but also to swiftly deploy their limited resources in order to maximise such advantages as speed and flexibility of output. In this chapter I set out to give a brief overview of the nature of small businesses in Britain, in the hope that it will lead to a better understanding of the strategic issues impacting upon them, their promise as well as their problems, and the economic climate in which they are forced to operate.

The Role of Small Businesses in the British Economy

In Britain, until the early 1970s, small businesses were perceived as co-existing with their larger counter-parts on a similar basis to the Victorian principle of bringing up good children: one knew they existed and when desirable, they could be seen: yet rarely would anyone hear their voices. Small firms have played an important role in the evolution of the British economy ever since the industrial revolution (Acs and Audretsch, 1990:6). A historic decline of small businesses, which began during the recessionary years of the late 1870s, resulted in an economic sector which, one hundred year later, was found to be smaller than in any other industrialised country (Storey, 1994:26; Williams *et al*, 1983:74). Although the mechanics of this decline are under-researched, the findings of the Bolton Committee of Enquiry on Small Firms (1971) highlighted a long-term reduction in this sector which , in the period 1958 to 1963, it quantified at an average of about 1,000 units per year. Increasingly, however, since the 1979 election victory of Margaret Thatcher's Conservative government, small businesses and related issues such as Vocational Education and Training (VET), Human Resource Management and the Skills Shortage have nudged their way onto the political agenda.

The increased economic importance attributed by governments to small businesses is not unique to Great Britain. Other industrially developed and developing countries have also experienced, albeit to a lesser extent, a similar revival in their small business sectors (Beaver and Harrison, 1994:157). Increased international competition, rapid technical change, the restructuring of large manufacturing firms and the dramatic rise in the level of unemployment have all contributed to this relatively recent phenomenon (Hendry, 1994:21). It was in Britain, however, that such developments were particularly dramatic: the pronounced increase in small firm numbers can be directly attributed to the economic policy-making and rhetoric of the Conservative government. Policy measures designed both to encourage the start-up of new businesses and to assist existing firms were increasingly targeted at this relatively neglected sector in a desperate struggle to revitalise the flagging British economy (Storey, 1994:305). According to such rhetorics, the opportunities afforded by a new 'enterprise culture' were particularly beneficial to small businesses. Their owners, managers and employees were hailed as more flexible, innovative and competitive than their counterparts in larger organisations. A flatter, less bureaucratic management structure was considered as a pre-requisite to a modern, more competitive and adaptable firm (Jones and Hendry, 1992; Garratt, 1987; Pedler *et al.*, 1991).

The explicit emphasis placed by the Thatcherite governments upon the rejuvenation of small firms was based upon the belief that a healthy small business sector is fundamental to a growing, competitive economy. In practical terms, its economic policies are based upon the rejection of the Keynesian demand-management theory in favour of free-market doctrine. The free-market theory can only apply to a society in which goods, services and labour are freely exchanged in accordance with the supply and demand equation prevailing at the time of the transaction. Individuals must have unrestricted access to, and power to dispose of, the key factors of production (labour, land and capital) as well as the goods and services produced. Thus, free competition between buyers and sellers determine supply and demand for goods and services, fixing, in the process, the prices at which commodities are exchanged.

The free market theory appears to depend upon the ability of individuals to apply their skills and knowledge of the market place for the benefit of themselves as well as society in general (Goss, 1991). Free-market economies are, by definition, entrepreneurial economies, in which the small business sector (and the related entrepreneurial culture) is seen to play an increasingly important role by offering not only the best outlets and opportunities for individual talent but also the right conditions for growth (Rainnie, 1989; Hakim, 1989a, 1989b; Storey and Johnson, 1986). In this context, the educational and training needs of the small business owner/manager are of great importance from the point of view of their potential ability to take advantage of opportunities that are said to be inherent in free markets. Furthermore, the training and human resource development functions are also deemed crucial for the 'upskilling' of small business employees, in order to increase their ability to produce and render quality goods and services. (Finegold and Soskice, 1990:214)

It is not surprising, therefore, that the education and training debate has not escaped government scrutiny and the theory of free-market capitalism has been applied to it in an effort to maximise its impact upon expected economic outcomes. The optimal supply of education and training, as provided by employers and demanded by individual employees should lead, at least in theory, to maximised productivity and cost effectiveness of the workforce (West, 1992). Any changes in the demand for education and training, such as occur across recessionary, recovery, growth and stagnation economic cycles, could be speedily and efficiently addressed in a market which is free of any constraints from external factors. The main beneficiaries of the free-market theory as applied to vocational education and training are, arguably, the employers who reap the benefits of a productive and cost effective workforce and individual employees who gain from financial incentives and increased job security. At a macro-economic level, increased productivity would lead to greater competitiveness and increased profits, resulting in a positive, knock-on effect upon the whole economy. Thus, the economic needs of small business owner/managers and the expectations of their employees are also seen as crucial elements of the free-market theory of education and training. Both employers and employees must perceive that the benefits of education and training can and will exceed the costs involved.

It is generally agreed that about 95 per cent of all firms in Great Britain are in the small business sector and account for approximately 35 percent of total employment (Storey, 1994; Employment Department, 1992a; Foley and Green, 1989; Dyson, 1990). Some authors, using the two types of definitions adopted by the Bolton Committee, claim that this figure is understated and argue that just over 99 percent of all businesses can be classed as small (Stanworth and Gray, 1991). The employment figure attributable to this sector of the economy is also keenly debated and varies widely according to definitional criteria (Bannock and Daly, 1990; Daly, 1990). Although small businesses cover a diverse range of activities, they all have a common purpose: the quest for success. The most commonly encountered interpretations of this notion of success are essentially financial: high profit levels and rapid growth. There are, however, non-financial goals to be achieved within the sector: independence, job satisfaction, product development and alternative employment structures, to name but a few (Rosa *et al.*, 1994:273). Whichever objectives are seen to motivate owner-managers, their attitudes have a major impact upon the internal decision making and performance of their respective firms. Owner-managers might regard their small businesses as highly successful by their own standards, yet, on the basis of available national statistics, the likelihood of survival, let alone success is very low: 30 per cent of companies which commence in business cease trading within four years (Foley and Green, 1989:5).

Small Business Comparisons

A great deal of research relevant to small firms is comparative by nature. In general, larger organisations are seen as having an advantage in terms of resources, while small firms have to rely on the speed of response inherent in their size and decentralised structure. These adaptive advantages are held as fundamental by those who claim that small firms act as possible means of stimulating economic growth and employment (White *et al.*, 1988). In view of the increasing globalisation of markets, international comparative research in small businesses could offer a tremendous potential for insight, understanding and learning from the experiences of other nations, not only for academic dissemination but also for policy analysis. Yet one must not forget that such international comparisons suffer from language barriers as well as information gathering, statistical, analytical and interpretation difficulties. In common with most research, there are definitional problems referring, in particular, to the question of what constitutes a small business. Much of the comparative work, as well as the contrasting and often conflicting results, in this field must be considered carefully and on merit.

Storey, (1994:8) points out that there is no single, acceptable definition of a small business and conceptually, at least, 'objective' measures such as turnover and assets levels as well as employee numbers, are often used to characterise and group together firms in this sector. Several attempts have been made to overcome definitional problems, notably the efforts of the Bolton (1971) and Wilson (1977) Committees, but these have only achieved limited success. Both the 'economic' and 'statistical' definition that they supported ultimately failed to address the great diversity and spread of small businesses within the British economy. According to its 'economic' definition, small firms should hold only a relatively limited share of their market place, be managed by their owners in an informal and personalised way and must be totally independent (ownership wise) organisations. The 'statistical' definition was meant to address the quantitative aspect of small firms including such measures as: turnover, number of employees and value of assets employed. Quantitative upper limits were set to vary according to average size and number of employees predominant in each of the sub-sectors under scrutiny.

Apart from the obvious difficulties of measurement across a wide variety of sub-groups within this sector, these definitions were found to be deficient and even to contradict each other in significant ways. The informal and personalised management style, demanded by the Bolton committee's 'economic' definition, for example, is obviously incompatible with its 'statistical' top limit of 200 employees as designated for small manufacturing firms. Atkinson and Meager (1994), point out that manufacturing firms begin to develop management structures when employing between ten and twenty workers, while sophisticated, multi-layer supervisory and control structures can be in place by the time payrolls supersede one hundred employees. Similarly, in certain sub-sectors, such as construction, catering or transport, firms employing over one hundred individuals would clearly be considered 'medium' or even 'large' businesses, and could probably hold a dominant share of their market. Inflation would further erode, over a period of time, most if not all the upper limits of turnover and asset related criteria of definition. Regular updates (such as that attempted by the Wilson committee in 1977) would be needed to keep abreast of relevant developments within this sector.

Wynarczyk *et al.*, (1993) offer an alternative definition based upon a perceived set of three central characteristics which, they claim, fundamentally differentiate small businesses from their larger counter-parts: uncertainty, investment and motivation. The uncertainty that these authors associate with small businesses is based upon the observation that this type of firm is, in the main, a price-taker in the market place. A further source of uncertainty originates from the specialist nature of investment decisions forced upon the owner-manager by its customer base. Most small firms have to rely, for their product base, on one, maybe two, or at the most three, dominant customers (Lyons and Bailey, 1993) who are, the authors argue, able to dictate both the volume of output and price levels under the threat of withdrawing their custom. Furthermore, the diversity of motivation exhibited by owner-managers and the key influence that they have upon performance, sales and profits are seen as fundamentally different to the central issue of larger firms. The ultimate goal in large firms, is the maximisation of profit and return on the investment of shareholders, as controlled and managed by sophisticated, multi-layered-layered management structures.

In support of Wynarczyk *et al.*, Matlay (1993) argues that owner-managers' attitudes to the management and control function of their firms have a direct consequence on the decision making process which in turn have a substantial influence upon small business outcomes, both in terms of turnover and number of employees. It is often stated that owner/managers deliberately keep the size of their firms at a level where personal involvement and control of every day activity can be easily achieved (Handy, 1993; Brown *et al.*, 1990; Resnik, 1988; O'Neil *et al.*, 1987) Thus, small business owner/managers are seen to be directly involved in the daily activities of their businesses and, in the great majority of cases, are also beneficiaries (or victims...) of their own managerial actions and decisions. This is strongly in contrast with the position of shareholders of medium and large organisations who have to rely on teams of managers for any return on their investment.

Williams *et al.*, (1983:31) make further distinctions between small and large firms in terms of their affiliation to one of a series of national capital segments. In simple terms, they differentiate between large, publicly quoted organisations and small, privately owned firms. They argue that businesses in these groups have specific sources of outside finance which are provided at significantly different costs. In their view, such variations in terms of availability and cost of outside finance could affect business outcomes in fundamentally different ways. Stanworth and Gray (1991:50) further differentiate between the availability, to small firms, of finance in general and debt finance in particular. Debt finance represents the main source of outside finance for small firms, mainly in the form of overdrafts negotiated with 'High Street' banks (Hall, 1989). Most large firms raise finance from institutional sources at comparably preferential rates. Concerns have often been raised about the 'credit squeeze' effect that bank as opposed to institutional lending could have upon the small business sector. It must be said, however, that many firms in this sector have succeeded without recourse to bank finance (Hughes, 1992; Binks and Vale, 1990). Recent research in this area has also highlighted a trend of lesser dependence of owner-managers upon overdraft and a corresponding increase in fixed-term loans (Bannock and Doran, 1991; Binks, Ennew and Reed, 1992).

In Binks and Vales's (1990) view another important aspect that differentiates small businesses from larger firms is an apparent ability to operate at the margin of structural change, facilitating economic restructuring by their relative flexibility of movement from stagnating sectors into more dynamic and prosperous industries. Although this apparent mobility can be construed as another aspect of their operating flexibility which allows them to respond to and benefit from changes in the market place, such arguments endow small businesses with potential for rapid growth. Most researchers, however, agree that only a very small proportion of owner-managers wish to and will actually achieve any significant growth (Storey, 1994; Hakim, 1989b)

In Britain, during the 1950s and 1960s a small number of giant firms, positioned mainly in the manufacturing sector of the economy, have accounted for a large proportion of output. Prais (1981) shows that the 100 largest firms accounted for almost half the manufacturing output and employment over this period. Furthermore, Channon (1973) found that the great majority of the top UK firms were diversified across several related and, on occasion, even unrelated product markets. Whereas most small firms are single-product businesses, only a minority of large organisations can be classified as such. Large, diversified organisations are often in leading positions in their chosen markets, which further ensures that business risk is spread across a number of economic sectors (Johnson, 1980). Hood and Young (1979) further argue that by the beginning of the 1970s most of the top 100 British firms were also multi-nationals, interconnected in structure and operation with enterprises which offered products and services both inside and outside Great Britain. Very few small firms are engaged in export activities: large firms are seen to dominate the scene by selling to foreign affiliates as well as competing in oversees markets (Prest and Coppock, 1980).

David Birch is generally credited for the recent emergence of small firms as important players in the economy of industrially developed or developing countries (see, Birch, 1979; Birch and McCracken, 1981). His long term research in the field of

US job generation produced startling findings: he argues that a long-term trend has been reversed and small firms, as opposed to large organisations, are now the major providers of new jobs in a 'competitive' economy. Although both the use of data and his research methodology have proved to be controversial (see for example Storey, 1994; Brown et al., 1990; Storey and Johnson, 1987; Armington and Odle, 1982) the qualitative conclusion regarding the contribution of small firms to job generation has been largely substantiated by later work in this field (Acs and Audretsch, 1989, 1990; FitzRoy, 1989). Acs and Audretsch (1990:3) argue that their own results for the 1976 to 1986 period, based on a wide variety of US governmental and business databases, show that both in aggregate and by sector small firms held a dominant share of employment growth. Although these results appear to support policy measures directed at encouraging a dynamic and growing small business sector, it should be noted that Acs and Audretsch's (1990) research sample includes enterprises employing up to 500 individuals. An upper limit such as used by these authors is far in excess of the more commonly encountered definition of small firms which employ fewer than 100 individuals and, as a result, their conclusions should not be assumed to be statistically representative for the whole sector. Yet, in spite of an ongoing debate on the precise contribution of small firms to job creation (Storey, 1994:161), Birch's results were widely interpreted, in Britain and elsewhere, as indicative of the small business sector's major contribution to the economic health of a nation.

Small Business Typologies

Both the value and weakness of a typological approach to the research of small businesses becomes evident in many publications on this subject. In common with comparative research on small firms, the value of typologies rests mainly on its perceived facility for the systematic analysis of such a complex and heterogeneous economic sector. It must be noted, however, that there are some weaknesses inherent to in this method: the forced distribution of small firms across a number of types is almost certain to be subjective, uneven and specific to only one or at most a few researchers. As a result, there are no universally agreed typologies and further categorisation is likely to be called for by researchers searching for analysis more relevant to their own studies. The possibility that more than one type of categorisation can be found to co-exit within the same firm has been highlighted by Goss (1990) and Rainnie (1989). They found that 'fraternalistic' as well as 'autocratic' and even 'sweating' employer relations can coexist within the same firm, between owner-managers and different categories of employees. Finally, different typologies can apply to a variety of sub-sectors, resulting in a confusion of terms and meanings. There are, however, a number of important categorisations to be found in recent research which could facilitate a better understanding of small businesses in general and their owner-managers in particular.

Following the lead of the European Commission, Storey (1994:13) sets out a typology of small firms based exclusively upon employment levels rather than a multiplicity of criteria. Accordingly, he acknowledges the existence of three distinct type of small firms: micro-enterprises (employing between 0 and 9 individuals), small enterprises (with 10 to 99 employees) and medium enterprises (those with 100 to 499 employees). A number of researchers have identified 10 employees as the likely employment level where owner-managers of a small firm would consider the appointment of non-owning managers or supervisors (Atkinson and Meager, 1994) and where they tend to formalise transaction with their clients and suppliers (Lyons, 1991). In view of productivity increases that have taken place over the last decade or so, Storey (1994) considers the upper range of 100 employees as more appropriate for small business research. The inclusion of medium enterprises in his typology is significant from the point of view that a great deal of contemporary work, both in Britain and elsewhere, has been devoted to research samples with an upper limit of 500 employees, increasingly targeting Small and Medium-Sized Enterprises (SMEs).

In his recent research, Matlay (1993, 1994) makes a further distinction between the self-employed who are unlikely to employ additional staff, very small businesses (i.e. micro-enterprises) that have between 1 and 9 full-time or equivalent (FTE) employees on their books, and small businesses employing up to 100 FTE individuals. Estimates of small firm growth by Bannock and Daly (1990) and Graham Bannock and Partners (1989) based upon VAT registrations, show a tremendous increase in total numbers between 1979 and 1986. The actual numbers must be much higher since not all firms have to register with Customs and Excise or choose to do so voluntarily. Much of this increase can be attributed to the growth in the level of self-employment, of which almost 70 percent do not employ additional workers (Stanworth and Grey, 1991:8). Thus, for it to be meaningful and statistically significant, any research undertaken in this sector must also differentiate between self-employed working alone and small firms employing additional staff.

Owner-Manager Typologies

It has often been stated that a business is the 'elongated shadow of one individual' (see, for example, Resnik, 1988:5) and this is particularly true and relevant when applied to small firms. Since the publication of the Bolton Report (1971) intense interest in owner-managers and their background has resulted in a mass of research studies and publications. Most of it concentrates on the characteristics and ownership determinants which differentiate owner-managers from the rest of the economically active population. Much of the results to date, however, have proved inconclusive and appear to indicate the existence and complex interaction of individual, situational and contextual circumstances as affected by socio-economic background factors. Stanworth and Gray (1991:153) cite the research of industrial sociologists Collins et al., (1964) and Smith (1967) as the 'cornerstones' of work in this area. In their research, Collins et al., (1964) differentiate between 'entrepreneurs' who, in their experience, are true business owners and salaried managers whom they labelled as 'hierarchs'. This is very similar to a basic typology expressed by Goss (1991) which distinguishes between owner-managers and managers of small firms. Smith (1967), using the same sample as Collins et al., further divides entrepreneurs into two class-related categories: 'craftsmen' and 'opportunists'.

'Craftsmen', originating from blue-collar backgrounds, were characterised by lower educational attainments and plant operations or middle-managerial work experiences. Their ownership patterns were rigidly paternalistic, with heavy commitments to personal savings and family relationships. In contrast, 'opportunists' could boast middle-class origins, better educational achievements and top-management work experiences. Their competitive strategies were diverse, mainly proactive and innovative and their sources of finance were predominantly external. Higher growth rates were associated with 'opportunist' rather then 'craftsmen' type of business ownership. Hornaday (1990:29), however, disagreed with Smith's typology and offered an alternative, three-fold solution of his own: 'craftsmen', 'promoters' and 'professional' small business managers. According to him, a 'craftsman' type of owner enjoys making a product or rendering a service to the public. A 'promoter' sets out to do business with the sole purpose of accumulating personal wealth, in the process of which he might found, develop and sell a number of businesses. The 'professional' owner's main purpose is the creation, development and growth of a small business, in the control of which he maintains a personal involvement.

On reflection, however, not even this three-fold typology can comprehensively account for the great diversity of owner-managers that one encounters in the small business sector. Rosch et al., (1976) have developed a theory of classification that promotes a hierarchical approach and which tends to include and exclude individual categories according to an overall (superordinate) or basic (subordinate) resemblance to existing members within each typology. In the view of Chell *et al.*, (1991), the term 'business owner' is an all-embracing, superordinate category while Collins *et al.*, Smith's and Hornaday's efforts should be viewed as attempts to set up specific and, at the same time exclusive, basic (i.e. subordinate) level categories. Just as with definitions, researchers have a tendency to specify their samples according to their own criteria and disseminate results which may be statistically representative and valid only for such individual categories.

Personality Characteristics of Entrepreneurs

The study of the impact of entrepreneurial behaviour upon an economy was not the exclusive domain of economists. Psychologists, in their turn, have long endeavoured to identify those personal traits that compel individuals to become entrepreneurs. A fundamental need for achievement was recognised by McClelland, (1961) as one of the most important personality traits of entrepreneurs. Acting upon a perceived need to increase business expectations, McClelland experimented with training courses designed to heighten the achievement motivation of small business owners in developing countries. As the performance of these small businesses reportedly improved dramatically, McClelland and Winter (1971) concluded that entrepreneurs' need for achievement has played a significant role in their choice of careers. Further work in this field met with similar successes (Miron and McClelland, 1979). According to Brockhouse and Horwitz (1986), however, business success has a tendency to intensify a business owner's expectations. Furthermore, as we have seen previously, financial performance indicators are not always significant, in particular to a small business owner's perception of 'success'.

Rotter (1966) appears to favour a personality construct closely related to a perceived need for entrepreneurs to exercise control over their lives. He differentiates between 'internal locus of control', based upon an individual's ability to control an environment, and 'external locus of control', as manifested by those who believe that other elements such as government, faith or chance, exercise a dominant influence upon their lives. Brockhaus and Horwitz (1986:27) further argue that due to its hierarchical nature, a business environment is particularly well suited to the entrepreneurs' ability to control it through their decision-making processes and actions. Although Chell *et al.*, (1991) point out that entrepreneurs and managers could have a greater internal locus of control than the rest of the population, the evidence is too conflicting to support any single conclusion (Stanworth and Gray, 1991). Thus, entrepreneurs and managers cannot be categorised by their locus of control scores alone (see, for example, Caird, 1990; Begley and Boyed, 1986; Brockhaus and Nord, 1979).

Another popular trait of entrepreneurial personality is 'independence'. This is based upon a perceived need to be in charge of 'one's own destiny', to have the freedom of 'learning from one's own mistakes', in other words to own and manage a business. According to Collins and Moore (1970), there are 'independent' and 'administrative' entrepreneurs, depending upon whether they started a new business of their own or adapted an existing business structure to their requirement or specifications. The need for entrepreneurial independence can originate from adverse childhood experiences (see Kets de Vries, 1977) or from higher than average educational achievements (Cooper, 1986). There appear to exist significant gender differences in the need for independence amongst entrepreneurs: males are apparently motivated by a desire to control their own destiny; females are said to be driven by the frustration of not being allowed to perform at their best (Hisrich, 1986:69). In their study of female entrepreneurs, Goffee and Scase (1985) found that they too were motivated by a desire to control and shape their destiny. It has become increasingly obvious that there are difficulties with the personallity trait approach to entrepreneurship. In Chell's (1985) view, this approach can only give a partial behavioural analysis of the complex socio-economic environment in which business owners operate.

Entrepreneurial Behaviour

Since the early eighteenth century, opinions have been divided amongst economists as to the exact nature and function that entrepreneurs may have in an economy. Early views concentrated on the profit making process of market traders, who tended to adjust the price of their products or services in line with the fluctuations of prevailing economic conditions. Useful analogies could be drawn from the experiences of these market traders, in particular to the three main factors that appear to have determined their economic success or failure (Chell et al., 1991; Hebert and Link, 1988). These factors included the judgmental nature of decision making processes, the type and extent of business risks and the effect of innovation upon the supply-demand curve. Views regarding the nature and function of entrepreneurs varied considerably, according to the position economists took in respect of these three issues. Some economists (see, for example Walker, 1883) concentrated on entrepreneurial 'talent' and went on to classify business owners according to their abilities, energy and leadership qualities. A similar, if somewhat more balanced view, was held by Knight (1921), who recognised the importance of entrepreneurial talent but only as affected by uncertain economic conditions. In his view, entrepreneurial talent and ability must also be backed by opportunistic skills in an effort to secure long term competitive advantages.

Marshall (1920) and later on Schumpeter (1934), both acknowledged the importance of opportunistic behaviour and used it as a means of distinguishing between entrepreneurs and managers, on the basis of who made business decisions and, furthermore, took the responsibility for the consequent economic outcomes. Schumpeter, in particular, took the view that some entrepreneurs could affect economic equilibrium by their innovative behaviour. Thus, as a dynamic force, these entrepreneurs were said to be able to benefit from various combinations of factors of production which gave them a competitive edge in the market place. In Casson's (1982:24) view, an ability to make the right decisions regarding the deployment of scarce resources was central to the concept of entrepreneurship. His view was based on the perception that individuals, functioning under similar economic circumstances and sharing the same profit-related objectives, were bound to make different decisions which ultimately would affect the deployment of their resources. Accordingly, he argued that variations in situational perceptions were the direct result of individual usage and/or interpretation of market-related information.

Binks and Vale (1990:4), set out to synthesise economic thought on this subject by suggesting three types of chronological 'events' which they claim best characterise the entrepreneurial business owner. Firstly, a 'catalytic' event is caused by innovative behaviour which heightens an awareness of the related prospects of monopoly profits; secondly, an 'allocating' process occurs when an opportunistic entrepreneur exploits the situation by reallocating the available resources; and thirdly, a 'refining' event involves the concept of optimal and efficient use of both human and capital resources. It is difficult to evaluate, on the basis of available research, the value and practical impact of such a typology. Chell et al., (1991), point out that allocating and refining events are more common under competitive pressure; the catalytic process, however, is less well understood and its impact upon entrepreneurial behaviour might be difficult to identify, possibly until such times that the consequences of innovation upon the industry are more evident. The three events described above, taken as a continuous and deliberate process, could well amount to Filion's (1990) concept of entrepreneurial vision which distinguishes this type of behaviour from that which is essentially managerial. Stanworth and Gray (1991:157) offer two inter-connected conclusions: either not all business owners are entrepreneurs or that their behaviour is some times entrepreneurial and at other times managerial. Thus, a set of conditions must be fulfilled for successful entrepreneurial behaviour: the presence of an opportunity, an ability to recognise it, the resources to exploit it and the skills to realise its full potential.

Small Business and Gender

The flexibility of small businesses together with the changing composition of the labour force has simultaneously supplied the sector with committed and hard working employees and has provided relevant 'incubator' experience and training for future women owner/managers. The flexibility of small firms is viewed by many women as being more compatible with their busy schedules. At the same time they also offer a much better working environment for mothers active in the labour force, a minority that, until recently, has been subjected to considerable discrimination (Acs and Audretsch, 1990). In Meager's (1992) experience the economies of Great Britain, European Community and the United States have experienced a particularly fast growth in female self-employment. Matlay (1993:17), found that women owner-managers were better motivated to succeed than their male peers and that, on balance, had a tendency to undertake more formal training. Storey (1994:39) claims that although there is no evidence that educational attainments influence male uptake of self-employment, those women who choose this option are twice as likely to be educated to degree (or equivalent) level.

A partial explanation of gender-based differences can be found in Gilligan's (1982) study in which the author acknowledges the considerable variations which exist between the world views and attitudes of men and women. Women tend to value more highly relationships and connections, while men show a marked preference for autonomy and control. Bacan (1966) introduces the notion of 'agency', a male prerogative which expresses independence through self-protection, self-assertion and control, both of the family and business environments. This is contrasted with a sense of 'communion', an apparently distinctive female attribute, which emphasises relationships and family values. Recently, these differences have been further reinforced in a comparative study of the careers of women entrepreneurs by Young and Richards (1992). In the views of some authors (see for example Marshall, 1989), the male 'agentic' strategy tends to manipulate the world while 'communion' is seen as a way of coming to terms with it.

It is often argued that gender, in itself is not a statistically significant factor of either success or failure rates amongst small business owner-managers (see for example Storey, 1994:137). In their recent research on small business success, Kalleberg and Leicht (1991), could find no clear gender differences amongst survivors and non-survivors. Gender was also found not to be significant in influencing the growth of small firms in a number of recent studies (Wynarczyk et al., 1993; Barkham, 1992; Kinsella et al., 1993; Westhead and Birley, 1993), the notable exemption being Reynolds (1993) whose positive correlation raised a number of definitional and research methodology questions. Overall, these studies would suggest that while there is considerable speculation on the factors which are likely to influence small business survival and growth it is difficult to draw clear patterns from the research carried out so far.

Gender and Small Business Performance

A considerable body of evidence, originating mainly from US national statistics, would suggest that women entrepreneurs perform less well than male business owners (Brush, 1992:14). On close scrutiny, however, it soon becomes obvious that their performance is compared in terms of financial or economic measures such as sales turnover and profitability. Studies by Brush (1992) and Longstreth et al., (1988) serve to reinforce the myth of the under-performing woman entrepreneur. As far as speed or extent of growth is concerned, further evidence is presented that women owner-managers choose not to expand their businesses as quickly or as extensively as their male colleagues (Nelton, 1990; Kalleberg and Leicht, 1991; Sexton, 1989). The reasons given for such under-performance are linked mainly to the perceived intrinsic goals and motivation of women who enter the world of business ownership: independence, flexibility, self-reliance. It is interesting to note that these goals coincide, in broad terms, with those given by male owner-managers as the main reasons behind their own entrepreneurship (Matlay, 1994:7). Furthermore, as Rosa et al., (1994:273), point out, aggregate financial and economic measures ignore sectoral differences which could account for much of the gender differences observed.

The simplistic view that women entrepreneurs are less successful than male business owners has recently been challenged in a number of studies which compare gender-related performance within sectoral variables. In Great Britain, Johnson and Storey (1993), found that while aggregate results showed that male owner-managers were more profit-orientated than women, individual differences within each sector were slight. The same applied for other quantitative measures such as sales turnover and number of employees. They concluded that, on balance, the characteristics and performance indicators of women-owned businesses did not differ markedly from those owned by male entrepreneurs (Johnson and Storey, 1993:85) Similarly, in the United States, Kalleberg and Leight (1991), having analysed gender-related differences in three industrial sectors, could find only slight and inconclusive variations on key performance measures. In their conclusion, the authors challenge the conventional wisdom regarding women's entrepreneurial inferiority (Kalleberg and Leicht, 1991:157) and state that the survival and success rates of small businesses are similar irrespective of an entrepreneur's gender.

Other studies, such as Carter and Cannon (1992), and Lipper (1988), are similarly dismissive of the 'simplistic view' of gender-related performance measurements. Both of these studies acknowledge the importance of intrinsic goals but claim that the overall picture is much more difficult to interpret, and point out the fact that women entrepreneurs are heterogeneous in their motivation, goals and business strategies. Furthermore, there is no evidence, so far, that male entrepreneurs are less intrinsic in their motivation and business strategies (Lipper, 1988:173). Rosa *et al.*, (1994) in their study of six hundred owner-managers equally divided between sexes, set out to examine the nature and characteristics of gender-related performance as opposed to analysing the determinants of performance. These authors have found significant differences by gender in quantitative, economic and financial performance measures. On average male-owned businesses tend to do better in terms of sales turnover, capital assets and number of employees. Some of the explanations given rely on interviewee perceptions regarding their domestic needs, income factors and freedom-related restrictions, which are objective social attitudes notoriously difficult to measure. Lack of consistency in their results further weakens the author's conclusions. On balance, however, most researchers found considerable similarities between female and male owner-managers, both in terms of their business strategies and outcomes.

Ethnic Small Businesses

Self employment among ethnic minority groups, calculated as a proportion of the total active population, is higher at 16.4 per cent than among the white population, which stands at 12.6 per cent (Stanworth and Grey, 1991:9). However, research studies on the influence of ethnicity upon small firms must be treated with caution: the ethnic minority population in the United Kingdom is highly clustered in certain geographical areas. Quantitative research involving a large population, such as that based on the Labour Force Survey (Meager, 1989) and the General Household Survey (Curran and Burrows, 1988) is likely to contain relatively high sampling errors. According to Curran and Burrows (1988), ethnic minorities originating from the Mediterranean have the highest propensity towards self-employment. As compared to individuals categorised as 'white' those originating from the Asian sub-continent are significantly more likely to opt for self-employment while West Indians appear to be less inclined to consider a similar career (Meager, 1989:14). Very little research exists on second and third generation self-employment.

Traditionally, in the small business sector, ethnicity is linked to family involvement and employment. In reality, however, just over one third of all small businesses use unpaid family labour. Scott *et al.* (1989), found that 37 percent of their respondents were using either family members or individuals connected to it. Jones *et al.* (1993) in a detailed study of 403 white and ethnically-owned businesses found that, on average, only 35 per cent of these firms used unpaid family members. Individually, their results showed that 25 per cent of the white, 41 percent of the Asian and 44 per cent of Afro-Caribbean groups employed, in one form or another, unpaid members of their family. Nevertheless, it is increasingly accepted that the tradition of small businesses has always included an element of family 'exploitation' and 'informal employment' (Jones *et al.*, 1993). In Marlow's (1992) view the higher use by ethnically-owned small firms of unpaid labour could be explained by their 'tightly-knit' family structure. He also points to the alienation that some of these owners might feel in a predominantly white economy: thus, they are more likely to use advisory or employment services provided by an ethnic individual or business community.

In the comparative analysis of growth rates, the evidence produced so far is inconclusive. Woo *et al.*(1989), in their analysis of small firms growth in the United States, found that minority owned businesses grow less rapidly than those established by native owners. These findings, however, were not corroborated in studies by Dunkelberg *et al.* (1987) and Westhead and Birley (1993) who claim that growth rates are mixed and in some cases minority-owned firms expanded faster than businesses owned by natives. In Storey's (1994:132) view the most likely explanation for the conflicting evidence lies in the lack of sophistication that characterises the research methodologies used in most of this type of studies. Jones *et al.*(1993) argued that their research in the United Kingdom clearly showed that Asian-owned firms perform at least as well as white-owned businesses, while those founded by Afro-Caribbean individuals are significantly smaller and experience much lower growth rates.

Enterprise Culture

Changing economic conditions have had a dramatic influence on both self-employment levels and new firm formation. From a historical perspective, increased levels of self-employment and new firm formation have been associated with recessionary conditions (Bogenhold and Staber, 1991; Storey, 1994; Foreman-Peck, 1985). The positive correlation between unemployment and self-employment, however, is not unanimously accepted. Research carried out in the United Kingdom by Hamilton, (1989) and Johnson *et al.* (1988) have supported this hypothesis while other studies could find no significant correlation between unemployment and self-employment (Binks and Jennings, 1986). Arguably, the most important aspect of social change in the 1980s, which is claimed to have contributed positively to increased levels of self employment and new firm formation, was the emergence of an 'enterprise culture'. Although causal links between culture and economic structure are difficult to prove, in view of the complexity of topics and methodologies involved, the issues raised in relation to enterprise culture remain pertinent to the small business debate (Burrows and Curran, 1991:10). If being self-employed, owning a business and employing others, could be interpreted as a manifestation of this culture, then any analysis of economic trends and employment patterns must take into consideration its effect upon the small business sector.

According to Curran and Blackburn (1991:179), the long term performance of small firms depends upon the beliefs and aspirations of the economically active population. Defining the concept of an enterprise culture, however, has proved to be as difficult as measuring its acceptance by the population (Stanworth and Gray, 1991:247). In his recent study on this subject, Ritchie (1991:17) suggests that there are several different types of 'enterprise cultures' which depend upon and are manoeuvred by powerful interest making disparate claims over them. Government rhetorics have long supported an 'enterprise spirit' which advocates hard work and individualism and promises commensurable rewards. Burrows (1991:10) argues that 'enterprise culture' is nothing more than one of a set of explanatory, rather than causal, factors which are used to account for the wide-ranging industrial restructuring that characterised the 1980s.

Blachflower and Oswald (1990), set out to evaluate changes in the attitude of adults to the 'enterprise culture' over a period ranging between 1983 and 1989. Their time series comparison found little evidence to support the hypothesis that the self employed were more likely to have been unemployed. They could also find no commensurate increase in the number of employees who desired to become self-employed in this period. Nevertheless, as the economic growth of the late 1980s was characterised by growing self-employment and falling unemployment, the authors suggest that this might have been caused by the effects of an enterpreneurial culture. Bannock's (1991) results appear to support this speculative conclusion even though the methodological problems relating to attitude measurement remain, to a great extent, unsolved. In contrast, Burrows and Curran (1991) and Curran *et al.* (1991) could found no evidence that there had been a revival in business ownership following the apparent emergence of an enterprise culture or spirit. Storey (1994:40) claims that, in Britain, the Conservative government has attempted to create an 'enterprise culture' by deliberately promulgating financial and taxation/benefit policies focused upon certain groups such as the unemployed. The relatively high failure rates of entrants from these categories had little impact upon policy makers, leaving the government open to accusations of statistical manipulation of unemployment figures (Edgel and Duke, 1991:9).

Concluding Remarks

When the Bolton Committee was appointed in 1969, little was known about small businesses in Britain.. In the intervening quarter of a century a great deal of research has been undertaken and much has been written and continues to be published on this and related issues. Despite the qualitatively varied and occasionally conflicting research, a great deal more is known about small firms and their needs. As Storey, (1994:303) points out, this sector of the British economy has reached a size and importance such that public policy towards it can no longer be allowed to remain the domain of the government or governmental agencies with powerful vested interests in it. In this context small business policy is relevant to employers and employees of small firms, their suppliers as well as clients, supporting agencies, banking institutions and so on. Storey's call for a White Paper on small business policy objectives and targets will remain a pertinent demand for as long as current policies are perceived, by the majority of interested parties, as ineffective, inconsistent and biased.

In this chapter I endeavoured to note and comment upon some of the socio-economic changes that have dominated the small businesses sector in the last quarter of a century and the influences that are most likely to affect its development in the near future. Arguably, as the economy becomes more service-orientated and fragmented, small firms are likely to increase in importance both as peripheral to larger organisations and as direct beneficiaries of both cultural changes and industrial restructuring. However, many of the hypotheses attributable to new economic structures and flexible specialisation that these imply are yet to be proven in the context of the British economy. Demographic trends are likely to continue well into the next century, with mixed consequences for the sector: on the one hand there is unlikely to be a downturn in the number of people entering self employment; on the other hand, falling numbers of school-leavers coupled with the prospect of post-recessionary growth will once again benefit women returners and older workers.

If indeed, as is often argued, the British population has embraced an enterprise culture, then the larger number of business owners in the 1980s could have a positive impact upon future generations of entrepreneurs through an 'inter-generational' effect (Stanworth and Gray, 1991:252). The likelihood of this happening is strongly debated amongst researchers and academics on the basis of definitional, methodological and measurement difficulties. Much would depend, it appears, on the direction and extent of any future economic recovery and growth. On balance, however, the newly established importance of the small business sector in the British economy is unlikely to diminish over the next few decades.

CHAPTER THREE

THE SMALL BUSINESS TRAINING MARKET IN BRITAIN:

IS TRAINING ON THE SMALL BUSINESS OWNER/MANAGER'S AGENDA? AND DOES IT MATTER?

Introduction

Within the wider context of the ongoing training debate it is important to consider the effect that the traditional VET system has had upon skill formation and competitiveness in the small businesses sector. The issue of training in the small business sector of the British economy has largely been neglected by academic researchers and human resource planning, development and management specialists who, until recently, were content to suggest solutions which were more relevant to the business strategies of larger firms. Expedient attempts to down-scale and forcibly fit large-scale training strategies to resource-starved small businesses have resulted in a relative paucity of material focusing specifically upon the human resource needs of smaller firms (Vickerstaff, 1992:3; Holme, 1992:16). The comparative academic and professional neglect that affected the small business sector in Britain was further compounded by the economic policies of successive governments which tended to be biased towards large companies and multinationals (Vickerstaff, 1992). It is sometimes argued that, as a result, small business owner-managers are generally sceptical of government involvement in industry and would prefer to be left to their own devices (Matlay, 1994).

Pettigrew *et al.*, (1990:4) in a comprehensive review of the literature on training in Britain claim that it is distinguished by a lack of specialised research to ascertain the importance (or otherwise) of human resource issues to small business strategies. In another influential report prepared for the Employment Department, Hendry *et al.*, (1991:2) further argue that in the growing field of small business research "... the human resource dimension, including the training of employees, has been largely neglected, aside from a preoccupation with the skills of owner-managers at start-up and during early growth". Such claims are perhaps surprising in view of the recent publication of the largest study on training funding, activity and attitudes undertaken in Britain (Training Agency, 1989a). A detailed examination of the four reports arising from this study, however, reveals a number of important shortcomings, such as an overly-narrow definition of 'training', a clear partiality towards quantitative methods of data collection and analysis, as well as obvious size and sectoral biases in the selection of research samples.

Owner-Managers Relative Lack of Education and Training

In Britain, it was the *Bolton Report of the Committee of Inquiry on Small Firms* (1971) that first identified small business owner-managers' relative lack of education and training. It found that the majority of small business 'chief executives' have not undergone any formal management education. Furthermore, in the manufacturing sector, only 21 per cent of managers held a degree or professional qualification and a further 8 per cent were qualified accountants; in the motor and retail trades none of the managers were educated to degree level and only 4 per cent and 1 per cent respectively, held accountancy qualifications (Bolton Committee, 1971:8-9). In contrast, there was a large disparity between these figures and the finding of Hall *et al.*, (1969) who showed that in the 500 largest firms in Britain just over 40 per cent of chief executives were holders of university degrees and a further 20 per cent were qualified accountants. The conclusion reached by most commentators at the time was that larger firms grew more rapidly and expanded more successfully because their managers were better educated and qualified than their counterparts in the small business sector (Burns and Dewhurst, 1992).

