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MANAGEMENT TRAINING FOR SMALL BUSINESS IN CANADA

A SURVEY REPORT

FINAL REPORT

APRIL 1990

ESBO RESOURCE CENTRE
DOCUMENT #: 11
DATE: SEPT 14/95

This project was financially assisted by Industry, Science and Technology Canada. The views expressed are those of the authors and are not necessarily endorsed by the CLMPC Board of Directors.

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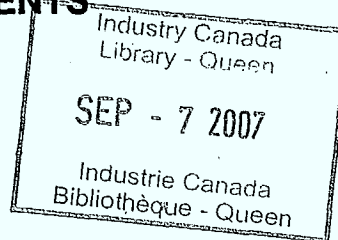
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EXECUTIVE SUMMARY

This report is composed of two studies. The first is a review of various sources of information available on the topic of small business management training. The second study comprises the results of a nation-wide survey of 187 professionals involved in activities related to management training. On the basis of both studies, several broad conclusions are drawn regarding the current state of management training among small businesses. A number of possible government/public policy initiatives to enhance small business management training in Canada are also suggested.

1. LITERATURE REVIEW

The literature review evaluates existing management training services available to Canadian small businesses. The general consensus which emerged from the various journal and magazine articles used in researching this topic was that small businesses, as a whole, do not devote enough time and resources to management training.

Barriers to Training

The fact that many small businesses do not provide their managers with sufficient training opportunities is due to a combination of related factors. In determining their training needs, for example, small businesses must confront both time and financial constraints. They are often understaffed and simply cannot afford to send managers away for training. Moreover, small businesses do not always have the financial resources they need to devote to management training.

The lack of a simple and inexpensive source of information on available training programs in Canada further impedes small businesses from taking advantage of affordable training opportunities. Small businesses often lack the time and resources required to assess their training needs and identify appropriate training courses and programs. Consequently, many remain unaware of the various training services available to them.

A more fundamental problem, in this respect, is that many small businesses do not seem to appreciate the link between management training and the success of their firms. This can be explained, at least in part, by the "bottom-line" orientation of many small business managers who often perceive activities not directly related to the supply and sale of their product or service as unnecessary or of low priority.

New Skills

In the face of accelerating technological change, increased competition, and growing shortages of skilled labour, many small businesses have come to re-evaluate their attitudes towards management training. Indeed, for many companies - both large and small - training has now become an imperative.

Growing competition and rapid technological change have had a particularly profound impact on small businesses. Many, in fact, have been forced to master new skills in order to survive. Technical literacy, strategic planning and leadership abilities, as well as the ability to find and motivate competent personnel, are skills that have become

increasingly important to small business managers. Unfortunately, too many small businesses continue to lack the time, resources and staff they need to cope with emerging problems and to devise long-term competitive strategies effectively.

Sources of Training

Small businesses have access to a variety of management training services. These include: in-house training programs, a wide variety of provincial and federal programs, programs offered through public education institutions and industry groups, and services available through private sector trainers. In spite of this apparent plethora of training services, a number of important barriers prevent small businesses from taking full advantage of existing training opportunities. The lack of easily-accessible training information, and of affordable training programs tailored to the needs of small business, is a major hurdle for many smaller companies. An apparent lack of awareness of the value of management training on the part of many small businesses also serves to limit their willingness to seek out appropriate training opportunities.

The Role of Government

Research suggests that the way to alleviate these problems is to make management training more of a concern to governments, and not solely a private sector concern. In particular, information and diagnostic services would be very useful in dealing with the difficulties caused by the apparent lack of understanding of the usefulness of management training on the part of many small companies. Joint initiatives between government and public and private training suppliers represents one means to provide customized, management training that is more responsive to the needs of small business.

2. SURVEY RESULTS

The 187 respondents who participated in this project included academics, federal and provincial officials, business association representatives, and private sector trainers. Although the survey was not focussed on any one sector, three sectors - retail, tourism, and electric/electronics manufacturing - were singled out for special attention.

Many respondents claimed particular knowledge of the tourism and retail sectors, while a significant number stated that they knew more about the electric/electronics manufacturing sector. Other industrial or service sectors mentioned by respondents included: manufacturing, resource-based industries, finance and banking, training and education, and the public sector.

Assessment of Overall Management Skills

When asked to assess the existing level of management skills in Canadian small business, more than half (62%) of respondents believed that current management capabilities were "poor" or "very poor". A little over a third of all respondents (34%), however, considered them to be "adequate".

Interest in Training

Most respondents detected a considerable degree of interest in training on the part of small business managers and owners. The survey results suggest that small business managers are most anxious to receive additional training in the areas of financial management, accounting and budgeting, general marketing and sales, and employee development and motivation.

Extent and Nature of Management Training

Many of those who responded to the survey indicated that Canadian small businesses do not generally provide their managers with formal management training opportunities. Close to two-thirds of all respondents stated that such training opportunities are rarely provided. At the same time, an overwhelming majority of participants (93%) expressed the view that small businesses rely too heavily on informal "in-house" training and that greater use should be made of formal types of management training.

Respondents were also asked to assess the effectiveness of four principal types of management training and the success of different sources of training in meeting the management training needs of small business managers. Regular college/university management courses were rated as the least effective type of management training, while specialized college or university courses were ranked more favourably. The highest rating went to private sector courses which were judged to be quite effective in training small business managers.

Accessibility of Training

The opinions of respondents were mixed regarding the accessibility of training courses. Nearly a quarter of all those who answered the survey indicated that such courses were "very" or "somewhat" inaccessible while more than 60 percent consider basic management training courses "somewhat" or "very" accessible. Respondents also identified a number of key barriers that limit access to training for many small companies. Time and financial constraints were singled out as the two major barriers limiting access to basic management training for small companies.

Lack of awareness of what kinds of courses are available, scheduling problems, distance, and course content were also identified as important barriers to small business management training. Firms in remote areas were considered to be especially disadvantaged in terms of their access to management training opportunities.

Skills Strengths and Weaknesses

Respondents also assessed basic managerial capabilities in five key areas: marketing, finance and budgeting, human resource planning and personnel management, management of technology, and strategic planning and leadership. Most of those interviewed rated current small business management capabilities in these areas as low. More than half of the respondents considered either human resources/personnel management or strategic planning as the greatest unmet training need of Canadian small business managers.

Awareness of Training Resources

Survey participants were of the opinion that the problem of lack of awareness of the importance of management training on the part of many small businesses is fairly

widespread. A variety of remedies are suggested, most of them focussing on the establishment or development of more effective means of disseminating training information. Video technology is considered a useful training tool.

A large majority of respondents (83%) believe that the demand for training information and services is on the rise. They attribute this increased interest to competitive pressures as well as to technological change and the rise of a younger generation of managers and workers more appreciative of the value of management training. Respondents also indicated that small businesses had increased the amount of training or training information supplied to managers over the last ten years.

3. CONCLUSIONS

Both the literature review and the survey point to a number of broad conclusions that can be drawn regarding the current small business management training services and activities:

Emerging Training Requirements

Small business owners and managers are increasingly interested in management training. Several factors appear to account for this trend: growing domestic and international competition, rapid technological change, demographic shifts, and government efforts to increase awareness of the importance of management training on the part of smaller companies. Heightened interest in management training by small firms has inevitably translated into a growing demand for training services.

Smaller firms appear to be most interested in traditional areas of management, such as marketing, accounting and finance. As the literature search and the survey point out, however, a growing number are finding it necessary to acquire expertise in a variety of newer areas of management training - most notably, human resource management and strategic planning. Indeed, more than half of respondents to the survey identified either human resources/personnel management or strategic planning as the "greatest unmet training need of Canadian small business managers today."

Range/Accessibility of Training Services

A wide range of training services are currently available to small businesses through private sector trainers, industry and professional associations, public education institutions, and the federal and provincial governments. In addition, a number of small firms provide training to managers or employees on an in-house basis. While this range of services is impressive, each of these sources of management training presents unique advantages and disadvantages to the small business owner or manager.

The literature review and the survey underlined a number of barriers that limit access to management training by smaller firms. The most important of these were cost, lack of time, and lack of awareness of the important link between training and competitive success. In addition, as one might have expected, far fewer training services were available outside of major urban centres.

"Gaps" In Small Business Training Services/Activities

Several "gaps" in training services currently available to small businesses were identified in both the literature review and the survey. Further and more in-depth consultations with small business owners and managers are needed, however, before these can be confirmed or before a detailed set of policy actions can be recommended. The most important "gaps" identified included:

- the need to enhance awareness among some small business owners and managers of the important link between training and competitive success
- the lack of a single source of information on training programs and services available to smaller firms
- the lack of easily accessible or affordable mechanisms currently available to assist small businesses in assessing their training needs, particularly in such "new" areas of management training as human resource development and strategic planning
- the lack of adequate training services available to small businesses in remote communities
- the need for both public and private training institutions to provide better, more affordable, and more convenient training courses and services tailored to the particular needs of small firms

Possible Future Government/Public Policy Initiatives

Both the literature review and the survey suggest that government has a legitimate role to play in improving the skills of, and training available to, small business managers. Most observers, however, do not believe that government should become directly involved in the provision of training services. Rather, its primary role should be that of facilitator, coordinator and catalyst. In this respect, government activities should use training resources to initiate specialized information and diagnostic programs and assist small businesses in identifying and evaluating their management training needs.

I. INTRODUCTION

This report is composed of two studies. The first is a review of various sources of information available on the topic of small business management training. The second study comprises the results of a nation-wide survey of 187 professionals involved in activities related to management training.

On the basis of both studies, several broad conclusions are drawn regarding the current state of small business management training. A variety of possible initiatives that government could undertake to enhance management training among small businesses in the future are also set out.

1. LITERATURE REVIEW

The first section of this report reviews existing academic and research literature available on the topic of small business management training. It begins by looking at available evidence on the extent of management training in smaller firms and the various training-related problems confronted by small businesses. It then looks at the growing importance of management training in the context of technological and competitive change as well as emerging human resource challenges. The paper then examines a variety of alternative sources of management training available to small business and looks at a number of on-going barriers to small business management training. By way of conclusion, the paper sets out a summary of what existing literature on small business management training suggests the appropriate role of government should be in helping small business overcome these barriers.

2. SMALL BUSINESS MANAGEMENT SURVEY

The second section of the paper sets out the results of a nation-wide survey of 187 professionals involved in the field of small business management training. For purposes of the survey, small businesses were defined as those with fewer than 100 employees. Management training was defined as one or more of the following:

- 1) formal training programs that have an identifiable structure, a plan and objectives designed to develop a manager's skill and competence;
- 2) training which combines on the job experience with more structured classroom instruction; or;
- 3) monitored, self-paced learning that meets the above criteria for formal training programs.

