

TRAINING IN SMEs AND ITS RELATIONSHIP TO PROFITABILITY

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Abstract –The continuous development of employee potential is dependent on training at every level to acquire improved skills. While attention has been devoted to its contribution within organisations, there is a dearth of research on its effectiveness within the SME sector. The impact of training on performance and profitability in manufacturing SMEs is investigated. Three training groups are identified and examined in relation to the emphasis placed : employee input on decision making, influence on working practices and creativity on performance objectives. Those who utilise HR professionals seem to perform better than those who invest in training without HR input.

Keywords – Training, performance, human resources, manufacturing, small and medium enterprises (SMEs), decision making, employee creativity, working practices

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Introduction

For any organisation, human resource development is a vital ingredient to achieve performance goals, improve productivity and sustain competitive advantage. As Schermerhorn (2005) affirms, making people the top priority will ensure a match for the demands of the twenty-first century; no one's talents can be wasted in the quest for high performance. As such, the value of training is an essential feature to turn knowledge into effective and efficient operations, thus sustaining security and career progression in a climate conducive for success. Organisations need to ensure that they have a quality workforce through continuous development and improvement programmes, whether on-the-job or off-the job, specially looking at both its potential and shortcomings. This means that employee development must not be beleaguered by obstacles, as is often the case. What is salient, as Thite (2004) stresses, is that there is need to manage people in the 'new' economy, targeting human resources practices that persuade people to unlock their knowledge power. Employees must be successfully nurtured and managed for long-term effectiveness. Mestre *et al* (2007) propound that any organisation, whatever its business, is only as good as its well-trained workforce and, in this regard, Aristotle philosophised that *'excellence is not an act, but a habit'*. Potentially, it is felt that there are three good and valid reasons akin to the importance of organisational training : [1] assisting communication, [2] positively motivating and [3] playing a pivotal role to nurture dormant skills.

In recent years, the business world has altered and become more and more unsettled due, in the main, to changes in financial and labour markets as well as in supply and demand, making competition extremely aggressive – this being particularly true in the current 'credit crunch' era. Porter (1991), and later D'Aveni (1994), suggest that businesses of all sizes face relentless challenges, what they term as 'hypercompetition'. This view is also confirmed by Drucker (1999) who states that *'we live in a period of profound transition'*. For organisations to have the ability to compete, Beer (2001) certainly believes that two key factors starkly emerge : firstly, goals need to

be formulated and, secondly, their implementation should be carried out effectively if better performance is to be achieved. Therefore, for strategic competitiveness, human resource development must be continuous and intentional in order to improve skills and competencies, be they managerial, technical, inter-personal or, indeed, problem-solving. It appears that there must be convergence of minds, communication and collaboration. After all, as Drucker (2002) intimates, the workforce is not just composed of employees, but of 'people'.

As expressed by Bettis & Hitt (1995), adjusting to every potential operational condition means that the principal task for managers is to effectively align the external environment with the firm's long-term strategy; moreover, they should be aware of the internal environment, making it challenging, fulfilling, ambitious as well as fun, with shared values. According to McKinsey (2006), the operating environment has become much more competitive than it was at the beginning of millenium. This perception could well have been driven by factors such as improved capabilities of competitors, more low-cost initiatives, the growing size of the competition as well as the greater number of innovative market entrants. As Gully *et al* (2006) declare, organisations seem to have a different life-cycle in that they have to be more dynamic to meet the increasing pressures of formulating, implementing and monitoring strategic policies which can arise from such issues as globalisation, sustainability, demographic change, technological advancement as well as social responsibility.

However, in reality, organisations have tended to, firstly, focus on the bottom line and, secondly, achieve greater efficiencies through cutting costs. In this context, training is to be perceived as a strategic investment rather than a business area where costs can be saved. Yet, it must be remembered that performance is down to employees or the system in which they work; needless to say, proper planning and preparation would prevent poor productivity. Rigby (2003) propounds that proven disciplines, like strategic planning and core competencies, 'drew raves' once again for

helping companies to stay on course. Arguably, training is certainly one of the principal methods used, embracing information and knowledge to enhance competitiveness. According to McKinsey (2006), these are the primary drivers of an accelerating pace of change, especially in today's global business environment. Training, in all its forms, should be kept simple by 'stopping the guessing' and 'starting the knowing', with the need to reflect, rethink and respond.