The Bolton Committee also attempted to provide an explanation for these apparent educational and training shortages by attributing them tentatively to the social origins and family traditions of owner-managers as well as to 'antipathetic' attitudes exhibited by school, college and university representatives towards small firms (Bolton Committee, 1971:24-25). Even though the Bolton Committee offered no evidence to back up such claims, three important links have clearly been established in this authoritative report: firstly, that social origins and family traditions were significant to owner-managers' education and training levels; secondly, that educational representatives tended to instil negative attitudes towards industry in general and small businesses in particular; and thirdly, that size (in terms of turnover, employee numbers or capital employed) affected considerably the provision of training in the small business sector. However weak and unsubstantiated these claims might have been at the time, their influence upon the contemporary VET debate in the small business sector has been considerable (see, for example, Storey, 1994; Storey and Westhead, 1995).

It is important to note, at this stage, that a large proportion of the small firms in the Bolton research sample were family businesses. Over 85 per cent of firms in the manufacturing sector were managed by one or two individuals, while in the non-manufacturing sector this proportion rose to 89 per cent. Most of these firms were established long before the time of the survey and were owned by first, second or third generation members of the same family. Furthermore, almost two-thirds were managed by teams of mixed generation owner-managers. The mean age of these small business 'managing directors' was 54 years (Bolton Committee, 1971:6-8), broadly the same as that of chief executives of larger firms. Significantly, however, the Bolton Committee was reluctant to generalise any of its findings, claiming that the human and social factors affecting small firms were: "...in fact, as varied and individual as the men who founded them" (ibid.:22). Unfortunately, later research focusing on the small business sector tended to ignore this *caveat* and as a result a great deal of the available literature must be treated with caution (Storey, 1994; Matlay, 1993).

In Stanworth and Gray's (1991) view, the skill needs of small business managers identified by the Bolton Committee (1971) have remained essentially unchanged in the decades that followed the publication of the report. In a further study, Gray (1993) compares the management skills found as lacking in small businesses over two decades ago with the findings of subsequent research. Problems with raising and using finance, obtaining and applying information, cost identification and control were at the top of the Bolton Committee's list and appear to have remained firmly there throughout the intervening years. Thus, "... problems concerning staff - organisation, delegation, personnel management - and marketing, still feature as major problems and the way they are dealt with distinguishes growth-oriented firms from the bulk of self-employed and small firm owners" (Gray, 1993:1). The fact that the owner-managers' skills position has changed or improved so little over the past two decades (despite a great deal of effort and huge amounts of public money spent on designing and promoting training courses for small businesses) has been confirmed by a number of authoritative studies (see for example, IFF, 1992a, 1992b; Stanworth and Gray, 1991; CBI, 1986).

Training Strategies and Their Role in Reducing Skills Shortages

In the 1980s a number of influential studies - such as Curran (1986), Mangham and Silver (1986), Handy (1987), Constable and McCormick (1987) and, notably, the Training Agency (1989a) have repeatedly exposed the relative weakness of training provision in British firms. As Storey (1989:4) points out, human resource issues "... have come to represent one of the most controversial signifiers in managerial debate in the 1980's". The small business sector, in particular, was criticised for its conspicuous lack of human resource development strategies. Furthermore, as this apparent weakness became progressively blamed for the relative decline in Britain's economic performance, the attention of academics and policy makers increasingly focused upon the potential role that education and training could play in improving the competitive edge of small businesses (Senker, 1992). At the same time the main thrust of public policy was increasingly directed not only at training *per se* but also at such related issues as management competence, quality standards and national vocational qualifications, all of which were basically systems-based and had been originally developed for larger firms. To what extent these were desirable, or indeed suitable for small firm strategies is yet to be convincingly established (Storey, 1994; Holme, 1992).

It is often stated that small firms which focus on the development of their human resources appear to be less adversely affected by skills shortages than companies that emphasise the exploitation of their employees. The level of training that benefits a workforce is considered, by definition, to be directly relevant to the human resource strategies adopted by small business owner-managers (Abbott, 1994:70; Mullins, 1993:579). These, in turn, are seen to have a significant influence upon the competitiveness of small firms (see for example, Goss, 1991; Jones and Goss, 1990, 1991). Two inter-related factors appear to influence the small business owner-manager's perception of skills shortages and related recruitment difficulties: firstly, the changing nature of the labour market, and secondly, the diversity of training strategies that affect a workforce.

Rapid technological changes and the internationalisation of markets have resulted in a significant shift of emphasis towards flexible working practices (Hawkins and Barclay, 1989). Small firms that are unwilling or unable to offer their workforce opportunities to develop, update or widen their skills are in danger of falling behind in the race to satisfy the increasingly distinct and personalised needs of customers in local, national and international markets. In addition, as employment conditions are likely to worsen in firms that have lost their competitive edge, these employers could find themselves increasingly avoided by progressive workseekers who "...in an attempt to maximise the probability of their future employability, no longer appear to be driven by an almost exclusive urge to 'chase the money' but seek employers who will offer them wider experience, increased responsibility and status, and an opportunity to develop both hard and soft skills" (Jones and Goss, 1991:24). Thus, employees in smaller firms, who were traditionally limited in their career choices by the lack of an internal labour market, increasingly seek to widen their horizons through a deliberate strategy of training and skill acquisition (see Atkinson and Storey, 1994)

The relevance of training strategies to a small firm's ability to attract and retain suitable labour is not as clear cut as some observers would like us to believe. Although most commentators are willing to acknowledge the relative inability of small business owner-managers to offer their employees formal training and extended career paths, some argue that such apparent disadvantages are counter-balanced by the inherent flexibility and wide range of tasks or responsibilities which are characteristic of smaller firms. However, medium-sized and large companies, in their quest for competitive advantage, have increasingly adopted flexible working practices. Furthermore, these are supported by a tradition of induction as well as other methods of formal training (Goffee and Scase, 1995; Hendry *et al.*, 1995). Indeed, Blackburn and Hankinson (1989) have found that higher levels of formal training amongst their sample of small firms accounted not only for increased productivity and cost reductions but also for lower labour turnover rates.

Jones and Goss (1991:25) propose a typology of firms based upon the level of training provision that they have found in a research sample of 53 small businesses. Accordingly, 'proactive' (i.e. high training) small firms are those that have developed a strategic approach to skill shortages, based upon perceived and expected changes in both labour and product markets. The authors claim that this type of firm has developed written training policies which encompass a strategic mix of formal training, retraining and skills updating programmes. Much of their training strategy, however, is focused upon supervisory and management development. In contrast 'reactive' (i.e. low training) small firms have a tendency to respond to immediate pressures rather than rely on strategically planned training programmes. These firms aim to cope with changes in labour and product markets by relying upon short term tactics based on survival and cost reduction strategies rather than depending upon human resource development plans. Provision of training in such firms is apparently erratic, overwhelmingly informal, and is comprised mainly of brief, unplanned, on-the-job instruction. Usually this is carried out by untrained, firm-based 'trainers' or by the owner-managers themselves.

Using a sample of 44 small employers from North Yorkshire, Johnson and Gubbins (1991:8) arrived at a similar training typology. In their experience, small firms either take a 'reactive' view of training or adopt a 'contingency' approach. In both typologies the 'reactive' strategy is the most commonly found approach and by definition it indicates low training levels and a significant lack of strategic human resource development. By contrast, the 'contingency' approach to training relies significantly on higher training levels as well as human resource planning, development and management. Furthermore, 'proactive' or 'contingency' training strategies are seldom encountered in the small business sector, apparently being adopted only by a minority of growing small firms (Johnson and Gubbins, 1991:2; Jones and Goss, 1991:24). In the case of larger businesses, however, the reverse appears to be the norm: the majority of firms adopt a 'contingency human resource approach' geared towards a strategic responsiveness to market changes and uncertainty (Pettigrew *et al.*, 1990:29).

The 'Training in Britain' Survey: Implications for Small Businesses

The Training Agency's study '*Training in Britain*' (1989a) received a great deal of publicity at a time when the negative effects of skill shortages (and related issues) upon micro- and macro-level competitiveness have been highlighted by a period of exceptionally rapid economic growth. The contributing researchers were commissioned by the Training Agency (previously the Manpower Services Commission) to develop new research methods for the study of skill shortages, to provide a better understanding of employers' attitudes to training, to quantify their training activities, and to draw up a comprehensive list of benefits accruing to providing firms (Training Agency, 1989b,c,d). At the time of its publication the study was hailed as the most extensive and detailed survey of funding, activity and attitudes to training ever undertaken in this country.

Arguably, however, the impact of the '*Training in Britain*' research study upon the continuing debate on VET has been limited by inherent methodological shortcomings as well as by the effects - upon the local labour markets in particular and the economy in general - of the worst and most prolonged recession in Britain since the Great Depression of the late 1920s. Unfortunately, it seems that most of the findings and recommendations of this study have apparently been either ignored or forgotten by policy-makers, academics and employers. Yet some of the data that resulted from the research carried out for the study make interesting reading. For example, 56 percent of the employers interviewed for the '*Employers' Activities*' (Training Agency, 1989b:9) claimed that increased competitiveness prompted them to train their workforce. Furthermore, over the 1986/87 period, the 17.8 million employees covered by the survey received 125.4 million days of training, averaging just over 7 training days per employee. Training, however, was concentrated on 48 percent of the workforce (representing an average of 14.5 days of training per employee) while the balance of 52 percent of the labour force was deprived of any training. There was an almost equal divide between off-the-job and on-the-job training provision, computed at 64.7 and 60.7 million days training respectively.

Although 24 percent of firms employing between 10 and 24 workers were non-providers, the balance of 76 percent of providing firms trained as high a proportion of their workforce as their larger counterparts (Training Agency, 1989b:24-27). In addition, the density of training in providing firms was higher in small firms (those employing up to 99 workers) than in larger firms. As a proportion of the total sample, however, training density appeared to be directly proportional to the size of establishment, with firms of over 10,000 workers training the largest proportion of their workforce. The intensity of off-the-job training also falls with enterprise size, smaller firms exhibiting a clear predilection for on-the-job training. Geographically, some differences in training intensity were also noted: results for North of England (47 percent), Wales (45 percent) and West Midlands (44 percent) showed that almost half the number of employees received training as compared with less than 40 percent in all other regions.

In the analysis of the data resulting from this survey several methodological difficulties can be noted. Firstly, an overly narrow definition of training has been employed by the authors. Although they claim that their definition is 'as comprehensive as possible' in fact it was deliberately limited to : "... the process of acquiring the knowledge and skills related to work requirements by formal, structured or guided means" (Training Agency, 1989b:13-14). As such, induction, supervision, motivational meetings and learning by experience were specifically excluded. Secondly, the research sample is not clearly set out and the design of the four detailed reports is rather confusing. Ultimately, the multitude of figures, tables and annexes fail to clarify the extent, composition and weighting of the research sample. Thirdly, for the small business researcher, this study is typical of most large scale, quantitative investigations: there is an obvious bias towards larger enterprises. For example, from the sample of 20 firms used in the '*Employers Perspectives on Human Resources*' (Training Agency, 1989c:10) only two businesses fall within the European Community formal definition of small businesses (employing 48 and 60 workers respectively). A further five businesses employed between 116 and 750 individuals while the balance of 13 firms had between 1,059 and 75,000 workers on their payroll.

Most authors who provide a definition of 'training' appear to converge on the concept of knowledge and skill acquisition as it relates to work-place requirements. For example Abbott (1994:72) defines training as "... any process aimed at knowledge and skill acquisition relevant to work tasks". Few studies, however, adopt such a narrow definition as that employed by the Training Agency (1989b). Curran *et al.*, (1991:170) outline three main types of training: informal on-the-job training, formal in-house training and external training. In their view, the main difference between informal and formal training provided on the premises of a firm relates to the nature of activity in which an individual is engaged at the time of provision. Hence 'informal on-the-job' training takes place while an individual is actually 'at work' while 'formal in-house' training is provided in a more detached context, away from the immediate task to which it refers. External training can take a multitude of forms, all of which are provided outside the perimeter of the work place. Matlay (1994) argues that external training can be both formal (such as that provided by an educational institution or a commercial trainer) and informal (for example, unofficial networks, trade groups, professional exchanges or family 'councils').

There are, however, size-related differences in training processes, some of which are said to be particularly favoured by small firms while others are mainly employed by larger organisations. Fill and Mullins (1990:13) for example, identify four distinct types of training relevant to the acquisition of knowledge and skills in a work environment. 'Output training' involves informal, in-house training and is predominantly found in small firms. 'Task training' is very similar to formal, external training and is primarily employed by large organisations. 'Performance training' involves the activities of a dedicated internal training manager who is also responsible for relevant costs, in accordance with a budget set for that purpose; few small firms, if any, can afford this type of training. 'Strategic training' involves a wider concept of human resource planning, management and development and is used to meet the goals of both the organisation and the individual. Arguably, this particular typology attempts to differentiate training provision on a number of related issues such as cost, strategic planning and dedication to organisational and individual goals. According to Woodcock (1987), training activity in general is more likely to vary in accordance with the skill needs (short-, medium- and long-term) perceived by managers at the time when a relevant decision is likely to be made.

On balance, the influence of the '*Training in Britain*' report upon the training debate in general and small business research in particular appears to fall short of the authors' promises as well as the expectations of most of the researchers and commentators engaged in this fascinating area of study. The authors register their disappointment with the final response rate to their survey, pointing out that over 70 percent of the firms contacted failed to respond. This they attribute to the small size of the firms which made up the majority of certain occupational sectors such as 'Hairdressing' and 'Clothing'. Furthermore, the authors go on to point out an important dilemma: "...that such a high proportion of employers did decline to consider participating in the survey is itself a significant finding... it is not possible to say whether this lack of response was associated with low levels of interest in training issues or more to do with an antipathy on the part of employers to filling in forms" (Training Agency, 1989d:12). This study has been particularly disappointing to me in that little insight could be gained from it on employers' attitudes to training despite its obvious potential. My current research, of which the present thesis is part, sets out to bridge the wide knowledge gap which still exists in the study of British managers' attitudes to training.

Small Business Education and Training Typologies

The development of small business education and training in Britain has essentially been an *ad hoc* process. As a concept, small business education and training has been widely debated and, as a result, tends to take on a generic meaning. In order to increase its effectiveness and coverage there is a perceived need for the identification and analysis of the major forms of small business education activities as well as the relevant target population that it is most likely to affect. Curran and Stanworth (1991) have identified four main forms of educational activities linked to small firms: entrepreneurial, ownership, continuing and awareness training. Haskins (1984) adds business development education, counselling and export training to a similar typology. However, it should be noted that, in view of the lack of research in the area of small business education and training, their proposed typologies are based on informed hypotheses rather than empirically proven assessments. Their difficulties are further compounded by definitional problems in relation to the concept of entrepreneurship, small business, continuing education and training.

Entrepreneurial Education

Beginning with Weber's (1965) early analysis of the entrepreneurial role, which culminated in his classic conclusion that emphasises the 'outsider' status of individuals in this social category, the notion of entrepreneurship has been keenly debated (see for example, Ward, 1987; Jones and McEvoy, 1986). Attempts to isolate the psychological characteristics of 'successful' entrepreneurs have also failed to produce any conclusive results (McClelland, 1961; McClelland and Winter, 1971). Further research into 'creative' and 'achievement' needs or obsessions of entrepreneurs were equally unsuccessful (Brockhaus, 1982; Brockhaus and Horwitz, 1986; Gasse, 1982; Gilad, 1984). In Britain, during the fast economic growth years of the late 1980s, 'entrepreneurship' tended to be viewed in generic terms, encompassing the wealth-creating attributes of the 'Yuppie' and the 'New Right' generation (Matlay, 1993).

Entrepreneurship, as defined by Curran and Stanworth (1989:12) implies the creation of new economic entities based upon products or services that are either original or differ significantly from those that are already on offer. Yet, in terms of business start-ups, small firms which can fulfil their criteria are relatively rare. Eisenhardt and Forbes (1984), in their research into modern technological entrepreneurship in the USA, offer a notable exemption. Their results (which they generalise to include Britain and Japan) appear to indicate that proximity to educational institutions is frequently considered to be crucial to the development of new technology-based products and services. There appears to be little that could be taught about entrepreneurship *per se*: "... there is no body of well researched and developed knowledge which might form the basis of such a teaching programme. If entrepreneurship is seen as highly creative economic process, there may even be doubts that conventional forms of small business education are always helpful or supportive" (Curran and Stanworth, 1989:13).

Business Ownership Education

Basically comprised of start-up training courses, business ownership education is designed to prepare individuals for the management of small scale economic units. Business Ownership Education appears to be more readily available than entrepreneurship training and is widely supported by government subsidies. Some courses of these type concentrate on general organisational techniques and management methods (Gibb, 1987) while others cater for more specific needs such as marketing, accounting, finance and personnel related subjects (Gill, 1985). The effectiveness of this type of small business training appears to vary according to the quality of teaching, comprehensiveness of training materials or length of the course. There are, however, considerable variations in the interpretation of what constitutes start-up training as well as a tendency to cover too wide a range of subjects at superficial levels. As a consequence, many would-be small business owners found this type of training to be too general and of limited use to their chosen career (Sym and Lewis 1987).

The teaching strategies, content and effectiveness of small business ownership training remain mostly under-researched. Such research as does exist appears to point towards a number of difficulties with this type of training which, to a great extent, remain unresolved. Kiesner, (1985) claims that would-be business owners differ considerably in their ranking, in order of importance, of training subjects on offer. Their ranking appears to be influenced by personal attitudes based on previous training or recent work experience. Carswell (1987) further argues that sectoral differences and the particular make-up of individual economic areas can also affect the owners' choice of courses and the importance they attach to various topics. Ultimately, training for ownership appears to be dominated by client-orientated demands for 'hands on' and 'down to earth' courses, focusing almost exclusively on everyday management problems. The academic or theoretical aspects of small business management are mostly relegated to reading lists and bibliographies that few, if any, participants are inclined to follow up (Matlay, 1993:17).

As a result, most training providers tend to offer short courses based on practical business issues or specific topics that have proven to be popular with participants (Johnson, 1987; Sym and Lewis, 1987; Clark *et al*., 1984). The length of training courses seems to be determined by cost considerations and trends in funding: most of the demand is located within the short term, government funded range (Gibb *et al*., 1984; Hyde, 1986). There are few indications, however, that participants are being prepared for the exceptional demands that the role of owner-manager will entail in terms of decision-making, risk-taking and commercial relations with prospective customers, suppliers, employees and others (Gumpert and Boyd, 1984:19). Although ownership training could succeed, in the short-term, in raising the confidence and increasing the motivation of participants, it is doubtful whether the courses on offer could adequately prepare them for the severe psychological exigencies that their future role will entail (Curran and Stanworth, 1989:15).

Continuing Small Business Education

Many of the deficiencies inherent in start-up training programmes could be remedied by follow-up courses designed to support the activities of existing owner-managers. Unfortunately, continuing small business education has proved to be more difficult to organise than conventional start-up courses due to its highly fragmented and specialised nature. In particular, few owner-managers of small firms have the knowledge or the time to seek out the type of courses that they need. Conversely, the response to expensive marketing campaigns to advertise highly specialised training aimed at owner-managers has been too low to make such approaches economically feasible (Watkins, 1983: 39). While the need is often obvious, few external providers could justify the high outlay, in human and financial terms, needed to design, deliver and update training courses customised to the specific needs of a small number of local clients (Gill, 1985; Sotrines, 1985). Furthermore, during the crucial first two or three years in the existence of a small firm, relatively few owner-managers can afford to compensate for the lack of continuing education and training by employing professionally qualified specialists or internal trainers.

Curran and Stanworth (1989:16-17) criticise the quality of most ‘how to do’ publications in the rapidly expanding area of small business education: in their view, the great majority of authors are not very knowledgeable about small firms or ignore the owner-manager’s specific training needs. They argue, however, that small business distance learning could overcome the major barriers inherent in face-to-face training methods. In particular, some of the Open University’s small business courses appear to meet with their approval. Yet these courses are relatively expensive and lack the personal approach favoured by many owner-managers (see, for example, Carswell, 1987; CBI, 1986). Television programmes dealing with specific, interconnected aspects of small business management have attracted large audiences and weekly columns in mainstream newspapers have similarly captivated an interested readership. However, the full potential of various training methods available to the existing owner-manager are yet to be fully ascertained as research in this area is still in its infancy

Small Business Awareness Education

Curran and Stanworth (1989:17) describe small business awareness education as "...aimed at increasing the number of people who are sufficiently knowledgeable about small business as an economic activity to consider it rationally as a career alternative". This type of education could also contribute to a better understanding of the role and contribution that small businesses make to the British economy as a whole. Among the various forms of educational activities that can be included in this category the authors list secondary education programmes, undergraduate and postgraduate small business courses and a plethora of related subjects offered at the tertiary level. According to Sym and Lewis (1987) awareness education rarely provides more than an introduction to small firms, with the sole purpose of widening the participants' knowledge of opportunities and difficulties associated with starting a business. Those who contemplate a career in the small business sector could, on completion, further their training by undertaking entrepreneurship or start-up courses.

Newspapers, magazines and television programmes that carry regular items on the subject of small firms could also be included in this type of education, the obvious advantage being that these reach a much larger audience than formal courses. Furthermore, formal courses at secondary, undergraduate and postgraduate levels are only likely to reach a small proportion of those individuals who might contemplate management and/or ownership of a small firm. Since the early 1980s, most television series (and accompanying printed materials) have been of very high quality, produced and regularly updated by the use of a wide range of expert, academic and research knowledge. With few notable exceptions (such as The Times and The Guardian), newspapers tend to concentrate on 'celebrity features', reporting on the business philosophies and methods of entrepreneurs who have achieved outstanding successes in 'starting small'. In spite of some obvious limitations, the overall impact of mass media upon small business awareness education has been considerable and is likely to increase further in the future.

Small Business Development Education

Increasingly small business owner-managers are being trained to take a systematic approach to the development of their businesses. Much has been written, in recent times, about the need to coax small firm owner-managers into considering a growth strategy, however modest that might be: the great majority of them are content to 'survive' in the market place and choose deliberately to continue at self-employed or micro-firm level (see, for example, Storey, 1994; Goss, 1991; Vickerstaff, 1992). Most development education is geared towards changing owner-manager attitudes rather than enhancing their skills (Haskins, 1984:18). In recognition of the well known fact that attitude changes require time, courses in this category tend to be modular, last longer than the average training session and often involve the use of consultants to aid and advise participants in 'real-life' situations.

Although the actual format can vary considerably, this type of course usually includes some elements of experience-sharing, the use of participant company models as well as the completion of an individual development plan. Not surprisingly, the cost of business development courses can be high and, for those owner-managers who complete a full programme the commitment in terms of time and finance could be considerable. Increasingly, financial support - in the shape of subsidies and grants - is becoming more readily available from government sources as well as from local business and trade associations.

Export Education

Owner-managers of expanding small firms consistently seem to choose marketing as the top training topic on their personal development 'shopping list' (Ali, 1992:2). Its importance in terms of sales turnover and cash-flow - the 'blood line' of a small firm - has been well documented in a number of influential studies (Oates, 1995; Storey, 1994). Indeed, it is often claimed that the exporting function is a necessary ingredient to both survival and growth of small firms (D'Souza and McDougall, 1989; Edmunds and Khoury, 1986). Considering that Britain is the world's fifth largest exporter (Westhead, 1995:6) it is not surprising that significant public resources have been allocated to the improvement of the export performance of manufacturing and service firms in the small business sector (HM Government, 1994:87).

Export education, as part of management development, appears to be increasingly associated with the characteristics of exporting small firms (Miesenbock, 1988; Aaby and Slater, 1989). Export development programmes specifically designed for small businesses are typically run by marketing departments in business schools and management centres across Britain. They are also on offer at local level by trade and commerce associations as well as some of the larger TECs and LECs. In view of the increasing internationalisation of markets and in an effort to maintain existing market share, export education is set to remain high on the agenda of training providers in Britain.

Small Business Counselling

Although more fashionable in the industrialised countries of continental Europe and North America, business counselling is progressively gaining acceptance in Britain (Haskins, 1984:19). A counsellor is said to differ from a management consultant mainly by the position he assumes, that of a catalyst rather than an 'expert' advisor, in the problem-solving activities and decision-making processes specific to smaller firms. Rees (1990:182) describes counselling as "a purposeful relationship in which one person helps another to help himself". The owner-manager is helped to work out his own solutions, based on in-depth, insider knowledge, rather than being given 'directive advice' by an outsider. Furthermore, he is more likely to be committed to his own solution rather than to one that has been imposed upon him. Thus, small business counselling is seen to stimulate typical owner-manager qualities, such as independence and self-reliance (Goss, 1991; Bennett, 1994). Most counselling appears to be focused on start-ups and new businesses (less than three years old) with only about a quarter of established firms subscribing to this type of training (Bennett, 1995:36).

There are obvious advantages to counselling in terms of continuity and familiarity with the needs of individual firms and, most importantly, an ability to deal with the blurring of personal/business needs so typical of the psychological make-up of small business owner-managers (Andersson and Tved, 1993). The cost of small business counselling is generally perceived by owner-managers to be reasonable, as compared to management consulting fees, with a further advantage that it can be remitted on a regular, 'standing order' basis. Often, counsellors offer a 'no results, no fees' scheme which link costs to particular problems, and are relatively easy for owner-managers to evaluate or monitor. Furthermore, the lesser demand - both in terms of time and cost - of shorter sessions upon the busy schedules of owner-managers seem to make a great deal of difference to the uptake of counselling when compared to other, more intensive types of small business training (Rees, 1990).

Training Typologies and Small Business Research: Setting an Agenda

Training typologies appear to overlap to a great extent and, as a result, some commentators have questioned their usefulness to small business research (see, for example, Goss, 1991; Storey, 1994). They point to difficulties in terms of definition and to the range and diversity of firms that operate in this sector of the British economy. Sub-sector and industry variations further compound such research problems: for example, Curran and Burrows (1988:55) argue that nine out of ten small firms are engaged in either construction or services, areas that are typically associated with lower levels of training (see also Finegold and Soskice, 1991). Since research in small business training can be notoriously difficult to establish and verify empirically, much of the generalisation of previous results should be viewed with caution. Furthermore, as the bulk of past research tended to focus on small firms in general (Vickerstaff, 1992:2; Jones and Goss, 1991:24) it should not come as a surprise that some researchers have reached the conclusion that training needs are similar across the whole of the small business sector.

Training needs, however, were found to differ considerably between the manufacturing and the service sector, in line with the diversity of operating styles, requirements and procedures (Kitching *et al.*, 1990:7-8). Thus, in Abbott's (1994:71) view "... the assumption that small firms are homogeneous, regardless of sector and even within sectors, is likely to lead to over-generalisation in relation to the training needs of small firms". It is important, at this stage , to point out that some of the factors affecting small businesses can sometimes be generalised across the whole sector and that these have been found to influence training provision in similar ways. Among these one could include: lack of management education (Gray, 1993), time constraints (IFF, 1992a, 1992b) and the well documented scarcity of financial and human resources (Vickerstaff, 1992; Atkinson and Storey, 1994; Hughes and Storey, 1994).

What is also important to note, however, is that training provision is most likely to differ as a result of contrasting owner-manager attitudes to type, extent and value of training (Matlay, 1993). The lack of research focused upon small business owner-manager attitudes to training is symptomatic of the general academic neglect that characterises the human resource aspect of this sector of the British economy (Scott *at al.*, 1989). In contrast, a vast literature exists on the availability, type and extent of finance available to small businesses at various stages of growth and development (Hughes, 1992).

PART THREE

CHAPTER FOUR

Training In The West Midlands: A Quantitative Survey

Introduction

The quantitative aspect of this thesis is based on an investigative telephone survey of 2000 small businesses in the West Midlands region of Great Britain. The firms in the research sample were randomly selected, using a computer-generated numerical table, from the Yellow Pages Business Database for 1993. My choice of this particular database was based on past user experience and the knowledge that it contains the largest number of business records in Great Britain. The statistical information that it contains is kept up to date by a continuous programme of validation (Yellow Pages, 1993a: 10-11). During January 1993, while considering its usefulness for a wider research programme involving 10 regions in Great Britain, I checked its comprehensives by focusing upon three locational sub-samples within the West Midlands. For comparison purposes I randomly selected three groups of 300 firms from Coventry, Birmingham and Wolverhampton. These samples were compiled from various business sources. Without exception all the firms selected were also present in the Yellow Pages Business Database (1993b). Furthermore, while the details of a small sub-sample of firms varied between different sources, these were accurately recorded in the Yellow Pages database.

The completeness of the records contained in this database can be attributed to a long-standing Yellow Pages policy of free registration and display of company details supplied by sole traders or business organisations located in Great Britain. Larger, more detailed displays as well as customised or enhanced advertisements can also be included, at a cost, in local book directories. These, in turn, are updated and distributed, annually and free of charge, to households and businesses within specified geographical areas. An extensive range of related services is available from Yellow Pages and, to the prospective researcher, these further add to the attractiveness of this comprehensive database. Detailed, locational and/or sectoral selection of target firms is possible by postcoded address data: records are available nation-wide, by country (England, Wales, Scotland or Northern Island) or by county boundaries (Yellow Pages, 1993a). Standard or more specific data can be obtained in a wide range of presentation forms: self-adhesive labels, laser printed customised letters, record cards or on magnetic media (Yellow Pages, 1993b). Although primarily targeted at sales- or marketing-oriented strategies I have found that the Yellow Pages database was also ideally suited for my proposed investigative research. Its only drawback was its initial high cost, a factor mitigated to a large extent by its in-built flexibility and time-saving properties.

The Pilot Studies

Two pilot studies were carried out before commencing the main quantitative survey in the West Midlands. The same questionnaire was used in both a mail drop involving 100 small firms and a telephone survey of a further 100 small businesses, both sets located in the East Midlands region of Great Britain. Even though a self-addressed, stamped envelope was included in the postal survey, at the end of a period of thirty days after posting, only 7 percent of prospective respondents returned a completed questionnaire. A reminder was sent out to the non-respondent firms but only two more replies were received in the following thirty days. At this stage, having only achieved a response rate of 9 per cent I decided not to use the postal survey method for my investigative work and concentrate upon my alternative strategy.

In contrast, my pilot telephone survey achieved a more satisfactory response and 69 owner-managers consented to answer my questions. Furthermore, as a result of suggestions received during the pilot telephone survey two major and a number of minor modifications were made to my initial questionnaire. Arguably, these changes could have proved beneficial to a postal questionnaire should I have continued with that particular strategy. It was, however, during telephone conversations with owner/managers that important improvements were suggested. In view of the insights that I gained from my two pilot surveys I decided that I would prefer to use telephone interviews as they represented a more effective and direct research strategy.

Even though I had carefully planned and constructed my initial questionnaire it became obvious that respondent feedback offered an opportunity to improve upon the potential response rate. Firstly, it became apparent that my questionnaire was too long and that it was unreasonable to expect an owner/manager to spend more than twenty minutes on a telephone survey. Secondly, it was suggested on a number of occasions that it would be much better to ask training-related questions in the first part of the interview; the personal and firm-specific information could be collected during the second and concluding part of the survey. Following further suggestions, I also made minor modifications to the length and order of individual questions. Editing the original questionnaire posed a serious challenge, as each question appeared to be equally important and indispensable to the success of my investigative survey. In the event, a streamlined, three part questionnaire proved a more effective research tool.

The West Midlands Survey (1993)

According to the West Midlands Regional Office 'Summary of Key Statistics' (WMRO, 1993:4) the region covers a geographical area of 13,013 square kilometres, representing 5.4 percent of the total area of United Kingdom. At the time of the survey its population comprised 5,223,372 individuals (or 9.36% of the total UK population). Although during the late 1980s service firms and related employment exhibited a tremendous growth (similar to other regional economies in Great Britain) in 1993, traditional manufacturing industries still contributed significantly to regional economic activity. Indeed, just over half of all jobs were concentrated in four manufacturing sectors (Table 1.1). A brief comparison, in percentage terms, of the employment provided by the top six sectors in West Midlands and Great Britain is provided below:

Table 1.1 - Employment in the Top Six Manufacturing Sectors in West Midlands and Great Britain

WEST MIDLANDS		GREAT BRITAIN	
Mechanical Eng.	17%	Electric/Electronic Eng.	17%
Metal Goods Manf.	15%	Mechanical Eng.	15%
Motor Vehicle Manf.	11%	Food/Drink/Tobacco	10%
Electric/Electronic Eng.	10%	Paper & Printing	10%
Manufacturing - Materials	8%	Metal Goods Manf.	6%
Manufacturing - Other	8%	Chemical	6%

Adapted from WMGO, 1993:2 - 'Industrial Trends'

The top six manufacturing sectors in the West Midlands region account for 69 per cent of its employment as compared to only 64 percent overall in Great Britain. At the time of the survey, Motor Vehicle Manufacturing still accounted for 11 percent of employment: an important proportion of the region's working population was still linked to one of Britain's fastest declining manufacturing sectors. Metal Goods and Materials manufacturing represented a total of 23 per cent as compared to only 6 percent across Great Britain. It should also be noted that Food/Drink/Tobacco, Paper and Printing and Chemical sectors, while cumulatively representing over a quarter of manufacturing in Great Britain, do not figure in the top six sectors in West Midlands. The specific manufacturing mix characteristic to West Midlands appears to be unique to this region and could significantly influence training outcomes in small firms located within its boundaries.

Blanket generalisations, such as found in some government-inspired comparative surveys, must be viewed with caution, in particular when they are based on relatively limited regional samples. The results of a survey of 2000 firms located in a specific geographical area are more likely to reflect the individual characteristics of a location as well as its particular social, cultural and economic mix. Detailed comparison with similar surveys, conducted in all the other officially designated regions of Great Britain, could identify subtle variations and differential factors that have mostly evaded comparative research to date. My wider research study, of which this survey forms an integral part, sets out to identify and analyse such regional differences in training attitudes and their influence upon actual provision. Its long-term aim is systematically to gather and analyse training-related data across ten regions in Great Britain over a period of twenty five years.

The West Midlands has been divided into 10 TECs of various sizes, each individually funded and responsible for its own territory. Amongst these there is considerable territorial variation, in relation to both their territory and the size of their working population. For example, Staffordshire and Birmingham TECs vary considerably in the size of their territory, yet each incorporates a population of nearly one million individuals. Birmingham TEC covers an almost exclusively urban territory while the geographical area that Staffordshire TEC covers is mainly rural in character. The ethnic composition of the population of individual TECs also varies considerably

Just over 17 per cent of Birmingham's population is of ethnic minority origin, while Staffordshire TEC oversees one of the lowest ethnic minority proportions (2 per cent) in the region. Furthermore, in the case of Coventry and Warwickshire TEC the ethnic minority component of its population varies considerably within two well-defined geographical areas. The urban/rural component of this particular TEC is enforced not only by a distinct manufacturing/service divide but also by inherent ethnic differences: 11 percent of the population in Coventry is of ethnic minority origins, as compared to only 3 percent in Warwickshire (Table 1.2).

Table 1.2 - The West Midlands Region: TECs Territory, Size and Population

Training and Enterprise Council	Size Of Territory (Hectares)	Total Population (Persons)	Ethnic Minority (%)
Birmingham	26,399	993,000	17
Central England	64,918	467,000	5
Coventry/Warwickshire	207,535	787,000	*7
Dudley	20,059	311,000	9
Hereford/Worcester	345,575	413,000	2
Sandwell	8,561	295,000	15
Shropshire	345,895	413,000	2
Staffordshire	254,033	988,000	2
Walsall	10,595	260,000	12
Wolverhampton	14,228	287,000	13

Source: WMRO, 1993:71-77

* Coventry - 11% and Warwickshire - 3%

Within the ten TECs in the West Midlands region, considerable further differences can be noted in regard to the size of their working population and related unemployment rates. Birmingham, Staffordshire and Coventry & Warwickshire TECs, although covering similarly large working populations, yet exhibit significantly different rates of unemployment. Their individual average duration of unemployment also differ considerably. With an unemployment rate of 13.4 per cent, Birmingham TEC has the worst record in the region. Furthermore, long-term unemployment, at 62.8 percent, and an average unemployment duration of 38.7 weeks have consolidated Birmingham TEC's position at the bottom of the regional league. Staffordshire and Coventry & Warwickshire TECs show lower unemployment rates and long-term unemployment periods. Average duration of unemployment was recorded significantly lower at 24.7 and 27.0 weeks respectively.

On average, TECs with a larger urban population appear to be worst affected by long-term unemployment both in terms of numbers and duration. Although total size of the working population does not appear significantly to affect unemployment rates there appears to be a positive correlation between its ethnic minority proportion and long-term unemployment. Birmingham, Sandwell, Walsall and Wolverhampton TECs have populations with an ethnic minority component in excess of 12 percent: significantly, average unemployment durations in these locations were recorded at over 32.5 weeks and long term unemployment affected more than half of all out-of-work individuals. The position of the unemployed individuals in Coventry and Warwickshire TEC is masked, to a great extent, by the lack of individual statistics for its two very different geographical components: however, cumulative figures available for trend analysis place this TEC in the higher unemployment bracket.

Table 1.3 - Working Population and Unemployment by West Midlands TEC Territory

Training and Enterprise Council (TEC)	Total Working Population (Persons)	Total Unemployed (Persons)	Percentage Unemployment (%)	Long-Term Unemployed (%)
Birmingham	526,000	70,687	13.4	62.8
Central England	192,000	19,612	10.2	49.7
Coventry/Warwickshire	468,000	39,172	8.4	51.0
Dudley	129,000	15,219	11.8	52.5
Hereford/Worcester	225,000	14,648	6.5	42.1
Sandwell	155,000	19,227	12.4	59.1
Shropshire	187,000	14,686	7.9	45.3
Staffordshire	483,000	39,705	8.2	47.9
Walsall	122,000	14,723	12.1	56.1
Wolverhampton	137,000	17,708	12.9	54.3

Source: WMRO 1993:71-77

Interestingly, Hereford & Worcester, Shropshire and Staffordshire TECs, with their predominantly service-oriented, rural economies, exhibited not only lower unemployment rates but also shorter average periods of unemployment. The Central England TEC, which covers a territory almost three times larger than Birmingham TEC but just over half the population, contains a smaller proportion of ethnic minority population within a larger rural area. In line with the trends observed previously, unemployment rates and average duration of out-of-work periods are considerably lower in Central England TEC than in Birmingham TEC. It would be useful to know to what extent such variations affect the funding that is made available by central government to the more handicapped TECs in the region. It is acknowledged, however, that some of the most disadvantaged urban areas in the region have been in receipt of some regional and European aid. It would be interesting to target some of the recipient firms in this sample for further, in-depth analysis. Perhaps this could show if at least some of the funds have been used to improve the quality of the workforce or to provide for better working conditions.

The Research Sample

In total, 2247 firms were approached by telephone to achieve a respondent sample of 2000 owner/managers. The resulting response rate of 89.01 percent is considered to be high enough to allow generalisation of results (Ref.) at least for the West Midland region. Of the 247 owner/managers that have declined to answer any questions 174 (representing 70.45 percent of the sample) gave 'researcher harassment' as their main reason for doing so: apparently they have been approached with similar requests (by academic and commercial researchers) at least five times in the last six months. Normally, they do not have any further contact with researchers once they have provided them with the requested data. None of their promised feedback or follow-up has ever materialised and, consequently, these owner/managers have decided that neither they nor anyone else in their organisations should participate, as a matter of internal policy, in research projects. A further 69 owner/managers gave confidentiality concerns as their reason for non-participation; only 4 cited lack of time as a barrier to participation.

In my research, respondent confidentiality is a priority and has been taken into consideration at the questionnaire design stage: after the pilot survey, however, minor adjustments still had to be made in order to reassure owner/managers that their identity and company details would not be disclosed. There were no feedback promises made to any respondents nor did I attempt to bargain with non-respondent owner/managers. Of the initial 247 non-respondents just under two thirds eventually agreed to be interviewed. These responses were not included in the quantitative survey in order to avoid any possible statistical distortions. They were important, however, because these replies were very similar to those given by the other respondents. Thus, it would be reasonable to assume that the non-respondent 11 percent of the sample could not have significantly affected the outcome of this survey.

The Yellow Pages Database sub-divides its sample of firms into 7 size bands. Conveniently, the first five bands (coded from A to E, inclusively) coincide with my own working definition of small businesses, band F and G could be used, respectively, as a guide to the medium and large firms in Great Britain. Just under 78 per cent of the sample could be classified as micro-enterprises (Band Code A and B) - a content marginally higher than that found in the Yellow Pages Database. The number of very small businesses (Band Code C) was also marginally higher than the national average at 12.6 per cent. Interestingly, small firms (Band Code D and E) amounted to 8.9 per cent as compared to 10.0 per cent nationally. Although marginal, this difference could reflect both the concentration of very small manufacturing firms still present in the West Midlands region and the lower number of service-oriented micro-enterprises.