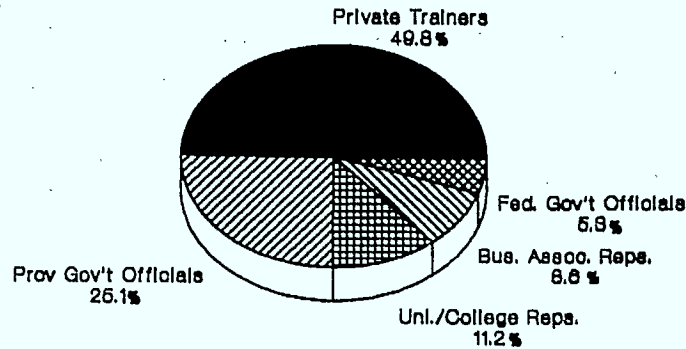
The survey was conducted over the last week of March and the first two weeks of April, 1990. A total of 276 individuals who initial evidence suggested might be knowledgeable about the training needs of small businesses in Canada were contacted. Of these, 35 (12.6%) refused to be interviewed. Another 34 (12.3%) were felt not to possess appropriate knowledge, and thus interviews with them were not pursued following initial contact. For a variety of reasons, interviews could not be completed in the case of another 20 individuals (7.2%). Interviews with the remaining 187 individuals (67.8% of

those contacted) were completed and constitute the basis of the report set out in this paper.

Survey respondents were drawn from five distinct groups:

- 1) business associations (16 interviews);
- 2) federal government departments with an interest in small business, training or labour market matters (10 interviews);
- 3) provincial government departments with an interest in training, small business or labour market matters (47 interviews);
- 4) private training firms (93 interviews);
- 5) universities/colleges (21 interviews).

Groups of Survey Participants
Figure 1



Note: Total Sample = 157

3. CONCLUSIONS

This section of the paper underlines a number of broad conclusions that can be drawn regarding current small business management training services and activities. Various initiatives that could be undertaken by government to enhance small business management training are also suggested.

II. A SURVEY OF EXISTING LITERATURE

INTRODUCTION

Canada has experienced an explosion in entrepreneurial spirit over the past decade. In 1978, there were 600,000 firms with paid employees operating in Canada. By 1987, this number had jumped to approximately 880,000 - an increase of almost 50%. Of these firms, more than 98% had fewer than 100 employees. As small businesses have expanded throughout the country, so has the number of small business owners/managers who require information and training in management techniques. Indeed, the expanding ranks of small business managers represents one of the main challenges facing Canada's business training industry.

Up to now, Canada's training industry has been geared primarily to the management needs of big business. Small firms, however, often have limited financial and human resources and are faced with management problems that are unique to their size. While some private and public providers of management training services have come to recognize the special needs of small business and to offer management training with small businesses in mind, most efforts in this area are quite recent. As a result, little evaluation has been undertaken of either the effectiveness or the extent of these newer services.

This section of the report attempts to evaluate small business management training services in Canada by reviewing the existing literature on the topic. It begins by examining the widely held view that small businesses do not do enough management training and goes on to set out a number of reasons why this may be so. It then looks at the importance of management training to a small firm's ability to compete successfully and examines new kinds of management skills that will increasingly be required in view of growing competitive and technological pressures. The range of management training currently available to small business, and the relative merits of each, is also assessed.

A number of on-going barriers to management training faced by small firms are also examined. The final part of this section of the report sets out a summary of what the existing literature on small business management training suggests the appropriate role of government - and in particular Industry, Science and Technology Canada - should be in helping small business overcome these barriers.

1. THE NATURE OF THE PROBLEM

The lack of reliable data and research on management training by smaller firms makes it difficult to draw any firm conclusions about the nature and extent of small business management training in Canada. The few surveys of small business that have been undertaken, however, suggest that small firms generally do far less management training than larger firms.

According to a 1989 survey of private-sector businesses produced for the Ontario Ministry of Skills Development, about 27% of small and medium-sized Ontario firms maintain formal training programs for their employees. The MSD survey suggested that the incidence of formal training among firms rose steadily as the size of the company increased. More significantly, perhaps, the MSD study indicated that while management

was the main beneficiary of training among large Ontario firms, among smaller firms training appeared to be focused largely on new employees who required orientation, safety training and production technology familiarization.¹

The observation that small business tends to train employees other than management is confirmed by a recent survey of small business members carried out by the Canadian Federation of Independent Business. The CFIB survey noted that while almost 70% of small businesses provided some combination of formal and informal training to its employees, training tended to be focused on technical and sales staff and those in apprenticeship trades. Far fewer training opportunities were made available to professional employees and those in managerial and supervisory positions in small firms.²

Time Constraints

Academic studies and articles suggest a number of reasons why small businesses in Canada and elsewhere generally undertake less management training than larger firms. One of the primary reasons cited is lack of time. In cases where a small business is operated by an owner/manager or a handful of managers, it is difficult for the management of the firm to absent themselves from daily operations in order to undertake a course, even on a part-time or evening basis.

The manager of a small firm generally has a wide range of responsibilities and tasks. The plant manager of a small firm, for example, may be responsible for purchasing, planning, quality control, new buildings and building maintenance, plant maintenance, hiring and firing, transport, internal handling, industrial relations, health and safety, payment systems and training and staff records. By contrast, in a large firm, most of these duties would be delegated to specialist managers. The pace of a business in a small firm is also usually fast. Frequently, the details of a firm's operations (a minor accident, a machine that needs repair, proof of delivery needed before a debtor will pay) will occupy all of a manager's time, leaving little time to consider the longer-term value of investing in a management training course.

Financial Constraints

In addition to a shortage of time, many small businesses simply do not have the resources to devote to management training. Fledgling small firms that are most in need of management training often suffer from cash flow problems and a shortage of capital for longer-term asset investment. Small firms facing a precarious financial situation are unlikely to consider spending money on a luxury good such as management training, particularly where the link between training and the profitability of the firm is often less than obvious. Even where a small firm manager is prepared to spend scarce financial resources on improving his or her management skills, however, he or she faces the difficult task of finding affordable training programs. Many private and public sector training programs ask for a high daily fee (justified on the grounds of extensive support services, lavish presentations and sophisticated reporting) when a more modest service would be sufficient for the small firm manager. One study of small businesses carried out in the United Kingdom, for example, suggested that most respondents were unwilling to pay very high prices for training programs. The study concluded that

1 Ontario Ministry of Skills Development. *The Training Decision: Training in the Private Sector*. Toronto 1989. pp. 14.

2 Canadian Federation of Independent Business. *Skills for the Future: Small Business and Training in Canada*. Toronto: March 30, 1989. pp. 2.

unless training providers find ways of offering its services at a low cost, most small businesses will continue to under-invest in management training.³

Lack of Information

Many small business owners are discouraged from considering training opportunities because there is no simple and inexpensive source of information on available training programs in Canada. Like other resources, obtaining information about training programs generally costs the small firm manager time and money. Attending informational events, buying data and information services or hiring a consultant to advise the firm on the appropriate training program all use scarce financial resources. While most provinces and the federal government (largely through the Federal Business Development Bank) have made substantial efforts to inform small businesses of low-cost training programs and services available to them, these efforts have often been piecemeal, involving little cooperation between different levels of government, community colleges, and private sector trainers. Training experts agree, however, that for management training to be effective, small firms must carefully assess their specific training needs. Unfortunately, until such experts are able to provide small firms with an inexpensive directory of training information, managers of small businesses will continue to be deprived of a key resource they require to assess their training needs.

Lack of Awareness of the Importance of Training

Surveys undertaken by the Ontario Ministry of Skills Development and the Canadian Federation of Independent Business, among others, suggest that many small business owners fail to see a connection between management training and the success of their firm. One survey of Northern Ontario small businesses, for example, found that only 36% of firms were interested in further business education.⁴ Another survey of over 200 small service firms in New Brunswick found that while most firm owners were interested in receiving training in such areas as tax planning and the use and application of microcomputers, very few expressed interest in learning more about traditional areas of management such as marketing, business planning, accounting and office automation training.⁵ These results stand in marked contrast to those obtained from large Canadian firms, which perceive training of management and other employees as part of an overall strategy to improve their international competitiveness.⁶

The apparent lack of appreciation for training on the part of many small businesses is often a direct result of their small size. Unlike larger firms, successful small business managers generally have only two objectives - to supply and sell a product or service. This "bottom-line" orientation means that activities not directly related to these two main objectives may be perceived as unnecessary or of low priority. Like strategic planning and product design, however, training is a longer term investment that has the potential to significantly increase profits. More small firm managers should therefore be

3 Reid, Stan. "Designing Management Education and Training Programs for Service Entrepreneurs." *Journal of Small Business Management*. January 1987. pp. 59.

4 Pliniussen, John. "Longer Term Educational Interests of Small Business Owner/Managers: the Case of Northern Ontario." *The Entrepreneurship Development Review*. Winter 1987/88.

5 Reid, Stan. "Designing Management Education and Training Programs for Service Entrepreneurs." pp. 58-59.

6 see Greene, Peter G. "Future Executive and Management Training Needs in Canada - A National Survey." *Business Quarterly*. March 1987.

encouraged to appreciate the real and substantial link between effective management training and the profitability of their companies.

2. WHY IS MANAGEMENT TRAINING IMPORTANT?

Over the past decade, public interest in management training and education has risen dramatically. Private and public sector managers, employers and governments now recognize that there are clear benefits to training which accrue to both an organization and its employees. From the employer's perspective, management training offers a way of injecting innovation, financial dynamism and ultimately greater profitability and success into a firm. From the manager's point of view, training may offer opportunities for promotion, higher wages, better job security and more challenging work.

While the potential benefits of management training have long been available to firms, a number of pressures are increasingly transforming the decision to train from an option into a necessity. Three factors, in particular, are responsible for the growing imperative for firms to train: technological change; increased competition and human resource pressures.

Technological Change

Technology is rapidly changing the daily routine of most companies. The introduction of microcomputer technology to the workplace to assist with tasks such as accounting, inventory, planning and word processing now pervades all areas of small business. A 1988 survey of small business in Quebec, for example, noted that 85% of firms surveyed had microcomputer equipment, a rate of penetration also found by other studies. The survey noted that most firms had purchased their equipment since 1984.⁷ This relatively recent surge in the use of microcomputers has created an almost overwhelming demand by large and small firms alike for training in various aspects of this technology. Introduction of microcomputers requires managers as well as other employees to learn new skills and new ways of organizing the flow of information.

At a higher level, Computer Integrated Manufacturing (CIM) is also entering the small business workplace. Even more than microcomputer technology, CIM requires the management of a firm to rethink the entire production process. In addition to understanding the actual technology, small firm managers must understand the way in which CIM affects the tasks performed by employees and, where possible, must act to facilitate the adjustment process for workers. In most cases, carrying out these new managements tasks requires the small business manager/owner to undertake some kind of training.

Increased Competition

Small firms, like large firms, are exposed to growing national and international competition. As the number of small businesses in Canada has swelled over the past few years, so has the number of competitors each firm faces. Moreover, as international trade expands, small Canadian firms are being forced to compete not only with other

⁷ Lefebvre, Louis A. and Elisabeth Lefebvre. "Computerization of Small Firms: A Study of the Perceptions and Expectations of Managers." *Journal of Small Business and Entrepreneurship*. Summer 1988. pp. 49.