Strategically, training must be viewed as an important dimension for organisations in the pursuit of improved productivity and performance. Eisenhardt & Martin (2000) contend that such capabilities relate to the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments. With this in mind, according to Helfat & Lieberman (2002), training is essential to develop human resources and use these more effectively, stimulating the flow of knowledge and communication. Therefore, it is felt that training is the 'key' that can boost productivity and, hence, overall organisational performance. The professed importance of employee training to small business performance seems under-estimated; in this regard, Reid & Adams (2001) state that this area received little attention in management literature - this surely needs correction with many hard lessons to be learned. For the SME sector, Ibrahim & Ellis (2003), endorsing English (2001), suggest that training would, in fact, enhance their survival rate whilst Reid & Harris (2002) note that the most successful SMEs provide more employee training than average.

Organisational Performance

In every business sector, companies are interested in determining how they are performing in order to accomplish the twin attributes of effectiveness and efficiency, these philosophies being at the core. Performance measurement, the foundation of good management practice, should monitor the fundamental elements of the long-term mission and vision. This is because, in both operational and strategic scenarios, it ought to represent the business control processes and become the barometric

compass for management at all levels. The development of an efficacious *modus operandi* should incorporate the following five common characteristics that are essential prerequisites to attain best practice :

1. driven by corporate strategy, know what is to be effected
2. adopt a range of financial and non-financial measures
3. extract comparative measures through benchmarking
4. report results regularly, promoting knowledge and action
5. drive the system from senior management down

Performance ought to be measured by the degree to which the objectives set by management are met. It should be carried out through a well-devised structure. That is to ensure the implementation of criteria which become part of the management process : to evaluate progress towards goals, calibrate conformance to policies, assess systems and procedures as well as appraise group or individual performance. Laitinen (2002) defines performance as the ability to produce results in a dimension determined *a priori* in relation to a target. Stainer *et al* (1999) believe the ‘when’, ‘where’ and ‘how’ factors must be competently addressed. In relation to when, if measurement is carried too often, it consumes more resources and thus becomes counter productive; hence, its timing should be a vital consideration. As regards where and how, these factors should be tailor-made for each organisation to focus on the critical areas of its processes. In this context, leadership should leap into action and provide secure management support; this would generate higher productivity and lower rates of absenteeism. Stainer (2006) affirms that performance can be viewed simply as the organisation’s ability to achieve its objectives, not only in a resourceful manner, but also consistently. Yet, as Simms (2009) sadly purports, most managers have no idea how to exploit the capability of their people because they have never been provided with the relevant tools or training opportunities.

As performance management is a complex multi-faceted concept, the reality is to recognise that

there is no one best approach to deal with its issues and their resolutions. It appears that there are two distinct elements to achieve 'good' performance; firstly, there should be a balanced regime of measures and, secondly, behavioural change is to be nurtured within the organisation's culture. Indeed, what can often affect business performance, whether positively or negatively, is the degree of social cohesion. After all, performance achievability depends greatly on the inter-play between complementary abilities and talents of the workforce, teamwork, dependability, commitment and shared responsibility in order to produce the results that contribute to the well-being of the business through a collective effort. Despite the obvious importance of performance management, Smith *et al* (1996) state that the process itself has largely been a 'resounding failure' in the eyes of both employers and employees, as demonstrated in numerous surveys. The main concerns can be perceived as :

1. there is no single set of performance yardsticks
2. there is no single basis for setting standards for those measures
3. there is no universal reward mechanism that constitutes some performance measurement methodology that is applicable in all contexts

But, increasingly, performance measurement systems, according to McAdam & Bailie (2002) as well as Stainer (2006), comprise both financial and non-financial measures to enable efficient strategic decision making as well as understand competitive dynamics. Unfortunately, according to Jennings & Beaver (1997), few smaller firms adopt these types of performance measures. Short *et al* (2002) emphasise that consensus had not been reached about many of the factors that may influence performance. In truth, performance measurement ought to be an 'empowerment' tool used for evaluation, planning and improvement of the business cycle.