Table 1.4 - Sample Comparison Between Yellow Pages Database and the West Midlands Survey

BAND CODE	NUMBER OF EMPLOYEES	NO. OF BUSINESSES GREAT BRITAIN (N=1,595,387)	PERCENTAGE BUSINESSES GREAT BRITAIN (%)	NO. OF BUSINESSES (WM SAMPLE) (N=2,000)	PERCENTAGE BUSINESSES (WM SAMPLE) (%)
A	1-5	979,567	61.4	1,242	62.1
B	6-10	237,713	14.9	314	15.7
C	11-19	193,042	12.1	252	12.6
D	20-49	127,631	8.0	134	6.7
E	50-99	31,908	2.0	44	2.2
F	100-199	12,763	0.8	8	0.4
G	200+	12,763	0.8	6	0.3

Thus, in percentage terms my sample is very similar to the Yellow Pages Database, at least in the first five band codes (Table 1.4). In the medium- to large-firm categories the sample is much smaller than its national equivalent. This could be a result of post-recessionary restructuring of larger organisations or a reflection of regional economic policy. The research team at the Warwick University SME Centre has noticed a similar trend and have tentatively attributed it to the nature of their data samples. Further research is needed into regional SME size differences before any definitive conclusion can be reached but such discrepancies could prove significant in comparative studies.

A sectoral breakdown of my sample (Table 2.1) revealed that 51.71 percent of all small businesses could be classified as manufacturing firms; service firms represented 40.38 percent of the sample and cumulatively, construction, agriculture and forestry & fisheries accounted for 7.91 per cent. The proportion of manufacturing firms in my sample was somewhat lower than I had expected, given this sector's significant contribution to employment in the region. Conversely, service firms amounted to a larger segment of the sample than I had expected. Although I suspected that agriculture and forestry & fisheries establishments would not be present in significant numbers, the rather low representation of businesses in the construction sector came as a surprise to me. On average, the construction sector can be expected to represent about 10 percent of the region's micro-firms. Perhaps the prolonged recessionary conditions have disproportionately affected the survival of sole traders (who usually employ 2-3 casual 'jobbers') involved in the housing business. Alternatively, the relatively large number of service firms present could reflect the 'push-pull' effects of the recession or the low capital requirement for new firm formation in this particular sector.

Table 2.1 - Sectoral Breakdown of the West Midlands Sample

SECTOR	NUMBER OF FIRMS (N=1,986)	PERCENTAGE (%)
Manufacturing	1027	51.71
Services	802	40.38
Construction	105	5.29
Agriculture	31	1.56
Forestry & Fisheries	21	1.06

The size distribution of my research sample (Table 2.2) also generated some interesting findings. In the service, agriculture and forestry & fisheries sectors there was an obvious concentration of establishments in the lower size bands. Manufacturing firms appeared to be concentrated in the 6-49 employees range, similar to businesses in the construction sector. The largest number of service firms (247) employed between 1-5 individuals and the relative concentration of this type of firm declined inversely proportional to their size (in terms of number of employees). Similarly, agriculture and forestry & fishery establishments exhibited a declining trend in size distribution inversely proportionately to the number of individuals they employed. There were no farms employing more than 20 individuals in my sample while only one forestry & fisheries establishment employed between 20 and 49 people.

Table 2.2 - Size Distribution of Small Firms by Sector

Band Code	Number of Employees	Manufact (N=1,027)	Services (N=802)	Construct (N=105)	Agriculture (N=31)	Forestry Fisheries (N=21)
A	1-5	86	247	12	18	12
B	6-10	327	212	27	11	5
C	11-19	331	198	22	2	3
D	20-49	248	87	39	0	1
E	50-99	35	58	5	0	0

These trends reflect important variations which tend to render cross-sectoral comparisons problematic: while in the manufacturing or service sector firms employing up to 20 individuals are mostly considered micro-firms or very small businesses, similarly-sized establishments in agriculture or forestry & fishery could be thought of as medium-sized or even large. Similarly, within the service sector, in sub-sectors such as transport, distribution and storage, firms of this size are viewed as relatively large. The size of construction firms varies considerably in terms of location and prevailing economic circumstance. The wide-spread use of casual and temporary workers can rapidly swell or shrink the size of a construction firm in line with the demand for sub-contract or short-term work. It follows, therefore, that size distribution variations should be viewed only as a guide rather than form a basis for cross-sectoral comparisons.

There are considerable variations in small business location across the region (Table 2.3). Although most studies tend to concentrate upon firm location in terms of urban or rural classification, I decided to incorporate the four positional determinants as given by respondent owner/managers. For comparative purposes, however, 'inner city' and 'science park' categories can be safely incorporated into urban location. For my investigative work, these distinct categories proved useful, at a later stage, when I set out to match specific groups of firms for in-depth comparative research: science park locations were mostly positioned in proximity to universities, while inner city firms were more likely to have been targeted for regional or national aid.

Table 2.3 - Location of Respondent Firms by Sector

Location Respondent Firms	Manufact (N=1027)	%	Services (N=802)	%	Construction (N=105)	%
Urban	679	66.12	373	46.51	50	47.62
Inner City	71	6.91	314	39.15	37	35.24
Science Park	23	2.24	7	0.87	0	0.00
Rural	254	24.73	108	13.47	18	17.14

Of the 1,027 manufacturing firms in the research sample 773 (75.27%) were located in urban areas. An even larger proportion of service (86.53%) and construction firms (82.86%) were also located in urban areas. Some service establishments (mostly retail outlets) showed a distinct preference for inner city locations (39.15%) while at the same time these were largely absent (0.87%) from science parks. Construction firms also preferred inner city locations (35.24%). There were no construction firms established on science park locations. Rural areas were mainly sought out by manufacturing firms (24.73%) with lesser proportions of construction (17.14%) and service firms (13.47%) established there. As expected, all the agricultural and forestry & fisheries establishments in the sample were located in rural areas.

The origins of the respondent small firms was of particular interest to me because the existing research on this subject is not very extensive. Furthermore, some of the research results published during recent years have been disputed and even contradicted by alternative studies. Most of the difficulties in this area of research are a reflection of the conceptual problems connected with such notions as 'entrepreneurship' and 'enterprise culture' Furthermore, the lack of accurate and dependable data on new firm formation makes it difficult to carry out empirically reliable research in this area 'Entrepreneurial start-up', as related to new firm formation, covers a multitude of ownership origins, not all of which are as clear cut as some of the researchers would like us to believe To complicate further these conceptual difficulties, the definition and status of small business ownership (see Table 3 1) are complex issues that often influence research outcomes in new firm formation, survival and failure

Table 2 4 - Origin of Respondent Firms by Sector

Origin of Respondent Firms	Manufact (%)	Services (%)	Construct (%)	Agriculture (%)	Forestry Fisheries (%)
Original Start-Up	48 39	58 60	65 71	0 00	28 57
Purchased	26 19	12 72	20 95	83 87	61 91
Inherited	1 36	4 61	8 57	16 13	9 52
Franchised	11 3	15 09	0 00	0 00	0 00
Management Buyout	6 82	2 12	2 86	0 00	0 00
Ownership Buyin	3 12	0 75	0 00	0 00	0 00
Merger	2 82	6 11	1 91	0 00	0 00

For the purpose of this research 'Original Start-Up' is defined as the inception of a new business, by one or more owner/managers It differs fundamentally from other small firms in that it has not existed as a business before the start-up date, in any form or state, whether viable, bankrupt or dormant Original start-ups account for the majority of firms in the manufacturing, services and construction sectors. However, there were no original start-ups in agriculture and they accounted for just over one quarter of firms in the forestry and fishery sector. The construction industry exhibited the highest proportion of original start-ups, (65.71%) almost two thirds of small firms having begun their existence this way. More than half (58.60%) of service establishments were also original start-ups, while in the manufacturing sector this proportion was about 10 per cent lower (48.39%). In agriculture and forestry & fisheries, the largest proportion of establishments were purchased (83.87% and 61.91% respectively). Purchases of firms accounted for the second most popular way of owning a business in manufacturing (26.19%) and similarly in the construction sector (20.95 %). In the service sector, however, franchising (15.09%) was the second most popular entry to ownership, followed by purchases of firms (12.72%). Surprisingly, franchises accounted for 11.3% of firms in the manufacturing sector. There were no firms originating in franchise agreements in the construction, agriculture and forestry & fisheries sectors. In these sectors, business inheritance accounted for the third largest ownership type. In manufacturing firms 'management buyouts' and 'ownership share buyins' accounted for just under 10% of new firm entries. Management buyouts were less popular in service (2.12%) and construction (2.86%) firms. Ownership buyin proved marginal to the service sector (0.75%) and it was unheard of in the construction business. Mergers, as origins to small business ownership, were only relevant to three economic sectors: the largest share belonged to service firms (6.11%) while manufacturing and construction accounted for a further 2.82% and 1.91% respectively. Interestingly, in agriculture and forestry & fisheries small business ownership by franchise, management buyout, ownership buyin and mergers all registered zero rates. This could be explained by the specific nature of these sectors, their long-term economic decline and, possibly, by the relatively high rate of inheritances. Numerically the sample for both sectors was very small: these results must be viewed with some caution.

A number of researchers have found that the age of firms often proved to be relevant to the success and growth of small businesses. The prolonged recessionary conditions that have affected the British economy in recent years appear to have devastated the small business community in the West Midlands. All sectors seem to have been negatively influenced by the 'lean years' of the 1990-3 period: no new firm formation has been recorded in agriculture and forestry & fisheries in the 12 months prior to this survey. In fact no new firm formation has taken place in the agriculture sector in the last two years. The data appertaining to forestry & fisheries is inconclusive: 8 out of 21 establishments were 3-5 years old and a further 8 were started 5-10 years ago. There were no older firms in this sector of the economy. In this particular research sample relatively few firms were started after 1990. I could not find much evidence for the recessionary 'push-pull' effect that some commentators have found in their research: perhaps the severity and length of the 1990-3 recession has had a demotivating effect on prospective entrepreneurs or perhaps they have lost their confidence in the Tory-inspired enterprise culture. There was evidence of a drastic drop-off in new firm formation in manufacturing, services and construction sectors which roughly coincided with the onset of the early 1990s recession. Typically, only 22.20% of manufacturing firms were up to 2 years old while 66.11% of small businesses in this sector had been started 2-4 years ago. A similar trend can be observed across the service and construction sectors. These trends, however, could also reflect small firms' failure rates and perhaps even the cumulative effects of regional business turbulence and related human resource and capital variations. It is difficult to identify all relevant factors or establish cause-effect links by quantitative research alone. It was hoped that in-depth interviews could further clarify this and other issues related to new firm formation and the effect of training strategies upon small firm survival.

Owner/Manager Attributes and their Influence Upon Small Business Training Policies

A wide range of owner/manager attributes were collected and analysed in order to establish their influence upon training strategies in the small business sector. Firstly, the status of respondent owner/managers was established. Four distinctive categories of ownership were identified in this research sample (Table 3.1). With the exception of forestry & fisheries, serial ownership was the most common across all the other economic sectors. Serial owner/managers are defined as those individuals (or groups of individuals) who own or co-own one business at any given time. By definition they have owned, previous to the current firm, at least one other business and have terminated it before embarking upon the present ownership. More than two thirds of owner/managers (68.57%) in the construction sector belonged to this type of owners, followed by agriculture, (64.52%) manufacturing (58.81%) and services (35.66%). Portfolio owner/managers - defined as those that simultaneously own more than one business - were more numerous in the forestry & fisheries sector, representing more than half of these establishments. Interestingly, the construction sector had the fewer portfolio owner/managers (22.86%) while in the manufacturing, services and agricultural sectors they represented about a third of all owners. 'One-off' and part-time managers were less well represented, the exception being the forestry & fisheries sector (14.29% and 28.57% respectively), reflecting, perhaps, the 'hobby', leisure or investment character of this sector. Agriculture was not represented by either of these types of ownership. Surprisingly, there were no part-time owner/managers in the manufacturing sector of my sample. 'One-off' ownership appeared to be particularly popular in the service sector but less frequent in manufacturing or construction. Part-time ownership wan services and construction is least well represented (%.11% and 5.71% respectively).

Table 3.1 - Status of Respondent Owner/Manager by Sector

Status of Respondent Owner/Manager	Manfc. (%)	Services (%)	Constr. (%)	Agricult. (%)	Forestry Fisheries (%)
Serial Owner/Manager	58.81	35.66	68.57	64.52	4.76
Portfolio Owner/Manager	31.26	32.3	22.86	35.48	52.38
'One-off' Owner/Manager	9.93	26.93	2.86	0.00	14.29
Part-Time Owner/Manager	0.00	5.11	5.71	0.00	28.57

Data regarding the age of respondent owner/managers (Table 3.2) was collected in order that its influence upon training outcomes could be assessed. It was interesting to note certain common patterns that appeared to hold across the five economic sectors of my research sample. The frequency of ownership increased progressively up to the 50-59 age band and decreased thereafter. With few exceptions all age bands were represented in my sample. Although there were no respondents under the age of 20 in the agriculture and forestry & fisheries sectors, there were small numbers present in construction (0.95%) and manufacturing (3.21%) while the service sector reached the highest proportion of this band at 8.35%. The 20-29 age band was better represented across all sectors, with services again showing the highest proportion of young owner/managers at 11.72%. It clearly emerged from my data that the three age bands between 30 and 59 years were progressively the most fertile ownership periods in all the sectors: without exceptions, in excess of 75% of all owner/managers were represented. Just over 95% of owner/managers in forestry & fisheries were present in these three sections, the majority of whom were found in the 40-49 years (42.86%) and 50-59 age band (38.09). However, in the same sector there were no representations in the 60-69 and 70 and over age bands. In the other four economic sectors the number of owners declined significantly to under 10 percent in the 60-69 years section. There are no owners age 70 and over in the construction sector and only 0.38% of owner/managers of that age were still active in service firms. Surprisingly 2.43% in manufacturing and 6.45% of owner/managers in agriculture still carried on business past the three scores and ten age. To date, very little research has been carried out on this topic: the influence (if any) of age upon small business

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Table 3.2 - Age of Respondent Owner/Managers by Sector

Age of Respondent Owner/Manager	Manufact. (%)	Services (%)	Construct. (%)	Agriculture (%)	Forestry Fisheries (%)
Under 20	3.21	8.35	0.95	0.00	0.00
20-29	7.60	11.72	6.67	6.45	4.76
30-39	23.57	22.44	24.76	22.58	14.29
40-49	28.14	23.57	27.62	25.81	42.86
50-59	27.07	25.06	32.38	29.03	38.09
60-69	7.98	8.48	7.62	9.68	0.00
70 and Over	2.43	0.38	0.00	6.45	0.00

Some commentators claim that the race and gender of owner/managers have an important bearing upon training strategies in general and small business outcomes in particular. There were considerable similarities and important differences in the racial distribution of my research sample. For example all the owner/managers in the agriculture sector and similarly (with the notable exception of one owner who was of Iranian descent) in the forestry & fisheries were white. Not surprisingly, the predominant race across all the other sectors was also Caucasian. Owner/managers of Asian origin were well represented in services (12.38%) and similarly in the construction sector; fewer (9.06%), however, chose to settle in the manufacturing sector. The highest proportion of Afro-Caribbean owners could be found in the construction sector (4.76%) followed by manufacturing (2.24%) and services (1.12%)

As expected, most of the Chinese representatives were concentrated in the Service sector; none settled in the construction sector and only a fraction (0.58) were to be found in manufacturing. A small percentage of the sample in these three economic sectors were comprised of individuals of mixed or other races: manufacturing - 2.82%, services - 3.37% and construction - 3.81%. Although the ethnic mix of my sample differed, to some extent, from those found in some national surveys, it was very similar to the racial distribution found in the West Midlands region.

Table 3.3 - Ethnic Origins of Respondents by Sector

Ethnic Origins of Respondent Owner/Manager	Manufact. (%)	Services (%)	Construct. (%)	Agriculture (%)	Forestry Fisheries (%)
White	85.3	77.81	79.05	100.00	95.24
Asian	9.06	12.84	12.38	0.00	0.00
Afro-Caribbean	2.24	1.12	4.76	0.00	0.00
Chinese	0.58	4.86	0.00	0.00	0.00
Other	2.82	3.37	3.81	0.00	4.76

In contrast, the gender distribution of owner/managers varied considerably across the five economic sectors (Table 3.4). Most research on the gender of owners concentrates solely upon the respondent owner/manager: few go to the extent of gathering data on all the business owners. The respondent firms in my sample had up to six owners, all of whom were involved, full- or part-time in managing the business. In my previous research (Matlay, 1993, 1994) I have found that the number of owner/managers involved in a business can have a direct influence upon skill needs evaluation and provision of training. The 1027 firms in the manufacturing sector of my sample had a total of 2729 owner/managers of which 1965 were males and 764 were females. While the average distribution of owner/managers per firm stood at 2.66 owners, there were considerable variations between ownership bands and in particular in female/male ratios.

Table 3.4 - Gender of Owners by Sector: Manufacturing

Owner/ Manager Size Band	Number of Firms N=1027	Number of Owner/Mngrs N=2729	Gender: Male N=1965	%	Gender: Female N=764	%
1 Own/Mngr	72	72	63	87.50	9	12.50
2 Own/Mngrs	427	854	636	74.47	218	25.53
3 Own/Mngrs	393	1179	850	72.09	329	27.91
4 Own/Mngrs	69	276	187	67.03	89	32.97
5 Own/Mngrs	48	240	159	66.25	81	33.75
6 Own/Mngrs	18	108	70	64.82	38	35.18

In the manufacturing sector the female/male ratio increased in direct proportion to the number of owner/managers involved in the business. Just over 7 per cent of all firms were managed by one owner: 63 of these were male (87.5%) and 9 females (12.50%). The most popular size band of ownership was two, with 427 firms being positioned in this section: the proportion of female owner/managers increased to just over one quarter (25.53%). Three-owners businesses were the second most popular in the sample, with female owner/managers increasing to 27.91%. The number of firms with four, five and six owners decreased progressively from 69 to 48 and 18 respectively; the ratio of female/male owners increased accordingly, from 32.97% to 33.75% and 35.18%. The increase in female owners, proportional with the number of owner/managers could be explained by the extended involvement of family members in a business, and in particular the contribution of partners. It could also reflect a size-related expansion of clerical or general support, in which the help of female relatives could be harnessed or disposed of, in accordance with fluctuations in demand. Further research is needed in the much neglected area of small business ownership in order to clarify some of these relevant issues.

In the case of service firms (Table 3.5) a different set of ownership trends and female/male ratios were in evidence:

Table 3.5 - Gender of Owners by Sector: Services

Owner/ Manager Size Band	Number of Firms N=802	Number of Owner/Man. N=2086	Gender: Male N=1318	%	Gender: Female N=768	%
1 Own/Mngr	212	212	124	58.49	88	41.51
2 Own/Mngrs	243	486	272	55.97	214	44.03
3 Own/Mngrs	110	330	205	62.12	125	37.88
4 Own/Mngrs	141	564	381	67.55	183	32.45
5 Own/Mngrs	82	410	279	68.05	131	31.95
6 Own/Mngrs	14	84	57	67.86	27	32.14

Two-person ownership was the most popular with 30.23% of firms belonging to this category. Sole ownership was the second most popular choice, followed by four-persons ownership and then by three, numbers further decreasing with five and six owners. As the theory relating to small business ownership is underdeveloped, I could find no obvious explanations for such preferences. Interestingly, however, and in contrast to the manufacturing sector, the ratio of female/male ownership appeared to increase slightly from 41.51 per cent in sole ownership to 44.03 per cent in firms with two owners; further increases in the number of owners had the effect of progressively increasing this ratio.

The maximum number of owners in construction firms (Table 3.6) was four and the gender distribution of owner/manager was similar to that in the service sector, except that businesses with two and three owners were the most popular (46.66% and 41.9% respectively). The female/male ratio decreased as the number of owner/managers went up.

Table 3.6 - Gender of Owners by Sector: Construction

Owner/ Manager Size Band	Number of Firms N=105	Number of Owner/Man N=294	Gender: Male N=271	%	Gender: Female N=23	%
1 Own/Mngr	16	16	14	87.50	2	12.50
2 Own/Mngrs	49	98	90	91.84	8	8.16
3 Own/Mngrs	44	132	121	91.67	11	8.33
4 Own/Mngrs	12	48	46	95.83	2	4.17
5 Own/Mngrs	0	0	0	0	0	0
6 Own/Mngrs	0	0	0	0	0	0

Of the 31 establishments in the agriculture sector 26 were owned and managed by sole proprietors: 24 males and 2 females(Table 3.7). Three farms were owned by 4 males and 2 females and the 2 farms that belonged to the three-owners category were exclusively managed by men.

Table 3.7 - Gender of Owners by Sector: Agriculture

Owner/ Manager Size Band	Number of Firms N=31	Number of Owner/Man N=38	Gender: Male N=34	%	Gender: Female N=4	%
1 Own/Mngr	26	26	24	92.31	2	7.69
2 Own/Mngrs	3	6	4	66.67	2	33.33
3 Own/Mngrs	2	6	6	100.00	0	0
4 Own/Mngrs	0	0	0	0	0	0
5 Own/Mngrs	0	0	0	0	0	0
6 Own/Mngrs	0	0	0	0	0	0

In the forestry & fisheries sector 4 firms belonged to sole ownership and they were managed exclusively by men (Table 3.8). Of the 17 establishments owned by two individuals, 22 were males and 12 females. There were no firms with more than two owners encountered in the forestry & fisheries sector:

Table 3.8 - Gender of Owners by Sector: Forestry and Fisheries

Owner/ Manager Size Band	Number of Firms N=21	Number of Owner/Man. N=38	Gender: Male N=26	%	Gender: Female N=12	%
1 Own/Mngr	4	4	4	100.00	0	0
2 Own/Mngrs	17	34	22	64.71	12	35.29
3 Own/Mngrs	0	0	0	0	0	0
4 Own/Mngrs	0	0	0	0	0	0
5 Own/Mngrs	0	0	0	0	0	0
6 Own/Mngrs	0	0	0	0	0	0

Educational achievements of owner/managers have been increasingly linked, by some researchers, with small business success: it appears that the better they were educated the more their firms were likely to prosper and grow (Storey, 1995). Better educated and trained owner/managers were more likely to believe in training, both for themselves and their workforce (Scott, xxxx). In terms of small business employees, research reports persist in their claims that, like their counterparts in larger firms, skilled and semi-skilled workers were more likely to undergo further training than unskilled labour. My previous research (Matlay, 1993) has clearly indicated that better educated owner/managers and key personnel had a higher propensity to seek, undergo and provide training of various types. My current research offers an opportunity to test such claims on a much larger scale and hopefully provide attitudinal insights across five different economic sectors.

Table 4.1 - Educational Achievements of Owner/Managers by Sector - Manufacturing

Highest Educational Achievement	Male Owner/Managers		Female Owner/Managers	
	Number (N=1965)	%	Number (N=764)	%
No Prior Education	474	24.12	73	9.55
GCSE, 'O' Levels / Equivalent	365	18.58	66	8.64
'A' Levels / Equivalent	223	11.35	180	23.56
Btech, HND, HNC / Equivalent	367	18.68	91	11.91
Undergraduate Degree	244	12.42	217	28.40
Postgraduate Degree	83	4.22	56	7.33
Professional qualifications	162	8.24	62	8.12
Other	47	2.39	19	2.49

In the manufacturing sector there were important variations in the educational achievements of owner/managers (Table 4.1). There were also distinct gender-related differences in the choice and level of their qualifications. Almost a quarter (24.12%) of male owners claimed not to have achieved any educational qualifications as compared to only 9.55% of the female sample. More than twice as many males (18.58%) than females (8.64%) opted out of the educational system at the 'O' level stage. In contrast, 23.56% of the women owners obtained 'A' levels compared to only 11.91% of men. Male owner/managers (18.68%) showed a preference for intermediary qualifications (females - 11.91%) while fewer males (12.42%) reached the undergraduate, compared to 28.40% of women owners. A similar ratio could be observed in the case of postgraduate qualifications. Interestingly, however, a similar proportion of males (8.24%) and females (8.12) chose to gain professional qualifications. There are only marginal differences between genders in the 'other' educational achievement section.

Generally, owner/managers in the service sector (Table 4.2) appeared to be less qualified than their counterparts in manufacturing. For example, more than a third (35.05%) of males and over a quarter (26.17%) of females left school without any qualifications. Only 8.73% and 5.24 % of men achieved 'O' and 'A' levels as compared to women at 11.72% and 3.77% respectively. Although more female owner/managers (12.50%) achieved intermediary qualifications, the proportion of males (7.13%) stood at less than half than those in manufacturing. More women (23.57%) than men (18.66%) obtained undergraduate qualifications while the reverse holds for postgraduate qualifications (3.26% and 8.88% respectively). Interestingly, approximately twice as many owners achieved professional qualifications in the service sector than in manufacturing: the proportion of women owner/managers (17.19%) was slightly higher than that of men (16.08%).

Table 4.2 - Educational Achievements of Owner/Managers by Sector - Services

Highest Educational Achievement	Male Owner/Managers		Female Owner/Managers	
	Number (N=1318)	%	Number (N=768)	%
No Prior Education	462	35.05	201	26.17
GCSE, 'O' Levels / Equivalent	115	8.73	90	11.72
'A' Levels / Equivalent	69	5.24	29	3.77
Btech, HND, HNC / Equivalent	94	7.13	96	12.50
Undergraduate Degree	246	18.66	181	23.57
Postgraduate Degree	117	8.88	25	3.26
Professional qualifications	212	16.08	132	17.19
Other	3	0.23	14	1.82

Almost half (44.65%) of all male owner/managers in the construction industry had not achieved any educational qualifications. There were no female respondents in this section. Of the male respondents 15.86% had achieved 'O' levels and 22.51% 'A' levels as compared to 13.04% and 26.09% in the case of females. Intermediary qualifications were sought by only 4 male (1.48%) owner/managers. Although there were no owners holding postgraduate qualifications, 23 males (8.49%) and 2 females (8.70%) possessed an undergraduate qualification. Professional qualifications had been gained by 17 male (6.27%) owners and 8 females (34.78%). Other qualifications accounted for 0.74% of men and 17.39% of women.

Table 4.3 - Educational Achievements of Respondent Owner/Managers - Construction

Highest Educational Achievement	Male Respondents		Female Respondents	
	Number (N=271)	%	Number (N=23)	%
No Prior Education	121	44.65	0	0.00
GCSE, 'O' Levels / Equivalent	43	15.86	3	13.04
'A' Levels / Equivalent	61	22.51	6	26.09
Btech, HND, HNC / Equivalent	4	1.48	0	0.00
Undergraduate Degree	23	8.49	2	8.70
Postgraduate Degree	0	0.00	0	0.00
Professional qualifications	17	6.27	8	34.78
Other	2	0.74	4	17.39

In the agriculture sector, 14 out of 34 male owner/managers and 1 female claimed not to have achieved any educational qualifications (Table 4.4). A further 11 and 6 males, respectively, had obtained 'O' and 'A' levels and surprisingly 3 of them had reached undergraduate degree level. Three of the women owner/managers possessed 'O' levels and one had completed a nursing qualification.

Like in agriculture, most owner/managers in the forestry & fisheries sector were relatively poorly educated: 17 males (65.39%) and 4 females (33.33%) had no educational achievements, 3 men had obtained 'O' levels and a further 4 had reached 'A' levels, similarly 2 women owners had 'O' levels and 5 'A' levels. Two male owner/managers and 1 female possessed undergraduate degrees.

Table 4.4 - Educational Achievements of Respondent Owner/Managers - Agriculture

Highest Educational Achievement	Male Respondents		Female Respondents	
	Number (N=34)	%	Number (N=4)	%
No Prior Education	14	41.18	1	25.00
GCSE, 'O' Levels / Equivalent	11	32.35	2	50.00
'A' Levels / Equivalent	6	17.65	0	0.00
Btech, HND, HNC / Equivalent	0	0.00	0	0.00
Undergraduate Degree	3	8.82	0	0.00
Postgraduate Degree	0	0.00	0	0.00
Professional qualifications	0	0.00	0	0.00
Other	0	0.00	1	25.00

Table 4.5 - Educational Achievements of Respondent Owner/Managers - Forestry & Fisheries

Highest Educational Achievement	Male Respondents		Female Respondents	
	Number (N=26)	%	Number (N=12)	%
No Prior Education	17	65.39	4	33.33
GCSE, 'O' Levels / Equivalent	3	11.54	2	16.67
'A' Levels / Equivalent	4	15.38	5	41.67
Btech, HND, HNC / Equivalent	0	0.00	0	0.00
Undergraduate Degree	2	7.69	1	8.33
Postgraduate Degree	0	0.00	0	0.00
Professional qualifications	0	0.00	0	0.00
Other	0	0.00	0	0.00

On balance, it appears that respondent owner/managers in the manufacturing sector were generally better educated while those in agriculture and forestry & fisheries were the worst off. Educational achievement appeared steadily to decline across the service and construction sectors. Arguably, women owner/managers appeared to be more interested in academic qualifications than their male counterparts.

Owner/managers' Attitudes to, and Actual Provision of, Training in the Small Business Sector

The majority of writers on the subject of training in the small business sector tend to concentrate upon the firm as a whole, neglecting the important role that owner/managers usually play in this type of establishment. A number of commentators acknowledge the pivotal role that owners take in the day-to-day running of their firms (e.g. Storey, 1994, Goss, 1991). Therefore, it comes as a surprise that having agreed upon the fact that most, if not all, strategic decisions are concentrated in the hands of owner/managers, these authors choose either to ignore the crucial question of who makes training decisions in a small firm or to claim that employees at all levels are involved in the process. In my previous research (Matlay, 1993, 1994) I have clearly shown that in most cases owner/managers are directly involved in all the important aspects of the decision-making process appertaining to training and related issues. The current research study appears to lend further support to my earlier findings.

Across all five sectors of economic activity in my sample, owner/managers appeared to have a monopoly on training decisions (Table 5.1). For example, in the 1,556 micro-firms (Band Code A and B) without exceptions, training and related issues were dealt with exclusively by their owner/managers. In very small businesses (Band Code C) there were only 13 firms (5.16%) in which personnel managers were involved in the decision making process: key personnel and other employees were not represented in this size-band. A larger proportion of personnel managers (16.42%) were implicated in training-related decisions in firms employing between 20-49 individuals. It is only in 7 of the 44 firms with 50-99 employees that key personnel became concerned with the training process, apparently to the detriment of personnel managers (only one case reported). Interestingly, apart from personnel managers and key employees, no other staff appeared to have been involved in training-related decisions.

Table 5.1 - The Locus of Training Decision-Making in Small Firms

Band Code	Number of Employees	All Firms (N=1,986)	Who Makes Training Decisions?			
			Owner/ Manager	Personnel Manager	Key Personnel	Other Employees
A	1-5	1,242	1,242	0	0	0
B	6-10	314	314	0	0	0
C	11-19	252	239	13	0	0
D	20-49	134	112	22	0	0
E	50-99	44	36	1	7	0

Having established the extent of owner/managers' monopoly on training-related decision-making processes I then set out to measure their attitudes to training (Table 5.2). The respondents were offered a five-point self-assessing attitudinal scale, ranging from very negative to very positive and invited to position on it their attitudes to training.

Table 5.2 - Respondent Owner/Managers' Attitudes to Training

Economic Sectors	Very Negative %	Negative %	Indifferent %	Positive %	Very Positive %
Manufacturing	1.36	1.27	2.53	92.70	2.14
Services	1.37	2.74	2.99	91.15	1.75
Construction	1.91	1.91	3.81	89.52	2.85
Agriculture	0.00	0.00	3.22	87.10	9.68
Forestry & Fisheries	0.00	0.00	4.76	85.72	9.52

As the survey progressed, it became obvious that the dominant attitude observed at the pilot stage was being confirmed by the wider survey: the great majority of owner/managers claimed to have a positive attitude to training. In the manufacturing and service firms, over 90 per cent of owners positioned themselves in this category: 92.70% and 91.15% respectively. The proportion of owner/managers in the service sector holding a positive attitude to training registered marginally under 90 per cent, at 89.52 per cent. Similar figures were recorded in agriculture (87.10%) and forestry & fisheries (85.72%). Interestingly, the declining trend of positive attitudes to training

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Services	1.37	2.74	2.99	91.15	1.75
Construction	1.91	1.91	3.81	89.52	2.85
Agriculture	0.00	0.00	3.22	87.10	9.68
Forestry & Fisheries	0.00	0.00	4.76	85.72	9.52

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A very small percentage of owner/managers (1.36% and 1,27% respectively) in manufacturing firms expressed very negative and negative attitudes towards training. Indifference to this aspect of business strategy was noted in 2.53 per cent of owners, while very positive attitudes were noted in the case of 2.14 percent of respondents in this sector. Very negative, negative and indifferent attitudes to training were marginally higher in the service sector (1.37%, 2.74% and 2.99% respectively). Conversely, the proportion of owner/managers with a very positive attitude to training was lower (1.75%) in this sector.. By coincidence, it appeared that the same percentage (1.91%) of construction owner/managers held both negative and very negative attitudes to training. Just below 3 per cent (2.85%) of respondents in the construction sector claimed to have a very positive attitude to training. In agriculture and forestry & fishery attitudinal measurements registered similar results: 3.22% and 4.76% of owners claimed to be indifferent towards training, 9.68% and 9.52 % respectively held a very positive attitude to training. There were no negative or very negative attitudes to training recorded in agriculture and forestry & fisheries

Actual provision of training was also measured, cumulatively in each firm, for a period of one year to the date of the survey, or, if the firm has been trading for less than 12 months, owner/managers were ask to quantify it since the date the business commenced. Pre-'start-up' training was explicitly excluded from this survey. The measurement used, however, included all training undertaken by owner/managers as well as that provided by them for the benefit of their employees.

Table 5.3 - Actual Provision of Training (Cumulative per Firm) in the Last 12 Months

Economic Sectors	No Training Provided (%)	Up to One Day Training (%)	2 - 3 Days Training (%)	4 - 5 Days Training (%)	6 -10 Days Training (%)	Over 11 Days Training (%)
Manufacturing	86.37	6.72	1.75	1.56	0.29	3.31
Services	85.16	5.11	2.87	3.37	0.87	2.62
Construction	91.43	4.76	0.00	0.00	0.00	3.81
Agriculture	90.32	9.68	0.00	0.00	0.00	0.00
Forestry Fisheries	66.67	14.29	19.04	0.00	0.00	0.00

Most replies stated that no training has been provided 86.37 % in manufacturing, 85.16% in services, 91.43% in construction, 90.32% in agriculture and 66.67 in forestry & fisheries. Up to one day training was the next most dominant reply, accounting for 6.72% of owner/managers in manufacturing, 5.11% in services, 4.76% in construction, 9.68% in agriculture and 14.29% in forestry & fisheries. Interestingly, in the forestry & fisheries sector 19.04% of respondents claimed to have provided 2-3 days training. There were no replies for more training in this sector. In the agriculture sector there was no further training provided beyond the up to one day section. With the exemption of 3.81% of respondents who provided over 11 days, the construction sector was very similar to agriculture. There were no discernible trends to be observed in manufacturing or in the service sector. In manufacturing 1.75% of respondents provided 2-3 days training as compared to 2.87% in services. A further 1.56% of owner/managers in manufacturing firms and 3.37% in services offered 4-5 days training. An even smaller proportion of owners provided 6-10 days training: 0.29% in manufacturing sector and 0.87% in services. Surprisingly, however, the 11 days and over category was relatively high, at 3.31% and 2.62% respectively.

There is an obvious paradox between owner/managers' attitude to, and actual provision of, training in small businesses within the West Midlands region. It would be interesting to discover to what extent this paradox holds across the other nine regions of Great Britain. Unfortunately, the dominance of one set of replies in each of the above two tables, has meant that more sophisticated quantitative methods were unlikely to prove useful or significant to my analysis. This view was confirmed by all the researchers on training and related issues whom I have consulted for this purpose. Nevertheless, even though I have chosen to express my findings in percentage terms only, I remain confident in their significance and relevance to this neglected topic in small business research.

A number of commentators link the quantity and quality of training provision in an organisation to the existence (or otherwise) of skill needs evaluation, human resource planning, training budgets and feedback. In view of the apparent importance attributed to these elements of the human resource development strategy I chose to measure their presence and impact (if any) on training provision in my research sample. As expected, there were considerable variations within firms, not only between economic sectors but also amongst the five size bands.

Table 5.4 -Training: Needs Evaluation, Planning, Budgets and Feedback - Manufacturing Sector

Band Code	Number of Employees	Manufact. (N=1,027)	Training and Human Resource Development			
			Evaluation	Planning	Budgets	Feedback
A	1-5	667	4	4	2	2
B	6-10	153	21	16	7	4
C	11-19	141	27	19	16	8
D	20-49	39	21	20	21	17
E	50-99	27	27	27	27	27

In the manufacturing sector (Table 5.4) only 4 owner/managers (0.60%) out of the 667 micro-firms employing up to 5 individuals showed any interest in training needs evaluation and planning. There were only 2 owners (0.30%) however, who claimed to draw up training budgets and obtain relevant feedback from employees undertaking training. Owner/managers of micro-firms employing 6-10 individuals showed more interest in training needs evaluation, (13.73%) planning, (10.45%) budgets (4.58%) and feedback (2.61%). In the case of very small businesses (11-19 employees) the proportion of owner/managers interested in the training function went up further: 19.15% undertook training needs evaluation, 13.48% planned for it, 11.35% provided training budgets and 5.67% assessed the feedback from their training efforts. Over half of the 39 owner/managers in firms employing 20-49 individuals undertook training evaluation (53.85%) and the same number reported the existence of relevant budgets. Slightly fewer (51.28%) of them engaged in planning and only 43.60% assess training outcomes. Interestingly all owner/managers (27) in firms with 50-99 employees claimed to carry out these four aspects of the training function. Of those owner/managers that showed an interest in these aspects of human resource development (excluding those in Band Code E), the majority appeared to prefer training needs evaluation, followed by planning. Training budgets were less prevalent and only a small proportion carried out assessment of feedback from training activity. It is not clear at this stage whether this was due to their preferences, lack of time or to the low level of training activity recorded in these type of firms.

Similar trends were observed in small businesses in the service sector (Table 5.5):

Table 5.5 - Training: Needs Evaluation, Planning, Budgets and Feedback - Services Sector

Band Code	Number of Employees	Services (N=802)	Training and Human Resource Development			
			Evaluation	Planning	Budgets	Feedback
A	1-5	533	46	3	4	3
B	6-10	118	21	7	9	4
C	11-19	84	17	9	10	8
D	20-49	55	30	14	22	11
E	50-99	12	12	12	12	12

Of the 533 owner/managers in service micro-firms employing up to 5 individuals, 46 (8.63%) claimed to evaluate training needs, yet only 3 (0.56%) carried out planning or feedback analysis and 4 (0.75%) drew up training budgets. In micro-firms with 6-10 employees, 17.80% of owner/managers carried out training evaluation, 5.93% planned for this function, 7.63 possessed training budgets but only 3.39% evaluated any benefits accruing from their programmes. In the 84 very small service firms (11-19 employees) 17 owner/managers evaluated, 9 planned, 10 budgeted and 8 analysed feedback from their training activity. In 55 small firms employing 20-49 individuals 30 owners claimed to undertake evaluation of training needs, yet only 14 planned, 22 budgeted and 11 analysed training outcomes. Just as in the case of manufacturing firms, all owner/managers (12) in business with 50-99 employees claimed to carry out these four aspects of the training function.

Similar trends can also be observed in small businesses in the construction sector (Table: 5.6):

Table 5.6 -Training: Needs Evaluation, Planning, Budgets and Feedback - Construction Sector

Band Code	Number of Employees	Construction (N=105)	Training and Human Resource Development			
			Evaluation	Planning	Budgets	Feedback
A	1-5	12	3	1	1	1
B	6-10	27	14	6	6	2
C	11-19	22	20	10	11	6
D	20-49	39	36	32	35	30
E	50-99	5	5	5	5	5

Of the 12 micro-firms employing less that 5 individuals, 3 owner/managers evaluated their training needs but only 1 of them planed, budgeted and analysed feedback from any training activity. In the 27 micro-firms with 6-10 employees, 14 owner/managers evaluated training needs, 6 planned and budgeted for it and 2 scrutinised any feedback. Surprisingly, of the 22 owner/managers in very small businesses in the 11-19 employment band, 20 claimed to evaluate training needs but only 10 planned for it, 11 drew up budgets and 6 investigated outcomes. Almost all owner/managers (36) of the 39 firms employing 20-49 individuals maintained that they evaluated training needs, 32 undertook planning, 35 budgeted for it and 30 owners assessed training outcomes and feedback. All 5 owner/managers employing 50-99 individuals carried our the four aspects of the training function. Of the three sectors analysed so far, the owner/managers of construction firms claimed to be most interested in training and human resource issues. Surprisingly, however, this interest did not appear to translate into better or more training.