Canadian firms for a share of the domestic market, but also with foreign firms both large and small. Most large firms understand that training managers and other employees to provide a better service or product to their customers is one means of gaining a competitive edge over other firms. Small firms, particularly those serving a uniform, highly competitive market are also beginning to appreciate that training can be used as a competitive weapon to differentiate themselves from competitors and overcome any disadvantages created by their size.

Human Resource Pressures

Attracting and retaining skilled managers is a challenge for all firms, but particularly so for small businesses. Compared to their counterparts in larger firms, the job of a small business manager is often lonely and frustrating. As the only manager, or perhaps one of a small group of managers, he or she has little ability to delegate tasks or to rely on peers for advice or support. Moreover, small business managers are generally responsible for a much wider range of tasks than their large business counterparts and those working under an owner/manager face little chance for promotion other than perhaps taking a financial interest in the firm. Faced with these kinds of challenges, small business owners often find it difficult to attract and retain capable managers and supervisors. Years of strong economic growth in some parts of Ontario, British Columbia and Quebec have further exacerbated this problem by creating general shortages of skilled and educated workers. Half of respondents to a recent survey of members of the Canadian Federation of Independent Business, for example, cited shortage of qualified labour as a major problem for their business.⁸

One way of attracting qualified employees and retaining those already employed is to provide them with opportunities to undertake training. Many small business owners are discovering that training managers and other employees and rewarding them with financial incentives for obtaining education and skills is increasingly the most effective way to maintain a committed and qualified staff.

3. THE NEW MANAGEMENT SKILLS REQUIRED BY SMALL BUSINESS

Competition and technology, among other factors, are reshaping the set of skills required by small business managers to successfully run their firms. In addition to traditional management fields such as marketing, accounting and finance, small business managers are also finding it necessary to acquire expertise in strategic planning, leadership skills, technological literacy and human resource management. The nature and rationale for each of these new areas of management learning is examined below.

Strategic Planning Skills

With less time and fewer staff and resources than most larger firms, small business managers often find it difficult not to let immediate concerns overwhelm more important, long-term strategic considerations. Like their counterparts in larger firms, however, small business managers must practise strategic planning if their operations are to remain viable in the longer term. This means articulating a philosophy of business

⁸ *The Canadian Federation of Independent Business. National Business Watch Results from Members' Opinion Survey #23. Toronto. 1989.*

and a corporate mission that is understood by both management and employees and making sure that management understands the broader environment the company operates in. Strategic planning also means having a long-term plan of action that allows the business to move clearly towards an established goal in the face of rapidly changing conditions and opportunities.

The small firm must understand its competitors and develop strategies to compete against them, particularly in mature markets. Those that lack a strategic vision will find it difficult not to lose their focus when confronted with momentous changes in technology, competition and regulations. They will also be less able than many of their competitors to adapt to diverse situations and market opportunities quickly and creatively.

Leadership Skills

Concern about the morale of middle managers and the need to create innovative, competitive management groups are the main reasons for the growing emphasis on leadership training among large firms. These same concerns should motivate small business owners/managers to undertake leadership training. In both the large and small firm, the presence of strong and creative leaders can make a substantial contribution towards the firm's ability to compete. Of all the areas of management training, however, leadership represents perhaps the most subtle and difficult set of skills to master.

Leadership training attempts to "develop transformational leaders skilled in communicating a vision and promoting empowerment, trust, personal responsibility and teamwork throughout the organization."⁹ Leadership is a necessary complement to strategic planning in a firm. Through leadership, management attempts to clarify and confirm the human values which underlie corporate excellence and to encourage employees to identify with the company's corporate vision. Effective leadership also means fostering creativity throughout the firm for the benefit of all parts of the firm.

In a small business where employees are few and competitive pressures are many, this approach to managing can be very effective. However, as in the case of large firms, the most effective leadership training is not theoretical or removed from the context of the work environment. Rather, it is grounded in the actual operations of the firm and advocates a philosophy of management that is accepted by the owner/manager of the firm.

Technological Literacy

Included in the general challenge of managing change is the specific need to manage technology. As the applications of new technology to the small business workplace expand, so does the need to understand and exploit this technology to the maximum benefit of the firm. Training management to become literate in a specific technology such as microcomputers implies teaching the manager to understand the basics of how the technology works and how this technology can serve the needs of the firm. Effective management of technology generally means placing a premium on the ability to learn quickly, rather than on the utilization of previously acquired knowledge. Analytical and conceptual skills dominate, as does the need to respond to problems from a system's approach rather than from a single element point of view. Indeed, part of the

⁹ Lee, Chris. "Can Leadership be Taught?" *Training*. July 1989. pp. 21.

skills involved in managing technology include understanding how the new technology will impact on employees and the entire production process and how the adjustment process for workers can be made as smooth as possible.

At present, many small firm managers appear unable to understand and incorporate technology on a strategic basis. For instance, a recent survey of small businesses in Quebec noted that over 80% of firms adopting microcomputer technology since 1984 had done so without first creating a master plan or doing a cost-benefit analysis.¹⁰ The survey noted that the most notable contrast between firms with and without master plans was the difference between expected and real costs of computerization. The difference between expected and actual costs for firms with master plans was about 15% while it was over 200% for those without.

Human Resource Management

In today's international marketplace, it is human resources rather than capital or natural resources which serve as the most important determinant of a company's success or failure. Consequently, more and more firms are devoting considerable time and finances to training their managers in human resource development and planning. Unfortunately, managing, motivating and satisfying employees is not a skill that comes easily to many, if not most, managers. A 1987 research study commissioned by Laventhol Horwath revealed that finding and motivating competent personnel is an even greater problem than financing for many Canadian manufacturers. Specifically, one third (33%) of the survey's sample reported that personnel-related problems, including finding competent people and employee performance problems, were the most serious problem facing the daily operation of their own business.¹¹

Good human resource management requires strong interpersonal/behavioural skills to motivate employees and build teams. It also requires negotiation skills to resolve conflicts, an ability to listen to subordinates, and a willingness to include them in decisions that affect their jobs. Sound human resource management is even more crucial in small businesses where contact between employees and between employees and the owner/manager is more extensive. For the employee of a small business, work is often characterized by hectic production schedules, varied job duties, and pay scales and benefits less generous than those available in larger firms. Faced with this combination of factors, the manager of a small firm faces an even greater challenge than the large firm in cultivating a loyal and motivated staff.

4. ALTERNATIVE SOURCES OF MANAGEMENT TRAINING

What Small Businesses Should Look for in a Management Training Program?

Existing academic and journalistic literature on management training is virtually unanimous in declaring that effective management training (ie. if it is to have a beneficial impact on the firm's bottom line) means that training programs must be

¹⁰ Lefebvre, Louis A. and Elisabeth Lefebvre. "Computerization of Small Firms: A Study of the Perceptions and Expectations of Managers." pp. 55.

¹¹ "Personnel-related problems outrank financial problems for Canadian manufacturers." *Canadian Manager*. Fall 1987. pp. 4.

chosen with a view to meeting specific needs. This implies that the training program must be based on the firm's current and future commercial strategy and the management skills, knowledge and experience that this strategy will demand. A number of studies suggest that the most successful management training program is one that allows the manager to concentrate on his own activities and its associated problems. This enables him to gain the knowledge and develop the skills that allow him to do his job more effectively.

In practical terms, small firms should look for management training programs that can be customized to their specific business and management concerns. Before looking for a customized training program, however, the small firm owner/manager must determine what the development goals of the management training are to be. If anyone other than the firm owner is to undertake training, their views on required management skills should also be consulted. The small business manager must consider how much time he or she can realistically devote to undertaking training and, of course, must set out a budget for training. The manager must rank those areas of management knowledge he/she would like to improve in order of importance. The owner/manager must also take time to consider what he feels to be his existing strengths and weaknesses. Wherever possible, the small firm should ensure that the use of a training program is supported by a follow-up program that monitors managers' performance when they return to work.

Current Providers of Management Training: Their Advantages and Disadvantages

Small businesses looking for management training programs have a wide choice of possible sources to choose from. At present, private sector trainers, community colleges and universities, business associations and governments all offer different kinds of management training programs. At the same time, many firms design and administer their own training programs for their managers. The task of selecting the most appropriate program from among these many alternative providers can be a daunting prospect for the small firm owner/manager. To assist small businesses in their assessment efforts, this section reviews the various sources of management training and highlights the advantages and disadvantages of each.

Private Sector Trainers

The private sector training industry in Canada is composed largely of individual and small groups of training consultants, as well as private sector training institutes both large and small. A number of surveys suggest that, at present, private sector providers of training are the trainers of choice among small firms. One survey of small businesses in New Brunswick, for example, found that while 57% of respondents had attended work-related seminars, conferences and/or courses during the past two years, these programs were almost all privately sponsored (92%). The survey also found that business persons were the most preferred agents for conducting training programs, followed by consultants and university and community college teachers with business expertise.¹²

From the perspective of the small business owner/manager, private sector trainers have two main advantages: their ability to respond quickly (if not immediately) to a

¹² Reid, Stan. "Designing Management Education and Training Programs for Service Firm Entrepreneurs." pp. 55-57.

management training need, and their capacity to tailor training to the specific needs of the small firm and its managers. As in the rest of its business, the small firm generally takes an informal, entrepreneurial approach to making training decisions and the decision to invest in management training is often made on short notice. Trainers are sometimes needed almost immediately - perhaps only for a few hours - to train management in a new computer technology or on a somewhat longer basis to teach management a new marketing strategy to launch a new product. Moreover, the use of private sector trainers by small businesses is often on a one-time basis.

While this approach may appear to save the company time and money in the short term, it is questionable whether such an approach serves a small firm's longer term needs. Can a small company, for example, afford to hire a consultant every time it runs into a problem with its microcomputer system? Private sector trainers generally charge higher fees for their services than do public sector alternatives. Moreover, few private sector trainers are able to offer small firms the continuity of training available in more structured courses run by the community colleges and other public education institutions. From the small business' perspective, the cost of private sector trainers represents a significant barrier to their use as an ongoing or regular source of training expertise.

Industry and Professional Associations

Industry and professional business associations are often used by small business to garner information on industry trends, legislative and regulatory changes applicable to their business, and general knowledge about how to manage their operations. The major strength of industry and professional associations as a potential provider of management training is their ability to offer courses and seminars directly related to the business of the small firm. The seminars and courses offered by the Retail Council of Canada, for example, are of direct relevance to small Canadian retail firms. In general, the more specific the potential audience of the management training course (for example food retailers as opposed to all retailers), the more popular the training programs is with small firm owners/managers. Management training programs offered by industry associations tend to be more business-oriented than theoretical courses usually offered by public education institutions and therefore of greater interest to small firms. Moreover, seminars, courses and other programs sponsored by industry associations have the advantage of drawing together owners/managers who run similar kinds of businesses. As most surveys of small business needs suggest, contact with other owner/managers facing or anticipating problems similar to his or her own is one of the most effective forms of management education for the small firm manager.