In the norm, the SME sector perceives the yardsticks of performance in financial terms, such as cash flow, return on assets and gross profit margin, these being widely considered as indicators of overall profitability. A categorical approach, based on gross profit per full-time employee [FTE], is

often used to assess the association between strategic planning and performance. Pett & Wolff (2003) suggest that, although gross profit per FTE is a single measure, it nevertheless provides multiple metrics of a firm's performance. Still, it is believed that a 'multiple assessment' of a firm's performance ought to consist of a variety of measures so as to provide a broader picture. In this vein, it is intended to explore the issue of training expenditure, through the medium of Annual Training Expenditure per FTE. In this regard, Ahmad *et al* (2005), in their study of SMEs and their employees, found that there are statistically significant relationships between three factors :

- High emphasis of employee input on decision making
- High emphasis of employee influence on improvements in working practices
- High emphasis of stimulation of employee creativity on long-term performance objectives

Performance, as Marr (2006) relates, must be managed in an enabled learning environment where training achieves increased emphasis as the building block for human resource development and business sustainability. Arguably, it can be emphatically acknowledged as the lubricant required to improve employee contributions because 'high involvement' means 'high commitment'. In a high performance culture, as far as Robson (2005) claims, it would seem likely that people would perceive, in addition to their everyday operational activities, that part of their job is to continually assist in improving strategic performance. Such an approach can be encapsulated in the words of Peters (2000) in that '*Excellent firms do not believe in excellence – only in constant improvement and constant change*'. This insight can be underpinned by establishing effective training and development practices, investment in which would, firstly, be crucial for survival and/or growth and, secondly, be at the forefront of top management's policies. It should be stressed that economic development and employment creation ought to be embraced in a responsible manner in order to thrive in today's challenging environment. Especially in time of crisis, SMEs usually find that their overall resources are drying up and, often, training becomes no longer a priority. But, as Cooper

(2008) suggests, employers need to look beyond salaries and bonuses to keep their workers satisfied and happy and, as such, motivate them through the vehicle of training.

Training Within the SME Sector

Seasoned entrepreneurs strongly believe that to start a business from scratch takes more than an innovative idea. It requires much time and resources, especially when under the spotlight of fierce competition. Today's organisation is often pushed 'to the wall' to perform, prosper or, at least, survive. Chandler & McEvoy (2000) argue that firms that invest in employee training, engage in formal performance appraisal and link these to incentive compensation are likely to have lower employee turnover, higher productivity and enhanced performance. It is deemed that this viewpoint is particularly pertinent to the SME sector. Ibrahim & Ellis (2003) suggest that training enhances the survival rate of small firms. However, this notion assumes that they can afford it or, indeed, know what their training needs are. Thus, assessment of strengths and weaknesses, identifying skills shortages and gaps as well as the pooling of resources are vital to combat the challenges faced by management to develop a skills strategy and measure its progress – whilst learning from it - whether on an operational or strategic level. Unfortunately, in the contemporary business environment, many employers seem to be offering *less* but, often, demanding *more*. The two major related arguments are the significant costs of training and the fear that employees would either leave or be discontented once trained. Yet, Drennan & Pennington (1999) advocate that the continuous skills training makes employees into an uncopiable and competitive - and probably the only - appreciating asset for any organisation. This perspective is echoed by Litz & Stewart (2000) who establish a clear link between employee training and superior firm performance. After all, training is the result of knowledge, learning, practice and experience.

What is important, as far as Mescon *et al* (2002) are concerned, is to understand the world of small business with its distinctive characteristics and unique economic role. Czeniawska (2002)

encapsulates the complexity and demands of top management of organisations, whatever their size, by stating that it must be adept to :

- (a) reconcile apparently irreconcilable issues,
- (b) integrate multiple specialist skills without losing focus,
- (c) balance individual heterogeneity with corporate homogeneity, and
- (d) combine theory with practice

For SMEs, as Rosen *et al* (2005) point out, this sums up the intricate role bestowed on every manager. Simms (2006) argues that small firms need to 'wisen up' in their business thinking because large customers have no scruples about exploiting the commercial naïveté that is endemic in most SMEs. They, like their larger cousins, play a social as well as an economic role within the community in which they operate. Owner-managers, as far as Spence (2000) is concerned, see themselves as providers of both employment and services and are often motivated by considerations that are social as well as financial; for them, relations with employees is also much closer, a result of which is, inevitably, flexibility in organisational roles. Cosh *et al* (2000) propound that there is a definite relationship between training and employment growth in SMEs.