It should be noted, however, that none of the respondent owner/managers in agriculture (31) and forestry & fisheries (21) declared any interest in, or inclination to, undertake training and human resource development evaluation, planning, budgeting or feedback analysis.

The Impact of Recent Training Interventions in the West Midlands Small Business Sector

A number of recent training interventions have been targeted, by policy-makers, specifically at helping smaller establishments improve their workforce. This survey has provided me with an opportunity to assess the effects (if any) some of these interventions had on the training function in small firms within my research sample. Firstly, I set out to analyse, across five economic sectors in the West Midlands region the impact that local TECs (Table 6.1) might have had upon the training and human resource developments function.

Table 6.1 - Awareness, Understanding and Actual Usage of Training and Enterprise Councils in the Manufacturing Sector

Band Code	Number of Employees	No. of Firms (1,027)	Training and Enterprise Council		
			Awareness	Understanding	Usage
A	1-5	667	10	10	4
B	6-10	153	39	39	7
C	11-19	141	101	101	27
D	20-49	39	39	39	31
E	50-99	27	27	27	25

In the manufacturing sector it was obvious that the inception of TECs had only had a marginal effect upon training strategies of micro-enterprises. In 667 firms employing up to 5 individuals, even though 10 owner/managers (1.50%) claimed to have an awareness and understanding of TECs, only 4 (0.60%) appeared to use their services. In the 6-10 employees size band, 39 of the 153 owner/managers (25.49%) professed to be aware of their existence and to understand them. However, only 7 owner/managers (4.57%) admitted to using them. Owner/managers of very small firms (employing 11-19 individuals) exhibited a much higher awareness and understanding (71.63%) of TECs and, at the same time, appeared to use them more extensively (19.15%). All owner/managers in the 20-49 and 50-99 employees size band proclaimed their knowledge of TECs. Similarly, however, usage of TECs facilities and services were lower than their awareness and understanding (at 79.49% and 92.59%

respectively) It is obvious from this research than the three measures relating to TECs increased in direct proportion to the size of the establishment (measured in terms of employee numbers)

Similar trends to those observed in small manufacturing firms were in evidence in the service sector (Table 6 2)

Table 6 2 - Awareness, Understanding and Actual Usage of Training and Enterprise Councils in the Service Sector

Band Code	Number of Employees	No of Firms (802)	Training and Enterprise Council		
			Awareness	Understanding	Usage
A	1-5	533	39	39	5
B	6-10	118	31	31	3
C	11-19	84	32	30	7
D	20-49	55	36	29	8
E	50-99	12	12	12	12

A small proportion of owner/managers in micro-firms in size band A and B (employing 1-5 and 6-10 individuals) claimed to be aware of TECs and understand their purpose (7 32% and 26 27% respectively) Of these, however, only 0 94% and 2 54% had used them in the past Owners of very small firms (11-19 employees) showed a better awareness (38 09%) and understanding (35 71%) of TECs, yet usage registered at a relatively low of 8 33% In small firms with a workforce of 20-49 individuals, 65 45% of owner/managers showed awareness of TECs and 52 73% understood their mission, usage rates registered at 14 55% In the case of small firms with 50-99 employees, all owner/managers professed to be aware of TECs, understand their purpose and use their facilities and services. Interestingly, and in contrast with firms in the manufacturing sector, a small proportion of these owner/managers were aware of TECs but did not claim to understand their purpose. It would be interesting to find out what were the barriers to understanding that these owner/managers encountered and why they had not bridged this gap in their knowledge. Furthermore, would understanding of TECs have made any difference to their choice of training strategy?

In the construction sector, owner/managers were more aware of TECs. In micro-firms (employing 1-5 and 6-10 individuals) 3 out of 12 (25%) and 5 out of 27 (18.52%) owner/managers were both aware of TECs and understood their functions within the local business community; usage, however, was nil and 1 (3.70%), respectively. Very small firms (11-19 employees) exhibited marginally higher rates of awareness and understanding (5 out of 22 owner/managers - 22.73%) but none of these used a TEC's service or facilities. Even though awareness and understanding of TECs appeared to increase with size in the 20-49 and 50-99 employees size band, usage of services and facilities remained non-existent. It appeared that whatever training small firms in this sector undertook, it was divergent with TEC-oriented activity.

Table 6.5 - Awareness, Understanding and Actual Usage of Training and Enterprise Councils in the Construction Sector

Band Code	Number of Employees	No. of Firms (105)	Training and Enterprise Council		
			Awareness	Understanding	Usage
A	1-5	12	3	3	0
B	6-10	27	5	5	0
C	11-19	22	5	5	0
D	20-49	39	27	27	0
E	50-99	5	5	5	0

Owner/managers in agriculture and forestry & fisheries did not appear to be interested in using any of the training services and facilities offered by their local TECs. Although, cumulatively, about one third of all owner/managers were aware of TECs and professed an understanding of them they showed no inclination to benefit from them. It is envisaged that during in-depth interviews with some of these owner/managers, the reasons behind their lack of interest in TEC-based training activities will be clarified. It is important to note, however, that recorded participation in TEC-based training activities was relatively low in manufacturing and service firms and virtually non-existent in construction, agriculture and forestry & fisheries.

The impact of NVQs/GNVQs upon the small business sector in West Midlands was assessed in relation to owner/managers awareness, understanding, interest and actual adoption of this training scheme. As expected, the uptake amongst employers varied considerably across both economic sectors and size bands.

Table 7.1 - Awareness, Understanding, Interest in, and Actual Implementation of, - NVQs/GNVQs in the Manufacturing Sector

Band Code	Number of Employees	No. of Firms (1,027)	NVQs / GNVQs			
			Awareness	Understanding	Interested in Adopting	Actually Adopted Scheme
A	1-5	667	47	11	4	2
B	6-10	153	56	41	8	3
C	11-19	141	81	73	17	3
D	20-49	39	39	39	20	4
E	50-99	27	27	27	19	4

In the manufacturing sector, (Table 7.1) micro-firm owner/managers exhibited the lowest awareness in the scheme. From a total of 667 owner/managers employing up to 5 individuals only 47 (7.05%) claimed to know about NVQs/GNVQs. Of these, only 11 (1.65%) professed to understand them, 4 (0.60%) were interested in adopting this scheme, but only 2 (0.30%) have actually implemented them. Similarly, in micro-firms with 6-10 employees, only 56 (36.60%) out of 153 owner/managers indicated an awareness of NVQs/GNVQs, 41 (26.80%) claimed to understand them, 8 (5.23%) considered adopting them but only 3 (1.96%) actually did so. Of the 141 owner/managers of very small firms (11-19 employees) 81 (57.44%) indicated an awareness of this training scheme, 73 (51.77%) understood it, 17 (12.06%) professed an interest in it, yet only 3 (2.13%) actually adopted it. Interestingly, all 39 owner/managers in small businesses employing 20-49 individuals claimed to be aware and understand NVQs/GNVQs. Of these, 20 (51.28%) showed an interest in adopting them but only 4 (10.26%) actually implemented the scheme in their firms.

Similar trends relating to NVQs/GNVQs were observed in the service sector (Table 7.2):

Table 7.2 - Awareness, Understanding, Interest in, and Actual Implementation of, - NVQs/GNVQs in the Service Sector

Band Code	Number of Employees	No. of Firms (802)	NVQs / GNVQs			
			Awareness	Understanding	Interested in Adopting	Actually Adopted Scheme
A	1-5	533	41	29	11	2
B	6-10	118	33	21	9	1
C	11-19	84	46	34	19	2
D	20-49	55	48	45	39	3
E	50-99	12	12	12	12	2

In the 1-5 employees size band, of the 533 owner/managers, 41 (7.69%) showed an awareness of NVQs/GNVQs, 29 (5.44%) understood them, 11 (2.06%) were interested in adopting the scheme yet only 2 (0.36%) had actually implemented the scheme. In the next size band (6-10 employees) of the 118 owner/managers, 33 (27.97%) were aware of the scheme, 21 (17.20%) showed an understanding of it, 9 (7.63%) claimed to be interested in implementing NVQs/GNVQs, yet only 1 (0.85%) had actually adopted it. Of the 84 owner/managers in very small firms (11-19 employees) 46 (54.76%) claim to be aware of NVQs/GNVQs, 34 (40.48%)

understood them, 19 (22.62%) were interested in adopting these, but only 2 (2.38%) had implemented them so far. In the next size band (20-49 employees) of a total of 55 owner/managers, 48 (87.27%) professed an awareness of this training scheme, 45 (81.82%) understood it, 39 (70.91%) planned to implement it and 3 (5.45%) actually ran an NVQ scheme in their firms or sent employees on GNVQ courses at local colleges. All of the owner/managers employing 50-99 individuals showed awareness, understanding and interest in NVQs/GNVQs: however, only 2 (16.67%) had adopted this training scheme.

Table 7.3 - Awareness, Understanding, Interest in, and Actual Implementation of, - NVQs/GNVQs in the Construction Sector

Band Code	Number of Employees	No. of Firms (105)	NVQs / GNVQs			
			Awareness	Understanding	Interested in Adopting	Actually Adopted Scheme
A	1-5	12	3	1	0	0
B	6-10	27	4	3	0	0
C	11-19	22	6	3	1	0
D	20-49	39	7	6	3	1
E	50-99	5	5	5	4	1

Although owner/manager awareness and understanding of NVQs followed a similar trend in the construction industry (Table 7.3) interest in adopting this training scheme and actual implementation rates fell substantially. For example, in 39 micro-firms (size band A and B) both interest in adoption and actual implementation rates were nil. Furthermore, in very small firms (employing 11-19 individuals) only 1 (4.55%) out of 22 owner/managers was interested in NVQs and none had actually adopted this training scheme. Even though construction firms are on average larger than their manufacturing or service equivalents, in the 20-49 size band interest in NVQs only increased marginally to 3 (7.69%) in of 39 and for the first time we encountered a small business that actually runs the scheme. In the largest of the size bands (50-99 employees) interest was up to 4 (80.00%) in 5 owner/managers yet only one firm (20%) had implemented NVQs for their employees benefit.

In the agriculture sector, (Table 7.4) more than half of the 29 owner/managers in micro-enterprises appeared to be aware of NVQs but understanding was very low. In the two very small establishments (employing 11-19 employees) owner/managers claimed to both be aware of and understand NVQs. Interestingly, however, none of the 31 owner/managers in this sector professed to be either interested in adopting or to have actually implemented this training scheme.

A very similar picture emerged from the forestry and fisheries sector, (Table 7.5) where awareness and understanding of NVQs amongst owner/managers of very small businesses (size bands A and B)was low and interest as well as actual implementation rates were non-existent. Interestingly, 2 (66.67%) of the 3 owner/managers employing 11-19 individuals claimed to be aware of NVQs yet none of them understood, was interested in or actually implemented the scheme. In the one firm with 50-99 employees, the owner was both aware and professed to understand this particular training scheme yet was not interested in adopting it.

Table 7.4 - Awareness, Understanding, Interest in, and Actual Implementation of, - NVQs/GNVQs in the Agriculture Sector

Band Code	Number of Employees	No. of Firms (31)	NVQs / GNVQs			
			Awareness	Understanding	Interested in Adopting	Actually Adopted Scheme
A	1-5	18	10	2	0	0
B	6-10	11	8	2	0	0
C	11-19	2	2	2	0	0
D	20-49	0	0	0	0	0
E	50-99	0	0	0	0	0

Table 7.5 - Awareness, Understanding, Interest in, and Actual Implementation of, - NVQs/GNVQs in the Forestry & Fisheries Sector

Band Code	Number of Employees	No. of Firms (21)	NVQs / GNVQs			
			Awareness	Understanding	Interested in Adopting	Actually Adopted Scheme
A	1-5	12	3	1	0	0
B	6-10	5	2	1	0	0
C	11-19	3	2	0	0	0
D	20-49	1	1	1	0	0
E	50-99	0	0	0	0	0

It is becoming obvious from this analysis that NVQs have failed to make much of an impact in the agriculture and forestry & fisheries sectors. In the manufacturing and services sectors, there was an apparent size-related increment in the adoption of this training scheme, with larger establishments showing a better awareness, understanding and interest in the scheme. In the construction sector, the position of small business owner/managers with regard to NVQs was less clear, with lower awareness and understanding rates across all size bands and a very low implementation of the scheme, limited exclusively to the largest establishments.

Owner/managers' perception and usage of Training Credits were very similar to those encountered in relation to NVQs/GNVQs. In the manufacturing sector (Table 8.1) awareness, understanding and usage increased with the size of the firm. In the 667 micro-firms employing 1-5 individuals, none of the owner/managers appeared to have heard of Training Credits. In the next size band (6-10 employees) only 2 (1.31%) of the 153 owners showed an awareness and understanding of Training Credits, without any of them having used it. In very small firms (size band C: 11-19 employees) 4 (2.84%) out of 141 owner/managers professed to know and understand Training Credits and one (0.71%) of them actually used it to train some of his newly recruited school-leavers. Better results were obtained in small firms employing 20-49 individuals. 16 (41.03%) of the 39 owner managers claimed to be aware and understand Training Credits and in 13 (33.33%) of cases these were actually used. Furthermore, 19 of the 27 owner/managers employing 50-99 individuals showed an awareness and understanding of Training Credits and 14 professed to be using them in their training strategy.

Table 8.1 - Awareness, Understanding and Actual Usage of Training Credits in the Manufacturing Sector

Band Code	Number of Employees	No. of Firms (1027)	Training Credits		
			Awareness	Understanding	Usage
A	1-5	667	0	0	0
B	6-10	153	2	2	0
C	11-19	141	4	4	1
D	20-49	39	16	16	13
E	50-99	27	19	19	14

In the service sector, (Table 8.2) awareness and understanding of Training Credits was marginally higher and usage figures were lower than in manufacturing firms:

Table 8.2 - Awareness, Understanding and Actual Usage of Training Credits in the Service Sector

Band Code	Number of Employees	No. of Firms (802)	Training Credits		
			Awareness	Understanding	Usage
A	1-5	533	3	3	0
B	6-10	118	17	17	0
C	11-19	84	31	26	1
D	20-49	55	48	48	1
E	50-99	12	12	12	3

In micro-firms employing 1-5 individuals, 3 (0.56%) out of 533 owner/managers were aware and had an understanding of Training Credits; none of them, however, admitted to using them. In the next size band (6-10 employees) from amongst the 118 owner/managers, 17 (14.41%) claimed to know about and understand Training Credits yet usage rates were once again nil. Interestingly, 31 (36.91%) of the 84 owner/managers in firms employing 11-19 individuals were aware of Training Credits but only 26 (30.95%) understood their meaning and connection to training and human resource development strategies. Only one (1.19%) owner/manager in this group actually used them to improve the quality of his workforce. In small firms in the 20-49 employees size band, 48 (87.27%) of the 55 owner/managers were aware of and understood Training Credits, yet only one (1.82%) of them took advantage of the funds available through this scheme. All of the owner/managers employing 50-99 individuals were both aware and had an understanding of Training Credits: but only 3 (25.00%) of them used this scheme to train some of their staff.

Very few owner/managers in the construction sector (Table 8.3) exhibited an awareness of Training Credits.

Table 8.3 - Awareness, Understanding and Actual Usage of Training Credits in the Construction Sector

Band Code	Number of Employees	No. of Firms (105)	Training Credits		
			Awareness	Understanding	Usage
A	1-5	12	0	0	0
B	6-10	27	0	0	0
C	11-19	22	1	1	0
D	20-49	39	3	3	0
E	50-99	5	1	1	1

In micro enterprises (size band A and B) none of the 39 owner/managers professed to be aware of the existence of Training Credits. Only one (4.55%) of the 22 owner/managers in firms employing 11-19 individuals claimed to have heard of Training Credits and he did not choose to use them for training any of his staff. A further 3 (7.69%) out of 39 owner/managers in firms with 20-49 employees claimed to be aware of and understand Training Credits, but still none of them implemented the scheme within their training strategy. The only owner/manager to have used Training Credits in the construction sector was one (20%) of the five who employed 50-99 individuals. The other four (80%) owner/managers appeared not to have heard of this training scheme.

There was total ignorance of Training Credits amongst agriculture and forestry & fisheries owner/managers in my sample. They appeared to be totally uninterested in the benefits such a scheme could provide them with. Perhaps this is a reflection of the very small proportion of school leavers that enter into employment in these sectors of economic activity.

Concluding Remarks

A number of important findings have emerged from the analysis of 2000 telephone interviews with the owner/managers of small businesses situated in the West Midland region of Great Britain. Firstly, and most importantly, this survey has identified a 'training paradox' which appears to hold true across five sectors of economic activity as well as a wide range of firm-related determinants: although the vast majority of owner/managers claimed to have a positive attitude to human resource development, the actual provision of training was restricted to only a small proportion of firms. Secondly, it confirmed that training-related decisions are made mostly by owner/managers: it was only in the case of a very small number of larger firms that personnel managers or key employees were involved in human resource development matters. Thirdly, the results of the survey suggested that the evaluation of human resource needs was mainly undertaken in the larger of the manufacturing and service firms and that interest in other training-related activities such as planning, budgeting and feedback declined rapidly across other sectors. Fourthly, it appeared that the owner/managers' awareness, understanding and actual usage of TECs was limited in micro-firms and very small businesses but that it increased with the size of the establishment. Not surprisingly, a similar trend can be observed in the case of owner/managers' awareness, understanding, interest in and actual adoption rates of NVQs/GNVQs and Training Credits.

Prima facie it appears that recent policy efforts aimed at the small business sector have failed to make a significant impact upon the owner/managers' training and human resource development strategies. This quantitative survey, however, has raised a number of questions relating to these issues, which must be answered before more definitive conclusions can be drawn. For example, it is not clear why the training paradox was more wide-spread in the smaller firms and more acute in the construction, agriculture and forestry & fisheries sectors. Conversely, even in the largest firms within the sample, most owner/managers were still fully involved in the majority of decision-making processes, including those relating to training and human resource development. The owner/managers' response to TEC-related activities and their use of the available training facilities were disappointingly low and must cast serious doubts on their willingness to get involved with, and their commitment to, this 'flagship' of the government-inspired training policies. Training Credits appear to be condemned to disappear into the same 'black hole' as most of the previous, government-inspired and -funded training interventions. Furthermore, the similarly low uptake of NVQs/GNVQs in the small business sector poses a serious challenge to the claim that this training scheme is 'employer-led' and the most successful to date. The following chapters set out to consolidate and expand the results obtained in the quantitative survey, and in doing so aim to set an agenda and make policy recommendations that will hopefully prove helpful to all interested parties, including owner/managers, academics and policy-makers.

CHAPTER FIVE

Qualitative Interviews:

Owner/Managers' Attitudes to Training

Introduction

During my pilot telephone survey and later on, as I progressed with the main quantitative survey, it became increasingly obvious that I was in the process of identifying an important paradox in the small business owner/managers' strategic decision-making process. Although the great majority of owners claimed to have a positive attitude to training, in practice actual provision was very limited and proved to be the exception rather than the rule. While recording and coding their responses I began to group respondents into distinct categories, in accordance with actual or perceived similarities between owner/manager attributes or firm characteristics. This was done for two purposes: firstly, to facilitate the input of data into the Statistical Package for the Social Sciences (SPSS for Windows, version 6.0) and secondly, to identify and match respondents into relevant groups. Each of these groups contained owner/manager and firm-specific details which appeared, *prima facie*, to represent similar or contrasting attributes related to the training paradox. I intended to focus my in-depth interviews upon each factor in turn, and evaluate its effect upon both the owner/manager's attitude to training and the quantity and quality of actual provision.

The process of multiple grouping of respondents for the purpose of in-depth interviewing was greatly facilitated by the use of Excel for Windows (Release 5).

Qualitative Sample and Interviews

From the initial 2,000 telephone respondents which had been interviewed in 1993, a sub-sample of 246 was selected for in-depth interviews (Table 9.1). All the respondents chosen were contacted initially by letter and two weeks later by telephone to confirm their willingness to participate in the second stage of the survey. Eventually they all agreed to participate in yearly face-to-face interviews. These in-depth, semi-structured interviews were estimated to last for up to two hours at a time. With very few exceptions meetings were arranged and timetables adhered to with reasonable accuracy. Only in a very few cases each year, did some owner/managers either forget about our appointment or postpone an interview at short notice. In general they appeared interested to meet me and willing to make a positive contribution to my research. In the first year (1994) in-depth interviews lasted on average three hours. In later years the average duration of interviews shortened considerably to about two hours in 1995 and one hour in 1996.

Table 9.1 - Size Distribution of the Qualitative Sub-Sample: 1994

Band Code	Number of Employees	Manufact (N=100)	Services (N=100)	Construct. (N=25)	Agriculture (N=12)	Forestry Fisheries (N=9)
A	1-5	20	20	5	5	3
B	6-10	20	20	5	5	3
C	11-19	20	20	5	2	3
D	20-49	20	20	5	0	0
E	50-99	20	20	5	0	0

Respondent 'Drop-out' and its Influence upon the Qualitative Survey

Out of the initial sub-sample of 246 respondents upon which I had focused at the beginning of 1994, a total of 13 dropped out by the 1995 interviews and a further 11 by 1996. Reasons for drop-out varied between outright failure and change of ownership due to sale, bereavement or illness. Although the number of drop-out firms was smaller in 1996 as compared to 1995, they showed considerable consistency both across the five sectors and size bands of this sample (Tables 9.2 and 9.3):

Table 9.2 - Size Distribution of the Qualitative Sub-Sample: 1995

Band Code	Number of Employees	Manufact. (N=94)	Services (N=93)	Construct (N=25)	Agriculture (N=12)	Forestry Fisheries (N=9)
A	1-5	16	15	5	5	3
B	6-10	18	18	5	5	3
C	11-19	20	20	5	2	3
D	20-49	20	20	5	0	0
E	50-99	20	20	5	0	0

For example, of the 13 businesses that had dropped out by January 1995, 6 were manufacturing micro-firms (Table 9.2): 4 employed up to 5 individuals (Band Code A) and 2 had between 6-10 employees (Band Code B). Likewise, of the 7 service businesses that had dropped-out from interviews in the same year, 5 were micro-firms with up to 5 employees (Band Code A) and the other 2 employed 6-10 individuals (Band Code B).

Table 9.3 - Size Distribution of the Qualitative Sub-Sample: 1996

Band Code	Number of Employees	Manufact. (N=89)	Services (N=87)	Construct (N=25)	Agriculture (N=12)	Forestry Fisheries (N=9)
A	1-5	13	11	5	5	3
B	6-10	16	16	5	5	3
C	11-19	20	20	5	2	3
D	20-49	20	20	5	0	0
E	50-99	20	20	5	0	0

A similar trend can be observed in the 1996 group of drop-out businesses (Table 9.3): 3 of the 5 'drop-out' micro-firms in the manufacturing sector employed less than 5 individuals (Band Code A) while the other 2 had between 6-10 employees on their payroll (Band Code B). Of the 6 service sector micro-firms that had also dropped out of interviews in 1996, 4 had up to 5 employees (Band Code A) and 2 employed between 6-10 individuals (Band Code B).

In the traditional sense (and as described by most mainstream commentators on small business 'turbulence') these interview 'drop-outs' could be perceived, *prima facie*, as business failures. In reality, however, few (4) of these owner/managers had actually lost their ownership status due to liquidation or bankruptcy, both of which in a legal sense best describe business failure (Table 9.4). Interestingly, all but one of the drop-out firms were managed by males in sole ownership. The only exception was a female sole-proprietor who lost her husband and both parents in 1995 and decided to sell her service firm in order to retire to her childhood village. Most (20) of the 24 firms changed ownership as 'going concerns': 12 were sold and in 8 cases ownership was transferred due to illness (3), retirement (3) and bereavement (2). Furthermore, all 4 micro-firms that 'failed' in 1994 and 1995 had gone into 'voluntary liquidation', an issue that could further cloud small business failure rates in view of the lengthy time-span and financial settlements involved in the process.

Table 9.4 - Reason for Interview 'Drop-Out' of Respondent Firms (1995-6)

Reasons for Respondent 'Drop-Out'	1995 (N=13)		1996 (N=11)	
	Manufacturing	Services	Manufacturing	Services
Voluntary Liquidations	1	1	1	1
Sale as Going Concern	3	4	3	2
Retirement	0	1	1	1
Illness	1	1	0	1
Bereavement	1	0	0	1

Perhaps the most important factors to emerge from this brief analysis of 'interview drop-outs' is the apparent relation it had to the size and the sectoral spread of the enterprises affected. Firstly, it appears that only manufacturing and service firms were affected: even though these two sectors represent 81.30% of the initial qualitative sample, some 'turbulence' in the construction, agriculture and forestry & fisheries sectors could have been expected over a period of two years. Secondly, it became obvious that micro-firms are the most vulnerable to turbulence, a characteristic also noticed by other commentators (see, Storey, 1994, *et al.*).

Even though this longitudinal sample is small and the period of time it spans is relatively short, the remarkable stability of small firms within the 11-99 employees size bands that it has identified is potentially of great significance. It could, for example, reflect the fundamental effect that the 1990-3 recession had upon the West Midlands economy. Conversely, it could be indicative of the strength of the post-recessionary entrenchment that appears to have characterised most of the surviving small firms in this region. Alternatively it could reflect the rate and intensity of cross-sectoral recovery in the region as well as the cautious attitudes and strategies adopted by the recession-hardened, 'post-enterprise culture' owner/managers. However, further research is needed in order to clarify these issues. In January 1997 I will commence the second stage of my long-term research programme by attempting to re-interview both the surviving 222 owner/managers of the qualitative sample and the rest of the 1976 telephone respondents of the initial (1993) quantitative survey. It would be interesting, at the end of a four year period, to tabulate the numbers and establish the reasons behind the total of 'drop-out' firms in the wider sample.

Size and Sector Effects

It became obvious from my telephone interviews of 1993 that although owner/managers' attitudes to training remained remarkably constant across firms in different size-bands and economic sectors, actual provision was considerably affected by size and sectoral differences. During my first round of semi-structured, in-depth interviews in 1994, it became clear that in order to resolve the training paradox which I had discovered the previous year, I needed to identify and analyse the main factors that affected the owner/managers' strategic decision-making processes in general and those relating to training in particular. Initially I constructed a semi-structured interview schedule, based broadly upon the preliminary findings of my telephone survey. The first few interviews had clearly shown this schedule to be inadequate: it soon became obvious that a major rethink was not only necessary but also imperative to the success of my qualitative research. In this process I was unexpectedly helped by two owner/managers who, independently of each other, offered not only to extend the allocated interview periods but also to reverse roles with me. Each of these sessions lasted for just over two hours and proved very useful in focusing my approach upon the important issues that I was trying to identify and analyse. As a result of these two impromptu training sessions, my semi-structured interview schedule was redesigned to incorporate a flexible, yet highly focused, discussion agenda that proved very popular with the respondent owner/managers.

Reasons for Becoming an Owner/Manager

A few minutes at the beginning of each of the first round of interviews were usually dedicated to exploring the reasons behind the owner/manager's decision to embark upon business ownership. Most of the respondents agreed that this subject was a very effective ice-breaker and that it led swiftly into the main interview. It also appeared to invite them to talk freely about themselves and their business(es). It quickly established an affinity between the respondent and the interviewer, based on mutual respect and consideration (seemingly originating from common interests and/or experiences). Some very interesting 'anecdotal evidence' was collected at this stage with regard to prevailing economic circumstances, government policies, and the strategies of Inland Revenue/Customs and Excise representatives. The informal discussion that followed was usually very frank: owner/managers felt free to express their views on a number of general management and specific, training-related issues. At the end of the interview most of the owner/managers felt that these discussions had proved very informative and that, in some cases, they had facilitated their own deeper understanding of past decisions and specific strategies. Some attempts were, on occasion, made to obtain confidential information regarding competitors or sector/industry-sensitive data, but these were generally good-humoured moves to gain some further advantage in exchange for their goodwill and the time they had spent with me.

Owner/Managers' Experiences of 'Incubator Training'

The first specific topic of discussion was designed to establish the owner/managers' views on training and human resource development issues and how these affected their decision-making process. Although very similar to the attitudinal element of the telephone interview, this section sought to verify some of the 1993 results as well as invite further comments on these issues. Without exception, all the respondent owner/managers confirmed and reinforced their attitudes towards training as given during the telephone interviews in the previous year (Table 10.1):

Table 10.1 - Owner/Managers' Attitudes to Training in the 1994 Qualitative Sample

Owner/Managers Attitudes to Training	Manufact. (N=100)	Services (N=100)	Construct. (N=25)	Agriculture (N=12)	Forestry Fisheries (N=9)
Very Positive	10	10	2	2	2
Positive	60	60	17	9	6
Indifferent	10	10	2	1	1
Negative	10	10	2	0	0
Very Negative	10	10	2	0	0

As expected, there were no particular trends to be observed across sectors or size bands. Furthermore, a number of interesting attitude-related factors emerged and held constant across the five size bands and economic sectors of the interview sample. The most important factor to affect an owner/manager's attitude towards training appeared to be his previous experience in this field. Surprisingly, all owner/managers in this sample claimed to have received some 'incubator' training prior to embarking on small business ownership (Table 10.2):

Table 10.2 - Incidence and Type of Owner/Manager 'Incubator Training" in the 1994 Sub-Sample:

Type of Incubator Training	Manufact. (N=100)	Services (N=100)	Construct. (N=25)	Agriculture (N=12)	Forestry Fisheries (N=9)
Formal Off-the-Job	23	18	3	2	0
Formal On-the-Job	27	22	2	2	0
Informal Off-the-Job	56	51	1	2	1
Informal On-the Job	91	82	25	11	9
Induction (Formal/Informal)	84	53	6	7	4

At a glance, owner/managers in manufacturing firms appear to have experienced a wider range of 'incubator' training than their counterparts in other economic sectors. Informal, on-the-job and induction training seem to dominate their pre-'start-up' experiences in this field. Formal, off-the-job and on-the-job training does not appear to form a significant aspect of owner/manager 'incubator' training, even though they persist across most sectors (with the notable exception of forestry and fisheries). Informal, off-the-job training appears to play a significant role in the experience of manufacturing and service owner/managers. Just over half of proprietors in the sample had experienced informal, on-the-job training: 56 in the manufacturing businesses and 51 in service firms. In the construction, agriculture and forestry & fisheries sector, informal off-the-job training does not appear to have had a significant role in the owner/managers' incubator experience.

The most significant type of training experienced by proprietors before setting up their own firms appears to be of the informal, on-the-job type. In the manufacturing sector 91 out of the 100 owner/managers claimed to have experienced this type of training. Similarly, 82 of the 100 owner/managers in service firms have also experienced informal, on-the-job training. Surprisingly, all 25 construction sector owner/managers and the 9 owners of forestry and fisheries establishments made similar claims. All but one of the farm owners had been in receipt of informal, on-the-job training prior to setting up on their own. The next most popular form of incubator training proved to be induction, which appears to have been mostly of a mixed formal/informal type. In the manufacturing sector, of the 100 owner/managers interviewed 84 claimed to have experienced this form of training, while in service firms 53 out off 100 owners confirmed that they have been inducted to their job. Less than a quarter (6 out of 25) of owner/managers in the construction sector had experienced induction training. In agriculture 7 of the 12 farmers claimed to have experienced this type of training while 4 out of 9 forestry & fisheries owner/managers had also been inducted to their jobs.

It must be noted, however, that some owner/managers in the 1994 qualitative sample had experienced more than one type of training and that this might affect intersectoral comparisons. For example, two farmers claimed to have received formal and informal off-the-job training as well as some formal and informal on-the-job training as part of their incubator experience. They further indicated that on large, family-run farming establishments this is common practice. Similarly, some of the owner/managers in the manufacturing and the service sectors also claimed to have received more than one type of incubator training, especially those who worked for larger establishments. Thus, it appears that there were size and sectoral influences upon the type and quantity of incubator training that some of these owner/managers had received while working as employees.

Two further factors can be linked to the quantity and quality of incubator training: the status of the future owner/manager at the time of receiving it and the position of the providing firm within its expected economic 'life cycle'. Both the quantity and quality of incubator training appear to have been dependent upon the status that a future owner/manager had achieved in the existing hierarchy of the providing firm. The higher up s/he was on the organisational ladder the more and the better the training provided appeared to have got. The well known fact that a large proportion of owner/managers originate from within the ranks of employees or family members of employers in this sector could have made this effect particularly relevant to small business outcomes. Moreover, characteristically flatter organisational hierarchies and the lack of conventional internal labour markets appeared to result in typically wider work experiences for prospective owner/managers but considerably narrower opportunities for promotion within a particular firm. Thus, some of these individuals had been pushed into early entrepreneurship by their financial ambition or driven by a perceived need to improve their social status. Other prospective entrepreneurs had looked for promotion opportunities elsewhere within the small business sector and consequently delayed starting their own firms until they felt ready to do so. Only a fraction of the respondents felt that recessionary conditions had forced them into small business ownership. Nevertheless, the small proportion of individuals who had been made redundant by receivers or lost their jobs due to down-scaling of larger organisations and had consequently embarked upon small business ownership can be perceived to provide some justification for the well-rehearsed argument that prevailing economic conditions can act as 'pull-push' factors behind new firm formation.

Most of the respondent owner/managers agreed that unskilled workers in small firms were most unlikely to receive any type of training; even during booming conditions in an expanding economy there were no shortages of this type of individual in the local labour market. Semi-skilled and skilled employees were more likely to receive some kind of training, mostly induction and/or the informal, on-the-job type. Technical, administrative and supervisory employees were likely to receive a mixture of induction, formal and informal on-the-job training. Managerial staff was the most probable labour category in a small firm to be provided with formal, off-the-job training. Although mostly vocational in character, formal off-the-job training was less firm-specific than its on-the-job equivalent. Furthermore, it was likely to be perceived, by both the provider and the recipient, as either a motivator or else as a reward granted by an owner or by a board of directors. As a motivating gesture, this type of training was meant to act as an incentive for the recipient to work harder or longer hours; it was also designed to ensure a manager's continuous loyalty and commitment to the firm. As a reward, formal off-the-job training was meant as a 'thank you' for long service and unremitting loyalty to the firm. It was meant as an incentive for similar favourable behaviour in the future. In this context training was often perceived as an unwritten 'bondage contract' which ensured, to a great extent, lower labour turnover at the skilled and professional levels of employment. Managerial vacancies were thought of as notoriously difficult to fill due mostly to the informal recruitment practices of small business owner/managers and their need to know and trust their managers. Prolonged recruitment difficulties at this level often translated into the promotion to managerial ranks of long-serving, unskilled or semi-skilled individuals from within the firm. On many occasions, members of the owner's family were instated in positions of responsibility even though they often lacked the seniority, experience or the qualifications needed to succeed in their new capacity.

The 'life cycle' position of the providing firm had a dual influence upon the quantity and quality of training: firstly, in terms of internal training needs evaluation, it was more likely that growing or expanding businesses would face skill shortages for which owner/managers would try to compensate; secondly, in financial terms, owner/managers of stagnating or declining organisations were perceived as being less inclined to commit scarce resources to long-term investment programmes in training. According to the respondent owner/managers' views on this topic, the position of a small business along its 'life cycle' trajectory was not always linear: it changed according to the prevailing economic circumstances and it could be affected by a combination of other factors such as the availability of finance, technical 'know-how' and a ready pool of qualified and flexible individuals in local labour markets. The classic textbook description of 'life cycle linearity' in which a firm progresses from start-up to failure through a series of predetermined, time-bound, intermediary stages (such as growth, maturity, consolidation, stagnation and decline) does not appear to be strictly relevant to small businesses. Indeed, most of the respondents claimed that the strength of their firms originated in their inherent flexibility to adapt to changing macro-economic circumstances.

It has long been recognised that prevailing economic circumstances can exert a powerful influence upon business outcomes in general and small firm survival in particular. Most importantly, from the point of view of skill audits, macro-economic influences can distort an owner/manager's perception of the firm's short-term or future training needs. For example, during periods of decline, stagnation or recession an individual firm's skill needs are often masked by falling demand for its products or services. Conversely, periods of recovery or rapid growth usually identify and compound skill shortages - which can often result in considerable loss of opportunities. During consecutive in-depth interviews, owner/managers repeatedly returned to the issue of training as a possible solution to skill shortages (as opposed to the more expensive and time-consuming prospect of external recruitment). The speed of an owner/manager's reaction to perceived skill needs emerged as an important aspect of the training paradox.

Recruitment-Related Training

It has often been stated that small business owner/managers prefer to promote internally from amongst a pool of well known and trusted employees. When forced to look outside their firms for 'new blood' a strong preference emerged for the use of informal channels of recruitment. Most types of employee were recruited on the recommendation of friends, associates, family members or contacts in business support agencies. Schools and colleges of further education formed an important source of new employees and on occasion links were forged between some owner/managers and career officers in local educational establishments. The perceived cost of recruitment played an important role in the decision-making process of owner/managers and considerably influenced the final choice of recruitment as well as related training strategies applied in small firms. An analysis of owner/managers' attitudes to training as reflected in their recruitment practices revealed some interesting trends (Table 10.3):

Table 10.3 - Recruitment Preferences of Owner/Managers in the 1994 Qualitative Sample

Owner/Managers Attitudes to Training	Number of Owner/Managers Interviewed	Formal Recruitment	Informal Recruitment	Mixed Formal/Informal Recruitment
Very Positive	24	0	22	2
Positive	152	6	131	15
Indifferent	24	0	0	24
Negative	24	19	0	5
Very Negative	22	21	0	1

Owner/managers who claimed to hold a very positive attitude to training also showed a strong preference for informal recruitment methods. All but two of the 24 owner/managers reported that they exclusively used informal recruitment methods. The other two respondents claimed to use mixed formal/informal recruiting methods. There were no representatives of the exclusively formal category in this section. Of the 152 respondents who claimed to have a positive attitude to training, the great majority (131) stated that they preferred exclusively informal recruiting methods. Only six admitted to using exclusively formal recruiting venues while 15 preferred a mixture of both formal and informal methods. Interestingly all the 24 owner/managers who professed to be indifferent to training showed a preference for mixed methods of recruitment. There were no representatives of this type of owner/manager in either the exclusively formal or informal recruitment categories. In the negative attitude to training section, 19 of the 24 owner/managers showed a preference for formal recruiting methods while the other 5 reported the use of mixed formal and informal avenues of employment. All but one of the owner/managers who professed to hold very negative attitudes to training showed a clear preference for formal avenues of employment. Only one of them claimed to use mixed methods of recruitment. None of the 46 respondents in the negative and very negative attitudes to training category appeared to favour informal recruitment methods.

Although the relationship between attitudes to training and recruitment methods became relatively clear as the interviews progressed, the causal and in particular the directional relationship between these factors was far from obvious. The respondents who showed a clear preference for informal recruitment methods held either a positive (131) or very positive (22) attitude to training. The 6 outliers that recorded a preference for exclusively formal recruitment methods were owner/managers of larger firms: 4 portfolio owners who invariably employed their staff by advertising in the local press and 2 managing directors whose firms had the benefit of the knowledge and experience of a personnel manager (who was responsible for both the recruitment and the training function in these organisations). Both owner/managers who claimed to use mixed formal and informal employment methods were directly involved in recruitment and training decisions. As such they showed a clear preference for flexible approaches to employment and training issues. It should be noted, however, that both of these owner/managers were fully involved in the management of organisations in the medium-size bracket (11-20 employees). An analysis of the spread of the 15 respondents that held a positive attitude to training but recorded preferences for mixed formal/informal recruitment methods brought no discernible sectoral and firm-size trends. These owner/managers' age, gender and educational achievements did not appear to affect recruitment preferences. Furthermore, the 15 owner/managers in this category reflected the general distribution of status and location of the respondents and their firms in the 1994 qualitative sample.

Similar results were obtained from the analysis of a further 30 interviews of respondents who recorded indifferent (24), negative (5) and very negative (1) attitudes to training but showed a preference for mixed, formal/informal recruitment methods. It appears that, in general, owner/managers who held a positive or very positive attitude to training also preferred informal recruitment methods, primarily because they chose to train or retrain new employees on an 'as and when needed' basis. Conversely, owner/managers who professed to hold negative or very negative attitudes to training elected to use formal recruitment channels, ostensibly in an effort to employ already trained or qualified personnel. The exception to this general rule appeared to arise from amongst those respondents who showed a preference for mixed, formal/informal recruitment methods. By excluding the 24 owners who recorded indifferent attitudes to training, the number of respondents who preferred mixed recruitment methods fell to 6 out of 46 owner/managers in the negative/very negative attitudes to training category. There were indications, at this stage in the research, that the owner/managers' past recruitment experiences had affected their attitudes to training. The 1995 qualitative interviews largely confirmed this hypothesis.