Another important advantage of the industry association as a source of management training is its ability to provide small firms with training publications, seminars and programs at a much lower cost than private sector trainers. The advantages of cheaper training, however, are offset to a large extent by the fact that associations have very little ability to tailor training to the individual small business and to provide this training to the firm on an on-site basis. Aside from the Retail Council of Canada, which is attempting to offer a few standard seminars to its members at company premises, very few associations offer tailor-made management training services to their members. In most cases, this is because the association's membership is too diverse and geographically dispersed. Financial constraints, and the fact that most associations already have a broad mandate of needs to serve, also inhibit many industry and professional associations from moving further into the field of management training for their members.

Public Education Institutions

Public education institutions that offer management training to small firm owner/managers include community colleges, universities and high schools. Of this group, however, it is the community colleges in English Canada and the CEGEP system in Quebec that offer the most extensive range of public sector training programs in this field. At present, there are more than 140 community colleges, technical institutes and CEGEPs in Canada, most of which offer some sort of entrepreneurial training on a full-time and part-time basis. The nature of management training in community colleges has changed dramatically over the last few years with more and more colleges opening up specialized centres of entrepreneurship as part of their college facilities. These centres of entrepreneurship are usually geared to the needs of local small businesses and offer seminars, conferences and more in-depth college programs in various aspects of managing a business. In many cases, these centres receive assistance from federal or provincial governments. Others, however, operate quite independently.

While community colleges have always been an economical source of management training for small business, their usefulness to the small firm has often been limited by the fact that many small business owners/managers do not have confidence in college instructors to provide them with the kind of hands-on, relevant management training they need. In almost all surveys of small business attitudes, community colleges and universities rate among the least dependable sources of management training information. This may be due, in part, to the fact many community college management programs are overly structured and academic, providing small firm owner/managers with little flexibility in either curriculum, course length or timetable. Moreover, many colleges lack the equipment and expert instructors required to providing leading-edge training in new technology or management techniques as a result of underfunding. Finally, the institutional nature of community colleges limits their ability to provide customized management training to owners/managers on company premises.

Faced with the challenge of attracting more small businesses to their programs, many community colleges have begun to adopt a more private sector approach to training. Through extensive consultation and cooperation with industry associations, business advisory groups and others, community colleges have begun to move towards a more customized, "consultant" approach to training. The Fleming Centre for Manufacturing Studies located at Sir Sanford Fleming community college in Peterborough, Ontario, for example, runs a Manufacturing Assessment Program (MAP) which involves sending college consultants with expertise in various aspects of manufacturing to a small firm to help management formulate a strategic plan for more effective manufacturing of the firm's product. The program is funded in large part by the Ontario Ministry of Industry, Trade and Technology. Most analyses of small business needs indicate that through joint ventures with industry or associations, community colleges can go a long way towards providing the kind of customized, economical management training most small firms are looking for.

Provincial and Federal Governments

As in the case of public educational institutions, the main advantage of government administered management training programs is that they are inexpensive and, in some cases, free. Unfortunately, the confusing array of programs and services offered by the two and sometimes three levels of government serve as a deterrent to accessing existing programs. A 1989 survey of membership carried out by the Canadian Federation of Independent Business concluded that while small and medium-sized businesses make

considerable investments of time and money in training, the sector does not draw heavily on government funding. The reasons given for this ranged from a general reluctance to accept government assistance to a lack of information on what programs are available.¹³ The excessive paper burden associated with participating in government programs was also cited as a disincentive for small firms. Equally significant, however, is the fact that in repeated surveys of small business, governments are regularly ranked as the least effective source of information on management training.

Small business' apparent mistrust of government-run management training programs reflects, in part, the fact that governments often erect institutional and bureaucratic barriers that make it difficult for them to keep in touch with current management trends and technologies. Moreover, unlike private sector trainers, few government-run programs have the dynamism and flexibility to adapt quickly to a firm's individual management needs. To date, few governments have attempted to coordinate programs at various jurisdictional levels. Nor has any real effort been made to provide more supportive services to small businesses, such as forecasting future skill requirements and expected labour market imbalances. Until governments act on both of these fronts, it is unlikely that small business' attitude to government as a direct provider of training services will change significantly.

In-House Management Training

Despite the greater limits on time and expertise facing them, small firms who undertake formal training appear to conduct it on an in-house basis with the same frequency as larger firms. A 1989 Ontario Ministry of Skills Development survey found that among firms carrying out formal training, the split between the amount of training undertaken in-house and contracted out is approximately 70 versus 30 per cent for large firms and 68 versus 32 per cent for small firms.¹⁴ (It should be noted that these survey results refer to formal training in general rather than just the amount of management training being carried out.) While the amount of in-house training carried out in small firms seems impressive, there is some question as to the quality and effectiveness of these company-based efforts. The MSD survey indicates that only about 5% of small and medium sized firms offering formal training have separate training units and only 17% have training budgets. Furthermore, only 24% of these small firms have an employee on staff whose full-time primary function was to work as a trainer.

These survey results underline a common problem faced by small businesses who do their own management training. Without the resources to hire a full-time trainer, many small businesses instead select an employee with little or no expertise in the field of human resource development to perform this task - in addition to the duties he or she is already asked to perform. In this situation, management training invariably receives less attention and is less effective than would have been the case if training had been provided by an outside supplier.

This is not to suggest that in-house training is necessarily ineffective. Indeed, provided they receive adequate resources, company-designed training programs offer significant advantages to the small business manager. Company-run training programs, for example, are often the least expensive and most readily available source of customized training for small business managers. Moreover, providing training on an in-house basis

¹³ Canadian Federation of Independent Business. *Skills for the Future: Small Business and Training in Canada.* pp. 2.

¹⁴ Ontario Ministry of Skills Development. *The Training Decision: Training in the Private Sector.* pp. 27-29.

eliminates costs for lodging, meals and travel. At the same time, company-run programs are convenient because they can be held at dates, times and locations most convenient to on-going operations and the information provided can be tailored to the company's specific requirements. Where a small business is run by more than one manager, in-house training also provides an effective means of encouraging a group of managers to embrace new ideas or approaches. In situations where one manager is sent to an outside training course or seminar, it can often be difficult to convince the owner or other managers back at the office to implement ideas that result.

5. CONTINUING BARRIERS TO SMALL BUSINESS MANAGEMENT TRAINING

While management training constitutes a significant and growing component of the large firm's training strategy, the practice of training small firm managers remains less common. In part, the apparent under-investment in management training by small firms is the direct result of the continuing barriers they face in gaining access to quality training programs. Some of these barriers arise from inefficiencies in the private sector training market. Others, however, are the result of government policies. In general, there are four major barriers which continue to prevent small firms from adequately investing in management training. Each of these is examined below.

Lack of Affordable, Quality Training

The Canadian training market is characterized by a plethora of programs and a wide range of training providers. Still, finding affordable, quality management training programs remains a problem for most small businesses. From the vantage point of the small firm, management training programs offered by private sector trainers are expensive and often overly sophisticated. Management training programs sponsored by universities, community colleges and governments are generally more affordable but many courses are inappropriate or too theoretical to be of use to a small business. Repeated surveys indicate that compared with larger companies, small firms are unwilling to invest significant amounts of money in training their managers. Moreover, many small business view training as a dubious expenditure because its link to the success of a firm is less than clear. Some private sector trainers have taken note of small business' distinct attitude to management training and have started offering scaled down, more economical training packages as a result. However, the bulk of private and public sector providers continue to offer training services that focus on larger firms needs at the expense of small firms, thereby limiting even further the number of affordable management training programs designed for small business.

Time Constraints

For many small firm managers, lack of time remains the single largest barrier to undertaking a training program. Compared to larger firms, small businesses tend to operate in a less structured, more unpredictable environment. Business is often conducted at a frenetic pace that offers little opportunity for strategic planning or consideration of longer term business needs like management training. Unfortunately, this is particularly the case in the earliest stages of a business start-up when management training is most in need.

While no external training provider can devise a way of providing small businesses with the time they require to undertake management training, the training industry can nonetheless take a number of steps to help alleviate this problem. First, public sector providers, such as community colleges and government, can design a timetable of programming that is likely to be more accommodating to the needs of small firms. Offering more management training courses during weekends, evenings and during the slack season for a particular industry would be a step in the right direction. Enrollment in management training programs could also be encouraged by having both private and public training providers deliver the training service directly to the manager at his or her office.

The Absence of a Single Source of Information

There are a multitude of useful sources of information on management training. Federal, provincial and municipal governments, as well as the community colleges and universities, all produce a wide array of brochures, booklets, videos and other material outlining the various management training services they offer. Associations and private sector trainers also advertise their management training services through a combination of newsletters, trade publications, directories and traditional advertising. Unfortunately, consulting these various sources of information is both frustrating and time-consuming. Small firm owner/managers who make the effort to inquire about relevant management training programs generally often end up confused about the wide variety of training options available. Many others are discouraged by the jungle of training information from making inquiries in the first place.

Firms who have the financial means tend to cope with this information overload by hiring a consultant to advise them on the kind of training they require. Others deal with the problem by simply picking the first public or private sector trainer they find. Until government or some other organization makes an effort to summarize all these alternative sources of information in a fashion that is concise and understandable to small business, however, many small firm owners/managers will continue to be discouraged from considering training for both themselves and their management employees.

Lack of Awareness of the Importance of Training

In addition to time and financial constraints, simple lack of awareness of the importance of management training also ranks as one of the most persistent barriers preventing small firms from investing in management training. Management consultants, business educational institutions and governments have made great strides in convincing large Canadian firms that executive training is a vital component of a firm's competitive strategy. Relaying this same message to the hundreds of thousands of small firms scattered across the country has been more difficult, however. Immersed in the day to day workings of their own business, many small firms have had little chance to ponder the larger competitive forces that are making training a necessity for economic survival. Even small firms aware of the new "training ethic" may feel that concerns about management training apply mostly to big businesses rather than to themselves.

A national educational campaign directed at alerting small firms to the connection between management training and a firm's profits could help remove this barrier. Whether government, the educational system, or the private training sector takes the lead in this awareness campaign is not important. What is important, however, is that the

information source chosen be credible to small business; that the information drive be managed as much as possible by the local business community; and that the case for management training be made with a view to the specific concerns and needs of small business.

6. CONCLUSIONS

If there is a common theme running through the literature on management training, it is that management training remains primarily a private sector concern. The need for executive training and the form it should take is dictated largely by market forces, including competitive and technological pressures. The responsibility to react to these pressures with appropriate training strategies lies with individual companies, but should be supported by a wide network of private and public sector training advisors. Most literature on management training endorses the view that the private sector should remain the dominant supplier of management training services. Still, it emphasizes that governments and the public education system have a valuable role to play in the provision of training services. This role, however, should complement the existing array of private sector services, rather than compete directly with it.

There are, according to the literature, a number of specific measures government can take to encourage the adoption of management training among small firms. Some of these measures call on government to be the sole actor, others suggest having government act in concert with public and private training suppliers. Among measures which call for government to be the sole or dominant actor are initiatives designed to improve general labour market information available to small firms and the setting of training standards for various trades and professions. In its 1989 report, Putting Business into Training: A Guide to Investing in People, the Canadian Chamber of Commerce outlines a number of possible initiatives governments could take to encourage greater management training among both small and large firms:

- * Create a federal-provincial Council of Ministers to monitor international trends with respect to skill development and have it report to Canadian businesses on those examples of training that are worthy of consideration in Canada. This idea could be expanded further by having government provide firms with benchmark information on training activities across industry sectors within Canada as well as in other countries.
- * Give greater attention and devote more resources to forecasting future skills requirements and expected labour market imbalances.
- * Improve information dissemination about provincial and federal training programs and create a single, comprehensive source of information on these programs.
- * Consider various fiscal measures to stimulate training and reduce the problem of poaching among firms.