Curran & Blackburn (2001) strongly emphasise that a small firm cannot be viewed as a smaller version of a large organisation in relation to structure, available resources as well as management activities and processes. Even within the SME sector itself, according to Kotey & Folker (2007), there are differences in attitude to training which can be attributed to firm size and ownership. By examining reasons for small business failure, Everett & Watson (1997) suggest that there are two main causes for this phenomenon : [1] inadequate capital and [2] a deficiency of appropriate human resource skills. Freel (2000) vigorously intimates that any lack of training becomes a major barrier to achieve effective levels of management skills within SMEs whilst Coleman (2004) asserts that

one in five employers believe that their workforce's skills are unmistakably inadequate. For most organisations, training must be present to ensure that all employees understand, not only their role, but also the organisational goals, policies and procedures so that they can assimilate and feel more comfortable in their work environment. But, Bone & Stainer (2005) emphasise that there are five main barriers to 'learning' : resistance to change, stress, responsibility and commitment, poor communication and, lastly, training gap, the latter being the most relevant when assessing performance and productivity outcomes. Thus, it is essential for employees in SMEs to receive the 'right' training; this is because, often enough, according to Davies & Ryan (2005), it is a 'hit and miss' occurrence. Informal or unplanned training seems to be at the heart of the SME culture and, as propounded by Hill & Stewart (2000), it can easily be integrated into daily operations, with the perception of being less costly. Sadly, such a concept is very much short-term oriented.

Training can be simply defined as the process of bringing an employee to an expected level of competence. For SMEs, Davies & Ryan (2005) affirm that training is a specialised function and employees should learn the specified operating procedure for a job and not just another worker's version. Mankin (2009) presents the core areas of human resource development and managing knowledge as well as looks at the challenges of learning and development in SMEs. It is true that many organisations fulfill their training needs on an ad hoc and haphazard way and, thus, the amount and quality vary enormously; this is mainly due to such factors as change, whether internal or external, employee adaptability and motivation, management commitment and the characteristics of the 'trainers' themselves. That is why the value of training must be perceived as an essential feature for employees to carry out their roles with the aim to turn knowledge into efficacious operations. However, it is important to note that the relationship between training and learning should be healthy and strong as it could, ultimately, sustain security and possible career progression. Nevertheless, it must be appreciated that there are related ethical issues that must be addressed, including :

- *Trust* – it remains the ethical foundation of any relationship; as Erdem *et al* (2003) express, there is a clear kinship between trust and team performance
- *Truth and Transparency* – these go hand in hand, especially in critical and risky situations
- *Responsibility*, with the possible ensuing consequent *Stress* – these can be, without doubt, destructive rather than constructive on the workforce
- *Morale and Loyalty* – these are closely related because the lowering of the former may potentially have an adverse effect on the latter

It seems that such a moral maze is certainly an ethical challenge for every employee and ought to be tackled in a sensitive manner. This is because better trained individuals create a highly motivated and people-effective work environment – a view supported by the Institute of Business Ethics (2007). This approach is central to enhance employment achievement as well as job satisfaction and, thus, employee retention. Training is a salient issue that has to be faced by every organisation, whether large or small, and must be perceived more as an opportunity than a hindrance. The whole doctrine is to gain knowledge and skills, whether formally or informally, that would create tangible benefits for all stakeholders. Operated in a supportive environment, it will produce positive outcomes and this cannot be over-emphasised. Its relevance and effectiveness, whether in amount or quality, would result in significantly improved yields. After all, as Clark (2001) relates, '*knowledge is the only instrument of production that is not subject to diminishing returns*' - it ought to remain that way and be appreciated by SMEs.

The Study and Analysis

The focus of the study is to examine whether there is a relationship between training expenditure and financial performance within the SME sector. This involves exploring the factors that contribute to a greater understanding of the growth process as well as the achievement of sustainable competitive advantage rather than just financial survival. It is reasonable, as far as Yusuf *et al* (1999) are concerned, to conclude that knowledge management is a key driver of competitive advantage. The study is comprised of manufacturing firms from the small and medium

sized UK electronics and engineering sectors, these defined as having fewer than 250 employees. As there are approximately 15,000 such entities in the UK, it was decided to use a random sampling methodology, using a directory available from a reputable commercial firm. A self-reported postal survey, an approach employed by Shrader *et al* (2004), was considered to be the best vehicle to collect data. The external validity of the instrument was further enhanced by conducting initial qualitative interviews with managing directors (MDs) of SMEs to verify the relevance of the concepts used and their attributes, followed by pilot testing the questionnaire.