During the 1995 qualitative interviews I set out to clarify the issue of owner/manager recruitment experiences and its possible influence upon their attitudes to training. There were few changes observed in the 1995 sample (Table 10.4) in terms of attitudes to training or recruitment preferences: by coincidence all 13 'drop-out' firms involved a single category of owner/managers (those that previously reported positive attitudes to training and a preference for informal recruitment strategies). From that point of view this sample proved reasonably stable across two years of longitudinal research. In terms of rates of success in specific recruitment strategies and their influence upon owner/manager attitudes to training, these interviews proved very enlightening. Firstly, it became clear that a strong link existed between individual owner/managers' past recruitment experiences and their current attitudes to training. All 233 respondents had a wide range of related experiences and held strong views on this topic. The owner/managers who held very positive (22) or positive (118) attitudes to training and preferred informal recruitment strategies claimed that their experience with newspaper advertisement and employment agencies had reinforced their preferences for alternative employment avenues.

Table 10.4 - Recruitment Preferences of Owner/Managers in the 1995 Qualitative Sample

Owner/Managers Attitudes to Training	Number of Owner/Managers Interviewed	Formal Recruitment	Informal Recruitment	Mixed Formal/Informal Recruitment
Very Positive	24	0	22	2
Positive	139	6	118	15
Indifferent	24	0	0	24
Negative	24	19	0	5
Very Negative	22	21	0	1

Invariably these owner/managers complained about the relatively high financial costs attached to recruiting through formal channels, the time element it involved and the type of applicant that it seemed to attract. Repeated references were made to 'agency sharks' who pestered owners once they had registered on their books even after they had made it clear to them that they no longer had any vacancies. It appears that when respondents chose to advertise in local or national newspapers they were still pestered by 'agency sharks' who tried to push their choice of candidates in exchange for considerable 'introduction fees'. Typically, they felt that agency fees were unreasonably high, amounting to one month's salary for permanent staff or up to double the hourly rate they paid temporary or casual employees. Personal contacts with employment agency or advertising managers were difficult to establish or maintain due to the apparent 'cut-throat' character of the recruitment business and the high turnover of related staff.

Conversely, all these owner/managers found informal recruitment practices more versatile and beneficial to their firms. Usually, when a vacancy arose, a number of options and possibilities were investigated: alternative venues could typically include: friends and acquaintances of owner/managers or their close family, neighbours, existing employees, suppliers, clients, schools and support agencies. There was no need for formal application forms and even interviews were dispensed with on occasion. A simple recommendation would suffice most of the time and the prospective employee was invited (verbally) to 'start next Monday'. Apparently, the advantages of this type of recruitment strategy were considerable. Firstly, it suited the 'no nonsense' approach of the owner/manager who had little time or inclination to involve himself in elaborate, formal means of advertising and recruiting new employees. Secondly, the financial outlay was usually minimal in this approach and it reflected the low risk involved in the process: if a new employee did not fit into the firm's 'culture and discipline', or if s/he proved to have an 'attitude problem', then the (verbal) employment agreement would be terminated without further delay. Thirdly, such informal methods gave owner/managers the opportunity to delegate some recruitment responsibilities to key employees or 'shadow managers' without appearing to forgo any authority: they could pick their own people as long as the owner had the last word in the matter! This appeared to reinforce the family atmosphere that most small businesses liked to cultivate. Finally, whoever recommended a prospective recruit also undertook, implicitly or explicitly, to vouch for the character and good behaviour of the newcomer. In most of these cases there was no need for formal references or contracts of employment: the 'new family' was expected to 'introduce' and 'acclimatise' the recruit into the firm's culture and discipline.

The 40 respondents who held negative (19) and very negative (21) attitudes to training and preferred formal recruitment methods were inclined towards employing already-trained personnel. Although there was an apparent contradiction between their attitudes and practices, these respondents had justified their position on the basis of their past experiences as recruiters of small business personnel. Firstly, they claimed that the financial outlay on formal recruitment practices was 'good value for money' as they were likely to attract a better quality of prospective employees. The 'time wasters' and 'jokers' who often replied to newspaper advertisements were eliminated in the process of tapping into a pool of 'professional' or 'genuinely interested' individuals that were 'on the move to better their lot'. Secondly, in their case, training related more to an attitude or a frame of mind rather then 'paper qualifications' or 'useless certification'. In their experience such attitudes often represented 'half the battle' or 'went half way' towards success (in terms of both personal and organisational goals). General and firm-specific skills obtained in other firms were often of very little use to this type of owner/manager: most of the time they were apparently forced to 'de-train and re-train' their new recruits. Thirdly, these respondents appeared to be very sensitive of their image and explicitly viewed their firms and employees as an extension of their (enhanced) social status. The need to screen and protect this image against 'bad apples which might contaminate the whole lot' was a very powerful incentive in favour of highly formalised recruitment practices. Finally, this type of respondent felt that it is was the duty of schools, colleges and universities to educate and train the population as a whole rather than this being their obligation and responsibility (or indeed, their expense). Society in general and the government in particular were blamed for 'passing the buck': conversely, in the management of their small firms 'the proverbial buck' invariably stopped with the owner/manager. Furthermore, in this type of firm there appeared to exist little of the 'familiarity' that might have bred contempt amongst workers or 'fraternisation' that could have undermined the owner/managers' authority: the formality of managerial structures seemed to permeate from 'board room down to the shopfloor'.

A total of 47 owner/managers in the 1995 qualitative sample - the same number as in the 1994 interviews - confirmed that they used mixed formal and informal recruitment methods. All 24 respondents who claimed to be indifferent to training fell into this category. In other attitudinal sections, however, the number of owner/managers to subscribe to mixed recruitment methods represented only a very small proportion of the sample. Interestingly, all 47 owner/managers claimed to favour the flexibility inherent in mixed recruitment methods. They were aware of both advantages and disadvantages in each of the exclusive methods, yet were adamant that when used selectively, the mix of formal and informal recruitment methods proved the most successful in attracting exactly the right candidates for the respective vacancies. The 24 respondents who claimed to be indifferent to training justified their attitudes in terms of the diversity of personnel needs that they encountered during a financial period, combined with the lack of time and commitment that could be allocated to such matters. In their view, it would be difficult to foresee such needs and almost impossible to plan for them, in terms of training and human resource development. The very flexibility that these respondents claimed constituted the main strength of their small firms, appeared to prohibit planning beyond 'the job at hand', 'the next order' or 'current product line'. To these owner/managers training was just one of the many other functions that made demands upon their time and managerial abilities. The third round of qualitative interviews generated results that appear to further support this hypothesis.

Table 10.5 - Recruitment Preferences of Owner/Managers in the 1996 Qualitative Sample

Owner/Managers Attitudes to Training	Number of Owner/Managers Interviewed	Formal Recruitment	Informal Recruitment	Mixed Formal/Informal Recruitment
Very Positive	24	0	22	2
Positive	135	3	126	6
Indifferent	22	0	0	22
Negative	22	20	0	2
Very Negative	19	19	0	0

The qualitative interviews that I carried out during the first half of 1996 recorded the most widespread changes in the sample since the longitudinal research started in 1994. The 11 'drop-out' firms (see Table 10.5) affected not only respondents in the positive attitude to training range (4) but also the indifferent (2), negative (2) in the positive attitude to training range (4) but also the indifferent (2), negative (2) and very negative (3) categories. The very positive attitudes to training range of owner/managers was the only one to remain unchanged since 1994. Apart from the exit of 'drop-out' firms there were no changes recorded in the owner/managers' attitudes to training which, in the remaining sample had stayed constant since the quantitative interviews were carried out in 1993.

Importantly, however, there were changes in the recruitment preference of owner/managers and in particular a marked move from mixed methods to formal or informal recruitment tactics. Interestingly, the recruitment preferences of owner/managers with very positive and indifferent attitudes to training remained unchanged. In the 'positive attitudes to training' category 9 owner/managers changed from mixed to informal recruitment methods. In the same category, the number of respondents who preferred formal recruitment strategies was reduced from 9 to 6 by 3 'drop-out' firms. In the 'negative attitudes to training' range, a further 3 respondent disposed with mixed methods of recruitment in favour of exclusively formal strategies. Furthermore, another owner/manager in the 'very negative attitudes to training' section also changed his recruitment tactics from mixed to strictly formal methods. The retrenching in these owner/manager recruitment preferences appeared to have been brought about by a sudden and unexpected increase in demand for their products and services. The additional demand upon their time and management skills that this increase brought in its wake meant that these respondents needed to act expediently. In most cases such expediency resulted in the customary 'short cuts' or 'ducking and diving' which in the small business sector, during periods of economic growth and expansion, could easily be interpreted as 'flexibility'.

Apart from the respondents who remained indifferent to training and retained a strictly flexible approach to recruiting, the small number of owner/managers that still used mixed, formal and informal employment strategies appeared to be the exception rather than the rule. Thus, owner/managers who were inclined to train or retrain their workforce showed a clear preference for informal recruitment methods. Conversely, those respondents who preferred to employ already trained individuals appeared to favour formal channels of recruitment. The latest results (Table 10.5) appear to further support my hypothesis that owner/managers' attitudes to training affect their recruitment preferences. Although to some extent changes in the prevailing economic circumstances can influence the recruitment strategies of owner/managers, their attitudes to training do not appear to be affected by sudden changes in demand for their products or services.

Concluding Remarks

The 1994-6 qualitative sample has shown a remarkable stability over this period: in total, only 24 of the initial 246 firms had dropped out of interviews, of which 4 went into 'voluntary liquidation' and the balance changed ownership as 'going concerns'. Over the same period, the owner/managers' attitudes to training remained unchanged across different size-bands and economic sectors. Without exception, all owner/managers interviewed had confirmed and reinforced their attitudes towards training - as recorded during the 1993 telephone interviews. Furthermore, it emerged that the most important factor to affect an owner/manager's attitude to training was his previous 'incubator' experience in this field. Importantly, however, there were size and sectoral influences upon the quality and quantity of 'incubator training' experienced by these owner/managers before embarking upon 'entrepreneurship'. Three inter-related factors appear to determine the extent and the direction of these influences: firstly, the status of the owner/manager in the incubator firm(s); secondly, the position of the providing firm within its expected economic life cycle; and thirdly, the economic circumstances prevailing at the time of training provision. It became clear from these in-depth, longitudinal interviews that the quality and quantity of 'incubator training' received had determined, to a large extent, both these owner/managers' attitudes to training and the human resource development strategies employed in their firms.

These interviews have generated a great deal of evidence that also linked these owner/managers' human resource development strategies to their recruitment methods and related training activities. Thus, owner/managers who held a positive or very positive attitude to training also appeared to prefer informal recruitment methods, primarily because they intended to train or retrain new employees on an 'as and when needed' basis. Similarly, those owner/managers who held negative or very negative attitudes to training favoured the use of formal recruitment channels, ostensibly in an effort to employ already-trained individuals. Only a minority of respondents appeared to prefer the flexibility inherent in mixed, formal/informal recruitment methods. Although to some extent the prevailing economic circumstances can influence the recruitment strategies of owner/managers, it was reassuring to note the long-term consistency of their attitudes to training. In the next chapter I set out to analyse some of the data obtained during the 1994-6 in-depth, longitudinal interviews which related directly to the actual provision of training in these firms.

Qualitative Interviews:

Owner/Managers' Actual Provision of Training

Introduction

The longitudinal interviews carried out during 1994-6 provided me with a great deal of qualitative data in connection with the small business owner/managers' actual provision of training. By comparing and contrasting these data with my findings related to their attitudes to training I was able to verify the existence of the training paradox that I had previously identified and to begin work towards policy recommendations that could provide a possible solution to it. Furthermore, by giving these owner/managers a voice I intended to bring to the attention of practitioners, academics and policy-makers in this country the widening conceptual gap that appears to dominate the training debate in this sector of the British economy. Only by starting to bridge this gap can we hope to resolve the theoretical and practical difficulties that appear to undermine the efforts of practitioners, academics and policy-makers in the field of training and human resource development.

Factors Affecting Training Provision In Small Firms

The 246 small business owner/managers interviewed in 1994 claimed that, in their experience, there were two main types of factor that influenced the provision of training in their firms: 'directly' and 'indirectly relevant' (see Table 11.1 and 11.2). It must be remembered that most of these individuals were personally involved in the day-to-day running of their firms and in all cases had the final word in the decision-making process relating to the training function.

Table 11.1 - Factors Affecting Provision of Training in the Manufacturing and Service Sectors (Qualitative Sample - 1994)

Factors Affecting Actual Provision of Training in Small Firms	No. of Respondents Nominating Factor [Manufacturing] (N=100)	No. of Respondents Nominating Factor [Services] (N=100)
1. Directly Relevant:		
Market Positioning of Firm	94	96
Prevailing Economic Conditions	91	89
Availability of Relevant Training	87	81
2. Indirectly Relevant:		
Cost of Training	48	46
Time Constraints	41	39
Lack of Trainee Cover	37	38
Lack of In-House Trainers	29	31
Lack of Trainee Motivation	28	23
Lack of Trainee Interest	19	14

'DIRECTLY RELEVANT' FACTORS TO AFFECT TRAINING PROVISION

The 'directly relevant' category incorporates three inter-related factors that owner/managers in the sample claimed had had a direct effect upon the provision of training in their small firms. These are listed in order of the importance attributed to them by the respondent owner/managers: market positioning of firm, prevailing economic conditions and availability of relevant training.

Table 11.2 - Factors Affecting Provision of Training in the Construction, Agriculture and Forestry & Fisheries Sectors (Qualitative Sample - 1994)

Factors Affecting Actual Provision of Training in Small Firms	Construction (N=25)	Agriculture (N=12)	Forestry Fisheries (N=9)
1. Directly Relevant:			
Market Positioning of Firm	21	10	9
Prevailing Economic Conditions	20	8	8
Availability of Relevant Training	14	4	6
2. Indirectly Relevant:			
Cost of Training	11	3	4
Time Constraints	10	1	4
Lack of Trainee Cover	7	0	3
Lack of In-House Trainers	3	0	0
Lack of Trainee Motivation	2	0	0
Lack of Trainee Interest	2	0	0

Market Positioning of Firms

In the manufacturing sector 94 of the 100 respondents mentioned the market positioning of their firm as the most important, directly relevant factor to affect the quantity and quality of training that they provide; similarly, 96 out of 100 service sector owner/managers nominated market positioning of their firms as the most directly relevant issue to training provision in their firms (Table 11.1). Market positioning of firms retains its prime position of relevance across the other three economic sectors: 21 of the 25 owner/managers in construction found it directly relevant, as did 10 of the 12 respondents in agriculture and all 9 owners of forestry & fisheries establishments (Table 11.2).

All the owner/managers that nominated market positioning as the most important factor to affect the provision of training in their firms appeared to be obsessed with their firm's share of a particular market. This is surprising, considering that most of these firms had a mainly localised focus and operated in more or less well-defined niche markets. However, this fact was not acknowledged by most of these owner/managers. In their view, the share of the particular target market that they had focused upon was as important locally as the percentage of national or international markets achieved by multinational firms. This comparison was particularly pertinent to this topic: for the small business owner/manager, the behaviour of their larger counterparts appeared to act as an example either to be followed or to be avoided at all costs. The view that owners of small firms are ignorant of the competition or of the wider issues affecting their firms was not confirmed by these interviews. On the contrary, most of these owner/managers appeared to be very knowledgeable about local and national issues which could have a direct or indirect effect upon their firms. In the expectancy of the 'green shoots of recovery' much promised by various government ministers the majority of the respondents had been consolidating their market positions. Others had recently entered a particular market on the assumption that, at long last, the recession has bottomed out and that the most opportune time to commence a new business was at hand. On the same assumption, a minority of serial owner/managers had diversified into other markets and in the process had become portfolio owners of multiple and unrelated businesses.

Market Positioning in the Manufacturing Sector

The market position of a manufacturing firm appeared to affect training provision in two significant, yet inter-related ways: firstly, in terms of the quality of manufactured goods and secondly, through the recruitment and human resource development strategies it generated. The quality of manufactured goods appeared to be determined, to a large extent, by the owner/manager's perceived position of his/her firm within a given market. In simplistic terms the market positioning of a firm determined whether its manufactured goods were purchased at a given quality, which was decided by the owner/manager or were supplied at a specific quality, as contractually predetermined by the customer.

In the first case, labelled for ease of reference as 'random manufacturers' an owner/manager could choose to analyse a market and ascertain the probable demand for a particular product. The next step might involve a wider scan of possible markets for this product, with a view to determining the strength of the competition as well as the quality of similar goods available in the product range. A further costing exercise could complicate the quality issue by introducing a minimum and maximum price range within which it would be feasible to manufacture this particular product. At this point an owner/manager might well decide to drop the respective product as unfeasible, possibly due to excessive labour and/or material costs. Alternatively s/he might decide either to carry on with its manufacture at a level of quality to be determined by the expected profit margin or to initiate a range of qualitatively varied, competitively priced goods of the same type. Of the 100 manufacturing owner/managers in the 1994 qualitative sample 29 fit the 'random manufacturers' category.

The second type of owner/managers ('contractual manufacturers') usually had little choice in the quality of products that they undertook to supply under the conditions and specifications of a legal contract, be it verbal or written. Typically they were either members of an informal 'supplier cluster' or had applied to be included on a 'preferred suppliers' list. Alternatively, they would tender for either part or the whole of a purchasing contract or might place advertisements in trade or speciality journals for the sale of their own range of goods to 'value added resalers' (VARs). Importantly, whichever path they chose - and sometimes owner/managers opted for more than one - the quality of products to be manufactured is imposed upon the firm by the prospective buyer. Membership (formal or informal) of a 'supplier cluster' or inclusion in a 'preferred suppliers' list must guarantee the quality of the goods to be supplied. In total, 53 of the 100 owner/managers fitted into the 'contractual manufacturers' category.

Interestingly, a further 18 owner/managers - a category that I have tentatively labelled as 'opportunistic manufacturers' - claimed to have benefited from both types of market approach. The quality-related, strategic challenge facing these 'opportunistic manufacturers' was primarily one of balance: what proportion of a pool of relatively scarce resources should be allocated to which range of products? The pragmatic solution adopted in 13 of these small firms appeared to favour the owner/manager-generated product ranges. Generally, these ranges were low quality, economically priced products, expected to compete in the market place in terms of quantity and price. Any contractual sales were viewed as a bonus 'over and above our bread and butter'. Conversely, however, 5 of the 18 'opportunistic manufacturers' deliberately targeted contractual sales, even though these mainly involved the manufacture of high quality (purchaser-determined) goods. To these owner/managers the marketing mix was not dominated by long runs of low quality goods but by the manufacture of contractually-determined, quality products. Similarly, the manufacture of low quality goods was viewed in terms of opportunism, a way to lighten 'the burden of overheads' or to utilise spare capacity that otherwise would lie idle.

Whichever strategy an owner/manager might choose, the implications in terms of training and human resource development could be considerable. Even in the case of the relatively straightforward strategies employed by most of the 'random manufacturers', the planning process involved in human resource utilisation proved to be complex. It must be remembered that in post-recessionary Britain the majority of manufacturers operated with a core of permanent staff, supplemented on an 'as and when needed' basis by casual and temporary staff. Although financially such a strategy could lead to short-term savings, in the medium- and long-term the costs of upgrading human resources can be debilitating for a company facing an increase in demand for their products. The consequences of recession-induced, labour force down-scaling and restructuring were even more constraining for 'contractual manufacturers' who faced increased pressure for quality products. Initially, it appears that the post-recessionary surplus of experienced or qualified personnel available in local markets had, to some extent, satisfied the increasing demand for well qualified 'new blood'. Past experience, however, had shown this to be short lived and as far back as Autumn 1993 government sources and the media began to refer, once again, to impending skill shortages and hard-to-fill vacancies. In practice, however, or at least as far as most of the firms in my sample were concerned, skill shortages only began to be felt after the Summer 1994 shut-down period.

The position of 'opportunistic manufacturers' was similarly constrained by the recession-induced 'streamlining' of their work force. From mid-1994 they began to experience an increase in both low-quality and contractual demand, but found themselves engaged in a complex balancing act which succeeded, to some extent, in avoiding serious loss of revenue until such times as owner/managers managed to recruit the much needed permanent, temporary and casual staff. The financial costs involved in this type of strategy, however, were high even though any loss of revenue had been successfully mitigated in the short-term. The emergency recruitment costs had proved higher than expected, in terms of both overtime payments to cover increased production and the mistakes that were inevitably made in the process. As goods were usually sold on credit (two to three months delay between delivery and receipt of payment is customary in this sector of the economy) a further financial balancing act was needed in order to 'keep things ticking over'. In the majority of cases the actual total cost of not having a human resource development strategy has never been fully realised mainly because of owner/managers' inherent need to rationalise their decisions. They appear to have accepted all these costs as the overall price they had to pay in order to survive the severe 1990-3 recession.

The delay in these owner/managers' reaction to economic recovery was due to a mixture of surprise, caution and, most importantly, lack of human resource planning. It must be remembered that the majority of manufacturing firms in West Midlands first experienced severe reduction in the demand for their products in early Spring 1990. As the manufacturing proportion of the region's economic mix is larger than those found in other parts of Britain, the decline in demand was particularly sudden and dramatic. Similarly, recovery in the manufacturing stock of the region appeared to have been equally unexpected. Furthermore, the prolonged stagnation experienced by most of the owner/managers in the sample had the effect of making them overly cautious in their approach. Some waited to see if the increase in orders would be sustained over a longer period while others chose to rely on the existing work force supplemented with casual or temporary workers. However, the sudden demand upon managerial, supervisory and support staff could not be entirely met by similar strategies and owner/managers were forced to recruit externally and rapidly train new employees. Thus, the lack of training and human resource development strategies appeared to have handicapped the majority of firms in the sample. In contrast, in a small number of firms, existing training strategies ensured a swift transition from stagnation to growth. The increased revenue afforded by economic recovery contributed to careful and timely recruitment policies, backed by well planned training strategies that ensured a smooth transition of new employees from the labour market to the production lines. The stark contrast and economic repercussions of opposite training and human resource development strategies were further analysed in a number of case studies in the next chapter.

Market Positioning in the Service Sector

In the service sector, the strategic positioning of small firms had an even more dramatic effect upon training and human resource development strategies. This was mainly due to the intensity of the competition which most of these firms had to face on a highly localised basis. The nature of service firms, and in particular the direct relationships between suppliers and prospective customers that characterised most of these businesses, made training of staff an important competitive issue. With very few exceptions, all service firms in the sample operated in well defined and localised markets. For example, the 12 very small retail establishments in the 1994 sample had staked out their territories on a strictly local basis and relied mainly on 'passing trade'. Furthermore, some of these very small retail shops had targeted specific niches or subsections of the local population. This strategy proved significant in limiting their target market (through fierce competition and/or specific local characteristics) to a small number of streets or a few hundred individuals belonging to an ethnic minority group. Other small service firms in the sample relied on advertising or 'word of mouth' to promote the services that they provided. Most advertisements were placed in local newspapers, shop windows or localised commercial directories. To a great extent, the specific character of a small service firm narrowed its market positioning but in effect managerial discretion exerted some influence upon it, both in terms of quality and target market.

Quality issues and the related training and human resource strategies of service firms were closely influenced by their owner/managers' need to strategically position their firms in a chosen target market. Retail outlets, for example, set out to target a particular section of the population by adhering to particular locations, techniques and product ranges which were implicitly and/or explicitly linked to their chosen target market. According to their owner/managers, the quality of goods on sale (although a very important strategic determinant) could not, on its own, secure the custom of the targeted population. Quality goods, they insisted, had to be sold by quality staff: training and human resource development strategies were indispensable to owner/managers who had chosen to stock their shops with 'up-market' products. To some extent, even owner/managers who 'piled them high, sold them cheap' also believed in training but quality of service was of secondary importance to them. In both cases, training strategies were designed to impart a specific character to the services available in a shop, determined to a great extent by the individual owner/manager's perception of market positioning. Thus, the owner/manager's personal perceptions (which specified whether the products to be sold were up- or down-market) seemed to have influenced not only the location or style of a retail outlet but also the quality and level of services that went with it. Similarly, accountancy, finance and estate agents used market positioning to distinguish amongst themselves in the quality and level of services that they offered. To a great extent this influenced the clientele they targeted and the fees they charged. According to these owner/managers the training of their staff in interpersonal skills was crucial for their success in the chosen target market.

The high casualty rates that followed the proliferation of 'half-price' cleaning firms in the domestic market provided a further example of how market positioning determined training and human development strategies in a fiercely competitive service sector. Most of these firms were forced to advertise their services in 'waves of leaflet dropping' which could do little to differentiate amongst them. The market for printing and distributing these leaflets had been cornered by a few large firms. These organisations indiscriminately offered 'packaged deals' to anyone setting up in this business. Outsiders could not compete on price and were forced to diversify into less profitable, commercial markets. The difference between success and failure depended upon the quality of service promised to the prospective customer when s/he rung up the number printed on the 'half-price' leaflet. Well trained, effective sales persons, who were able to offer professional advice as well as sell 'extras' on the telephone could differentiate a firm from its competitors and ensure acceptance of the quote, invite repeat business as well as the all important recommendation to family, friends or neighbours. The training implications were obvious to some firms while the 'cowboys' that were 'in it only for a fast buck' lost out in the price wars that drove most 'half-price' cleaning establishments out of business.

In terms of recruitment, in a sector that is generally plagued by notoriously high labour turnover rates, there are indications that firms with 'proactive' training and human resource development strategies were more successful than their 'reactive' counterparts in keeping and motivating their staff. Only 26 of the 100 service sector firms in the 1994 sample could be classified as employing 'proactive' rather than 'reactive' training strategies. More than half (14) of these firms were in the accountancy, financial and insurance industries, where government and professional regulations with regard to training and upgrading of specialist personnel were increasingly enforced through proactive human resource development strategies. In these firms, the quality of training and retraining schemes was very high, not only for professional personnel but across the whole spectrum of support and administrative staff. Examples taken from industries that traditionally suffered from high employee turnover are illustrative of the benefits that had accrued to some of these 'proactive' firms.

Small service firms in the hotel and catering sectors in the west Midlands region had traditionally suffered from very high labour force turnover. The owner/managers in a minority of these firms had decided, in the early 1990s, to use training and human resource development strategies to stem the outflow of well qualified and experienced staff. The resulting drain on these firms' financial and human capital resources had been considerable and the owner/managers of 5 hotel and 5 catering establishments had purposely reoriented their strategies towards a more 'proactive' training decision-making process. Forward planning in terms of training and human resource development was envisaged as sharpening the competitive advantage of these firms as well as contributing to the profitability of these firms in a market where profit margins had to be drastically reduced in order to survive the ravages of the 1990-3 recession. The one important characteristic that all the 10 firms had in common was the specifically 'up-market' services that they set out to provide. Thus, the market positioning of these firms appeared to have played an important role in the reorientation of their training and human resource development strategies. According to the owner/managers of these firms, forward planning had a tremendous impact on employees at all levels within their organisations. In terms of quality of service, average employment periods, motivation and profitability, increased benefits were clearly visible and tangible to these owners. In 8 of these 10 firms, following the increased demands for their services in the 1994-6 period, a personnel manager with responsibility for training had been appointed. In the other two firms the owner/manager personally oversaw the implementation of training and retraining programmes. Conversely, in comparable firms that continued to rely on 'reactive' training strategies, the turnover of staff remained very high. The financial costs involved in 'reactive' strategies were highlighted by the beginning of an economic recovery in these sectors, where increased demand signalled the return of poaching practices and the need to advertise nation-wide for trained individuals. Both the quality of services and the profitability of these firms appeared to have suffered as a result of trained staff shortages. Some of these firms had been forced by recent experiences to reconsider their strategies and began, belatedly to implement some 'proactive' training measures for current and future employees.

Market Positioning in the Construction Sector

The majority (21) of owner/managers in the 25 construction firms in the 1994 sample considered the market positioning of their firms to be of primary importance to the quality of their work force. Just like their counterparts in the manufacturing and service sectors, their perception of where a firm fitted in a given market influenced the quality of individuals they recruited as well as the training provided to them. Micro-firms in this sector tended to concentrate at the lower end of the market. As they grew in size, construction firms began to specialise and discriminate between themselves in terms of quality and market niches. The quality of staff became important in the sense that contact with customers was likely to take place at all levels within a firm. Speed of execution as well as the quality of the end product depended considerably upon the work force that these firms employed.

The post-recessionary growth that characterised the 1994-6 period was not uniformly spread across the whole sector and, initially, it was mostly in evidence in the commercial segment of the market. It should be remembered that the decline in demand that followed a particularly strong growth period at the end of the 1980s resulted in a wave of bankruptcies and liquidations that effectively marked the beginning of the 1990-3 recession. The severity of the 1990-3 recession forced construction subcontractors to diversify into other, more lucrative markets while some of the self-employed builders that traditionally dominated the sector had found alternative employment. The cumulative effects of rapid economic recovery and the reluctance of some individuals to return to construction sites had caused severe labour-related constraints in this sector. According to these owner/managers, no effective training and human resource development strategies would have been possible until the recession 'bottomed out' and the domestic housing market began to 'grow again'.

Following signs of recovery in the commercial segment, the larger firms that traditionally dominated the construction market had rapidly mopped-up the surplus of qualified and experienced staff from the labour market and by Spring 1995 began to experience growth-related staff shortages. This was followed shortly by a slow recovery in the domestic market which further compiled labour-related difficulties in the construction sector. The prospect of further economic growth coupled with an obvious shortage of trained personnel had forced some of the more reluctant owner/managers to consider recruiting 'low calibre' individuals. Thus, in order to satisfy the growing demand for well trained and experienced personnel, several construction owner/managers began to consider training strategies that could effectively upgrade both their existing work force as well as the mass of prospective new recruits from the labour market.

Of the 8 construction firms that operated mainly in the domestic market only 2 owner/managers succeeded in establishing effective training strategies. These were the largest of the eight firms and operated simultaneously on several construction sites. The owners rarely had a chance to visit the operational side of their firms and relied on site managers for the day-to-day administration of individual construction sites. Effective delegation and work force management proved imperative to the success of these two firms and new training strategies (for owner/managers as well as administrative and support staff) were implemented by newly-appointed personnel managers. In contrast, the other 6 owner/managers had to postpone plans for the implementation of 'proactive' human resource development strategies in their firms. The increased workload and demand on their management skills had prevented these owner/managers from implementing any new training strategies. Forced by financial restrictions to settle at the 'low-quality' end of the market, all 6 owner/mangers remained actively involved in all aspects of running their businesses. In practice such a strategy restricted their options and curtailed, to some extent, any financial benefits that an accelerated recovery in the domestic market might have promised.

Of the 17 owner/managers operating in the commercial market of the construction sector a similar proportion (4) managed to implement 'proactive' training policies. Just like the firms in the domestic market of the sector these were the largest firms and were similarly motivated to take advantage of economic recovery at the 'quality' end of commercial market. In 13 organisations, owner/managers restricted their operations to a level where existing resources could suffice. Their full involvement and commitment was necessary for the smooth running of their businesses. Invariably this meant contract work at the 'low-end' of the commercial market, and in the case of micro-firms, a succession of sub-contract jobs for their owner/managers and 'job-lot' teams of casual or temporary labourers.

Market Positioning in the Agriculture Sector

Although 10 of the 12 owner/managers of establishments in the agriculture sector nominated market positioning as of prime importance to their training and human resource strategies their position was not as clearly linked to quality issues as was the case in the precious three sectors. Probably the main factor responsible for this departure from the reported position of owner/managers in other sectors was the obvious lack of a recovery in the agricultural sector of the British economy. According to all the respondents interviewed in 1994, the sector as a whole had been declining for as long as they could remember. Quality aspects and the related recruitment and training strategies of these owner/managers appeared to be indirectly linked to the perceived market positioning of their respective firms. During these interviews it became obvious that market positioning of agricultural owner/managers was more a matter of survival than a quality-induced, competitive edge strategy. Surprisingly, very few of the agricultural products sold by these farms were offered on the free market: most of the goods produced were purchased by local wholesalers or processing plants on behalf of large outlets such as supermarkets and export organisations. The competitive edge of the farms included in the 1994 sample appeared to rely on, or be expressed in terms of, the acquisition of new technology. As will be seen later in this chapter, the economic justification for 'continuous technological improvement' was also much weaker in these farms than was the case in other sectors of economic activity.

The lack of economic growth which appeared to characterise this sector provided owner/managers with some justification for the relative lack of training provision in their farms. According to these owner/managers, labour turnover was almost non-existent in their establishments and this, coupled with the lack of future prospects for growth, meant that where they did exist, training and human resource strategies were mainly new technology-oriented. It appears that the imminent purchase of new technology gadgets and/or equipment triggered a need for training strategies, narrowly linked to the utilisation of the newly acquired items of capital expenditure. Most of the training strategies identified in these farms involved simple, new equipment-related learning objectives. Invariably, these only affected the owner/manager or, on very rare occasions, a close member of their family (usually the spouse). Interestingly, these owner/managers preferred to purchase a 'new technology bundle' from a well known and trusted supplier of capital items, which incorporated a training package - usually discounted - already included in the price. Actual training would take place either at the premises of the supplier - during extended 'trials' or on the farm, after delivery. Once 'fully trained' the farmer could train others on an 'as and when needed' basis. Other types of training involved the owner/manager travelling to shows, conferences and conventions across Britain and even abroad, in a concerted effort to keep informed about the latest developments 'at the cutting edge' of new technology. The belief that prospective buyers would be impressed by an array of 'new technology gadgets' was very strong amongst the owner/managers in the sample. All the respondents interviewed produced a variety of different agricultural products yet none claimed to have focused on a particular range of quality goods aimed at a specific market niche.

Market Positioning of Owner/Managers in the Forestry & Fisheries Sector

All 9 owner/managers of forestry and fisheries establishments claimed that the market positioning of their businesses directly affected their training and human resource development strategies. As the forestry and fisheries establishments in this economic sector offered leisure and recreation facilities it was relatively easy for these owner/managers to explain how market positioning affected their quality-related training strategies. Of the six fisheries in the sample, two offered coarse fishing only while the other four were mixed coarse and game fisheries. The remaining three businesses offered golf, picnic and camping as well as a range of family-oriented recreational facilities. The self-imposed, quality-related demarcation amongst these establishments was very marked and therefore relatively easy to distinguish.

Both coarse fisheries offered 'day tickets' only fishing facilities and were left unattended throughout the day. In one of them, the owner\manager or a member of his family collected the proceeds from half- or full-day tickets. The other coarse fishery establishment operated ticket dispensers located in the car parks that serviced each of the two main coarse fishing lakes. Twice a month, on average, this owner/manager visited the venue to empty the machines and inspect the grounds. The market positioning of these two 'minimum contact' coarse fisheries allowed their owner/managers to operate their establishments almost single handedly (with occasional help from casual 'bailiffs/caretakers') and such human resource development strategies as existed mainly reflected their own limited training needs. These establishments were oriented towards the 'bottom end of the fishing fraternity' and represented hobby- and/or investment-based, part-time 'occupations' for two farmers whose main income was derived from another business. In contrast, the other four fisheries were professionally run establishments aimed at 'the top end of the market' and all their owner/managers were fully involved in them and derived their income from these businesses. Even the smallest establishment numbered six lakes, spread over 11 acres and employed six full time or equivalent staff. The largest of the four was a complex of 11 lakes spread over 28 acres and employed a total of 27 individuals. Some of the coarse and game lakes were syndicated while others offered 'top quality specimen fishing - at top whack prices'. Without exception all the lakes in these fisheries were designed as 'top quality fishing facilities' aimed at both regulars and occasional visitors. The human resource strategies in these four fisheries were customer oriented and comprised different types of training scheme, both formal and informal, tailored to specific recruitment and employee development needs. As almost all personnel employed by these fisheries had contact with paying customers, quality-oriented training was high on the agendas of the respective owner/managers. The training strategies of the other two fisheries' owner/managers were less obviously quality-focused and represented mainly requirements of a personal nature rather than customer-oriented needs.

The human resource development strategies in the three businesses which offered golf, picnic, camping and a range of family-oriented recreational facilities varied according to the quality requirements of their employees, which in turn were determined by the owner/manager market positioning of each establishment. Generally, the owner/manager positioning of all three firms was directed towards the high quality end of the market. Staff shortages, however, affected the market positioning of two of these firms and both owner/managers admitted that standards of service had declined somewhat in the last two years. This had had an impact not only on the quantity of training provided but also on the quality and duration of delivery. All three owner/managers were aware of the impact that quality issues had on training and human resource development needs but were restricted in their choice of strategies by financial considerations. All owner/managers appeared to be in agreement in their assessment of their sector: like agriculture, the forestry and fisheries sector had been in decline for a number of years and the much talked about recovery was yet to materialise.

Prevailing Economic Conditions

The economic conditions prevailing at the time that decisions were made with regard to human resource strategies had been nominated by the majority of owner/managers as the second most important factor to directly affect provision of training in their firms. In the manufacturing sector 91 of the 100 owner/managers interviewed indicated that economic conditions directly affected training provision rates in their firms; similar claims were made by 89 of the 100 service sector owner/managers in the sample (Table 11.1). In the construction sector, these views were shared by 20 of the 25 owner/managers interviewed. In the agriculture and forestry & fisheries sectors, respectively, 8 of the 12 and 8 out of 9 owner/managers shared the same views (Table 11.2). A detailed analysis of these claims over a period of three years had confirmed the strength of their convictions. Furthermore, the cumulative results of this longitudinal research had reinforced both the importance of economic conditions and their influence upon the training and human resource development strategies of owner/managers in the small business sector.

Economic recovery appeared to affect training strategies in two important ways: first, the relative growth in the general demand for goods and services usually heralded an increase in recruitment and related skill needs; secondly, the specific growth in the demand for quality goods and services invariably resulted in skill shortages and hard-to-fill vacancies which had an increasingly detrimental effect upon the economic activity of these firms. In general, firms that subscribed to 'proactive' training and human resource development strategies appeared to have been better prepared for the pressures of economic recovery and growth than their 'reactive' counterparts.

Prevailing Economic Conditions in the Manufacturing Sector

All firms in the manufacturing sector appear to have been negatively affected by the 1990-3 recession. For the surviving manufacturing firms in the West Midland region, the end of the recession heralded a period of increased demand for their products and a renewed optimism about economic recovery and growth. Interestingly, although it appears that demand for manufactured products grew rapidly during 1994, the specific market positioning of firms in the sample meant that the uptake of new orders was unevenly distributed. Initially, at least, relative economic growth in this sector appeared to have benefited firms at the 'low-quality end' of the market. This could be partly explained in terms of the financial resources needed and made available by owner/managers at the beginning of the recovery period. For example, most of the 'random manufacturers' in the sample had initially increased their firms' output by extending the working hours of their existing workforce. Overtime payments, although taxing on cash-starved, post-recessionary firms, represented a considerably lesser financial burden than the proactive training strategies imposed upon the quality-oriented, 'contractual manufacturers' in the sample. The latter incurred substantial recruitment and, in particular, training and retraining costs, which slowed to some extent their speed of recovery. Furthermore, in most of these firms, profit margins were substantially curtailed by quality-related costs. Significantly, in the case of 'opportunistic manufacturers' it was the production of low-quality goods that initially sustained them during the beginning of economic recovery. However, in the second half of 1994 and during most of the following two years, it was the relatively high-quality, contractual orders that provided firms with a human resource based competitive edge and related financial rewards.

Not surprisingly, the majority of the owner/managers in the (1994) qualitative sample held strong views on this aspect of their management strategies. Accordingly, the random manufacturers' strategy was based on the belief that even during the strongest recovery and growth periods there will always be a demand for 'low-quality ranges' of manufactured goods. Such training strategies as existed were primarily aimed at the newly employed personnel which eventually had to be recruited in order to keep up with the increased demand for this type of product. Contractual manufacturers, however, believed that in order to be able to take advantage of the increased demand for high quality products they had to respond with training and retraining strategies aimed at both the existing workforce and new recruits. To a lesser degree and in accordance with their various quality-oriented strategies, opportunistic manufacturers were faced with similar human resource development choices. During interviews, they consistently claimed that human resource development strategies had helped them expand and grow in line with the market-led increase in the demand for quality products.

Prevailing Economic Conditions in the Service Sector

The experiences of manufacturing firms were closely reflected by small businesses in the service sector. Economic recovery was equally sudden and positive for most of the service firms in the West Midland region. Following similar patterns, the market positioning of these firms appeared to have significantly affected the speed of economic recovery of small businesses in this sector. Small firms that focused on the 'low-quality end' of the market initially experienced considerable growth while firms that primarily concentrated upon the provision of better quality services gained a competitive advantage in the long-term. The quality-oriented differentiation in the speed of recovery of service firms can be explained mostly in terms of financial constraints. Furthermore, financial considerations appeared to have significantly influenced the quality-related training and human resource strategies of small firms in this sector.