A recent survey of Ontario firms produced by the Ontario Ministry of Skills Development concluded that since most firms and private sector suppliers concentrate on short-term training, there is a role for government to play in encouraging the longer-

term training of management and other employees.¹⁵ Specifically, the MSD report suggests government can help small firms strengthen their expertise in areas like needs analysis and training plan design. Government can also assist by sponsoring train-the-trainers programs and by becoming more active in establishing training course content and minimum standards of competence based on industries' requirements, as well as by providing certification for workers who complete prescribed programs.

Possible Joint Initiatives between Government and Other Training Suppliers

As several surveys have demonstrated, small businesses are skeptical of government's ability to design and deliver management training programs. This suggests that government should move away from the direct provision of training services and instead focus on supporting business associations, local chambers of commerce, community colleges and others in their efforts to provide small firms with management education. Through joint ventures with other training providers, government can help defray program costs, and, in the process, help small firms overcome their reluctance to train due to financial barriers. Co-sponsorship of programs with industry associations is a particularly attractive option for government since this encourages the provision of industry-based, affordable training - a commodity which is currently in short supply. In the area of managing new technology, for example, government co-sponsorship with community colleges, associations and individual firms offers the potential to fill a major void in current management education programming.

By directing its training dollars to the provision of more customized, industry-based management training, government can spend its training dollars more effectively. Moreover, by exploiting its unique position as an interested but unbiased participant in the drive for management education, government is in a unique position to foster a national dialogue carried out at the local level between small business and public educational institutions. By encouraging a constant two-way flow of ideas between educators and managers, government can go a long way towards fostering a systematic culture of management training among small businesses.

¹⁵ Ontario Ministry of Skills Development. *The Training Decision: Training in the Private Sector*. pp. 37-38.

III. SURVEY RESULTS

1. BACKGROUND

This section of the report discusses responses to most of the questions asked of the 187 individuals interviewed for the project. Responses to the questions included in this section are grouped under several distinct subheadings.

As noted in the Introduction, the 187 individuals interviewed for this project were drawn from the following five "constituencies" (*see figure 1, p.6*):

- private trainers, 93 completed interviews;
- provincial government officials, 47 completed interviews;
- representatives of universities/colleges, 21 completed interviews;
- federal government officials, 10 completed interviews;
- business association representatives, 16 completed interviews.

In addition to summarizing the overall results for each question included in the survey, the results of the survey also compare responses from individuals in the five different groups in cases where significant inter-group differences appear to exist.

At the start of each interview, the interviewee was asked whether he/she had particular knowledge of any or all of the following three sectors, which were identified as deserving of special attention: retail, tourism, electrical/electronics manufacturing. At several times during the interview, those individuals claiming to have knowledge of a sector were asked specific follow-up questions. Respondents (other than those from business associations) were also allowed to name sectors other than the three noted above, but no further follow-up questions were asked in respect of such other sectors. The results were as follows:

- 102 respondents (54.5% of the total) said they had particular knowledge of the tourism sector;
- 99 respondents (52.9%) said they had particular knowledge of the retail sector;
- 67 respondents (35.8%) said they had particular knowledge of the electrical/electronics manufacturing sector;
- with respect to other sectors, 54 respondents mentioned manufacturing, 22 mentioned natural resource-based industries, 22 mentioned finance/banking, 20 mentioned the education/training sector, and 7 mentioned the public sector.

The survey was originally intended to avoid the over-representation of certain regions or centres in order to produce as balanced and as representative a sampling as possible. It's focus was therefore deliberately shifted away from metropolitan and other major urban

areas. In addition, each province and territory was dealt with individually and a considerable effort was made to ensure that every one of them was given equal coverage regardless of geographical size, population or economic strength. It soon became apparent, however, that certain areas could not be dealt with as originally intended within the limited time available. Population size as well as the particular nature and scope of local economic activity forced interviewers to conclude that in some areas the number of management training firms was severely limited. Moreover, in a number of cases in PEI, Newfoundland, Manitoba, the Northwest Territories, and the Yukon, following up on the potential list of contacts supplied to the interviewers proved to be very difficult.

Another factor was the preponderance of urban areas in terms of the location of private management trainers. A number of respondents noted that in Canada remoteness seemed to be determined by one's proximity to major urban centres. Because the time available in which to complete the survey was limited, interviewers were forced to "fall back" on respondents located in major urban centres in order to provide a reasonable degree of regional representation. An indication of the difficulty in obtaining alternative contacts is the fact that despite the interviewers best efforts, only a few respondents were able to refer them to other trainers located in their areas.

Attempts at contacting respondents in government proved to be much easier although interviewers still encountered some difficulties. At the federal level, efforts to obtain quality interviews from informed respondents proved to be surprisingly difficult. The level of cooperation was not always as high as expected. At the provincial level, responses were obtained only after considerable time had been expended locating suitable contacts.

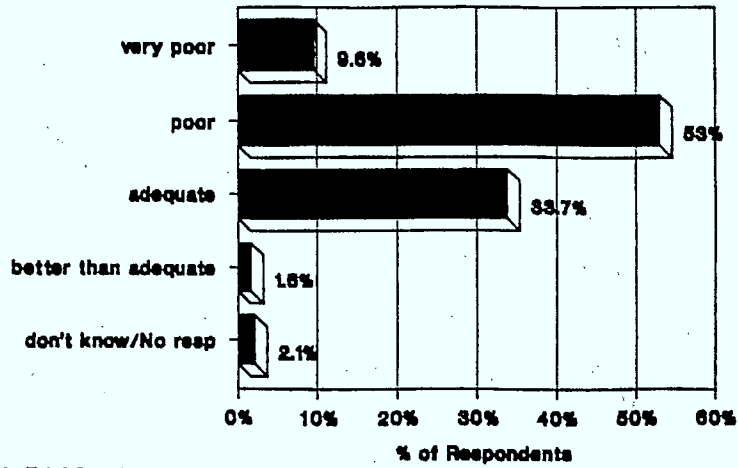
2. ASSESSMENT OF SMALL BUSINESS MANAGEMENT SKILLS

Overall Results

Survey respondents were generally quite critical of the existing level of management skills in Canadian small businesses. Close to 63 percent characterized small business management skills as either "poor" (53.0%) or "very poor" (9.6%). Thirty-four percent felt these skills were "adequate." Less than 2 percent believe the management skills of Canadian small businesses are "better than adequate." (*see figure 2.*)

Among respondent groups, there were some differences in views concerning small business management skills. The proportion of survey participants who say that management skills are either "poor" or "very poor" was highest in the case of federal government officials (80%), followed in descending order by university/college representatives (71%), provincial government officials (66%), private trainers (59%), and representatives of business associations (50%).

Respondents' View of Management Skills
Figure 2



Sectoral Results

Of those respondents claiming to have particular knowledge of the retail sector, (*see figure 3*) more than half characterize small business management skills in this sector as either "poor" (39.4%) or "very poor" (12.1%). Thirty-eight percent say these skills are "adequate." About 4 percent believe that small business management skills in the retail industry are "better than adequate."

Assessment of Management Skills By Sector
Figure 3

	Retail	Tourism	Electrical/ Electronics
very poor	12.1%	10.1%	4.7%
poor	39.4%	45.4%	34.4%
adequate	38.4%	35.4%	53.1%
better than adequate	4.0%	4.0%	1.8%
don't know/ no response	6.1%	5.1%	6.2%

A similar appraisal is provided by survey participants with a particular knowledge of the tourism sector. Fifty-five percent say that small business management skills are either "poor" (45.4%) or "very poor" (10.1%) in the tourism industry. Thirty-five percent

believe that management skills in this sector are "adequate," while 4 percent say they are "better than adequate."

Survey participants with a knowledge of the electrical/ electronics manufacturing sector display more confidence in the management skills of small firms in this sector than do those respondents claiming to be familiar with the retail and tourism sectors. Fifty-three percent view the management skills of small firms in this industry as "adequate." Thirty-nine percent say they are either "poor" (34.4%) or "very poor" (4.7%). Less than 2 percent believe that management skills in this sector are "better than adequate."

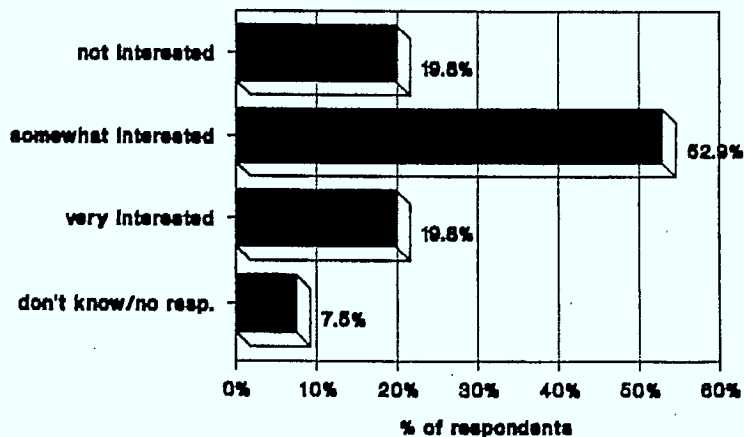
3. ARE SMALL BUSINESS MANAGERS INTERESTED IN TRAINING?

Interest in Training

Most of those participating in this project detect considerable interest in formal management training on the part of small business managers and entrepreneurs. More than half (53%) say that small business managers are "somewhat interested" in receiving training designed to improve their knowledge and skills, while another two in ten (20%) believe that small business managers are "very interested" in obtaining such training. In contrast, 20 percent of survey respondents claim that small business managers are "not interested" in formal training. (see figure 4)

Responses to this question by survey participants from the various groups were not uniform. Those from business associations (93%) were most likely to say that small business managers are either "very" or "somewhat" interested in receiving training. This view was voiced less enthusiastically by respondents from the federal government (80%), provincial governments (79%), private training organizations (75%), and universities/colleges (29% -- but note that most participants from the latter group did not offer an opinion). Representatives of private trainers (26%) and provincial governments (21%) were more likely than those from the other groups to say that small business managers are "not interested" in receiving training.