There was a relatively high response rate of 27%, mainly due to [a] contact prior to the dispatch of the questionnaire and [b] follow-up calls. The potential impact of non-response bias was assessed in three ways. **Firstly**, all non-respondents were invited to answer a limited number of questions concerned with the level of emphasis placed on strategic thinking dimensions. For this analysis, a T-test was employed to compare the means for the sample of 26 MDs who participated in the short telephone survey with the means for the main sample; the differences were statistically insignificant. **Secondly**, companies who were unwilling to participate in the telephone survey were contacted and asked to state reasons for non-participation. The most frequently mentioned are set out in Table 1 :

Number of Companies	Reason Mentioned
299	Lack of time and resources to complete the survey
108	Company policy of non-participation
51	Reluctance to divulge information
21	Refusal to participate without offering a reason
19	Utter refusal to participate

Table 1. Reasons for Non-Participation in the Survey

In this regard, according to Bryman & Bell (2003), the types of reasons offered for non-participation are likely to have little impact on potential survey bias. **Thirdly**, another T-test was

utilised to examine the difference between early and late responses to key questions, the extensive analysis of which suggests that non-response does not appear to adversely affect conclusions.

Having firstly established the gross profit per full-time employee (FTE) and the annual training expenditure per FTE for each of the firms, the sample is ranked in terms of gross profit. Significant differences have been found in gross profit between groups of companies with similar training expenditure [Table 2]:

Quartile of Profit Ranking	Average Gross Profit per FTE (£)	Average Training Expenditure per FTE (£)
Upper	47,669	572
Lower	5,022	417

Table 2. Average Training Expenditure and Average Gross Profit for the Upper and Lower Quartiles of the Profit Ranking

As can be seen, average training expenditure throughout the profit ranking is broadly the same. The ratios of profit to training expenditure are 83:1 for the upper profit quartile and 12:1 for the lower, representing a seven-fold difference in average gross profit per employee. This gives rise to the proposition that the upper quartile contains firms which appear to be getting comparatively good value for money, labeled as ‘Training Leaders’. The lower quartile firms, however, might not be getting value for money, labeled as ‘Training Laggards’. Subsequently, the sample was then ranked in terms of their average training expenditure [Table 3] :

Quartile of Training Expenditure Ranking	Average Gross Profit per FTE (£)	Average Training Expenditure per FTE (£)
Upper	25,334	1,483
Lower	34,090	17

Table 3. Average Training Expenditure and Average Gross Profit for the Upper and Lower Quartiles of the Training Expenditure Ranking

Table 3 highlights the existence of a group of firms in the lower quartile of training spend who appear to be performing very well with little or no investment in training, labeled as ‘Training Loungers’. In general terms, having identified the existence of these three specific groups, it was deemed appropriate to define and enumerate them as follows :

Training Leaders	9	Below average training expenditure, with upper quartile profits
Training Laggards	23	Above average training expenditure, with below average profits
Training Loungers	9	Above average profits, with little or no training expenditure
		<u>Hereafter termed as Leaders, Laggards and Loungers</u>
Others	<u>73</u>	
Total Sample	134	

Sims *et al* (2004) have established financial Leaders and Laggards as significant groupings as a result of cluster analysis. This concept has been used and extended to include Loungers, as propounded by O’Regan *et al* (2008), where it was applied to different groups of strategic and environmentally-aware planners. Thus, the question could be asked : is it possible to differentiate between Leaders, Laggards and Loungers in terms of company ownership, size, investment and quality of training or management? Looking at the data averages in each of the descriptive areas as base, similar averages can be calculated for each of the three styles of company; Table 4 shows the figures as a set of comparative ratios, with each feature elaborated upon thereafter :

Feature of company	Leaders	Laggards	Loungers
Type of ownership	1.23	1.00	1.04
Number of employees	2.09	0.74	0.39
Exports / FTE	0.21	2.12	1.66
Active customers	1.26	0.77	0.33
Capital equipment Expenditure / FTE	0.32	1.17	0.09
Number of management levels	1.33	1.39	1.06
FTE training	2.27	2.09	0.91

Table 4. Comparative Ratios of Leaders, Laggards and Loungers

Type of ownership - Companies in the survey were asked whether they were independently owned or part of a larger group. Leaders show a 23% greater propensity to be part of a larger group with Laggards and Loungers showing a definite inclination towards being independently owned.