As expected, from the end of the 1990-3 recession, the intensity of competition in this sector increased considerably, in line with the actual growth in demand for a wide range of services. Following a similar pattern to that noticed in the manufacturing sector, initially the demand for lower quality services grew faster. Most owner/managers agreed that this was influenced by the 'actual spending power of customers', as affected by their confidence in the underlying economic recovery. Apparently, the 'average punter' in the street took more than one year of 'cautious shopping' to regain some of his/her confidence and begin to target quality goods and services. In the retail sector, in particular, the 'real recovery' had only materialised around Christmas 1994, when turnover in the 'high street shop' significantly increased (but still averaged about 20 percent lower than in the 'good old times' of the late 1980s). During 1995 the confidence of shopkeepers across the whole range of the quality spectrum grew in line with that of their customers. Furthermore, recruitment increased in proportion with the growing demand for retail goods and services. Those owner/managers who had targeted the quality end of the market faced not only increased recruitment costs but also training and retraining difficulties. Unlike contractual manufacturers, however, most of these owner/managers were sheltered from cash flow restrictions by better profit margins and significantly shorter credit or 'cash only' terms.

The experiences of retail owner/managers were shared by others in the service sector. Both domestic and industrial cleaners took advantage of increased demand for their services to retrench and recruit more cleaners. The 'half price cleaning' gimmick had been dropped in favour of 'better and more honest' market strategies. Similarly, financial and accountancy firms once again began to charge 'economic fees' and recruited additional employees so that they could operate with 'adequate levels of personnel'. Financial restrictions, however, appeared to have significantly curtailed these owner/managers' training and human resource development strategies. Unfortunately, the position of owner/managers in the estate agency business had only showed a slight improvement during the 1994-6 period and most of them were forced to operate within very strict financial resources (which continued to negatively affect staffing levels). Changes in their training strategies had been predictably low and were envisaged to remain at similar levels until the housing market improved significantly. All the hotel and catering establishments in the sample had experienced rapid growth in the demand for their services. Accordingly, demand-related recruitment and staff training difficulties had also increased in these firms. To some extent, the 'prompt settlement' nature of this sector had cushioned these owner/managers from the worst financial restrictions. However, it soon became obvious that 'proactive' firms were better positioned than their 'reactive' counterparts to incrementally improve their human resources and respond to the recovery-generated increase in demand for their services.

Prevailing Economic Conditions in the Construction Sector

Most of the 25 construction owner/managers described the beginnings of economic recovery in their sector either as 'hardly moving' or 'too slow to make much of a difference'. In contrast to the experience of manufacturing and service owner/managers, in the construction sector much of the existing demand was initially concentrated on 'better quality' building projects. This held true for 'quality market niches' both in the domestic and commercial segments of the construction industry. Beginning with 1995, however, signs of a stronger recovery were evident in the commercial segment and the larger construction firms moved in to 'mop up' both the construction demand and the surplus of qualified and experienced staff from the market. Further signs of economic recovery became evident in the domestic segment of the sector and by Autumn 1995 smaller construction firms began to experience shortages of trained personnel. The financial constraints originating from a prolonged recession and an uneven recovery forced most of the owner/managers in the sample to borrow heavily in order to become competitive. Although the market positioning of the majority of these businesses called upon quality-related, proactive training strategies, only 6 of the largest of these construction firms diverted some of the borrowed funds into human resource development activities.

The lack of adequate financial provisions practically restricted the other 19 construction firms to operating at the 'low-quality end' of the commercial and/or domestic market, where building projects were smaller and profit margins were lower than in the more prestigious niches of the wider market. The 'knock-on' effect was dramatic: at the end of the 1996 interviews, as a result of the increased pace of growth in this sector, the contrast between the 6 'high quality' and 19 'low quality' construction firms had deepened considerably. More than half (11) of the 19 'low-quality' owner/managers were aware both of the need for more 'proactive' training strategies and the 'opportunity costs' of not having one. Interestingly, these owner/managers intended to 'correct' their strategies as soon as their firms' 'financial situation would improve'. The other 8 owner/managers appeared to be content with the way their firms had coped with the increased demand in their segment of the market. They continued to operate with similar levels and standards of labour as before the advent of economic recovery. Furthermore, they showed no intention of improving upon their training strategies and were likely to remain content with existing turnover and profit levels.

Prevailing Economic Conditions in the Agriculture Sector

There were no obvious signs of economic recovery in the agriculture sector of the West Midlands region. According to the owner/managers in the interview sample, there had been a steady and continuous decline in this sector and generally, economic cycles did not appear to significantly influence outcomes in agriculture. The introduction of new technology was perceived by most farmers as a 'matter of survival' and many of their training strategies were oriented at this strategic aspect rather than at quality-related, strategic positioning. All the farmers in the sample claimed that they could have increased the production of agricultural goods if a market could have been found for the surplus. It is not clear to what extent such claims could be substantiated, but it was obvious that these farmers preferred to compete on price rather than quality-related strategies. The economic justifications for their training and human resource strategies appeared to be weaker than those encountered in other sectors of economic activity.

The financial resources needed to regularly update items of capital expenditure do not appear to originate in the declared business activities of these farmers. The availability of capital appears to depend upon the personal wealth of the farmer (or his/her family). From the detailed case studies that I had carried out into the activities of two of these farms, it would not appear that these establishments could financially justify or support the capital investments that they had made over the three year period of the longitudinal research. As most of their capital investments involved a training package as well as the main capital item, it would be difficult to fully justify these farmers' claims that prevailing economic circumstances affected their provision of training. Thus, on the basis of the data that I had collected during these interviews I reached the conclusion that the economic justification for 'continuing technological improvement' was very weak. Conversely, the influence of prevailing economic circumstances on these owner/managers' training and human resource development strategies were weaker than was the case in other sectors of economic activity.

Prevailing Economic Conditions in the Forestry & Fisheries Sector

Owner/managers of forestry and fisheries establishments claimed that recessionary conditions had affected their businesses particularly badly. In their view, when 'money is in short supply' leisure and hobby activities 'are the first to go'. Conversely, economic recovery did not necessarily bring 'an immediate and wide-spread reaction from the paying public'. During the 1990-3 recession all leisure and fishing establishments in the sample had had to shed personnel. Even the 'day ticket' facilities employed bailiffs/caretakers before the recession began in 1990. The other 4 mixed coarse and game fisheries and the 3 leisure businesses in this sector had been adequately staffed and their grounds were well maintained before demand for their facilities dropped dramatically during the recession. Interestingly, however, although economic recovery and demand for the services that these firms offered was equally dramatic for the establishments in the sample, not all the owner/managers reacted in similarly positive ways. Even though the demand for 'lower quality coarse fishing' grew steadily from the beginning of 1994, their owner/managers chose not to employ additional staff. In fact the two farmers that owned these two 'day ticket' fisheries admitted that 'basically, nothing has changed since 1990'. Furthermore, there were no indications that anything would improve in these fisheries. In contrast, however, the owner/managers of 'high quality' fisheries were eager to upgrade their facilities at least to 'pre-recessionary standards'. In practice, as soon as returns were above 'subsistence levels' these owner/managers began to reinvest a vast proportion of their takings. They employed new staff and began to reconsider their human resource development strategies. Similarly, rapid economic recovery brought new investment and related recruitment strategies for the three businesses that specialised in golf and family-oriented recreational facilities. These owner/managers claimed that the lessons learnt from recession were valuable and would significantly affect their future training strategies.

It was obvious that increased turnover and improved cash-flows offered these owner/managers an opportunity to invest in human development strategies that would compare favourably with pre-recessionary levels. The two farmers that owned the 'day ticket' coarse fisheries declined to do so: apparently they felt that their main businesses had subsidised these 'loss making venues' throughout the recession and that these 'loans had to be repaid'. However, the owner/managers whose 'living' depended on the income generated by their 'top quality' fisheries wanted a speedy return to the 'good old times, before the recession.' Similarly, for the other three owner/managers of leisure facilities, renewed financial success had also translated into growth strategies. Training and human resource development strategies became part of the post-recessionary 'renewal process' and appear to have depended heavily upon continued financial success and the increased spending power of their 'valued paying customers'.

Availability of Relevant Training

The majority of owner/managers interviewed during the 1994-6 period had nominated the 'availability of relevant training' as a directly relevant factor that affected human resource development strategies in their firms. In the manufacturing and service sectors, 87 and 81 out of 100 owner/managers interviewed had nominated the availability of training as a directly relevant factor to affect the provision of training in their firms (Table 11.1). Similarly, 14 of the 25 respondents in construction, 4 of the 12 farmers and 6 of the 9 owner/managers in the forestry & fisheries sector shared their views (Table 11.2). The detailed analysis of these in-depth interviews provided a great deal of evidence to substantiate the importance of this factor to the owner/managers' training strategies. A summary of these findings is presented below.

As I have outlined earlier in this chapter, at least in principle, quality-oriented training had emerged as a crucial element in the successful market positioning of a number of small firms in all the five economic sectors of the research sample. In the majority of cases, the decision to train and retrain the workforce was included, implicitly or explicitly, in their individual market positioning strategies. Thus, to most of the owner/managers - whether 'contractual' or 'opportunistic' - who had targeted better quality market niches, the choice and availability of relevant training became crucial to their human development strategies. As will be shown later in this chapter, the cost of such strategies proved to be of secondary importance to considerations of choice and availability of firm-specific, quality-oriented training. In practice, however, there were delays in raising the necessary resources to finance individual training and human resource development strategies. Once the financial hurdles were largely overcome, most owner/managers set out to identify sources of relevant training. Unfortunately, this proved to be more difficult than they had initially envisaged.

In the manufacturing sector, owner/managers searched for relevant, quality-related training schemes across a wide range of obvious providers, including private and publicly funded organisations. Similar searches were carried out by owner/managers in the service, construction and forestry & fisheries sectors. Most of the privately-owned training providers that survived the 1990-3 recession appeared to have narrowly specialised in total quality training or quality assurance accreditation issues. Overall, these training schemes were designed as solutions to quality-related training needs in medium-sized or large firms. They were deemed to be unsuitable for their needs by most of the owner/managers in the sample. Similarly, the vocational training courses offered by institutes of further and higher education in the region were found to be of a general nature and not really suitable for their specific purposes. Local Chambers of Commerce advertised a number of vocational courses which focused on sales techniques, credit control, word-processing or software-specific training. One of the larger of these Chambers of Commerce offered a well subscribed (by larger firms) 'step-by-step' guide to quality assurance accreditation courses. None of these, however, offered the type of training sought by these owner/managers. In general, local TECs appeared to have failed to provide quality-related training, guidance or counselling in this area. Most of the consultants registered with the 10 local TECs in the region offered training which was specifically oriented towards the needs of larger organisations and showed little interest in the skills requirements of small firms. Similarly, trade organisations blatantly failed to provide any guidance to these firms and generally appeared to be more preoccupied with declining membership numbers than with helping individual firms to survive or expand.

The general feeling amongst the owner/managers interviewed was that 'small firms were marginalised' and that their needs continued to be 'ignored by the training profession'. These views appeared to be shared by the majority of owner/managers across all five sectors of economic activity in the sample. Interestingly, in the case of owner/managers who contemplated investing in capital items (including farmers) training strategies had become an important component of their final choice of suppliers. The addition of a discounted training package appeared to be strongly differentiated amongst competing suppliers, and on occasions had positively influenced a purchaser's choice, over and above offers of price or maintenance advantages.

There were some manufacturing and service sector owner/managers who were compelled by major customers to opt for quality-related training schemes that were designed for large firm solutions. In the manufacturing sector, 4 firms chose to employ training consultants to help them achieve BS5750/IS9000 accreditation status. Three firms in the service sector had opted for similar strategies. Although much more expensive than other mainstream schemes, quality assurance training appears to have delivered a comprehensive range of interrelated training modules that had largely satisfied these owner/managers' requirements. However, by June 1996, only two of the manufacturing firms and one of the service organisations had been accredited. The other 4 firms were at various (advanced) stages of accreditation. A further 9 manufacturing and 5 service firms chose different strategies in their quest for quality assurance accreditation. By the end of the 1996 interviews, none of these businesses had been accredited. Although the owner/managers of these firms had employed a variety of strategies (including attendance at Chamber of Commerce accreditation courses, purchase of distance learning packages and recruitment of specialised personnel) by mid-1996, none of them had succeeded in achieving full accreditation. Nevertheless, all these strategies were successful, to some extent, in providing elements of quality-related training, such that these owner/managers needed to reinforce their chosen market positioning strategies.

In view of the endemic lack of externally-provided, quality-related training, most of the owner/managers in the sample were forced to improvise or find internal sources that they could tap into. Some of the manufacturing and service firms were able to draw upon assistance offered by management teams of larger firms (within formal or informal networks to which they had belonged). Although, occasionally, financial costs were involved, such assistance proved most useful for owner/managers who otherwise would not have found relevant training to satisfy their needs. Informal help was sometimes available from other owner/managers within a cluster or network, who would provide informed advice regarding less well known sources of specific training. Some of the local Chambers of Commerce had been operating informal 'business breakfasts/lunches' where participants would stand up and talk about their firms' needs or successful practices. On some of these occasions, formal and informal advice, as well as practical help had been offered and gratefully accepted by owner/managers in the sample. Furthermore, useful contacts and long-lasting alliances had been cemented at these semi-formal functions.

Interestingly, the lack of outside sources of relevant training had forced some owner/managers to look within their own firms for means of furthering their chosen strategies. The hitherto untapped knowledge and experience of actual or 'shadow' managers proved to be a rich source of internal knowledge. Some owner/managers claimed that they had 'learnt to read again' as well as 'find relevant information' once they had 'rediscovered the library'. Specifically targeted new recruits proved to offer another important source of quality training. Instead of paying 'inflated fees' to consultants 'who come and go as they please' some of these owner/managers had decided to invest in a person who was already qualified and was willing to take responsibility for the quality aspect (including training) of a firm. Reportedly, the experience of owner/managers who subscribed to this strategy was largely positive, although some 'unethical poaching' of 'quality personnel' had apparently taken place. In conclusion, most of the small business owner/managers who sought quality-related training had encountered serious difficulties in finding providers to supply it. Such problems in identifying sources of relevant training had forced most of these owner/managers to employ a variety of strategies, some more successful than others, in order to satisfy their quality-related human resource development needs.

'INDIRECTLY RELEVANT' FACTORS TO AFFECT TRAINING PROVISION

The 'indirectly relevant' category incorporates the six inter-related factors that 264 owner/managers in the 1994 qualitative sample claimed to have had an indirect effect upon the provision of training in their small firms. These are briefly analysed below, in the order of the importance allocated to them by these respondents.

Cost of Training

Just under half of the respondents in the manufacturing and service sectors (respectively, 48 and 46 out of 100 owner/managers) claimed that the cost of training was an indirectly relevant factor that affected the provision of training in their firms (Table 11.1). Similar claims were made by 11 of the 25 construction owner/managers, 3 of the 12 farmers and 4 of the 9 respondents in the forestry & fisheries establishments (Table 11.2). The secondary importance of the cost of training to these owner/managers reflects mainly the difficulties that most of the respondents encountered in identifying and costing relevant training schemes. Even when such schemes were found to be externally available - at a 'fixed cost' - most of the respondents apparently failed to take into consideration additional (marginal and/or opportunity) costs associated with this type of training. Furthermore, there was an obvious reluctance, on their behalf, to identify and analyse expenditure that was considered 'water under the bridge' and no longer relevant to the 'current state of affairs' within a given business. The majority of respondents kept referring to the cost of training as 'historical data' which was deemed to have been 'of little practical use' once the market positioning decisions had been taken. Although they would have been happy to make cost savings, in practice, economic constraints and an inherent lack of choice of relevant training schemes forced these owner/managers to 'pay the going rate'.

Considerable difficulties were encountered by respondents in their efforts to identify and cost other types of training, notably those that were network-related or internally sourced. The seemingly 'cavalier' attitude towards the 'real cost of training' exhibited by most of these owner/managers reflected their informal managerial styles, which often stressed the practical as well as the pragmatic means of 'carrying out the job at hand'. For example, most of the manufacturing and service respondents who were assisted in their quality-related training efforts by 'network-based contacts' had offset actual or perceived costs against 'similar favours' exchanged between these parties 'sometime in the past'. In the case of such 'barter exchanges' costs had apparently become superfluous to most of 'the participants in the bargain'. Such difficult-to-quantify concepts as business 'honour', 'ethics' and 'community' were more important and binding than the 'mere financial considerations' that were usually involved in more conventional training contracts. The costs of internally-sourced training were mostly 'lost in the payroll' or accounted for on an 'all in a day's work' basis. During these interviews it became obvious that in the small business sector, detailed calculations of actual or conceptual costs of training were not really considered 'worthy of the effort'. Only 2 owner/managers (both in the retail sector) attempted to compute the whole extent of their training costs but abandoned their efforts after about 18 months mainly due to 'lack of time'. Such efforts were mostly considered 'thankless tasks' with little, if any, 'practical relevance to the running of a business'.

Time Constraints

In the manufacturing and service sectors 41 and 39 of the 100 respondents interviewed indicated that lack of time acted as an indirect constraint upon the provision of training in their firms. Similar claims were made by 10 of the 25 construction owner/managers, one farmer and 4 of the 9 respondents in the forestry & fisheries sector. During the 1990-3 recession most of the firms in the sample had 'streamlined', by disposing of staff that they could not afford to keep. Employees in management and supervisory positions had been particularly hard hit by successive redundancy waves. Most of the respondents were forced, by prevailing economic circumstances, to 'cut back to the bone' and only retained a proportion of their 'productive workers'. As a result, during the 1994-6 period, most owner/managers found themselves increasingly forced to take upon themselves a wide variety of management roles that previously had been delegated to other employees. Consequently, time constraints appeared to have negatively affected the provision of training in these firms.

The lack of time experienced by most of these owner/managers had negatively influenced the provision of training at various stages in the process: they had less opportunity to plan, assess, compare, cost or reassess human resource development possibilities and choices. Owner/managers of micro-firms and very small businesses, in particular, appeared to complain most about the fact that it fell upon them to do all 'managerial and administrative tasks'. Few of them bothered with training and human resource development evaluation, planning, budgets or feedback (see, for example, Tables 5.4, 5.5 and 5.6). As a direct result, the training function in these firms fell further behind other 'more acute needs' such as marketing, production and distribution. Typically, some of these owner/managers had to rely on members of their families (usually the spouse) to help out with some of their administrative tasks. Interestingly, however, not many of these 'helpers' proved to be willing or able to take on the training function. In small firms where, during the recession, previous 'shadow managers' had been demoted to 'productive duties' their assistance was enlisted once again by overburdened owner/managers.

Typically, time constraints were recognised by some respondents (mainly owners of micro-firms and very small businesses) to have undermined their training and human resource strategies. Owner/managers of larger firms in the same sample appeared to have succeeded in spreading some of the burden across their 'management team' or amongst trusted members of their own families. Furthermore, it was not envisaged that such constraints would improve until owner/managers were fully confident that the economy was once again growing fast enough to justify the recruitment of 'middle managers' and/or other 'supervisory staff'. By the end of the 1996 interviews, only a minority of the owner/managers in the sample had 'enough confidence in the economy' to go ahead and employ enough staff to mitigate the recession-induced time constraints inherent in their firms. The majority of the respondents claimed to be 'sitting on the fence' and waiting for 'better economic conditions' before embarking on 'expensive recruitment strategies'.

Lack of Trainee Cover

Some of the respondents in the sample had indicated that the lack of trainee cover was another obstacle in the way of training provision in their firms. In the manufacturing and service sectors 37 and 38 of the 100 owner/managers interviewed claimed that they were unable to release individuals for training due to an acute shortage of cover for them. Similar difficulties were indicated by 7 of the 25 construction owner/managers and 3 of the 9 respondents in the forestry and fisheries sector. None of the farmers interviewed had pointed to similar difficulties in obtaining cover for their trainees. The main issue relating to the release of individuals for training purposes was the threat of loss of 'productive time'. According to these owner/managers the loss of productive time carried very high opportunity costs which proved very difficult to recover with an 'already over-stretched workforce'. Overtime rates were particularly high for weekend work and the low profit margins that 'quality work' attracted would not always cover actual opportunity costs.

Training cover difficulties appeared to have been particularly acute in micro-enterprises and very small manufacturing firms where 'short runs of quality production' were the norm rather than the exception. A small number of owner/managers tried to use temporary or casual workers as cover for individuals released for training purposes but without much success: apparently the lack of interest and motivation rendered most of these 'short-term staff' both unreliable and expensive. In the service sector the use of individuals on 'short-term, temporary contracts' proved more useful not only as trainee cover but also as a recruitment method that gave owner/managers the opportunity to 'test prospective applicants' before offering them a job. Interestingly, in the construction sector, the shortage of temporary and casual workers proved to be very persistent, in particular when compared to past periods of recovery and growth. On balance, most of the owner/managers affected by lack of trainee cover tended to seek 'on-the-job training' (where available) in order to mitigate the extent of opportunity losses in their firms.

Lack of In-House Trainers

A number of respondents had indicated that the lack of an in-house trainer had a negative effect upon the provision of training in their firms. In the manufacturing and service sector 29 and 31 respondents out of 100 claimed this to have been the case. Similarly, in the construction sector a further 3 out of 25 owner/managers claimed that in-house trainers would have contributed positively to the quantity and quality of training provided in their firms. There were no comments made on in-house trainers by farmers or respondents in the forestry and fisheries sector. The lack of in-house trainers reported by these respondents should be viewed in conjunction with their stated preference for on-the-job training. In the case of quality-related training such preferences clearly reflected these owner/managers' needs for overall control upon this aspect of their market positioning strategies.

It should be noted, however, that over the duration of the 1994-6 longitudinal interviews, the need for in-house trainers in these firms had remained largely owner/managers the opportunity to 'test prospective applicants' before offering them a job. Interestingly, in the construction sector, the shortage of temporary and casual workers proved to be very persistent, in particular when compared to past periods of recovery and growth. On balance, most of the owner/managers affected by lack of trainee cover tended to seek 'on-the-job training' (where available) in order to mitigate the extent of opportunity losses in their firms.

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It should be noted, however, that over the duration of the 1994-6 longitudinal interviews, the need for in-house trainers in these firms had remained largely unfulfilled. This was mainly caused by the unrealistic expectations that most of these owner/managers had from the few applicants who had responded to the ambitious recruitment strategies initiated by some of these respondents. With one exception, 6 of the 7 applicants that succeeded in securing a job as in-house trainers in the manufacturing sector, had left their employment by the beginning of the 1996 interviews. According to the owner/managers of these firms, their in-house trainers 'couldn't hack it' and were unable or unwilling to 'lend a hand, as and when needed' to help out the owner or other managers in times of crisis. In the one manufacturing firm in which the in-house trainer was still in position at the end of the 1996 interviews, family ties appeared to have accounted for 'his flexibility and realism' and otherwise accommodating behaviour. However, apart from his training duties he was also responsible for the buying, quality control and customer services functions. The owner/manager of this firm (the in-house trainer's uncle) claimed that it made more sense to 'work him hard' than to 'forget him on the sidelines'. In the service sector none of the 11 in-house trainers stayed very long in their positions: according to the respective owner/managers this was mainly due to the 'unreasonable expectations' and 'negative attitudes towards small firms' allegedly exhibited by most of these individuals.

Lack of Trainee Motivation

Interestingly, 28 and 23 of the 100 respondents in the manufacturing and service sectors claimed that the lack of trainee motivation had acted as a deterrent in the provision of training in their firms. Only 2 of the 25 construction owner/managers interviewed made similar allegations. None of the farmers or the respondents in the forestry and fisheries sector mentioned the lack of trainee motivation as an indirectly relevant factor affecting the provision of training in their firms. Apparently, in all these cases, employees undertaking training felt that they were 'qualified enough' to do their job. Furthermore, they claimed that experience was more important than qualifications and that they had been doing their job for 'long and well enough' without any obvious need for training. There were obvious signs of tension between owner/managers and their employees in these firms with regard to training. In most cases, the owner/managers' decisions regarding the training function had prevailed. However, according to these respondents, the lack of trainee motivation and their apparent resistance to training had undermined their efforts to raise the quality of their workforce.

Lack of Trainee Interest

A small number of respondents (respectively, 19 and 14 of the 100 owner/managers interviewed in the manufacturing and service sectors and 2 of the 25 construction respondents) indicated that trainees' lack of interest had indirectly affected the provision of training in their firms. These respondents appeared to single out employees with long service records who had apparently failed to share the owner/manager's 'corporate vision and enthusiasm for training'. According to these owner/managers, long-serving employees made their lack of interest in training so the provision of training in their firms. Only 2 of the 25 construction owner/managers interviewed made similar allegations. None of the farmers or the respondents in the forestry and fisheries sector mentioned the lack of trainee motivation as an indirectly relevant factor affecting the provision of training in their firms. Apparently, in all these cases, employees undertaking training felt that they were 'qualified enough' to do their job. Furthermore, they claimed that experience was more important than qualifications and that they had been doing their job for 'long and well enough' without any obvious need for training. There were obvious signs of tension between owner/managers and their employees in these firms with regard to training. In most cases, the owner/managers' decisions regarding the training function had prevailed. However, according to these respondents, the lack of trainee motivation and their apparent resistance to training had undermined their efforts to raise the quality of their workforce.

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Concluding Remarks

It became obvious, from the 1994-6 longitudinal interviews, that there were two main types of factor that influenced these small business owner/managers' provision of training in their firms. 'Directly relevant' factors, such as the market positioning of a firm, prevailing economic conditions and the availability of relevant training, were of primary importance to the training-related, decision-making process of the owner/managers in the sample. 'Indirectly relevant' factors were of secondary importance to the human resource development strategies of these owner/managers, but exerted a considerable influence upon the quantity and quality of the training provision in their firms. The indirectly relevant category included the cost of training, time constraints, lack of in-house trainers and factors relating to trainee cover, motivation and interest. Cumulatively, the effect of these factors upon the human resource development strategies of these respondents appeared to explain, to a great extent, the magnitude of the paradox that existed between their attitudes to, and actual provision of, training in their small firms.

The market positioning of a small firm had emerged as the most directly relevant issue affecting the training and human resource development strategies of the majority of owner/managers in the sample. Market positioning strategies were used by owner/managers of firms in all sectors of economic activity to promote and differentiate their own products and services from those of their actual or perceived competitors. Thus, product- or service-related quality issues (apparently the main discriminant factor available to an owner/manager) emerged as the most important determinant of training and human resource strategies in the small business sector. The economic conditions prevailing at the time that training-related decisions were made was nominated as the second most important factor to directly affect the provision of training in these firms. Firstly, the relative growth in the general demand for goods and services, which characterised most of the 1994-6 period, had a positive effect on the respondent firms' levels of recruitment and incrementally increased their quality-related skill needs. Secondly, a specific increase in the demand for quality goods and services invariably resulted in skill shortages and hard-to-fill vacancies which negatively affected the economic activity of these firms. The availability of relevant training was the third of the directly relevant factors that owner/managers claimed to have affected the provision of training in their firms. In the majority of cases the decision to train or retrain the workforce was implicitly or explicitly included in these respondents' individual market positioning strategies. With their inherent financial difficulties largely overcome, these owner/managers set out to scan the market in an attempt to identify various sources of training. The unexpected lack of relevant, firm-specific training appeared to have significantly handicapped some of these owner/managers' human resource development strategies.

The factors that some of the respondent owner/managers included in the 'indirectly relevant' category involved six inter-related constraints that, in their experience, had a negative effect upon the actual provision of training in their firms. Due to the inherent lack of relevant training and the speed of recovery experienced by most of the respondents, the majority of owner/managers claimed to have been forced to pay the (apparently inflated) 'going market rate' for training their workforce. Furthermore, almost all of them appeared to have encountered difficulties in identifying and costing relevant training schemes. In this sample, however, attempts to compute the full extent of actual, marginal or incidental costs relating to training were rarely encountered. As 'historical data', the cost of training appeared to have contributed very little to the strategic decision-making process of small business owner/managers. Time constraints which resulted from recession-induced loss of (mainly) managerial and supervisory staff appeared to have imposed considerable constraints upon some owner/managers. This affected the provision of training at various key stages in the process, including the assessment of training possibilities and choices as well as the cost effectiveness and feedback analysis of actual training schemes. In some cases, respondents were forced by time constraints to delegate the training function to other managers or members of their family who, arguably, did not fully realise its importance to the overall business strategy. As a further constraint, the lack of in-house trainers mainly reflected a respondent's preference for internal methods of training over which s/he would have had full control. Other trainee-related factors, such as lack of cover, motivation and interest appeared to have undermined some of these owner/managers' training efforts. Solutions varied widely across the firms in the sample, ranging from 'drastic measures' (including disciplinary action, redundancy or early retirement) to financial incentives for training-related increases in productivity. On balance, firms that adopted a 'proactive' training and human resource development strategy had been better prepared for the pressures of economic recovery and growth than their reactive counterparts.

CHAPTER SIX

CASE STUDIES:

Training in the Small Business Sector of the West Midland Region

Introduction

During the 1994-6 period I conducted a detailed analysis of a number of firms selected from the initial 1993 quantitative sample of 2000 small businesses. These 74 case studies were carried out in parallel to the in-depth, longitudinal interviews undertaken over the same period and benefited considerably from the knowledge that I had gained from them. Initially, I had planned to carry out a small number of illustrative case studies in order to compare and contrast the main strategies and approaches that small firm owner-managers had adopted in relation to their training needs. In practice, the 74 case studies achieved a great deal more: in addition to the initial aims, I managed to collect a variety of quantitative and qualitative data appertaining to the intended as well as the actual outcomes of these owner/managers' training and human resource development strategies.

The in-depth analysis of these 74 firms confirmed and complemented the results of both the 1993 telephone survey and the 1994-6 semi-structured interviews. As expected, the attitudes to training of these small business owner/managers remained remarkably stable throughout the length of the case studies. Similarly, the training and human resource development needs and strategies found to be relevant in these firms were identical to those observed during the face-to-face interviews of 246 owner/managers in the 1994-6 qualitative sample. However, the data that emerged from these case studies not only confirmed the results of the quantitative and qualitative surveys incorporated in this research programme but also enriched it considerably by the addition of new insights and dimensions. The main results of these case studies are summarised in this chapter.

Case Studies Research Sample

The case studies sample (Table 12.1) was meant to concentrate both upon 'outliers' - those firms which differed in some important respects from the majority of the respondents in the 1993 telephone survey - as well as 'matched firms' of similar size, location and economic activity. By comparing and contrasting the various factors and determinants that affected the output of these firms I hoped to achieve a better and broader understanding of the training paradox identified earlier in my research. Almost all the 'outliers' were manufacturing and service firms. This might have been significantly influenced by the numerically large samples of respondents who originated from these two sectors of economic activity. Furthermore, most of the respondents in the construction, agriculture and forestry & fisheries sectors who exhibited variations in their attitude to training have already been 'matched' and included in the 1994-6 qualitative interviews. The 74 case studies comprised 43 manufacturing and 31 service sector firms. All the 74 owner/managers of the firms included in this sample held strong views about the training function in their firms. In the manufacturing sector, 4 owner/managers held very negative, 3 negative and 3 groups of 12 respondents reported, respectively, indifferent, positive and very positive attitudes to training. Similarly, in the service sector, one owner/manager held very negative, 2 negative and 2 groups of 12 respondents reported indifferent and positive attitudes to training. In the same sector 4 respondents held very positive attitudes to training.

Table 12.1 - Case Studies Sample - Owner/Managers' Attitudes to Training (N=74)

Economic Sectors	Very Negative (N=5)	Negative (N=5)	Indifferent (N=24)	Positive (N=24)	Very Positive (N=16)
Manufacturing	4	3	12	12	12
Services	1	2	12	12	4
Construction	0	0	0	0	0
Agriculture	0	0	0	0	0
Forestry & Fisheries	0	0	0	0	0

Is Training on the Owner/Manager's Agenda?

One of the most important issues that I set out to investigate in these case studies was the question of whether training was really present on these owner/managers' agendas. In the training-related literature it is usually assumed that if an owner/manager holds negative or very negative attitudes to training then s/he would not consider training as a feasible solution for the problems or challenges facing his/her firm. Conversely, individuals who claim to have positive or very positive attitudes to training could be reasonably expected to apply their beliefs to the strategies they employ in the workplace and make extensive use of this function to improve the economic output of their firms. However, as we have seen in the previous three chapters, in practice there appears to exist a wide gap between the small business owner/managers' attitudes to, and actual provision of training. Furthermore, little is known about the human resource strategies of owner/managers who profess to be indifferent to training. Most of the literature on training in the small business sector appears to be limited to sweeping (and largely unsubstantiated) generalisations such as: "...human resource development is not regarded as a central element of most businesses' planning procedures and training activity remains essentially ad hoc" (Marshall *et al.*, 1995:74). Yet, on the basis of the data collected during these case studies, it appears that there was not much '*ad hoc*' training activity taking place in the small firms that I investigated.

'Incubator' Experiences of Respondents With Very Negative Attitudes to Training

There were 5 firms in which the owner/managers professed to hold very negative attitudes to training. The 4 owner/managers of manufacturing firms and the one in the service sector remained, throughout the three year period of these case studies, strongly convinced that they were right to be negatively disposed towards this aspect of their overall business strategy. Importantly, these 5 respondents shared a number of common 'formative experiences' which were accumulated and 'repeatedly reinforced' during various lengths of incubator 'training practices'. Thus, it appeared that once these attitudes had 'crystallised', they formed the basis of most, if not all, of the training and human resource development decisions made by these respondents. Surprisingly, however, the outcomes of such decisions differed considerably not only amongst the businesses in the sample but, on occasions, even within the same firm. For example, two of the owner/managers in the manufacturing sample were found to 'train as much as needed' while the respondents in charge of the other two firms in the same sector claimed to 'avoid training at all costs'.

Extensive interviewing of these respondents resulted in a comprehensive data-set which helped me construct a reasonably accurate personal and professional 'profile' of each of these owner/managers. All four of the respondents had engineering backgrounds and had served their apprenticeships in small manufacturing firms. Interestingly, on completion, three of them received the 'apprentice of the year' award. Two of the respondents had continued their employment with their first firms for at least 10 years before setting up on their own. The other two changed jobs several times and experienced a variety of small, medium and large business environments before embarking upon entrepreneurship. The two respondents that stayed with their first firms had not received much training during the duration of their employment, even though both were eventually promoted to the position of foreman. In contrast, the other two respondents had received a variety of informal, on- and off-the-job training during their chequered employment history. There were, however, commonalties and differences in their training experiences.

All four owner/managers stated frequently that the training they had received as employees had been 'a waste of time and money'. Their training consisted mainly of 'learning by doing' sessions or off-the-job 'pep talks and chats' about quality or safety issues. All the respondents were very negative about these sessions. In particular, they were very critical of their apprenticeships, which one of the award winners had described as 'the greatest waste of time in my whole life'. None of them expressed any regrets at the collapse of the apprentice system in Britain, nor did they show any enthusiasm about the 'modern apprenticeships' scheme promoted by the government. The two respondents that had not received much training after the completion of their apprenticeships, claimed that they saw 'no need for training' in their own firms. In contrast, the other two respondents professed a deeper understanding of the 'training dilemma' faced by owner/managers, but maintained that the quality of external training available to employers in the West Midlands region was 'sub-standard' or 'largely irrelevant' to their needs. The internal training that they were able and willing to provide to their employees was, in their own words, 'imitative', 'primitive', and 'improvised'. Even though they lacked even basic trainers' skills, these respondents provided most of the training in their firms. According to these respondents, time and financial constraints, as well as their very negative attitudes, had ensured that training strategies had only been considered when all other tactics or possibilities had been exhausted. Furthermore, these owner/managers reluctantly admitted that, on occasions, outside training 'of the reactive type' had to be provided to their workforce in order to complement their 'passive management stance'.

The owner/manager in the service firm remained convinced in his belief that training represented a 'wasteful drain on a firm's resources'. This respondent left school without any qualifications and joined a large supermarket as a 'shelf-stacker'. He applied, with various degrees of success, for a range of internal training schemes. After two unsuccessful attempts to complete various management training schemes he left the large supermarket scene for similar jobs in medium-sized retail firms. Three years later he joined a smaller outlet where he spent eighteen months as a floor manager. Finally he opted for self employment and, over the last six years, built his own retail business on the outskirts of a large West Midlands city.

In common with the 4 manufacturing respondents, the very negative attitudes to training harboured by the service sector owner/manager could be traced back to his 'formative years' spent in various large and small retail outlets. The training he allegedly received during these years was described as 'appalling' and 'an awful waste of time and money'. The management training schemes, in particular, were heavily criticised for their apparently low levels of 'real training' which were replaced mainly by 'long hours of slave labour' spent on unloading ramps or 'shifting stuff' in store rooms. The small proportion of theoretical knowledge that he was expected to assimilate was described as 'managerial gibberish' with little, if any, practical relevance. Other types of training he received (such as health and safety or customer care instruction) were dismissed as 'up-market common sense, not worth the time and [financial] resources allocated to them'. In his own mini-market he 'lead from the front' and saw little need for 'training of any shape, size or colour'. Nevertheless, he admitted that on occasion, and in particular when he had introduced 'new technology'

- such as scan-tills or computerised stock control - he was forced to 'buy in some training' of the type he was unable to provide himself.

'Incubator' Experiences of Respondents With Negative Attitudes to Training

The 5 owner/managers who claimed to have negative attitudes to training had very similar backgrounds to the previous set of respondents. The 3 owner/managers operating in the manufacturing sector had served their apprenticeships in small firms. One of them stayed with the same firm for 18 years before starting up a similar business (gauge and tools manufacturing). The other two left shortly after completing their apprenticeships to work in other small firms. In common, however, they felt that the quality of the training received - in particular during their apprenticeships - had been very low. These respondents claimed that while in employment, they had received some on-the-job and off-the-job training which invariably involved low quality instruction. Most of their training was described as 'a waste of time and money'. The two respondents who set up their businesses in the service sector reported similar experiences to the owner/manager in the 'very negative' category: both failed 'to make it to management ranks' and had spent long hours unloading retail goods or stacking shelves in supermarkets. The quality of training they had received over this period was generally described as 'very low indeed' and was perceived to have contributed very little to these owner/managers' careers, both in terms of conventional employment and entrepreneurship.

In their own firms, the 3 manufacturing owner/managers trained 'as and when needed' and, even though they lacked any relevant qualifications, delivered most of the training themselves. There were few incidents of external training recorded in these firms. The 2 retail sector owner/managers tried to avoid training as much as possible due to 'time and finance restrictions'. The introduction of new technology had involved 'some outside training', comprising mainly supplier-generated, on-the-job instruction.

There were few discernible differences between the training provision of owner/managers claiming very negative and negative attitudes to training. In common, they shared very low quality 'incubator' experiences and tended to perceive training in the light of the attitudes they had formed during the period that they had worked as employees. Levels of training provision in their own firms were typically very low and were mainly internally delivered by the owner/managers themselves. However, some externally-provided training was recorded in some of these firms, generated mainly by the purchase of new machinery or high technology equipment.

Interestingly, employment levels in these 10 firms remained relatively stable over the three-year period of the research. No redundancies were recorded and only two employees retired over the same period (neither of whom was replaced). Furthermore, staff turnover caused by leavers and related recruitment levels were very low and were not perceived by the respondents to have significantly affected training provision in these firms.

'Incubator' Experiences of Respondents With Indifferent Attitudes to Training

In the 'indifferent attitudes to training' category I included 12 respondents each from the manufacturing and the service sectors. The inclusion of a larger number of respondents in this category gave me an opportunity to analyse a wider range of owner/managers operating in different economic sub-sectors. There were few differences in the incubator experiences of owner/managers across the 4 manufacturing sub-sectors: mechanical, electrical, press-works and motorcar parts engineering. All 12 respondents in these firms claimed to provide training on an 'as and when needed' basis.

The personal and professional profiles of the 12 owner/managers varied considerably: 3 completed apprenticeships in large manufacturing firms while another 3 received similar training in smaller firms. All 6 respondents, however, had undergone further training prior to embarking on entrepreneurship. Their experience of the apprenticeship training scheme was very similar and invariably mirrored the low quality of training encountered in the previous two sets of respondents. Of this group of respondents, 4 remained employed by, or entered in the service of larger firms located in the region. The other 2 owner/managers continued their employment with smaller manufacturing firms. It appears that the employees of larger organisations not only received a greater and wider range of on-the-job and (occasionally) off-the-job training but that the quality of provision was marginally better than that received by their counterparts in smaller firms. It must be noted, however, that the quality of training provided by larger firms was not consistently better but, on occasion, registered 'substandard levels' or was 'appallingly bad'. Similarly, the training offered to the employees of smaller businesses was of mixed quality, occasionally 'very bad indeed' while sometimes it was perceived to be 'quite good' or 'very relevant' to the job at hand. The lack of consistency in the quality of incubator training as well as a clear emphasis on internally provided, on-the-job training with an occasional off-the-job element added to it appears to have generated in these respondents a largely indifferent attitude to human resource development issues.