Level of Interest in Training
in Small Business
Figure 4

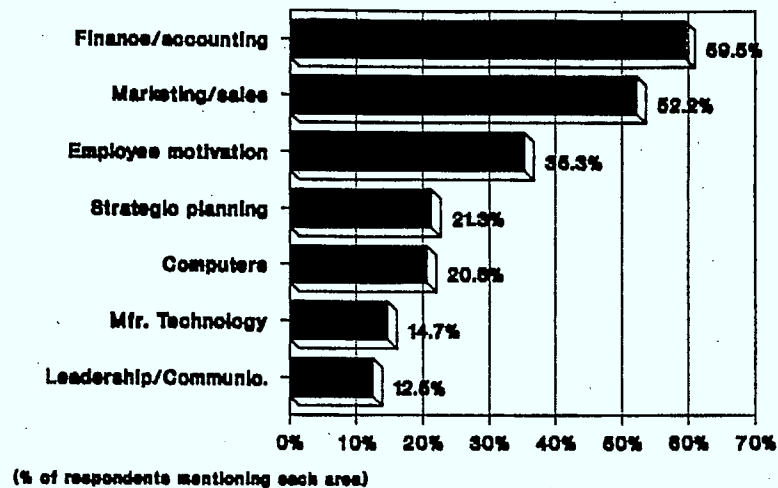


Areas of Greatest Interest

Respondents who believe small business managers have at least some interest in formal training (136 out of the 187 interviewed) were then asked to name the subject areas in which these managers and entrepreneurs are most anxious to receive additional training. A wide variety of fields were mentioned. (Note that respondents answering this question were free to name more than a single area.)

Almost six in ten identified financial management, accounting, or budgeting. More than half said general marketing or sales. Slightly more than one-third named employee development or motivation. Twenty-one percent feel that strategic planning is an area in which small business managers are very interested in receiving formal training, while almost the same number mentioned computers. Almost 15 percent identified manufacturing or technology management. Twelve percent named leadership and communication skills. Finally, about 10 percent believe that small business managers are anxious to receive further training in international business and marketing. (see figure 5)

Areas of Greatest Training Interest
Figure 5



4. EXTENT AND NATURE OF SMALL BUSINESS MANAGEMENT TRAINING

Extent of Training

Existing research indicates that the larger a company is, the more likely it is to provide its employees, including its managers, with some type of formal training. Academic and survey research also suggests that companies tend to focus most of their formal training efforts on professional, managerial, and highly skilled technical employees rather than on general production or clerical workers.

Formal training programs have an identifiable structure, plan and set of objectives designed to develop a manager's skill and competence either on the job, in a classroom,

or in some other specially equipped training site. Often, formal training will combine on the job experience with classroom or off-site instruction. Examples of formal training include a 1-2 day course on computers, strategic planning, employee communications, or some other topic related to management. Also included under the rubric of formal training are both short and full credit courses offered by local colleges, universities and technical schools. In most cases, these training courses and seminars are offered outside of the firm, but formal training opportunities can also be provided within the company.

Most survey participants believe that Canadian small businesses are generally not inclined to provide their managers with formal training opportunities. Close to two-thirds (63.7%) say that such opportunities are "rarely" provided. Twenty-eight percent believe that small businesses in Canada "sometimes" offer formal training to their managers. Less than 3 percent suggested that small businesses "often" provide formal training opportunities to their managers.

Survey participants drawn from universities/colleges are most likely (71%) to say that small companies "rarely" provide training opportunities to their managers, followed by those from private training organizations (66%), provincial governments (60%), the federal government (50%), and business associations (also 50%).

Formal versus Informal Training

Compared to large firms, small businesses tend to rely more heavily on "informal" training methods for their employees, including those in managerial positions. Informal training is difficult to define but ranges from work-related discussions between a manager and an employee to such activities as reading manuals on company time or having one employee show another how to operate a machine. Some small businesses, of course, do make use of outside expertise and sources of "formal" training. However, as discussed in the literature review section, small companies frequently face time and resource constraints that inhibit their willingness and ability to provide or take advantage of formal training.

Among those interviewed for the survey, there is a widespread view that small businesses in Canada need to make greater use of formal management training. An overwhelming 93 percent say that small businesses should rely more heavily on formal management training. Only 5.3 percent believe that informal methods of management training are sufficient for today's small businesses. There were virtually no differences in the responses to this question among survey participants from the five groups.

5. RATING ALTERNATIVE SOURCES OF MANAGEMENT TRAINING

In order to get a clear sense of how survey participants feel about existing kinds and sources of management training available to small businesses, all interviewees were asked two sets of questions. The first asked them to rank the effectiveness of four principal *types* of management training: regular college/university courses, special college/university short courses, courses sponsored by private trainers and training institutions, and seminars or training materials supplied by industry groups and business

associations. A scale of 1 to 5 was used, with 5 signifying the highest degree of effectiveness and 1 the lowest.¹⁶

Respondents were then asked to rank the success of five different *sources* of management training in meeting the training needs of small business managers - universities, community colleges, private trainers, industry/business associations, and government agencies/crown corporations. A similar 1 to 5 scale was used, with 5 signifying the highest degree of success and 1 the lowest. (see figure 6)

The overall results obtained were interesting. While respondents ranked college/university *short* courses as the most effective *type* of training available, they rated *regular* college/university courses as the least effective. They were also generally critical of universities and colleges as a *source* of management training (only governments and crown corporations ranked lower). These findings suggest that colleges and universities can, indeed, provide training services that meet the needs of small businesses, but that many of Canada's post-secondary - and government - institutions, for whatever reasons, do not do so on a consistent basis and are therefore not perceived as effective training sources.

Effectiveness of Training Types

a) regular college/university management courses:

Most Canadian universities and colleges offer credit courses in management-related disciplines on a part-time basis to those employed in the work force. These courses are often held in the evening and typically require a full academic semester to complete.

With respect to different *types* of training, survey respondents believe that *regular* college/university courses are generally less effective than other types of management training available to small businesses. On a scale of 1 to 5, with 5 signifying the highest degree of effectiveness, respondents gave regular college/ university courses a weighted average rating of 2.9. (See figure 6)

It is interesting to note that survey participants from the university/college sector are actually the most critical of the effectiveness of regular university/college courses. Forty-eight percent of respondents from this sector assigned a low effectiveness rating (a 1 or 2 on the 1-5 scale) to regular post-secondary courses. Among respondents from other groups, 37 percent from the private sector training industry assigned a low effectiveness rating, as did 30 percent from the federal government, 25 percent from business associations, and 21 percent from provincial governments.

b) special college/university "short" courses:

Many post-secondary institutions also offer a wide range of non-credit or "*short*" courses in fields relevant to management. Examples include a two-day course focusing on computer software, a one-day course in financial management for non-financial managers, or a weekend course in personnel management. These courses tend to be more tailored to the needs of people employed full-time than regular post-secondary courses. However, they do not normally provide credit toward a formal degree or

¹⁶ Figures 6 & 7 are not intended to provide an absolute measure of the effectiveness of various types and sources of management training. Their value lies in the information they provide regarding the *relative* effectiveness and success of different types and sources of training, as perceived by respondents to the survey.

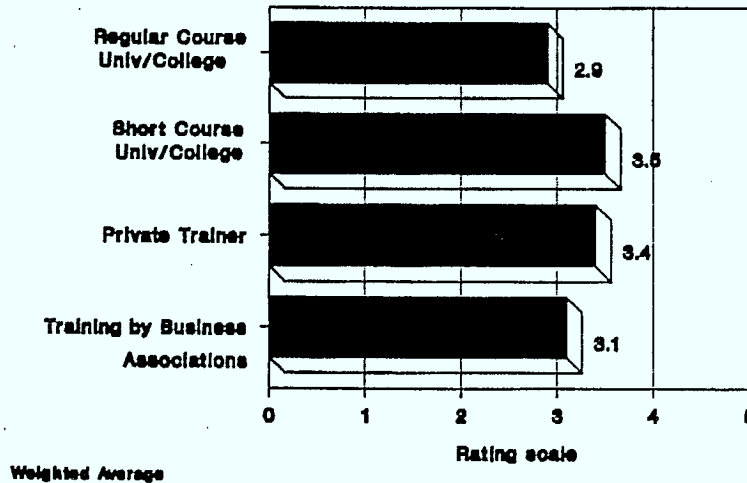
diploma. Survey participants generally see such short courses as the most effective type of management training for small businesses. Using the same 1 to 5 scale, respondents gave college/university short courses a weighted average rating of 3.5.

Relatively few respondents from the various groups represented in the survey assigned a low effectiveness score (1 or 2) to university/college short courses. The proportions giving a low score were: 0 percent of participants from associations and the federal government; 5 percent of respondents from universities/colleges; 10 percent of those from private training organizations; and 15 percent of provincial government representatives.

c) courses offered by private trainers:

A large number of private trainers and training institutions are in the business of providing managers (and would-be managers) with training in a variety of subjects related to their jobs and industries. Sometimes such training is offered on the work site. Often, however, this is not a practical option for small businesses since such businesses often have too few employees to make on-site training economical. In spite of this, those interviewed believe that courses offered by private trainers can be quite effective in training small business managers and ranked this type of training just behind college/university short courses. A weighted average effectiveness rating of 3.4 was awarded.

Effectiveness of Training Types
Figure 6



Respondents from all of the groups represented in the survey were quite favourable toward private training courses for small business managers. The proportions assigning a low effectiveness score (1 or 2) to this type of training were: 0 percent (federal government), 12 percent (associations), 13 percent (private trainers themselves), 14 percent (university/college officials), and 19 percent (provincial government officials). Proportions assigning the highest possible effectiveness score (5) ranged from 5 percent in the case of university/college representatives to 30 percent in the case of federal government officials. It is noteworthy that the private trainers apparently resisted the temptation to provide an overly positive evaluation of the effectiveness of their own training courses.

d) training offered by industry and business associations:

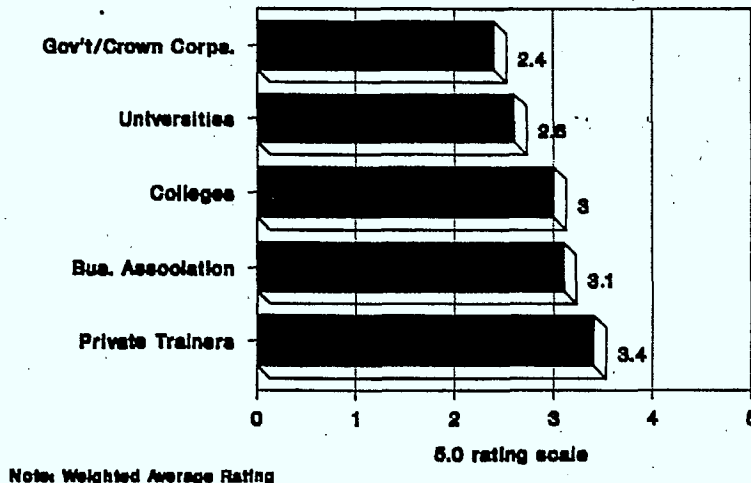
Finally, respondents were also asked to rate the effectiveness of courses and training materials supplied by industry and business associations. While not all associations provide management training courses or training materials, an increasing number are attaching a higher priority to activities designed to help their smaller company members strengthen their management skills. On the 1 to 5 scale noted above, survey respondents give training provided by industry and business associations a weighted average effectiveness rating of 3.1.

Business association representatives interviewed were less likely (6%) to give associations' training courses and materials a low effectiveness score (1 or 2) than were respondents from the other groups (25-30% from each of the other four groups assigned low scores).