Number of employees - When considering company size in terms of the number of FTEs in a firm, on average, Leaders are over twice the size of the sample average and five-fold the size of Loungers and almost three-fold the size of Laggards.

Exports / FTE - The 'external orientation' proved to be of interest in that Leaders appear not to be interested in the export market with Loungers and Laggards being eight to ten times more active in export markets.

Active Customers - The customer base of Leaders is nearly four times that of Loungers, and double that of Laggards; at the same time, it is 26% greater than the survey sample average.

Capital Equipment Expenditure / FTE - The differences between the three groups with regard to investment in capital equipment is striking. Loungers appear, on average, to have little or no physical resources. Leaders are only 32% of the sample average whilst Laggards seem to have a larger than average reliance on plant and machinery.

Number of Management Levels - Interestingly both Leaders and Laggards have a significantly higher than average propensity towards a hierarchical management structure.

FTE / Training - A similar picture to management levels emerges when the number of people employed in a full-time training role is considered. Perhaps as expected, Leaders have over twice the sample average of people employed as full time trainers closely followed Laggards.

The landscape reveals that, putting Loungers aside, there are major differences in terms of ownership, size, external orientation, customer base and effectiveness of management within both Leaders and Laggards. However, there is a correlation between Loungers and Laggards of 0.67, with significance at 95% confidence level; yet, there are no significant correlations between Loungers and Leaders or between Laggards and Leaders. In many aspects, Loungers and Laggards differ from Leaders and they mirror that difference with each other, making Leaders the 'odd one out' due to three particular elements :

1. Size, in relation to number of FTEs and active customers
2. Ownership
3. Exports / FTE

As such, a Leader can be defined as an organisation that is larger than the average SME and, thus, part of a bigger group which can benefit from the inherent 'management expertise' and which is also tightly focused on the home market. Thus, the proposition that Leaders benefit from their membership of a group, as opposed to being independent, is underlined when considering the question : is at least one person employed full-time in an human resource role? In this scenario, the comparative ratios translate Leaders as 0.0, Laggards as 0.6 and Loungers as 1.3, interpreted as Loungers being 30% more likely to employ a full-time human resource person whilst Laggards being 40% less likely to have one. Interestingly, Leaders appear to have no full-time employee in an HR role, with the presumption that this characteristic is a reflection of the type of company ownership.

There is a possible linkage between training expenditure as well as performance and company dynamics within the three different identified 'training types' of Leaders, Laggards and Loungers. Consequently, Ahmad *et al* (2005) are re-visited in relation to the effect of their following three footprint areas :

(A) *High emphasis of employee input on decision making*

Companies were asked to indicate the degree of importance they placed on 'effective staff involvement in decision making' on a 1 to 5 scale, where 5 is 'very important' and 1 'of no importance'. The average 'importance' indicators show that both Leaders and Laggards think employee input on decision making is important whilst Loungers are, on the whole, less enthusiastic.

(B) *High emphasis of employee influence on improvements in working practices*

Companies were asked to indicate whether they use a suggestion scheme where (1) relates to now, (2) to be introduced within the next two years or (3) unlikely to introduce. The resultant 3-point scale was re-factored to produce averages relating to a 5-point scale to facilitate comparison; it was seen to be an indication of employee influence on improvements in working practices. The average 'importance' indicators show that, whilst none of the groupings thought suggestions worthwhile, Leaders thought of them to be of least importance.

(C) *High emphasis of stimulation of employee creativity on long-term performance objectives*

Companies were asked to indicate the degree of importance they placed on 'the development of staff creativity' on a 1 to 5 scale, where 5 is 'very important' and 1 'of no importance'. The average 'importance' indicators show Leaders as the least and Laggards as the most enthusiastic.

When the averages are totaled, they can establish a ‘staff input to training/decision making’ metric, indicating that the least successful trainers are the most enthusiastic about staff involvement, as illustrated in Table 5 :

	Leaders	Laggards	Loungers
(A)	3.67	3.76	2.75
(B)	1.88	2.63	2.14
(C)	<u>2.67</u>	<u>3.52</u>	<u>3.00</u>
<i>Total</i>	8.22	9.91	7.89

Table 5. Employee Involvement in Training and Decision Making

From the above, it can be derived that both Laggards and Leaders place significantly more emphasis on ‘employee input on training and decision making’, with above average ratios but Loungers appear to place the least importance to this area. All three groupings are below sample average when it comes to the importance of ‘employee influence on improvements in working practices’. Yet, all place relatively more importance on the ‘stimulation of employee creativity on long-term performance objective’. Also, the total ‘employee input on training and decision making’ metric shows that Leaders and Loungers place less importance to this area than the sample as a whole whilst Laggards place more than average importance. This indicates that the least successful trainers are the most enthusiastic about staff involvement.