The other six respondents claimed to have bypassed the apprentice system and obtained further education based qualifications (Btech, HND or HNC) in the speciality of their choice. These courses were attended either full-time or on a part-time, sandwich basis. All six owner/managers had mixed feelings on the quality of these courses: on balance, they agreed that 'some parts were good, others were bad' (an apparent reflection on the knowledge, experience, motivation or commitments of the respective instructors). The 4 respondents who undertook full-time courses tended to be marginally more positive than their part-time colleagues. Interestingly, full-time students had been sponsored by larger businesses while the individuals on part-time courses had been subsidised by smaller firms. All six respondents, however, appeared to have shared similar post-qualifying, incubator experiences. On balance, training provision was found to have been of mixed quality, described by respondents as 'some good, some bad'. The incubator experiences in this group of respondents were similar to that of the previous 6 owner/managers, with a persistent emphasis on internally provided, on-the-job training (and some off-the-job elements included on occasion).

Although originating from a variety of backgrounds, the 12 service sector respondents shared a number of 'incubator' experience similarities as well as important differences. Initially I have grouped them according to sub-sectoral characteristics and the size of the establishment where they had acquired most of their 'incubator' training experiences. The 6 owner/managers in the retail sub-sector had all been 'management training dropouts'. At various times during their early career these respondents had applied, been accepted, attended and eventually dropped-out of different types of management training schemes. Some (4) continued employment with larger firms and experienced a number of different training initiatives while others (2) stayed for a while with smaller firms before taking up the challenges of entrepreneurship. Typically, the 4 respondents in the larger establishments had undergone more training than their counterparts in smaller firms. Their 'incubator' experiences appeared to be more frequent and varied than that of their colleagues but, on balance, still reflected the mixed quality of training provision generally found in retail outlets. The 2 owner/managers who stayed employed in smaller establishments reported similarly mixed-quality incubator experiences but they seemed to have left the 'security of working for others' much earlier than the other respondents (on average 4.8 years).

The remaining 6 respondents were chosen as representatives of 'incubator' training experiences gathered in 3 smaller and 3 larger hotel and catering establishments. The attitudinal trends observed in the previous set of 6 retail owner/managers were also present in this group of respondents. The 3 respondents employed by the larger hotels received a range of off-the-job training, including induction, hospitality, customer care and reception duties. These were delivered to all new employees - regardless of their future position within the establishment - by the resident personnel/training manager. Some of these schemes were delivered in instalments, half- or full-days, once a week over several weeks or months. More specific, on-the-job training was given on a 'as and when needed basis' by the respective departmental manager until each employee had reached a 'proficiency level' commensurate with the management's expectations. Generally, off-the-job training was of a reasonable quality while on-the-job provision was viewed as 'inadequate', 'irritating' or 'of a very poor quality'. Similarly, respondents employed by the smaller hotels experienced 'reasonably good induction training' and other off-the-job provision, delivered mainly by the owner/manager. These schemes were of shorter duration and reflected the human resource shortages inherent in smaller firms. This type of training was viewed positively, as 'interesting', 'informative' or 'very enlightening for a newcomer'. Typically, on-the-job training delivered by other managers was described mainly as 'appalling', 'gibberish', 'irrational' or 'nonsensical'.

Thus, the contrast between the quantity and variety of 'incubator' training experienced by employees of larger hotels as compared to their colleagues employed by smaller establishments of the same type was much more obvious than in the retail sector. Significantly, however, the quality of 'incubator' training remained mixed, even though there had been important differences in the means and the length of its delivery. The attitudes formed during their employee stage appeared to have significantly influenced these respondents' own perceptions of training in their own firms. However, their indifference to training matters was not as strong or as obvious when compared to the negative attitudes encountered in the two previous sets of respondents. Most of these owner/managers claimed to have flexible human resource development strategies based upon the individual needs of their employees.

'Incubator' Experiences of Respondents With Positive Attitudes to Training

In the 'positive attitudes to training' category 24 respondents were matched into two groups of 12 firms (6 in the manufacturing and 6 in the service sector). In the manufacturing sector 4 respondents were matched into three distinct groups according to their economic activity: mechanical, electrical and hydraulical engineering. In the service sector a similar matched grouping was used to provide in-depth data for the accountancy and finance, marketing and computer software sub-sectors. Throughout the time span of these case studies, all 24 respondents remained convinced that a positive attitude to training was imperative to small business success.

Mechanical Engineering Sub-Sector

The personal and professional profiles of the 12 respondents in the manufacturing sector varied considerably across the sample. In the mechanical engineering sub-sample one respondent had come through a typical apprenticeship experience and after joining a large firm, obtained HNC and HND qualifications by part-time, sandwich studies. The other 3 owner/managers obtained a variety of post-compulsory qualifications (such as Btech, HNC and HND) by attending full-time college courses. All 4 respondents had varied employment histories and proved to have been highly mobile in the labour market. Their 'incubator' training experience included a variety of internally provided on-the-job and off-the-job training as well as attendance at formal courses at local colleges and chambers of commerce. Interestingly, although their career paths were broadly similar, the respondent that had completed an apprenticeship appeared to have progressed more rapidly than the other 3 owner/managers. This he attributed to the wider range of internal opportunities available to employees of larger businesses. Conversely, the other 3 respondents, who on average had spent longer periods in small- or medium-sized enterprises appeared to have progressed more rapidly in large business environments and stagnated in smaller firms. In general, employment in medium-sized enterprises involved initial progression followed by long periods of career stagnation.

The quality of 'incubator' training experienced by these respondents appeared to have followed similar trends to their career progression. On average, better quality training was available to employees of larger mechanical engineering firms. In medium-sized organisations, externally provided training was classed as 'mainly good quality' while internal provision was 'hit and miss' or 'mostly good but on occasion appalling'. Training in smaller firms was 'mostly poor quality' although external provision was 'generally better than average'. On balance, however, these respondents appear to have received more training and of better quality than the owner/managers analysed in the previous three matched sets of case studies. According to them, the training experience that they accumulated during pre-entrepreneurial periods of employment considerably influenced their attitudes to training. It should be noted, however, that their training experiences had included both employer-funded, job-specific provision and self-supported vocational education of a more general character. In contrast to previous sets of respondents these owner/managers showed both initiative and motivation in relation to training. Furthermore, they claimed to view training and human resource development issues mostly in terms of 'investment' rather than 'costs' accruing to themselves and/or their firms.

Electrical Engineering Sub-Sector

In the electrical engineering sub-sector, none of the 4 respondents underwent apprenticeship training: two of the owner/managers were qualified to HND level, one had graduated in electro-mechanics (Manchester University) and the fourth had obtained an undergraduate degree in engineering (Warwick) and a masters in management (Aston). The employment histories of these respondents were reasonably stable, although the two owner/managers qualified to HND level had had short periods of unemployment, apparently caused by prevailing recessionary conditions. All four spent most of their employment in medium-sized or large firms. The respondent with a postgraduate qualification had worked for 11 years in large organisations and for 3 years in the family firm before inheriting it, upon the death of his father.

The first two respondents had both reached the position of 'foreman' before their opportunities for promotion appeared to have been curtailed by a 'lack of better qualifications'. One of them attempted to improve on his qualifications (part-time, 1988-9, at Coventry Polytechnic) but failed to complete the course due to 'pressures at work'. He lost his job in 1990, in the first wave of redundancies at the large firm where he worked and started his own business four months later. The third respondent reached the position of 'general foreman' and 'superintendent' in various large firms in the West Midlands before being made redundant, in 1983, with the closure of the regional plant of a well known multinational organisation. Within a month he had set up his own firm and continued in the same business ever since. The fourth respondent worked in various managerial positions for 11 years before he joined, in 1986, his father's firm as 'deputy managing director'. He became the owner/manager (chairman and managing director) of the family firm in 1989 upon the death of his father.

While employed by other firms these respondents had experienced a variety of training, provided both on-the-job and off-the-job. The quality of 'incubator' experiences reported by these owner/managers was mainly 'good to very good' but occasionally some of it was described as 'a waste of time and money', 'not worth the effort' or 'appalling'. On balance, however, the majority of these experiences were positive and strongly influenced the attitudes of these owner/managers. The respondents in this group were the best qualified individuals in this particular set of manufacturing owner/managers. As a result, it appeared that few of them had attempted to improve upon their existing qualifications.

Hydraulical Engineering Sub-Sector

In the hydraulic engineering sub-sector there were considerable differences in the personal and professional profiles of the four respondents. Two of the owner/managers claimed to have left school without any qualifications, one individual was an engineering graduate (Manchester) and a chartered engineer and the fourth owner/manager had three university degrees, including a PhD (University of Birmingham). While employed in other firms, the two respondents without any qualification claimed to have worked mainly as machine operators: eventually, one reached the position of 'quality controller' in a small firm and the other was promoted to 'store keeper' in a medium-sized business. Both were made redundant in 1991 and, after brief periods of unemployment, started their own businesses. The chartered engineer was sponsored, during his undergraduate years, by a large West Midlands manufacturing firm, and on graduating was offered and subsequently accepted the position of trainee in one of their hydraulic plants located in the region. He worked in the same organisation for 28 years and reached the position of 'plant manager' before being made redundant when his firm down-sized and relocated to North Wales in 1993. After graduating in engineering from Warwick University, the fourth respondent worked for one year in his father's business before returning to take an MA in Industrial Relations. After completion he worked for a further two years in the family firm before returning, once again, to Warwick University for a PhD in Engineering. On successful completion of his doctorate he worked for 8 years in various GEC owned subsidiaries and finally left in 1988 to set up his own firm alongside the family business run by his father.

The 'incubator' experience claimed by the two respondents who left school without any qualifications was variously described as 'educational', 'enlightening' and, on occasion, as 'useless trash'. On balance, however, these experiences made a positive impression on the two respondents' attitudes to training. The third respondent's 'incubator' training benefited from the mixed quality of 'a large firm trainer's obsession with internally provided training'. According to this owner/manager's claims, trainers in large firms were obsessed with 'justifying their existence' and provided training of mixed quality at every possible opportunity. Most of it was 'relevant and of reasonably good quality' while the rest was dismissed as 'irrelevant garbage' and 'a waste of considerable resources', both human and financial. In terms of quality, the fourth respondent's 'incubator' experience was also mixed: in the family firm he received mainly 'very poor' and 'boring' internal training. In addition he was sent to some 'very interesting' and 'knowledge based' courses provided by a local Chamber of Commerce and a number of national trade associations. Even these, on occasion, delivered 'some really trashy and verbose' training sessions from which the respondent claimed to have gained 'next to nothing'. Furthermore, his GEC based training experience was very similar to that received in his father's (medium-sized) organisation: 'some training was good and some was useless'. He described his accumulated 'incubator' training as a 'positive' and 'largely worthwhile' experience which, in his own words 'complemented nicely' his more formal university education.

Accountancy and Finance Sub-Sector

The personal and professional profiles of respondents in the service sector differed considerably between and within sub-sectors. For example, in the accountancy and finance sub-sector, two of the respondents were educated to degree level (London and Leicester) and were qualified (chartered) accountants. A third respondent had failed to complete her university degree (Warwick) but eventually qualified as an accountant (certified) and set up in a practice of her own. The highest educational achievement of the fourth respondent was one 'A' level. He inherited his father's accountancy practice, which he managed with the assistance of a management team of qualified accountants.

The first two respondents had followed a typically 'linear career path' involving an uninterrupted progression though the educational system up to undergraduate level (a prerequisite of the chartered accountancy profession). They were recruited during their third year at university and on graduation joined one of the 5 'big names' in the accountancy and finance sub-sector. Within five years of qualifying, however, both respondents had left their respective firms to set up in practice. Initially, the third respondent had intended to follow a similar path but was forced, due to personal circumstances, to leave university before the completion of her degree in management. Over the next four years, as 'a mother and housewife' she proceeded to pass the exams leading to an accountancy qualification and returned to work for a small private accountancy practice. After 7 years of employment with the same firm she left to set up her own accountancy practice. The fourth respondent described himself as an 'odd ball': at school he was often called 'a rebel without a cause' and was expelled twice for 'alleged destructive behaviour'. At the age of 24 he was invited to join the family owned accountancy practice where he worked as a 'trainee' for 4 years before being forced, by the premature death of his father, to take over the management of the firm.

As expected, the 'incubator' experiences of the two respondents that were recruited by 'top names' in the accountancy profession were mainly positive, reflecting the quality of provision characteristic to large firms in this sub-sector. 'Continuous professional upgrading' is a legal requirement in the accountancy and financial sub-sector and qualifying exams are extremely competitive. Furthermore, graduate applicants had come to expect a very high standard of internal and external training from top accountancy firms participating in university-based 'milk rounds'. Off-the-job training was generally described by both respondents as 'good', 'very good' or 'adequate for the purpose of passing exams'. In contrast, on-the-job training was 'less than adequate', 'haphazard' and on occasion, 'appalling'. On balance, however, these respondents were satisfied with both with the quantity and the quality of 'incubator' training that they received while working as employees of a large accountancy practice. The third respondent's 'incubator' experience began after she had passed her certified accountancy exams, as part of a work based, 'practical period' in a small country practice. Interestingly, her own experience mirrored that of the previous two respondents: off-the-job training was generally 'very good' and 'relevant' while on-the-job provision proved to have been 'below standard' or 'inadequate'. Nevertheless, she claimed that her positive attitude to training was formed during the period she worked as an accountant. According to the fourth respondent, his 'incubator' experience in his father's firm consisted of an almost uninterrupted period of training. He participated in various training programmes - both on-the-job and off-the-job, internal and external, from which he claimed to have either 'learnt a great deal' or 'gained nothing at all'. His 'incubator' training appeared to have helped him considerably in his quest to 'graduate from the university of life'. In common with the other three respondents in this sub-sector, he felt that his own attitude to training was formed on the basis of the 'largely positive training experience' that he accumulated before becoming an owner/manager.

Marketing Sub-Sector

Only one of the respondents in the marketing sub-sector was educated to undergraduate level: she had obtained, in 1985, a degree in marketing from Warwick University. Upon graduation the respondent was offered a trainee position in the marketing department of a large wholesaler (paper products) in the region. She left after two years to take up the position of deputy marketing manager at the head office of a large chain of retail outlets. This appointment only lasted for seven months after which she set out her first marketing firm in a large city in the region. The business failed within eighteen months of inception and the respondent took up another marketing position with a chemical firm in Kent. After four years as their marketing manager she was made redundant and returned to West Midlands in 1993 to set up her current marketing organisation. Her 'incubator' experience had combined various types of training accumulated in a number of large organisations. In terms of quality, it varied widely in accordance with the type and source of training provision but, on balance it contributed positively to her attitude to human resource development issues.

Two other respondents in this sub-sector were educated to 'A' level standard and were both employed in their respective organisations for over 20 years before being made redundant in 1990 and 1991 respectively. Following lengthy periods of unemployment both respondents eventually set up their own marketing consultancies (both in 1994). Interestingly, none of these respondents started up in marketing or set out to work in this area. One claimed that he was 'sideways promoted' into marketing from a management position while the second respondent argued that after she had reached a certain level in her firm, the only promotion open to her was 'in the direction of the marketing department'. In terms of quality, the 'incubator' experiences of these respondents were mixed and involved a variety of internal and external training provided by large employers. In addition, however, they both sought out and successfully completed a number of marketing-related, self-funded courses. The third respondent is currently completing a part-time, masters degree in marketing at Coventry University. The fourth respondent left school without taking any exams and at 16 joined one of the High Street banks. She worked herself up through the ranks and was eventually promoted to deputy manager of the marketing department. Soon afterwards, however, she left her employer in order to start a family. On returning to the labour market this respondent could not find a suitable job and was forced to enter self-employment. While working at the bank she was given a variety of training, 'mostly very good' but on occasion 'substandard' or 'irrelevant' to her job. Her positive attitude to training reflected her 'incubator' experience and the mixed quality of training provision on offer in a High Street bank.

Computer Software Sub-Sector

Two of the respondents in the computer software sub-sector left school before taking any exams and worked in various low paid jobs in construction, manufacturing and service firms. The first respondent eventually discovered his talent for programming on one of the early Sinclair computers. He wrote a number of computer games and as soon as he earned enough to sustain himself he became a freelance programmer. The current firm was his fourth attempt at entrepreneurship: the first two businesses failed and in the third one he sold out his share to one of his junior partners. Educationally he described himself as 'self educated' and a 'graduate of the university of life'. Although he received very little training while employed, most of his 'incubator' experience was positive, Apparently he had asked to be put through training but, because of his low status in these firms, few employers took him seriously. Interestingly, while unemployed he had 'benefited' from government-sponsored training such as TOPS, Employment Training and various shorter courses he could no longer recall. Invariably, however, he felt that these courses were 'a waste of time and effort' and mainly designed 'to reduce the unemployment figures'. The second respondent left school to join his elder brother's programming business, which he joined as a trainee at 16. He claimed to have progressed through 'hard work and good training', although he acknowledged that 'being family, has helped' him reach the position of technical director. His incubator experiences were either 'very good training' or 'total garbage'. He claimed that in time he developed an ability to 'recognise good training and avoid wasteful experiences'. The third respondent gained a first class degree in computer science at Warwick University before qualifying as an accountant (chartered) in the family practice. After working for 6 years as an accountant he left the family firm and started a computer software business. He described his 'incubator' training experience as ' most of the time, impressively good' although there had been a few 'bad experiences'. The last respondent left school with 8 'O' levels and 4 'A' levels and joined a small local firm of certified accountants as a trainee. He left this firm 2 years later as a part-qualified accountant and went to work for 8 years in Malawi and Swaziland. On return he decided to set up a computer software firm to develop and market some of the programmes he wrote in Africa. His experience of training in Britain was mainly positive: 'mostly good, with a few bad examples'. He dismissed training in Malawi and Swaziland as 'non existent'.

It appears that the respondents in both the manufacturing and the service sector originated from various social backgrounds. Furthermore, their educational achievement varied considerably across the sample. Interestingly, however, their 'incubator' training showed very similar trends of mixed but mainly positive experiences. This was reflected in the positive attitudes to training that they claimed to have developed during the periods of employment prior to setting up as owner/managers.

'Incubator' Experiences of Respondents With Very Positive Attitudes to Training

There were 16 respondents matched in the 'very positive attitude to training' category: 12 in manufacturing and 4 in the service sector. In the manufacturing sector, 6 respondents belonged to the computer parts manufacturing and the same number of owner/managers to the precision engineering sub-sectors. In the computer manufacturing sub-sector all but one owner/manager were educated to undergraduate level and half of them possessed either a masters degree (2) or a PhD (1). Interestingly, the one respondent not to have a degree had dropped out of university, for personal reasons, at the end of his second year. There were a number of common factors that applied to all these respondents. Firstly, all them had worked as 'trainees' in large firms specialising in the development and manufacture of high technology computer-related product. Secondly, in terms of career, these respondents were all successful. Thirdly, while in employment they benefited from job-related, internal and external training of a consistently high quality. Fourthly, none of these owner/managers were forced into entrepreneurship: there were no job losses, redundancies or liquidations reported by this group of respondents. The very positive attitude to training claimed by these individuals appeared to have resulted from a combination of favourable educational and training experiences accumulated before setting up in business.

Although the quantity of 'incubator' training experienced by these respondents while employed by large firms varied (according to their position and responsibilities at the time of provision,) quality appeared to have been consistently maintained throughout its provision. Considering that their 'incubator' experience involved both internal, on-the-job and off-the-job, and external provision, the consistently high quality of training claimed by these respondents was rather surprising. However, as I could not detect any discrepancies in their claims I had to accept their reassurances regarding the consistency of training quality received during their employment.

In terms of motivation to own a business, the 6 respondents showed similar tendencies towards dissatisfaction with career progression, opportunities and remuneration. An 'invisible ceiling' was claimed to have blocked the career progression of these respondents 'sometime soon after the 40th birthday'. Furthermore, 'sideways promotion' and a rapid decline in 'training opportunities' was experienced by 5 of the respondents within two years from the psychologically important 40th birthday. Interestingly, the only female respondent in this group claimed that in her case the decline in training opportunities and promotion had begun soon after her 35th birthday.

There were, however, opportunities that considerably helped these individuals' progression from employee status to that of owner/manager. For example, in four of these firms, downscaling and restructuring moves had created long-term subcontracting opportunities for 'entrepreneurially minded' employees who were prepared to leave the security of their employment in order to take advantage of them. Furthermore, in addition to such opportunities, another two respondents in this group were offered financial incentives, nominal hire charges for 'obsolete' equipment and technical support to set up their own firms. Although the strategic benefits behind such 'start-up support' were somewhat obscured by 'retrospective reasoning' it was clear that these had contributed considerably to the early success of these owner/managers.

In the precision engineering sub-sector only 2 of the respondents were educated to degree level while the other 4 possessed a variety of qualifications such as Btech, HNC and HND. Both respondents with a university degree graduated in engineering (Warwick and Liverpool). The other 4 respondents had been sponsored by large employers to attend college (day release) for their qualifications. All 6 respondents claimed to have been given a variety of 'incubator' training (both internally and externally provided) which, generally, was of the highest quality. On a few occasions (and in particular in the case of internally provided Health and Safety courses) training has not been as relevant or of high enough quality and fell short of these respondents' expectations. Nevertheless, they claimed that the majority of the training received while working in the employment of large firms had been of 'very good quality', 'very relevant' and 'of a high standard'.

All six respondents had been successful in reaching prestige positions in the existing hierarchies within their firms. However, in addition to ageism, (a limitation also encountered in the computer parts manufacturing sub-sector) long service with a firm was also mentioned as a barrier to further career progression. It appears that after about 10 years of continuous service with a large organisation most of these respondents felt to have been 'taken for granted' or 'bypassed' in favour of 'newcomers' or 'younger and more ambitious' applicants. Similar subcontracting opportunities and 'start-up' support as encountered with the previous set of respondents was made available to these individuals by the management of the large firms that they were working for. Their very positive attitudes to training were justified in terms of the high quality of 'incubator' training received during their period of employment in large firms. These respondents considered the wide range of training and other support received as having been 'crucial to early successes' in their entrepreneurial careers.

In the service sector, none of the 4 respondents was educated to degree level: two left school without any qualification, one had 3 'O' levels and the fourth was a qualified Accounting Technician. All 4 respondents had worked for major retail outlets and had reached supervisory or middle management positions before setting up their own mini-markets. According to these individuals, the quality of the 'incubator' training received while in employment was 'very high' or 'very good indeed'. It appears that while working 'at the bottom of the ladder' most of the training received was of the 'on-the-job type' administered by a 'shift supervisor or other floor managers'. As they progressed 'through the ranks' the quantity of provision increased and a variety of internal, off-the-job as well as external 'head office type' of training was made available to these respondents. They insisted that, throughout their employment, the quality of provision had remained consistently high and apparently reflected a 'training philosophy' shared (within the providing retail outlets) by 'most supervisors as well as managers'.

Just like their counterparts in the manufacturing sector, these respondents began to experience age-related barriers to further promotion. Long service with the same outlet appeared to represent a further hindrance to career progression. An unwillingness or inability to apply for vacancies at new outlets opening 'a long way from home' added to the frustration experienced by some of the respondents. Increasingly, career stagnation, entrepreneurship or early retirement were the only options open to these individuals. However, in contrast to respondents in the manufacturing sector, there was no start-up assistance of any kind offered or made available to the respondents. This they attributed to the 'cut throat competition between small and large retail units'. The very positive attitudes to training that these owner/managers claim to have inherited from their 'incubator firms' was seen as an important contributing factor to their subsequent entrepreneurial success.

Market Positioning Strategies as Determinants of Training Provision

The in-depth analyses of the market positioning strategies adopted by the 74 owner/managers who were involved in these case studies have confirmed the primary importance of this factor to their training and human resource development function. All these owner/managers appeared to be acutely aware of the competitive forces affecting the particular market in which they chose to operate. Their market positioning strategies were based mainly on consideration closely related to the quality of the products and services that they set out to provide. In turn, quality issues were found to have a crucial effect on the training and human resource development strategies of these respondents.

Actual Provision of Training by Respondents with Negative and Very Negative Attitudes to Training

Interestingly, in the manufacturing sector all 4 respondents in the 'very negative' as well as the 3 owner/managers in the 'negative attitude to training' categories appeared to belong to the 'random manufacturers' type of strategists. Their manufactured products were offered at a given quality and price (ostensibly 'balanced' to fulfil the 'supply and demand curve' of a particular target market) as decided by the respective owner/managers. It is important to note, however, that the markets targeted by these 7 'random manufacturers' were very limited and mainly localised within a radius of at most 15 miles from a single production unit. On their own admission, the quality of the products manufactured by these respondents was largely inferior, as compared to similar ranges produced by some of their competitors. Importantly, however, detailed analyses of the accounting and financial records made available to me had shown conclusively that these owner/managers' market positioning strategies had succeeded in 'providing a good living' for the owners as well as a reasonable wage for their employees. Thus, it appeared that 'surviving in business' and 'making a good living' were the two main criteria by which these respondents assessed their 'entrepreneurial successes'.

Similarly, in the service sector, one respondent in the 'very negative' and two owner/managers in the 'negative attitudes to training' categories appeared to have concentrated specifically upon segments at the 'lower quality end' of the market. Their market positioning strategies focused exclusively upon local niches that could support retail outlets based mainly on the 'pile them high, sell them cheap' business concept. The target markets chosen by these respondents were very limited in scope and depended strictly upon 'word of mouth' and 'passing trade'. Furthermore, the availability of ready finance (mainly to purchase redundant or imported stock) was evidently more important to these owner/managers than training and human resource development considerations. Just as in the case of 'random manufacturers', success was measured in financial terms, based principally upon such criteria as 'making a living' or 'surviving in the retail jungle'.

The steady improvement in the prevailing economic conditions that characterised most of the 1994-6 period did not appear to have an immediate effect upon the actual provision of training in these firms. Similarly, the availability of relevant training was not mentioned by most of these respondents as being an issue which considerably affected the actual provision of training in their firms. Yet such factors as the cost of training, time constraints and the lack of trainee motivation (all of which apparently would have negatively affected the provision of training in their firms) were very much at the forefront of these owner/managers' strategic thinking. This departure from the trends observed during the in-depth interviews that I carried out over the same period can be explained mainly in terms of 'retrospective justification' (very evident in the efforts that most of these owner/managers made to explain their lack of training and human resource development strategies).

Typically, the initial post-recessionary boost of confidence in the market-place appeared to have financially benefited these 'random manufacturers' and 'low quality end' retailers. According to their 'Order Books' and 'Till Returns Summaries' they had experienced a steady increase in turnover from just before Easter 1994 to end of January 1995. Following this period of steady growth, however, their output began to level out and remained relatively steady until the beginning of January 1996. Since then these firms have experienced a slight but continuous decline in economic activity. These respondents firmly believed that an increase in purchaser confidence had been at the root of such 'vagaries of the market'. They felt that while the confidence in recovery was low, most purchasers proved cautious in their expenditure patterns and settled for lower quality products and services. Conversely, as confidence in the economic recovery grew, the demand for better quality products and services increased accordingly. Moreover, as all these owner/managers have been working 'to capacity' since 1994 it appeared to them that only the drastic curtailing effects of recessionary conditions could significantly affect their economic output.

Following the drastic reductions in economic activity which occurred at the onset of the 1990-3 recession, most of these firms had experienced a period of relative stability until recovery began in 1994. Staff levels followed a very close pattern, with considerable reductions in employee numbers in the early 1990s. Interestingly, while these owner/managers were quick to react to recession-induced reductions in the level of demand for their products and services, they were much slower to recruit at the onset of economic recovery. Consequently, existing staff levels were maintained for as long as possible and internal resources (such as overtime and weekend work) were exploited before recruitment considerations became imperative. Furthermore, before permanent staff were employed, members of the family, temporary and casual workers were used to 'mop-up excess demand'. However, in the case of administrative, supervisory or managerial recruitment, a clear preference emerged in favour of 'already trained applicants'.

The obvious recruitment preferences of these respondents for already trained individuals was based on serious concerns regarding the perceived costs (both in terms of time and finance) involved in the training of new recruits. Time, in particular, became a very scarce commodity as these owner/managers were increasingly forced to deal with 'fire fighting' situations caused by recovery-generated growth in demand for their products and services. Time constraints also appear to have forced these respondents to rely increasingly upon 'expensive but reasonably safe' formal recruitment methods. In order to mitigate the effects of actual time and financial constraints and in view of the perceived magnitude of training costs, these owner/managers felt justified in recruiting 'already trained staff'. Furthermore, 'reactive' rather than 'proactive' human resource strategies seamed to better match the short-term management strategies employed by these owner/managers.

None of the respondents appeared to have carried out any evaluations of training needs in their firms. Their preferred management styles would have allowed for the inclusion of informal methods of training needs evaluation should they have wished to do so. It is important to note that in all these cases the respondents actively tried to avoid training and related activities. Furthermore, I could not trace any attempts on behalf of these owner/managers to draw up training plans and/or budgets. Indeed, their informal business strategies explicitly excluded or ignored training and human resource development issues. Even in the few notable instances where the purchase of capital or 'new technology' equipment had involved some training, no attempts were made to analyse the outcome of such efforts. On the basis of the in-depth analysis of these respondents a tentative model of the 'random-passive' owner/manager emerges:

'Random Passive' Owner/Manager Model

Attitude to Training/HRD	Very Negative/ Negative
Recruitment Methods	Formal
Strategic Market Positioning	Random/Low Quality
Evaluation of Training Needs	None
Training Plan/Budget	None
Analysis of Training Outcomes	None
Actual Provision of Training	None/Very Limited

Training and human resource development strategies related to the activities of these 'random manufacturers' and 'low quality end' retailers were found to have been almost non-existent. Throughout the duration of these case studies the only human resource related activities observable in these small firms were either new-technology based, supplier-provided training or 'individual study' of new equipment user guides.

Capital items were chosen mainly on the basis of price and/or convenience so that only a minimum of resources would be allocated to them. With regard to training outcomes, the short-term perspectives of these owner/managers appear to have prevailed even on the rare occasions when competitive pressures had forced them to 'invest in modernisation'. It is unlikely that these respondents will change their very negative or negative attitudes to training or that subsidies would increase in frequency, quality or duration. Unfortunately, these owner/managers' compulsion with short-term financial gains appear to preclude the possibility of long-term investment in human resource development strategies.

Actual Provision of Training by Respondents with Indifferent Attitudes to Training

All 24 respondents included in the 'indifferent attitudes to training' category were characterised by a keen awareness of the competitive environment within which they operated. The 12 respondents in the manufacturing sector appeared to belong to the 'random manufacturers' type of owner/managers. There were, however, considerable differences between the market positioning strategies of these respondents and those of the previous set of 'random passive' owner/managers. Although operating in 4 different economic sub-sectors, these owner/managers showed a clear tendency to actively seek and review the balance between the supply of and demand for their range of manufactured products. The quality of products in each range would then be adjusted according to the respective owner/manager's perception of demand fluctuations within their chosen market. Furthermore, instead of passively accepting the price of a product, these respondents set out to adjust it in order to cover the opportunity cost of quality improvements. As a result, 'random active' owner/managers were able to maintain a reasonably stable profit margin for most of their product lines. Although the market segments targeted by these respondents were relatively limited and localised, the quality of products supplied was no longer exclusively inferior but, up to a certain level, it would vary in line with the perceived changes in demand.

Similar trends were observed in the service sector. The 6 'random active' owner/managers in the retail sub-sector targeted local market niches, where they offered for sale a wider range of products than their 'random passive' counterparts. Their market positioning strategies exhibited a degree of flexibility that was obviously lacking in the tactics adopted by 'random passive' owner/managers. Furthermore, most of their products were no longer priced 'at rock bottom' rates but reflected the wider choices made available to potential buyers. It must be noted, however, that none of these respondents would stock high quality goods or cater for the 'discernible purchaser'. They appeared to know their marketing limitations and were reluctant to enter into competition with high quality or specialised retail outlets. Similarly, the 6 respondents in the hotel and catering sub-sector exhibited a flexible approach in their market positioning strategies. They seemed to actively seek to balance the services they offered with the perceived changes in demand within a chosen, localised market. Thus, it appeared that quality-based flexibility and choice represented the main strategic advantage that these 'random active' owner/managers had at their disposal in their quest for business success within a highly competitive niche market.

The effect of the steady improvement in the prevailing economic circumstances during the 1994-6 period had only a slight and somewhat delayed effect upon the actual provision of training in these firms. In common with 'random passive' owner/managers, these 'random active' respondents benefited considerably from the general upturn in purchaser confidence. For about two years, beginning with Easter 1994, the financial records of these respondents had shown a steady increase in their turnover rates. In the manufacturing sector, the initial, post-recessionary boost in demand was satisfied mainly by long runs of low quality products. However, unlike 'random passive' respondents, these owner/managers were not content to 'ride out the boom' but actively sought other opportunities with similar or related product ranges. In most cases, the successful formulae involved shorter runs of quality enhanced and differentiated ranges which were made available alongside the more traditional 'bread and butter' manufactured products. In the retail sub-sector, a similar trend could be observed, as shopkeepers began to offer a wider choice of basic as well as better quality goods. Similar, quality-based improvements were also considered by respondents in the hotel and catering sub-sector who, within existing capacity, chose to widen the choice and quality of services on offer. Arguably the quality-oriented improvements carried out by 'random active' owner/managers have translated into better and more consistent turnover rates. Typically, the financial records of these respondents did not exhibit the slight turnover decline characteristic to firms owned by 'random passive' respondents.

Two related factors appear to have differenciated the 'random active' respondents from their 'random passive' counterparts. Firstly, in order to be successful, these owner/managers increasingly required time to dedicate to specific activities of strategic importance. They could no longer afford to be actively involved in all the aspects of their firms' management. Secondly, the apparent strategic flexibility of 'random active' owner/managers invariably resulted in only limited improvements in the quality of their products or services. The flexible formal/informal recruitment methods favoured by these respondents seemed to have provided the best mix of readily qualified and experienced individuals needed to satisfy growing demand. Typically, experienced operative and supervisory vacancies were filled by informal means while already trained administrative and managerial staff were selected through formal channels. In the case of operative and supervisory staff, experience seemed to be valued over and above formal qualifications. In contrast, only already-trained administrative and managerial applicants were considered for these type of vacancies.

The few instances of training encountered in these firms were invariably linked either to the purchase of capital items or to new technology upgrading. Typically, no attempts were made to analyse training outcomes. In contrast to 'random passive' owner/managers, however, the majority of these respondents identified the lack of relevant training as one of the main factors affecting training provision in their firms. In particular, a demand for quality-oriented training had remain unfulfilled due to the owner/managers' inability to locate relevant sources. In view of the concerted efforts that they made in their search, 'owner/manager ignorance' could be reasonably dismissed on this occasion, in particular as other owner/managers (in the 'positive' and 'very positive attitudes to training' categories) had also reported similar difficulties.

Apart from the availability of relevant training and time constraints these respondents mentioned a variety of other factors affecting the provision of training in their firms. These included the cost of training, lack of trainee cover and difficulties relating to employees' motivation and interest. The perceived cost of training, in particular, appeared to exert a negative influence upon the willingness of some of these respondents to consider training their workforce. Those who managed to locate sources of relevant training were put off by the 'magnitude of the costs involved' - on average about £300 per day - and the minimum length of these schemes - typically 3 to 5 days. Lack of cover for those released for training would have also been a problem as all these firms were working 'to capacity' and were already involved in overtime and weekend work. Most of these respondents complained about an 'obvious lack of motivation' or 'blatant lack of interest' in training matters. In their opinion only financial incentives would have rendered these employees 'more amenable' to training.

On their own admission, these owner/managers preferred 'reactive' rather than 'proactive' training strategies which appeared to better match their management style and business strategies. Based on in-depth analysis of 24 case studies a tentative model of the 'random active' owner/managers is presented below:

'Random-Active' Owner/Manager Model

Attitude to Training/HRD	Indifferent
Recruitment Methods	Mixed: Formal/Informal
Strategic Market Positioning	Random/Mixed Quality
Evaluation of Training Needs	None
Training Plan/Budget	None
Analysis of Training Outcomes	None
Actual Provision of Training	Very Limited

Throughout the duration of these case studies, training activities related to the business strategies of 'random active' owner/managers have been very limited. In common with 'random passive' owner/managers, these respondents had not attempted to evaluate training needs, draw up relevant plans and budgets or analyse the outcome of their very limited training provision. A few instances of training were recorded but these related strictly to modernisation efforts or capital expenditure connected to new technology items. There were, however, attempts made to locate quality-related training schemes which could have improved these respondent's market positioning strategies. However, none of these efforts proved successful due mainly to the unavailability of relevant training. Other negative factors that had contributed to the very low rates of training provision in these firms were training costs, lack of trainee cover and issues related to employees' interest and motivation. It is unlikely that the availability of training subsidies would significantly affect the frequency, quality or duration of training efforts in these types of firm. The availability of economically priced, quality-related training schemes could improve the uptake of training by 'random active' owner/managers. Short-termism appeared to be less of an obsession with these respondents, mainly due to the relative financial stability they had achieved during conditions of economic recovery. In these firms, however, the possibility of long-term investment in human resource development remains remote: the informal management style of these respondents and their lack of interest in training needs evaluation and feedback clearly points to a preference for 'reactive' rather than 'proactive' human resource development strategies.

Actual Provision of Training by Respondents with Positive Attitudes to Training

In common with the previous sets of respondents, the 24 owner/managers with 'positive attitudes to training' exhibited a wide awareness of the competitive markets in which they chose to operate. Of the 12 respondents in the manufacturing sector, 4 were 'opportunistic' strategists while the other 8 belonged to the 'contractual manufacturers' type of owner/managers. In the case of the 4 'opportunistic manufacturers' (2 in the mechanical engineering and 2 in the electrical engineering sub-sectors) a mixed production strategy had been adopted during the 1994-6 period. The 'random' aspect of their strategies invariably involved medium to long runs of related manufactured products. Each of these product ranges was offered at quality and price levels decided by the respective owner/managers and reflected their perception of the changing demand in a particular target market. Typically, the markets for this type of products were fairly limited and localised. In common with 'random active' manufacturers, these respondents were able to adjust the price of their products to reflect the opportunity cost attributable to quality enhancements. The 'contractual' aspect of these owner/managers' strategies involved the manufacture of products derived from contractual undertakings which they actively sought in the wider market place. The quality and price of each product was mostly predetermined by the purchaser and these ranges consisted mainly of short to medium-sized runs of quality manufactured goods, contracted to be delivered within a given timetable. The market positioning for contractual products involved nation-wide niches and, on occasion, specific international target markets.

Detailed analysis of the accounting and financial records of 'opportunistic manufacturers' revealed an interesting pattern: during the first half of the case studies period, the manufacture of 'random' goods dominated production. This trend, however, was radically reversed in the second half of the period when 'contractual' products became dominant and only a small proportion of better quality 'random' goods were produced. Thus, turnover trends for non-contractual products reflected both the decline exhibited by 'random passive' manufacturers and the (limited) quality improvement strategies adopted by 'random active' respondents. Conversely, turnover levels for contractual products were consistent with the increased demand for medium to high quality goods which appeared to characterise the second half of the case study period.

The initial market positioning strategies of 'contractual manufacturers' involved a strong predilection to 'ride the recovery'. Paradoxically, the delayed effects of economic recovery upon the turnover levels of these respondents had mostly positive outcomes. Demand for their products grew slowly but steadily and this afforded them the time 'to consider the strategic options available' and to prepare for 'real growth and expansion'. Unfortunately, their financial reserves had been largely depleted during the 1990-3 recession and the slow upturn in their turnover levels during the first half of the recovery period had reflected upon their financial position. Nevertheless, by the time the demand for contractual goods had began to grow more rapidly, these owner/managers were in a much better position to take advantage of the long awaited economic upturn. The niches targeted by 'contractual manufacturers' included local as well as nation-wide markets. Although a small proportion of their turnover was derived from exports, these only represented a fraction of their productive activities. 'Good quality runs' of manufactured goods appeared to dominate their sales. Potentially very profitable bids for 'high quality, one off runs' were occasional entered and, when successful, these represented welcomed 'bonus contributions' to overall turnover levels.

Similarly, in the service sector, the effects of economic recovery in most of the firms owned by respondents with 'positive attitudes to training' were delayed in line with the degree of confidence exhibited by their customers. For example, in the 4 respondent firms within the accountancy and finance sub-sector, the recovery-induced financial stability had not been achieved until Autumn 1995 when demand for their services surged considerably. The 4 marketing firms in the sample had experienced similar financial difficulties and for these respondents demand had not recovered significantly until Summer 1995. In contrast, in the 4 computer software firms in the sample, demand for their products and services grew steadily throughout the 1994-6 period and by spring 1995 these firms had achieved turnover levels comparable to pre-recessionary peaks.