Success of Training Sources

Survey participants were also asked to evaluate the success of different *sources* of management training external to the firm in meeting the training needs of small business managers. A scale of 1 to 5 was again used, with 5 signifying the highest degree of success and 1 the lowest. Weighted average ratings were calculated for each training source, using, for this purpose, the same methodology employed above to calculate effectiveness ratings. Overall, respondents believe that private trainers and industry/business associations are more successful than governments, universities or colleges in meeting the management training needs of small companies. (see figure 7)

Success of Training Sources
Figure 7



a) government agencies/crown corporations:

With a weighted average rating of 2.4, government agencies and crown corporations are viewed as the least successful of the five training sources in providing training that satisfies the needs of small business managers. The proportions of respondents assigning a low success score (1 or 2) ranged from one quarter to almost six in ten, and varied

among the groups included in the survey as follows: business associations, 25 percent; federal officials, 30 percent; provincial officials, 49 percent; university/college representatives, 52 percent; and private trainers, 57 percent.

b) universities:

Universities are seen as slightly more successful than government agencies and crown corporations in meeting the training needs of small business. A weighted average success rating of 2.6 was awarded by survey participants. Interestingly, respondents from universities/colleges were most likely (62%) to assign a low success rating (1 or 2) to universities as a source of training for small business managers. Proportions assigning a low success rating in the case of the other groups were: federal officials, 30 percent; association representatives, 31 percent; provincial officials, 43 percent; and private trainers, 46 percent.

c) community colleges:

Community colleges score noticeably higher than universities in terms of successfully meeting the training needs of small business managers. Respondents gave them a weighted average rating of 3.0. There are significant differences in the evaluations offered by the various groups included in the survey. Proportions awarding a low success rating (1 or 2) to community colleges ranged from 0 percent of business association and federal government representatives, to 24 percent of college/university officials, 28 percent of provincial officials, and 34 percent of private trainers.

d) industry/business associations:

Industry and business associations are viewed as quite successful in helping small businesses train managers, with survey participants awarding a weighted average success rating of 3.1. Participants from business associations offered the most positive assessment of associations' training efforts, with only 6 percent of this group awarding a low success score (1 or 2). Among participants from other groups, the proportions assigning a low success score to business associations varied considerably: federal officials, 20 percent; private trainers, 24 percent; provincial officials, 32 percent; and university/college representatives, 43 percent.

e) private trainers:

According to those interviewed for the survey, private trainers are achieving the greatest success in meeting small companies' management training needs. A weighted average rating of 3.4 was given by respondents. Business association and federal government representatives are least critical of private trainers. No federal respondents, and just 6 percent of association respondents, assigned private trainers a low success score (1 or 2). Provincial officials (21%), university/college officials (19%), and private trainers themselves (10%) were all somewhat more inclined to award a low success rating.

6. ACCESSIBILITY OF TRAINING

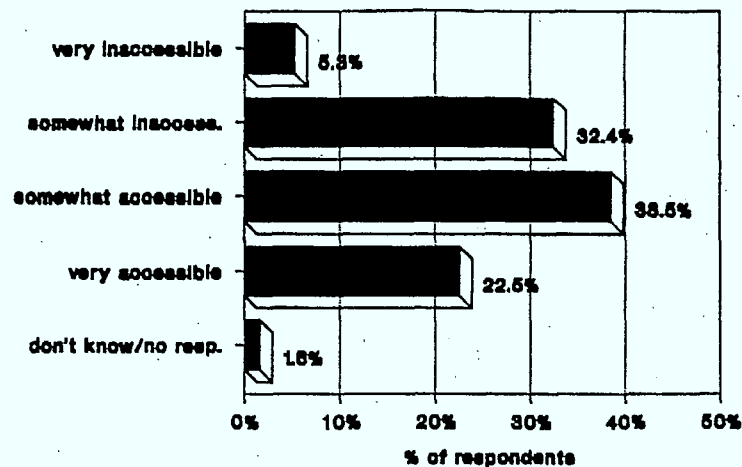
Perceptions of Overall Accessibility

As discussed at some length in the literature review section, the accessibility of training courses is an important issue for small companies considering whether to provide formal training to their managers. When asked whether training courses external to the firm are

"very inaccessible," "somewhat inaccessible," "somewhat accessible," or "very accessible," respondents offered a mixed appraisal. (See figure 8)

Almost four in ten say that such courses are either "very" (5.3%) or "somewhat" (32.1%) inaccessible. However, more than 60 percent believe that basic management training courses and seminars are either "very" (22.4%) or "somewhat" (38.5%) accessible. There is some variation in the responses of participants drawn from the different groups included in the survey. Provincial government officials (47%) are most likely to say that existing basic management training courses are inaccessible, followed by respondents from universities/colleges (43%), associations (37%), the private training industry (32%), and the federal government (30%). Federal officials are most likely (70%) to say that existing courses are accessible, followed by respondents from the private training industry (66%), associations (62%), universities/colleges (57%), and provincial governments (51%).

Perceived Accessibility of Training
Figure 8



Key Barriers

Survey participants who judged that training courses are either inaccessible or only "somewhat accessible" (145 out of 187 interviewed) were then asked to identify the most important barriers limiting access to management training for small businesses. Those answering this question were free to name more than a single barrier.

The barriers suggested were very consistent with those identified in the literature search. The barrier cited most frequently (59.3% of respondents) was cost. Almost the same number (55.1%) identified the lack of time available to small companies and their managers. This result is consistent with the evidence of academic research as well as other surveys which have found that financial and time constraints are the most important factors inhibiting small businesses from providing training. (see figure 9)

Three respondents in ten said that lack of awareness of training courses was a major barrier limiting access to training for small business managers. One quarter mentioned inconvenience (e.g., problems of scheduling, availability of courses, etc.). Two in ten

cited distance as a key barrier. A further seventeen percent felt that the inappropriate content of management training courses/seminars constituted an important barrier.

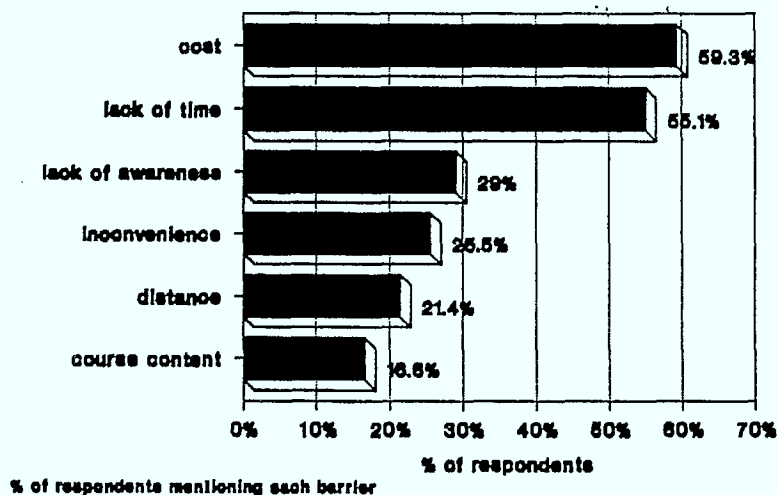
Cost was the barrier mentioned most frequently by respondents from business associations and the private training industry. In contrast, provincial government officials and representatives of universities/colleges were more likely to identify lack of time as a major barrier. Federal government officials were equally likely to cite both financial and time constraints.

Problems Facing Firms in Remote Areas

The 145 respondents who judged that training courses are either inaccessible or only "somewhat accessible" were also asked whether small businesses in remote areas face special problems in gaining access to training opportunities for their managers. A large majority (80%) answered in the affirmative. Only 15 percent said that small firms in remote areas do not encounter special problems. The remaining 5 percent did not know or did not respond to this question.

Those answering in the affirmative (116 out of 145) were then asked to identify, in their own words, the key problems faced by small businesses in remote areas in obtaining training for their managers. From the responses given, it appears that the nature of the management training problems confronting small companies in remote areas is not very different from the ones facing small businesses in general. What respondents considered to be special about problems related to remote location is the much greater degree of difficulty and inconvenience they present for small businesses in these regions. Travel and course costs, time constraints, and distance were seen as the central training difficulties for small businesses in isolated areas. The specific problem mentioned most often was that of distance, followed by cost/financial barriers, lack of time, lack of awareness, inappropriate course content, and inconvenience (course scheduling and availability).

Key Barriers to Training
Figure 9



7. TRAINING NEEDS OF SMALL BUSINESS MANAGERS

Skill Strengths and Weaknesses

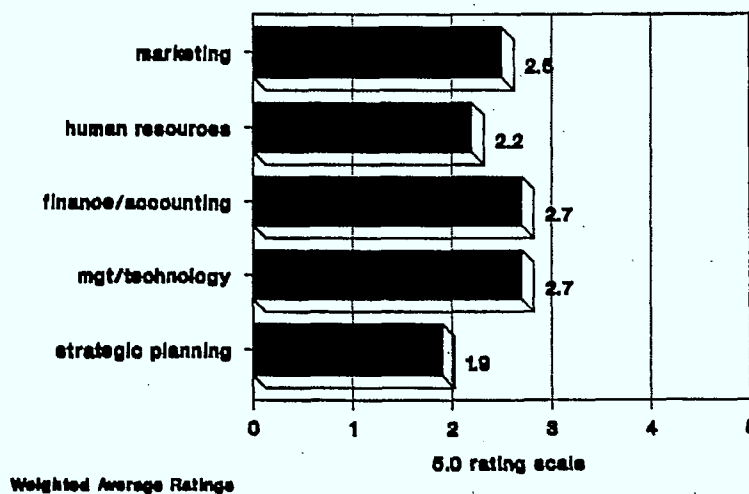
Survey participants were asked to assess the skill levels of small business managers in five key areas: marketing, human resource planning/personnel, finance/budgeting, management of technology, and strategic planning and leadership. A scale of 1 to 5 was used, with 5 signifying an area of greatest management strength, and 1 an area of greatest management weakness. For each of the enumerated areas of management skill, a weighted average skill rating (minimum 1, maximum 5) was calculated using the technique previously used in the questions on the effectiveness and success of external training sources. (see figure 10)¹⁷

a) marketing:

Survey participants award small business managers a weighted average score of 2.5 for their skills in marketing. Only 23 of the 182 respondents offering an opinion on this question believe that small business managers deserve a high skill rating (i.e., a 4 or 5 on the 1-5 scale).

Among respondents from the different groups, the proportions who believe that small business managers deserve a low skill rating (1 or 2 on the 1-5 scale) in marketing varied as follows: business associations and private trainers, both 44 percent; federal officials, 50 percent; university/college representatives, 52 percent; and provincial officials, 55 percent.

Specific Management Skills
Figure 10



17 The importance of Figure 10 resides in the information it provides regarding the *relative* effectiveness of small businesses in different areas of management expertise, as perceived by respondents to the survey. This information should not be interpreted as an absolute measure of the strength or weakness of small businesses in these areas.

b) human resources/personnel:

Respondents gave small businesses a weighted average score of 2.2 in human resources and personnel. Just 9 of 184 respondents offering an opinion on this question awarded small business managers a high rating (4 or 5). In contrast, 125 gave them a low rating (1 or 2).