Conclusion

Hunter (2004) stresses that many companies do not know how to evaluate both the resources put into, and the success of, their training endeavours. He believes that those which make training integral to their ethos and business processes undoubtedly gain the most from it. If an organisation does not put resources into the training of its staff, it may indeed be strategically unsustainable. Therefore, it is important to remember the survival philosophy of ‘develop or decay’. According to Mazur & Coleman (2008), greater flexibility and availability of training services mean that more

and more companies are awakening to the reality of the value of investment in this direction. They also believe that those which close the skills gap see demonstrable benefits and financial returns. To enhance organisational performance, training must be perceived as an essential ingredient to turn knowledge into effective and efficient operations. A ‘training and knowledge’ culture certainly impacts on productivity whilst, at the same time, encouraging creativity, where ‘being creative’ can certainly become the fuel of the future. After all, it is the combination of an employee’s capabilities and efforts that would enhance the undertaking of business activities. Without doubt, it is felt that there is a relationship between learning and achieving for two reasons :

- it sustains security and career progression for the employee
- it generates a climate conducive to business success for the organisation

For any organisation and particularly for an SME, it is material to ascertain whether employees are effectively **able to do** as well as **have the opportunity to learn**. In fact, Mazur & Coleman (2008) strongly believe that in-house mentoring can be a cost-effective solution to employee training and development – that is when skills gaps can be identified more easily and thus allowing training to be better targeted towards the needs of both the individual staff and the business itself. The Director General of the Institute of Directors, Miles Templeman (2008), bemoans at the skills gap as one of the biggest problems facing employers in every location across the United Kingdom. Therefore, developing internal talent would inevitably bring better decision making, assist in long-term operational success as well as provide a healthy work environment.

From the study carried out, it can be observed that company size and type of ownership appear to be a major influence in differentiating Leaders from Laggards. Leaders benefit from a relatively larger pool of knowledgeable employees and/or from an experimental HR input from a holding company. Indeed, a major difference between the two is the reliance on capital equipment with Laggards being, on average, almost four times more reliant than Leaders. In this respect, Loungers

have a low reliance on capital equipment, like Leaders. Company size alone does not seem to be a major influence with regard to training success. Loungers, smaller in size, make the most of their training budget by employing HR professionals who presumably influence their training needs to greater effect. On the other hand Laggards, with their enthusiasm for employee involvement in training and decision making, do not wish to have the services of HR professionals and, thus, appear to be lacking in organisational and directional competency in their training spend – an approach that translates into not ‘getting value for money’. What is highly relevant and must not be forgotten is that no matter how experienced or trained members of staff are, they can never be too qualified to ignore the need to continually enhance their skills and competencies.

As part of their performance strategy, whether long-term or short-term, SMEs ought to produce a plan to evaluate their goals and, thereafter, assess possible training and development deficiencies. As Austin (2009), supported by Coleman (2009), relates, organisations must not abandon training and development initiatives and, if they do, it will be at their peril; although such budgets are often the first to get cut in a downturn, it is crucial that all employees have the right skills to help take the business forward. This is because it is prudent to let them know that the organisation values them as individuals and that the brakes have not been slammed on in terms of investment in their development. Indeed, taking into account SMEs’ uncertainties and vulnerabilities, there are important factors for them to explicitly consider; these include level, length, frequency and budgets of training needs as well as the recognition of what benefits can be ultimately gained. Whichever mode of training to be used, whether casual, on-the-job or formal, SMEs must build this indispensable requisite into their operations to survive and sustain their business. Gardner (2009) stresses that it is vital for SMEs to think about the long-term consequences of actions taken now; they must ensure high standards of practice in people management as this would pay dividends when the economic upturn comes. The eventual outcomes would depend on managerial commitment and social responsibility, enduring and pro-active collaboration, professionalism as

well as declaration of fundamental core values. The stark reality is that, without vision in relation to organisational training, today's most productive employee could probably become tomorrow's most unproductive! This must be perceived by SMEs as a 'health warning' in the winter of depressed times.

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