Training and HRD Strategies of Respondents with Positive Attitudes to Training

The training and human resource development strategies adopted by the 24 respondents who claimed to hold positive attitudes to training were typically 'reactive'. In the manufacturing sector, the 12 owner/managers reacted positively to the economic upturn that characterised most of the 1994-6 period. The eventual increase in demand for 'opportunistic' and/or 'contractual' products had been largely anticipated by these owner/managers. In the case of the 4 'opportunistic manufacturers' the initial increase in the demand for 'random' goods was largely 'moped up' by the use of existing production and human resource capacities. As the balance between demand for 'random' and 'contractual' goods altered, these respondents attempted to adjust the productive capacity of their firms in line with perceived changes in the market place. To a great extent, however, their efforts were frustrated by increasing skill shortages. Similar difficulties had also progressively affected the productive capacity of the owner/managers in the 8 'contractual' firms in sample.

Even though these respondents claimed to have anticipated the upturn in the demand for their products, issues relating to human resource development had not been seriously considered until skill shortages began to effectively handicap their productive capabilities. To some extent, skill shortages in the mechanical and electrical engineering sub-sectors had been mitigated by the recruitment of already-trained individuals from local markets. In the hydraulic engineering sub-sector such strategies had not succeeded mainly due to shortages of suitably qualified engineers in local labour markets. However, even in the mechanical and engineering sub-sectors it soon became obvious that the recruitment of trained and experienced personnel could have only provided a partial answer to skill shortages. Through successful recruitment drives, larger firms had quickly exhausted the post-recessionary 'skill slack' in local labour markets. Furthermore, small firms once again became the target for frequent 'skills poaching' activities reminiscent of the pre-recessionary, rapid growth period of the late 1980s.

Faced with increasing skills-related production difficulties the 12 respondents in the manufacturing sector set out to recruit individuals who, in their view, exhibited 'the right attitude to work' and were perceived to be 'willing to learn on the job'. The positive attitudes to training exhibited by both 'opportunistic' and 'contractual manufacturers' had largely determined their preferences for informal recruitment methods. As a result, most of these new recruits were employed through informal channels. Training the new workforce, however, proved more difficult than most of these owner/managers had anticipated.

With regard to training, it became obvious that the prevailing economic conditions had exerted a powerful financial constraint upon these owner/managers' strategic thinking. Initially, at least, the lack of finance had forced most of them to consider informal, in-house training methods as the main human resource development strategy at their disposal. None of these firms employed dedicated training managers who could have co-ordinated and organised training sessions. Furthermore, the owner/managers and supervisory staff who provided in-hose training lacked even the most basic training skills. As the financial position of these firms improved steadily during the second half of the case study period, these owner/managers began searching for more efficient, professionally-delivered external training. In particular, considerable efforts were made to locate relevant, quality-related training schemes. Surprisingly, however, none of these respondents had been successful in securing the professional services of an external trainer.

Several related factors seemed to have contributed to these owner/managers' failure to locate relevant external training. Firstly, the only quality-oriented training available in the market place appeared to have been narrowly focused on the needs of larger organisations. Typically, Quality Assurance Training (leading to BS5750/IS9000 status) and Total Quality Management schemes dominated the provider market. None of these proved relevant to the training needs of these respondents. Secondly, the cost of external training was a powerful deterrent to the cash-starved manufacturing firms in this category. In particular, quality-related training turned out to be a lengthy and expensive option. Thirdly, as demand for better quality goods grew steadily, time constraints began to affect the training efforts of these respondents. The lack of in-house trainers and that of trainee cover reflected negatively upon their employees' motivation and interest in training. Training-related overtime and weekend work had a particularly demotivating effect upon the workforce in these firms.

In the service sector, owner/managers had experienced similar difficulties with their human resource development strategies. In the accountancy and finance sub-sector, prevailing economic conditions had caused considerable financial difficulties. Until Autumn 1995, the growth in demand for this type of services was relatively slow. When the upturn in demand for accounting and financial services materialised, it clearly caught the 4 respondent owner/managers unprepared. As the hasty programmes of recruitment initiated by these respondents blatantly failed to produce the calibre of trainees that they had hoped for, these respondents chose to resort to informal means of finding the right type of candidates. Even when the right candidates had been recruited, internally provided training proved very time-consuming and largely inadequate for the rapid trainee progression envisaged and demanded by these 'reactive' owner/managers.

Typically, most of the external training programmes relevant to accountancy and finance firms were either distance-learning based or involved part-time evening attendance at local colleges of further education. The lack of intensive training courses considerably handicapped the training efforts of these owner/managers. A number of related factors further complicated human resources development matters in the firms belonging to the accountancy and finance sub-sector. Firstly, the cost of intensive, weekend and short-term residential training courses proved prohibitive to these cash-starved small firms. Secondly, due to increased work loads, partners in charge of training were unable to organise, supervise or participate in the training of new recruits. Thirdly, a number of trainees who were attending day release training courses had to abandon them due to an acute lack of trainee cover. As a result, trainee interest and motivation declined rapidly and during the first 2-3 months of their training period a substantial proportion of them left their employment. Cumulatively, these factors had a very negative effect upon the growth potential of these firms, further compounding the financial and managerial difficulties experienced by their 'reactive' owner/managers.

The 4 respondents in the marketing sub-sector experienced considerable financial difficulties until Summer 1995 when demand for their services increased considerably. They reacted to the growth in demand for marketing services by employing additional personnel. Relying exclusively on informal recruitment means these respondents managed to put together teams of 'young trainees' with potentials 'to grow with the firm'. An acute shortage of relevant training courses, however, had considerably handicapped the 'reactive' human resource strategies of these owner/managers. Furthermore, financial considerations and time constraints further compounded the training difficulties experienced in these firms. Firstly, external courses, mostly available in the marketing and management departments of local universities, were lengthy and expensive. Secondly, alternative internal training proved too demanding. In particular, the time constraints that internal schemes imposed upon these owner/managers proved strategically unacceptable to them. Thirdly, most of the trainees were kept busy with a variety of 'menial, but nonetheless important tasks' which led to substantial trainee cover problems. By Easter 1996, long working hours and obvious training failures had contributed to the loss of more than two thirds of the recently recruited trainees. Those individuals who remained with their firms had largely abandoned their training efforts and were apparently content to 'learn from experience'.

Similar difficulties were encountered in the 4 computer software firms which, starting with Spring 1994, experienced a steady increase in their turnover levels. Having previously streamlined their operations these firms had to recruit 'able and willing trainees' from local labour markets. Unfortunately, most of the demand for programmes was concentrated in the 'Fourth Generation Language' (4GL) domain, a relatively new area of expertise. Interestingly, all 4 respondents concentrated their 'reactive' human resource development efforts on 'upcoming computer science graduates' with some 4GL knowledge and experience. As a large proportion of the 'bread and butter' income was derived from existing Software Maintenance Contracts, the time constraints upon the management of these firms were considerable. Having targeted and successfully recruited a number of graduate trainees from local universities, these respondents experienced significant difficulties in locating relevant external training for them. Most 4GL training schemes consisted of full-time provision lasting between 6 months and two years. The costs relating to these schemes proved significantly higher than these owner/managers would have been prepared to invest. Furthermore, the immediate demand for programmers in 4GL would not have been fulfilled in the short term.

Unable to train internally, these firms began losing their trainees almost immediately. Some of the more resilient trainees were eventually 'made redundant' to make way for 'cheaper' or 'more willing to learn on the job' types of employee. Interestingly, all 4 respondents admitted that 'reactive' human resource strategies 'have not worked' for them and that their firms had incurred 'significant losses in business opportunities'. According to them, considerable time and cost constraints have arisen as a result of their 'lack of strategic vision'. Furthermore, they had concluded that the lack of economically priced, relevant training schemes had reached 'endemic proportions in the computer software sector'. The lack of trainee cover and in-house trainers had a demoralising effect upon trainees, who were promised rapid promotion and significant financial benefits upon completion of their training periods.

None of the graduate trainees completed their training and with one notable exception (who became an accounts trainee) either left or were 'given the push'. Their replacements were allocated to 'caretakers for on-the-job training in 4GL' and expected to 'sink or swim inside 6 months or so'. In reality, however, the duration of their training had extended significantly beyond the unrealistic 6 months period. In the meantime, the competition faced by these respondents, in particular in the 4GL market, had increased considerably. The most urgent threat was posed by large continental firms who entered the British market as the demand for 4GL services began to surge. By the end of these case studies all 4 respondents were actively involved in recruiting graduate trainees for long-term, strategic training purposes. It would be interesting to follow their progress during the next phases of my research.

A 'reactive' owner/manager model derived from these case studies is presented below:

'Reactive' Owner/Manager Model

Attitude to Training/HRD	Positive
Recruitment Methods	Informal
Strategic Market Positioning	Contractual/Quality
Evaluation of Training Needs	Informal
Training Plan/Budget	Informal
Analysis of Training Outcomes	Informal
Actual Provision of Training	Limited

The informal recruitment methods preferred by these respondents had been largely successful in attracting the right type of individual. However, the training follow-up that would have reinforced these recruitment methods had significantly fallen behind expectations. A number of negative factors affecting actual provision had been mention by these respondents, including: lack of relevant training, time and cost constraints, lack of in-house trainers and trainee cover as well as aspects relating to trainee interest and motivation. Furthermore, most training-related activities in these firms - such as evaluation of needs, plans, budgets and analysis of training outcomes - were undertaken informally and on a reactive basis only.

Training subsidies could have significantly affected the quantity and quality of training provided by this type of owner/manager. According to these respondents, the availability of economically priced, relevant training could crucially have improved the uptake of external provision in their firms. Importantly, the magnitude of opportunity losses incurred by these owner/managers as a direct result of their 'reactive' training strategies had facilitated a recognition of the potential for long-term investment in human resource development.

Actual Provision of Training by Respondents with Very Positive Attitudes to Training

In total, 16 respondents in the 'very positive attitudes to training' category were included in the case studies sample: 12 in the manufacturing and 4 in the service sector. In common with the previous 3 sets of respondents, these owner/managers displayed a keen awareness of the competitive markets in which they chose to position themselves. Of the 6 respondents in the computer manufacturing sub-sector all but one owner/manager were educated to undergraduate level or above. Of the 6 respondents in the precision engineering sub-sector, only 2 of the owner/managers were educated to degree level while the others had obtained Btech, HNC or HND qualifications. In common, however, all these respondents were successful career individuals and their incubator training had been predominantly positive and large firm oriented. Furthermore, all 12 respondents chose to enter entrepreneurship, rather than being forced by external circumstances to adopt this career path.

The market positioning strategies of these owner/managers reflected their very positive attitudes to training: in both manufacturing sub-sectors these firms chose very high quality product niches. Crucially, and in contrast to most of the previous respondents, their target markets were neither limited nor localised. Between one quarter and one third of these firms' turnover was derived from export activities. In common with other respondents in the case study sample, during the 1990-3 recession prevailing economic conditions had forced these owner/managers to significantly curtail their production and streamline their workforce. Economic recovery was slow to materialise in domestic markets, while export levels began to recover soon after Christmas 1993.

It should be noted, however, that these 'proactive' respondents had managed to retain the core of their qualified workforce as well as most of their managers. By autumn 1994, when the domestic market began to show signs of recovery, these firms were in relatively good financial and operative shape. Relying mostly on informal employment methods these 'proactive' owner/managers set out to recruit individuals at all levels of productive activity. Typically, however, supervisory and managerial staff were not recruited until the end of 1995 when economic recovery in the domestic as well as international markets was relatively well established.

In the service sector, none of the 4 'proactive' owner/managers was educated to degree level: two of them claimed to have no formal qualifications, one left school with 3 'O' levels and the fourth respondent had qualified as an Accounting Technician. In common with their manufacturing counterparts, however, these respondents shared high quality incubator training, which they had acquired during their employment with large organisations. Furthermore, before embarking upon entrepreneurship they had reached either supervisory or middle management ranks.

Just like the manufacturing owner/managers with very positive attitudes to training, the service sector respondents chose high quality market niches. Interestingly, although their target markets were relatively localised, all of these 'proactive' owner/managers had embarked upon portfolio ownership, which they contracted or expanded in accordance with the prevailing economic conditions. Such multiple outlets, organised and controlled by a 'head office' or 'holding company' enabled these respondents to cover several related but geographically unconnected market segments. Each outlet required specialist staff whom these owner/managers recruited informally and trained up to the necessary standards.

According to the financial records at my disposal, the turnover levels of these 'proactive' respondents did not fall significantly during the 1990-3 recession. The relative financial stability exhibited by these firms was generally attributed to the steady returns generated by well established, high quality market niches, narrowly focused upon the tastes and expenditure patterns of 'the better off customers'. Consequently, most of the highly trained personnel had been retained in the services of these 'proactive' owner/managers. As forecast, economic recovery and growth had brought steady increases in the overall turnover levels of these respondents.

Training and HRD Strategies of Respondents with Positive Attitudes to Training

The training and human resource development strategies adopted by the 16 respondents who claimed to hold very positive attitudes to training were typically 'proactive'. In the manufacturing sector, the 12 owner/managers had largely anticipated the eventual increase in demand for their high quality products. They reacted positively to the economic upturn that characterised most of the 1994-6 period and began 'updating' their existing production and human resource capacity. Interestingly, the research and development (R & D) activities of these firms, kept relatively dormant during the recession, were also 'strategically resurrected'. As the unused productive capacity of these firms was increasingly activated, the need for growth-related recruitment and training became progressively obvious to their owner/managers. Typically, the recruitment methods preferred by these 'proactive' respondents involved the use of informal means of promotion and selection of candidates for production-related vacancies. Moreover, as part of their human resource development strategies, these owner/managers favoured internal promotion for most of their supervisory and management positions.

'Proactive' owner/managers extensively used formal management and planning tools and these were extended to cover the formulation and inception of their human resource development strategies. In all of the 12 manufacturing firms, the evaluation of training needs was an integral part of formal 'strategic reviews' undertaken regularly during weekly or monthly 'management meetings'. Line managers' training analysis and evaluation reports were summarised and formally presented at these meetings. Similarly, the results of management training schemes were formally presented at Board of Directors level, in order to justify training expenses and evaluate their outcome. During my visits to these firms I was able to access formal training plans and budgets. In all these firms, during the 1994-6 period, training expenditure had been budgeted at between 1.5 and 2 percent of the annual turnover, an amount well in excess of the UK average. Furthermore, in most cases, the actual provision of training had exceeded the budget during both the 1994/5 and 1995/6 financial years.

The adoption of 'high quality' market positioning strategies by the 12 manufacturing owner/managers had considerably influenced the training and human resource development strategies of these respondents. Prevailing economic conditions had, to a great extent, affected the proportion of training expenditure budgeted for this type of activity. During the 1990-3 recession most of these firms had curtailed their training provision due to the drastic reduction in the need for recruitment and R & D activities. Fewer new ranges of products or 'one off runs' were initiated during recessionary conditions. Thus, it appeared that financial restrictions had not significantly contributed to the reduction of training provision in these firms. Conversely, during the 1994-6 economic recovery period, financial stability exerted a positive influence upon the growth oriented human resource development strategies of these firms.

Interestingly, however, the lack of relevant training represented the greatest constraint upon the provision of external training in these high quality manufacturing firm. During the early 1990s, all 12 respondents had sought quality assurance accreditation (to BS5750/IS9000 standards). Invariably, such moves had been prompted by strategic considerations relating to some of their major customers' demands. Apparently, one of the main conditions that suppliers had to fulfil before being included on 'preferred buyer's lists' was the achievement of quality assurance accreditation status. Even though the quality assurance pressure had subsided in recent years, most of these owner/managers had continued their quest towards accreditation. The lack of specific quality-related training schemes had considerable affected these respondents' efforts. Most of the training courses available from local Chambers of Commerce, TECs and Trade Associations were either too general or dealt only with certain (mainly financial or administrative) aspects of the accreditation process. The training available from consultancy firms was deemed 'far too expensive' or 'blatantly failed to guarantee the outcome'.

The quality and cost of other externally-provided training schemes had also been criticised by these 'proactive' owner/managers. In their experience, most of the providers of training in the private sector were 'failed or redundant managers' from large firms who had set themselves up as consultants and mainly 'peddled obsolete business solutions to the ignorant or the gullible'. The general nature and large firm orientation of most of the training available in the market place had been highlighted by these respondents as representing significant restriction upon their uptake of external provision. Similarly, the high costs (actual, marginal or incremental) attributable to external sources acted as a further deterrent on the uptake of this type of training. In contrast, internally provided training was viewed as a more effective strategic solution to skill shortages. Most (9) of these owner/managers relied on the services of a dedicated training manager, while in the remaining 3 firms a personnel manager undertook responsibility for this function.

Trainee cover was arranged in advance of provision and budgeted accordingly into the training effort. There were no significant time constraints encountered in these firms. These respondents reported a 'healthy interest in training' as exhibited by most of their trainees. Similarly, trainee motivation was maintained 'reasonably high' by the use of productivity-based, financial incentives which were awarded 'commensurate with the training levels achieved' by each individual. Subsidised training was on offer for administrative and management staff, who were 'actively encouraged' to further their careers by undertaking 'progressive external training'. There was little evidence of training-related overtime and weekend work in these firms.

The 4 'proactive' respondents in the service sector found it relatively easy to monitor the performance of their 'retail holdings': they were not directly involved in the day-to-day running of their multiple outlets and were managing their portfolio through a 'head office' or 'holding company'. Their management styles were very formal and involved the production of timely and accurate financial and management records. Typically, the training function in these firms was formalised and involved complex training budgets and plans for each component outlet. Together with the yearly financial and management forecasts, each retail outlet manager had to forward a formal 'training needs evaluation' document. These were analysed and ratified at

Board of Directors level and a training budget was approved for each of the retail manager's benefit.

As most of the recruitment in these firms was initiated by owner/managers themselves, the existence of formal training budgets and plans at outlet level had worked particularly well for all the parties involved in training. Furthermore, a monthly formal 'analysis of training outcomes' was required from each outlet manager and these documents were regularly analysed by the owner/managers as part of the financial overview of the firm. According to these respondents, all parties felt involved in the training process and were expected 'to contribute to it and benefit from it'. However, overall control of the human resource development strategies in these firms remained firmly in the hands of their 'proactive' owner/managers.

In common with their manufacturing counterparts, the search for relevant quality related training had proved unsuccessful for the service sector respondents. As they were not interested in quality assurance accreditation, their search concentrated mainly on schemes provided by trade organisations, local TECs and Chambers of Commerce as well as Institutes of Higher or Further Education. None of these sources offered the specific type of training sought by these owner/managers. Other training provided for the employees of these firms involved formal, internal and external sessions in a variety of retail-related topics such as customer care, hygiene and health and safety. When necessary, informal on-the-job training was provided by suppliers of high technology equipment. The most common type of training encountered in these firms was provided by the owner/manager or other 'more senior and experienced personnel'. Surprisingly, most of the internal trainers had benefited from a variety of 'training the trainer' type of courses.

Time and cost constraints were not mentioned by these respondents. Similarly, in view of adequate staffing levels, trainee cover was planned for and ensured on each training occasion. Most of the 'head office' or 'holding company' personnel and all the outlet managers were qualified 'in-house trainers'. They could be called upon to provide training for the benefit of new recruits to the firm. Trainee interest and motivation was maintained by the use of financial incentives and 'status enhancers'. These were awarded in accordance with the level of competence achieved during training sessions and involved formal and informal reviews provided both by the trainer and the trainee. As a matter of company policy, none of these 'proactive' owner/managers encouraged overtime or weekend work. Based on the results obtained from these 16 case studies a tentative model of a 'proactive' owner/manager is presented below:

'Proactive' Owner/Manager Model

Attitude to Training/HRD	Very positive
Recruitment Methods	Informal
Strategic Market Positioning	High Quality
Evaluation of Training Needs	Formal
Training Plan/Budget	Formal
Analysis of Training Outcomes	Formal
Actual Provision of Training	Above UK Average

The very positive attitudes to training held by these 'proactive' owner/managers were reflected in their focus on high quality market niches. The strategic market positioning of these respondents was reinforced by formal training plans and budgets, based upon regular, in-depth analyses of their firms' human resource development needs. Furthermore, formal reviews of training outcomes took into consideration the views and experiences of both the trainers and the trainees. The lack of relevant training emerged as the only significant constraint upon the provision of training in firms owned by 'proactive' respondents. According to these owner/managers, existing quality-related training schemes are too expensive and fail to reflect the specific needs of small firms. The availability of training subsidies was not viewed as a significant factor affecting the human resource development strategies of these 'proactive' owner/managers.

Concluding Remarks

In these case studies I set out to compare and contrast the main strategies and approaches that 74 small business owner/managers had adopted in relation to their training and human resource development needs. A wide variety of quantitative and qualitative data has been collected and analysed and a model for 4 distinct types of owner/manager has been constructed. Several important factors were found to have contributed and/or influenced the intended as well as the actual outcomes of these respondents' training and human resource development strategies. It is important to note that throughout the 3 year period of these case studies, the owner/managers' attitudes to training had remained remarkably constant. However, the actual provision of training in these firms varied in accordance with a number of relevant factors.

The most important determinant to influence the attitudes to training of these respondents had been the quality of their 'incubator' training. Although the frequency, variety and length of 'incubator' training experiences had some effect upon these owner/managers' attitudes to training, it was the quality of its provision that contributed most to their future perception of this crucial aspect of business strategy. Low quality 'incubator' training experiences invariably resulted in negative or very negative attitudes to training. Conversely, high or very high quality 'incubator' training contributed to the formulation of positive or very positive attitudes to training. A mixture of low and high quality 'incubator' training as experienced by some of these respondents had crystallised into allegedly indifferent attitudes to training. It should be noted, however, that once the attitudes to training of these owner/managers had 'crystallised' they exerted a significant influence upon their business strategies.

Attitudes to training had emerged as important determinants of these respondents' recruitment preferences. Owner/managers with negative or very negative attitudes to training showed a clear preference for formal methods of employment, used mainly to recruit already trained individuals. Conversely, respondents who professed to hold positive or very positive attitudes to training invariably used informal means to recruit individuals who could then be trained for a variety of specific tasks. Owner/managers who had shown indifference to training issues claimed to favour the flexibility of mixed formal/informal methods of recruitment.

The great majority of the owner/managers who participated in these case studies had benefited from the favourable economic conditions that characterised much of the 1994-6 period. Consequently, the 4 distinct owner/manager models presented in this chapter were based on the in-depth analysis of the market positioning strategies and related human resource development needs of these respondents over a three year period of relative economic growth. Typically, market positioning strategies were based mainly upon considerations closely related to the quality of products and services offered by the 74 respondents. Quality issues, however, were also found to have a crucial effect on the training and human resource development strategies of these owner/managers.

'Random Passive' owner/managers claimed to hold very negative or negative attitudes to training. Their strategic market positioning was random and focused exclusively on low quality products and services. The recruitment methods favoured by 'random passive' respondents were formal and involved already trained and experienced applicants only. They did not undertake any evaluation of training needs or drew up training plans and budgets. Actual provision of training was non existent or very limited and no attempts were made to analyse training outcomes. None of these respondents mentioned the lack of relevant training as a constraint upon their human resource development strategies. Time and cost pressures emerged as the main constraints affecting these respondents' training strategies.

'Random Active' owner/managers professed to be indifferent to training. They adopted random market positioning strategies based on mixed, mainly low quality products and services. The price and quality of such products or services were actively reviewed and adjusted to take into account perceived changes in demand. Flexible, mixed formal/informal recruitment methods were favoured by most of these respondents. The training provided by 'random active' owner managers was very limited and did not involve needs evaluation or analysis of outcomes. None of these respondents drew up training plans or budgets. The availability of relevant training and time constraints emerged as the main factors affecting the provision of training in their firms. Other constraints reported by these respondents included: cost of training, lack of trainee cover and difficulties relating to employees' motivation and interest.

The 'Reactive' owner/managers claimed to hold positive attitudes to training. They adopted mainly contractual market positioning strategies which focused upon the marketing of quality products and services. They preferred informal methods of recruitment and intended to train their employees to the required skill levels. 'Reactive' owner/managers evaluated their training needs and analysed training outcomes on an informal basis. Training plans and budgets were also informal and subject to frequent revisions. Actual provision of training in firms owned by these respondents was found to be limited. A number of constraints affecting actual provision of training had been mentioned by these respondents. These included a lack of relevant training, time and cost constraints, lack of in-house trainers and trainee cover, as well as some aspects relating to trainee interest and motivation.

The attitudes to training of 'proactive' owner/managers were very positive. Their market positioning strategies focused exclusively on high quality goods and services. Preferred recruitment methods were informal and these respondents trained their workforce to the required standards. Evaluation of HRD needs and the analysis of training outcomes were undertaken formally as part of periodic performance measurement activities. Similarly, training plans and budgets were formally included in strategic management forecasts, used by these 'proactive' owner/managers to analyse and control the performance of their firms. Actual provision of training in these firms was well above the UK average. The lack of relevant training emerged as the only significant constraint upon the provision of training in firms owned by 'proactive' respondents.

Throughout these case studies, I found no evidence to substantiate the 'owner/manager ignorance of training' hypothesis. The owner/managers in the sample were largely aware of the human resource development issues which emerged from their individual market positioning strategies and took these into consideration when making the relevant decisions. The availability of training subsidies would have helped the majority of the respondents to improve on the quantity and quality of training provided in their firms. With the notable exception of 'random passive' owner/managers all the other respondents appeared to have had serious difficulties in locating economically priced, relevant training schemes for the perceived needs of their workforce. In order to improve the uptake of external provision in small firms, the significant problem of availability of relevant training must be urgently addressed by policy makers in conjunction with public and private providers of training.

PART FOUR

CHAPTER SEVEN

Conclusion

In this thesis I set out to examine the training and human resource development strategies of small business owner/managers. In order to more fully map out the richness and complexity of the issues involved in this cross-disciplinary research topic, I chose a combined methodological approach. By 'triangulating' three different, yet complementary, data sets I have achieved a better understanding of the complex relationships and causal links that existed between attitudes to training, human resource development strategies and the wider micro- and macro-economic issues that governed the decision making processes of these small business owner/managers.

The quantitative analysis of the data obtained from an investigatory telephone survey which involved 2000 small business owner/managers in the West Midland region highlighted the existence of an important training paradox. Although the vast majority of owner/managers claimed to have positive attitudes to training, the incidents of actual provision were restricted to only a small proportion of the firms in this sample. This training paradox was evident across all the five sectors of economic activity that I investigated: manufacturing, services, construction, agriculture and forestry & fisheries. This survey further confirmed my previous findings (Matlay, 1993:14) in particular that most training-related decisions in small firms were made exclusively by owner/managers. In only a very small number of larger firms were personnel or training managers involved or consulted in relation to human resource development matters. Furthermore, evidence of evaluation of training needs or other related activities such as planning, budgeting and feedback were found only in a minority of these firms. Owner/managers' awareness, understanding and actual usage of TECs' services and facilities was limited in micro-firms and very small businesses and only increased marginally, in proportion to the size of the establishment. Very similar trends were observed in relation to these owner/managers' awareness, understanding, interest in and actual adoption rates of NVQs/GNVQs and Training Credits. Thus, it would be reasonable to suggest that recent policy efforts aimed at the small business sector have failed to make a significant impact upon these owner/managers' training and human resource development strategies.

Over the 1994-6 period, the attitudes to training of the 246 owner/managers interviewed in the longitudinal qualitative survey remained unchanged across different size-bands and economic sectors. This research sample has shown a remarkable stability over the three year period: only 24 of the initial 246 firms had dropped out of interviews, 4 of which went into 'voluntary liquidation' and the remaining 20 changed ownership as 'going concerns'. All owner/managers had confirmed and reinforced their attitudes to training, as recorded during the 1993 telephone interviews. On close examination, it emerged that the most important factor to affect these owner/managers' attitude to training was their previous 'incubator' experiences, accumulated during various periods of employment.

Before embarking upon 'entrepreneurship', there had been considerable size and sectoral influences exerted upon the quality and quantity of the 'incubator' training received by these owner/managers and the combined effects of such factors had contributed significantly to the formation of rigid attitudinal trends. In particular, there were three inter-related factors that contributed most to the formation and direction of these attitudes: firstly, the status of the owner/manager in the incubator firms; secondly, the position of the providing firm within its expected economic life cycle; and thirdly, the economic circumstances prevailing at the time of the provision of training. Thus, the quality and quantity of 'incubator' training received by these owner/managers during periods of employment determined, to a large extent, their attitudes to training and human resource development issues.

A great deal of evidence emerged from the longitudinal interviews that linked these owner/managers' recruitment methods to their human resource development strategies. Owner/managers with positive or very positive attitudes to training preferred informal recruitment methods, which were determined by their intentions to train or retrain new recruits. Those respondents who held negative or very negative attitudes to training favoured more formal recruitment means and mainly employed already-trained individuals. Respondents who professed to be indifferent to training matters resorted to mixed, formal/informal recruitment tactics. The financial resources available for this type of strategy were significantly influenced by the economic conditions prevailing at the time that recruitment-related decisions were made.

According to the owner/managers interviewed, there were two main types of factor that determined the quantity and quality of training provision in their firms. 'Directly relevant' factors, which included the market positioning of a firm, prevailing economic conditions and the availability of relevant training, were perceived as being of primary importance to their training and human resource development strategies. Perceived as of secondary importance, 'indirectly relevant' factors involved the cost of training, time constraints, lack of in-house trainers and other elements relating to trainee cover, motivation and interest. The cumulative effect of these factors justified and explained the paradox that existed between these small business owner/managers' attitudes to, and actual provision of training in their firms.

Of the three 'directly relevant' factors mentioned by these respondents, market positioning emerged as the most important determinant to influence the training and human resource development strategies of small business owner/managers. By their individual choice of market positioning strategies, these owner/managers promote and differentiate their own products and services from those of their actual or perceived competitors. Furthermore, quality emerged as both a principal marketing discriminant and an important determinant of training demand in the small business sector. Similarly, prevailing economic conditions at the time that training decisions were made exerted a powerful influence upon overall human resource development strategies. The increase or decrease in the demand for goods and services invariably affected the respondent firms' levels of recruitment and their quality-related skill needs. Thus, during the 1994-6 period of relative economic growth, the specific increase in the demand for quality goods and services resulted in skill shortages and hard-to-fill vacancies which negatively affected the turnover and profitability of these firms. Furthermore, the unexpected lack of relevant, externally provided training, significantly curtailed the human resource development strategies of most of these owner/managers.

The 'indirectly relevant' category comprised six inter-related constraints, which negatively affected the actual provision of training in the respondent firms. It was claimed by the majority of respondents that, in view of the speed of economic recovery and the inherent lack of relevant training, they were forced either to train internally or to pay the inflated market rates charged by external trainers. Most of them had also encountered difficulties in identifying and costing relevant training schemes. Inadequate staffing levels had resulted in time constraints that considerably handicapped the managerial abilities of some of these owner/managers. Furthermore, such time constraints directly affected human resource development strategies at various key stages, in particular the assessment of training possibilities, the analysis of cost effectiveness and feedback reviews. In some notable cases, respondents were forced to delegate the training function to other managers or members of their family who had failed to fully realise its potential within the firms' overall business strategy.

The lack of in-house trainers was perceived to have increased training costs and considerably restricted the choice of methods at the disposal of owner/managers. Trainee-related factors, such as lack of cover, motivation and interest further undermined some of these respondents' training efforts. These owner/managers experimented with a number of approaches, including 'drastic' measures such as disciplinary action, early retirement and redundancies as well as 'softer' solutions which mainly involved financial incentives or status enhancers awarded for training-related increases in productivity. Clearly, the minority of owner/managers who had adopted 'proactive' training and human resource development strategies were better prepared for the pressures of economic recovery and growth than their 'reactive' counterparts.

The main purpose of the 74 case studies was to compare and contrast the strategies and approaches adopted by small business owner/managers in relation to their training and human resource development needs. In common with the 246 respondents of the longitudinal survey, the 74 owner/managers' attitudes to training had remained remarkably constant throughout the 3 years period of the study. From the analysis of a wide variety of quantitative and qualitative data, several important factors emerged in relation to the intended as well as the actual outcomes of these respondents' training and human resource development strategies. The attitudes to training of these respondents was determined mainly by the quality of their 'incubator' training received while they were in employment. Thus, while factors such as the frequency, variety and length of 'incubator' training experiences had some effect upon these owner/managers' attitudes to training, it was the quality of its provision that contributed most to their future approach to human resource development strategies. In the vast majority of cases, a low quality 'incubator' training resulted in negative or very negative attitudes to training. Similarly, high or very high quality 'incubator' training resulted in positive or very positive attitudes to training. Mixed quality 'incubator' training emerged as the determinant of indifferent attitudes to training.

Once the attitudes to training of these owner/managers had 'crystallised' they formed the basis of their future human resource development strategies.

The recruitment preferences of the 74 owner/managers reflected closely those of the 246 respondents interviewed in the longitudinal survey. These respondents' attitudes to training exerted a considerable influence upon their recruitment preferences. Thus, owner/managers with negative or very negative attitudes to training showed a clear preference for formal methods of employment, while respondents who professed to hold positive or very positive attitudes to training invariably used informal means to attract their future employees. Owner/managers who claimed to have indifferent attitudes to training favoured the flexibility of mixed formal/informal methods of recruitment.

Without exceptions, all the market positioning strategies of these owner/managers were based upon considerations closely related to the quality of their products and services. Furthermore, it emerged that quality issues appertaining to the products and services offered by these owner/managers had a crucial effect on their training and human resource development strategies. Four distinct owner/manager models have been constructed from the in-depth analysis of the market positioning and related human resource development strategies of the 74 respondents that participated in the case studies: ***random passive*, *random active*, *reactive and proactive***. The main characteristics of each of these owner/manager categories are briefly outlined below:

1. **'Random Passive'** owner/managers held negative or very negative attitudes to training. Their strategic market positioning was random and focused exclusively on low quality products and services. Recruitment methods favoured by this type of respondent were formal and involved mainly already trained and experienced applicants. No evaluation of training needs was undertaken, nor were training plans or budgets used to support any human resource development efforts. Actual provision of training by 'random passive' owner/managers was very limited and no attempts were made to analyse training outcomes. The lack of relevant training was not an important consideration in the case of these respondents. Time and cost pressures, however, emerged as the main constraints affecting these respondents' training strategies.

2. **'Random Active'** owner/managers professed indifference to training matters. Their random market positioning strategies were based on the provision of mixed, mainly low quality products and services. The price and quality of such products or services were actively reviewed and adjusted to take into account perceived changes in market demand. Recruitment methods favoured by this type of respondent involved mixed, formal/informal means of employment, and focused on both untrained and already trained individuals. Actual provision of training by 'random active' owner/managers was very limited and did not involve needs evaluation or analysis of outcomes. None of these respondents made use of training plans or budgets. The availability of relevant training and time constraints emerged as the main factors affecting the provision of training in their firms. Other constraints reported by these respondents included: cost of training, lack of trainee cover and difficulties relating to employees' motivation and interest.

3. **'Reactive'** owner/managers claimed to hold positive attitudes to training. Their market positioning strategies involved mainly contractual obligations and consisted largely of quality products and services. Recruitment methods favoured by this type of respondent were mainly informal and were focused upon untrained individuals. They intended to train their new employees up to the perceived skill levels required. 'Reactive' owner/managers evaluated their training needs and analysed training outcomes on an informal basis. Similarly, training plans and budgets were informal and subject to revisions. Actual provision of training by 'reactive' owner/managers was found to be limited. The training difficulties reported by these respondents included lack of relevant training, time and cost constraints, lack of in-house trainers and trainee cover, as well as trainee interest and motivation.

4. **'Proactive'** owner/managers held very positive attitudes to training. Their market positioning strategies focused exclusively on high quality goods and services. Recruitment methods preferred by this type of respondent were informal and they trained new recruits up to the required standard. Human resource development needs and training outcomes were evaluated formally, as part of periodic performance management activities. Similarly, training plans and budgets were formally included in strategic management forecasts, used by these 'proactive' owner/managers to analyse and control the performance of their firms. Actual provision of training by 'proactive' owner/managers was in excess of the UK average. The only significant constraint upon the provision of training to emerge in firms owned by 'proactive' respondents was the lack of relevant training.

The owner/managers involved in this research study were largely aware of the human resource development issues which emerged from their individual market positioning strategies. The much debated 'ignorance of training' hypothesis was not substantiated by the findings of this research. Supply-side training failures present a more convincing explanation for the low provision rates recorded in most of these firms. Demand-side training failures were also evident in this sample, in particular in the case of 'random passive' and 'random active' owner/managers. Financial subsidies would have helped the majority of these respondents to improve the quantity and, arguably, the quality of training provided in their firms. The availability of relevant training, economically priced and narrowly focused upon the quality-related needs of these owner/managers (perhaps with the notable exception of 'random passive' respondents) would have made the most significant impact on human resource development outcomes in these small firms.

It is obvious from this and other recent studies (see for example, Training Agency, 1989; Storey and Westhead, 1995, 1996) that Britain lacks a coherent training policy and that the resulting failure to fund and provide firm-specific as well as transferable skills training can only deepen the competitive disadvantage faced by small businesses, both on the domestic and international markets. On the basis of the results presented in this paper, I would suggest a number of tentative policy recommendations.

Firstly, the overall quantity and quality of vocational education and training should be improved to at least the levels provided by Britain's main international competitors. This could have a significant impact upon both the owner/managers' attitudes to training and their levels of actual provision.

Secondly, a programme of selective financial support should be implemented (with funds provided by the government through the existing infrastructure) in order to provide training-related assistance specifically focused on those owner/managers who need and/or demand it.

Thirdly, universities and colleges of higher and further education should increase and improve the range of realistically priced courses available, with a view to raising the educational level of small business owner/managers and their employees.

Fourthly, the training industry, itself dominated by the self-employed, micro- and very small firms, should be targeted for selective financial assistance in order to subsidise a range of economically priced and customised training, narrowly focused upon the diverse needs of small businesses.

Finally, I would like to add my support to David Storey's (1994:315) call for a small business White Paper which would help clarify the future objectives and targets of government policy affecting this important sector of the British economy.

This study represents the first stage of a larger, longitudinal research project which aims to examine the training and human resource development strategies of small business owner/managers in Great Britain over a 20 year period. The results of the first 4 years of this project relate specifically to a period of relative economic recovery and growth. The majority of the owner/managers who participated in these case studies have benefited from the favourable economic conditions that characterised much of the 1994-6 period. Consequently, the training paradox identified and the four distinct owner/manager models presented in this research were based on the in-depth analysis of the market positioning strategies and related human resource development needs of these respondents over a four year period of relatively stable economic conditions. It is my intention to test these results over an extended period of time, which is likely to include periods of rapid economic growth, consolidation, decline and recession. Thus, the overall small business owner/manager models that will emerge from this long-term longitudinal research will have been tested and enriched by the in-depth knowledge obtained from a relatively large sample of respondents analysed over various economic cycles.

I intend to commence the next stage of this research project on 3rd January 1997 by re-interviewing the original 1993 telephone sample of small business owner/managers. Further in-depth interviews and related case studies will be carried out over the 1998-2000 period. I am confident that the next stages of the proposed research programme will benefit considerably from the valuable lessons that I have learnt over the four years that the current doctoral study has taken to complete.

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TELEPHONE SURVEY
(1993)

Part One: **Remarks:** **Reference:**

Locus of Training Decision-Making	Owner/Mangr.	Personnel Mgr.	Key Employee	Other Employ.

Respondent Attitude to Training	Very Negative	Negative	Indifferent	Positive	Very Positive

Actual Training Provision	None	1 Day	2-3 Days	4-5 days	6-10 Days	11 Days+

Training + HRD Needs Activities	Evaluation	Planning	Budgets	Feedback

TECs Activities	Awareness	Understanding	Usage

NVQs/GNVQs Activities	Awareness	Understanding	Interested	Adopted

Training Credits Activities	Awareness	Understanding	Usage

Comments:

Part Two: **Remarks:** **Reference:**

Firm Sector		

Firm Status		

Firm Location		

Firm Origin		

Firm Age		

Yearly Turnover		

Number of Employees	Full-Time	
	Part-Time	
	Casuals	

Number of Owner/Mangrs	Managing	
	Executive	
	Sleeping	

Comments:

Part Three:	**Remarks:**	**Reference:**

Status of Respondent		

Ethnic Origin of Respondent		

Age of Respondent		

1st Owner/Manager Gender 2nd Owner/Manager Gender 3rd Owner/Manager Gender 4th Owner/Manager Gender 5th Owner/Manager Gender 6th Owner/Manager Gender		

1st Owner/Manager Education 2nd Owner/Manager Education 3rd Owner/Manager Education 4th Owner/Manager Education 5th Owner/Manager Education 6th Owner/Manager Education		

Type of Incubator Training			

Comments:

TITLE	THE PARADOX OF TRAINING IN THE SMALL BUSINESS SECTOR . OWNER/MANAGERS` ATTITUDES TO , AND ACTUAL PROVISION OF , TRAINING IN THE WEST MIDLANDS REGION , 1993 - 1996
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