Among respondents from the different groups, opinions varied somewhat but were generally quite critical. Proportions assigning small business managers a low skill rating (1 or 2) in human resource management were: federal officials, 60 percent; private trainers, 62 percent; university/college representatives, 71 percent; provincial officials, 72 percent; and business association representatives, 75 percent.

c) finance and budgeting:

Survey participants offered a more positive appraisal of small business managers' skills in finance and budgeting, awarding a weighted average rating of 2.7. More respondents (34 out of 182 who volunteered an opinion) awarded a high score (4 or 5) for finance and budgeting than for any of the other four skill areas canvassed.

Survey participants from business associations were least likely (19%) to give small business managers a low skill rating (1 or 2) in the area of finance/budgeting. Respondents from universities/colleges (38%), the private training industry (40%), provincial governments (47%), and the federal government (50%) were more likely to assign a low skill rating.

d) management of technology:

Respondents were reasonably impressed with the skills of small business managers in managing technology, awarding a weighted average rating of 2.7. Thirty respondents gave small business managers a high score (4 or 5) on this area of management skill.

Low skill ratings (1 or 2) for management of technology were given by the following proportions of respondents from the groups included in the survey: business associations, 25 percent; universities/colleges, 38 percent; private trainers, 39 percent; provincial governments, 43 percent; federal government, 70 percent.

e) strategic planning/leadership:

According to those who took part in the survey, strategic planning and leadership is the area of greatest management weakness in Canadian small business. A weighted average skill rating of only 1.9 was awarded, with 143 respondents assigning a low score (1 or 2).

Participants from all of the different groups were critical of small business managers' skills in strategic planning. Low skill ratings (1 or 2) were assigned by 40 percent of survey participants from the federal government, 62 percent of those from business associations, 80 percent of those from universities/colleges and provincial governments, and by 81 percent of private trainers.

Sectoral Results

Respondents from the retail sector believe that marketing is the area of greatest strength for small business managers in this sector, while strategic planning/leadership is their weakest area. The specific weighted average ratings awarded were:

- marketing, 3.0;
- finance/budgeting, 2.7;
- management of technology, 2.5;
- human resources/personnel, 2.3;
- strategic planning/leadership, 2.1.

Survey participants familiar with the tourism sector hold views that are remarkably similar to those articulated by respondents with particular knowledge of the retail industry. According to respondents familiar with the tourism industry, the greatest area of strength of small business managers in this industry is marketing, while their greatest area of weakness is strategic planning and leadership. The weighted average ratings were:

- marketing, 2.8;
- finance/budgeting, 2.7;
- management of technology, 2.5;
- human resources/personnel, also 2.5;
- strategic planning/leadership, 2.1.

Finally, survey participants with a particular knowledge of the electrical/electronics manufacturing sector were asked to assess the areas of greatest strength and weakness among managers of small companies in this industry. The results differ from those found in the retail and tourism sectors. Respondents familiar with the electrical/electronics manufacturing industry believe that strategic planning/leadership is the area of greatest management strength in small companies in this sector, while management of technology is their greatest weakness. Weighted average ratings awarded in the various skill areas were:

- strategic planning/leadership, 3.3;
- marketing, 2.9;
- finance/budgeting, also 2.9;
- human resources/personnel, 2.8;
- management of technology, 2.5.

Comparing the responses of survey participants with knowledge of the three sectors reveals that managers in the electrical/electronics manufacturing sector are believed to possess the strongest management skills, obtaining the highest average weighted skill ratings in three of the five areas surveyed (strategic planning, finance/budgeting, and human resource planning). In the case of management of technology, the same average rating was awarded to small business managers in all three sectors. In the final area - marketing - small business managers in the retail industry obtained the highest score.

Greatest Unmet Training Need

When asked to identify the single greatest unmet training need of small business managers, most survey participants cited the same basic areas of management competence noted above. More than half mentioned either human resources/personnel

or strategic planning as the greatest unmet training need. Specific areas cited in response to this open-ended question included the following:

- 32 percent said human resources/personnel management;
- almost 20 percent said strategic planning;
- about 14 percent said marketing;
- 13 percent said financial management/accounting;
- slightly more than 3 percent said management of technology;
- just under 3 percent said leadership/communication;
- and about 15 percent either did not know or else mentioned a wide variety of other areas.

The responses provided by business association representatives reflect essentially the same opinions as those expressed by their small business, government, and academic counterparts.

- almost 44% said human resources/personnel management
- management of technology, leadership and communication each garnered a little over 6% of responses
- another 6% had no response

8. AWARENESS OF TRAINING RESOURCES

Level of Awareness

Survey participants were asked whether small business managers in Canada are generally aware of the various sources of training available outside of their companies. The answers given suggest a fairly widespread lack of awareness. Only one-third (33.7%) of respondents believe that small business managers are aware of external sources of training. Close to two-thirds (63.1%) say they are not aware. Another 3 percent do not know or offered no response.

Opinions on this issue vary somewhat among participants drawn from the different groups included in the survey. Representatives from universities/colleges are most likely (48%) to say that small business managers are aware of external training sources. Less likely to hold this view are private trainers (37%), provincial officials (30%), federal officials (30%), and - especially - representatives of business associations (12%). Association representatives are most likely (87%) to say that small business managers are *not aware*, followed by respondents from provincial governments (64%), the private training industry (61%), the federal government (60%), and universities/colleges (52%).

Steps to Improve Awareness

Respondents who judge that small business managers are not aware of external training sources or who answered "don't know" to the above question (124 out of 187 interviewed), were then asked to identify, in their own words, the steps that could be taken to make small business managers more aware of and knowledgeable about the diverse sources of management training available to them.

Responses to this open-ended question were often general in nature. In descending order of frequency, the following steps were mentioned: education/awareness campaigns; better marketing of training courses and programs; more advertising; greater efforts by business associations and business groups to provide training information and promote management training; and more effective dissemination of training information by existing institutions and agencies.

A few participants expressed support for the idea of a central source of training information - possibly in the form of a database - that would make it easier for small companies to find out about available training sources and opportunities. Development of such a central information source was generally seen by respondents who mentioned it to be a government responsibility.

Use of Video Technology

Respondents who felt that small business managers are generally not aware of the various sources of training outside of their firms were also asked about the potential effectiveness of television/video technology in delivering training seminars and courses.

A majority (53.2%) say that this technology can be "somewhat useful" in helping small business managers acquire improved skills. Almost four in ten (37.1%) say that the technology can be "very useful" for this purpose. Slightly more than 6 percent disagree, and characterize television/video-technology as "not useful."

9. DEMAND FOR TRAINING INFORMATION

Is Demand Increasing?

Survey participants were asked if they see a growing demand for training information and services on the part of small businesses in Canada. A large majority (83%) believe that demand for such information and services is growing. Sixteen percent disagree, however, claiming that demand is not increasing.

Those who believe that demand for training information and services is on the rise were asked to cite, using their own words, the factors accounting for this trend. Increasing domestic and international competition was the factor cited most frequently. Other significant factors were the effects of rapid technological change, and the fact that today's better educated generation of workers and managers has a greater appreciation of the relationship between improved management training and corporate profitability and success. To a much lesser extent, government efforts to encourage training were also seen to be a source of small business interest in management training. (*see figure 11*)

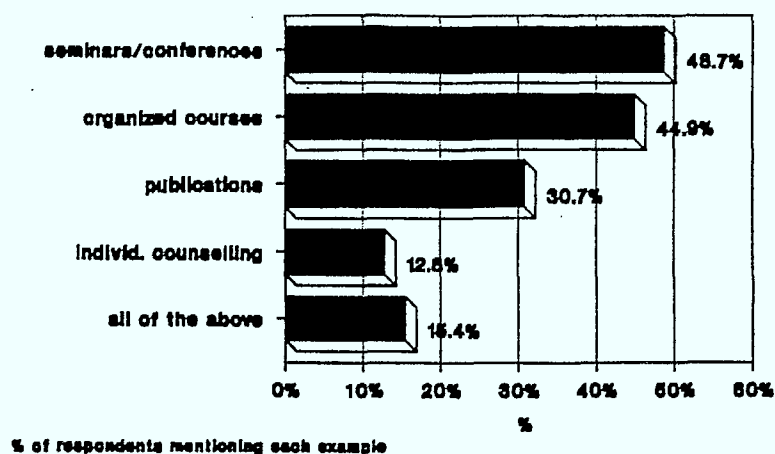
Provision of Training/Information

Survey participants were asked whether small businesses have expanded the amount of training or training information provided to managers over the last few years. Slightly more than six in ten (62.9%) say yes, while three in ten (29.8%) say no. The remaining 7.2 percent do not know or did not respond.

Those who answered "yes" to the above question were requested to provide examples of the ways in which small firms have increased the training and training information provided to their managers. (Respondents were free to give more than a single example.) The holding of seminars and conferences was the example cited by the largest number of those who answered this question (48.7%). Organized training courses were also frequently mentioned (44.9%), followed by publications (30.7%) and individualized counselling for managers (12.8%).

% of Small Companies Expanding Training & Training Info. for Managers

Figure 11



10. ROLE OF GOVERNMENT

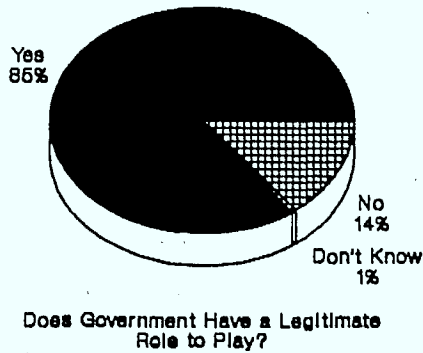
Overall Role

When asked whether governments have a legitimate role to play in improving the skills of and training available to small business managers, an overwhelming majority of survey participants (85%) answer in the affirmative. Slightly more than 14 percent disagree and say government does not belong in this field.

Respondents who feel government has a legitimate role to play were asked to indicate, in their own words, what governments should do to improve management training in small business. Responses to this open-ended question were often vague. In general, most respondents seem to see government's role as that of a facilitator, information source, broker, coordinator, and catalyst. Most participants did not believe that governments should become directly involved in providing or designing management training for small companies. Nor did they support the view that government should make a heavy financial commitment by directly underwriting the costs of management training for smaller firms.

Role of Government

Figure 12



Among the government roles mentioned, in descending order of frequency, were the following:

- a broad promotional/support role in regard to management training (e.g., carrying out activities designed to foster awareness of the need for management training in small firms, and to encourage an atmosphere conducive to the development of training opportunities);
- provision of financial support to encourage/spur management training in small businesses;
- planning/coordination of training activities and programs;
- provision of information and advice to small firms;
- encouraging more training through education;
- leadership/innovator role in training (e.g., high profile advocacy efforts to convince small businesses to train more and to introduce new methods and ideas);
- direct involvement through delivery of management training programs and courses.

Specific Government Activities

Respondents who believe government has a legitimate role to play in respect of small business management training were also asked to specify the types of activities and programs that governments should develop to improve small business management in Canada. Again, many of the responses to this open-ended question tended to be rather general in nature.

One interesting feature of the responses is that in quite a few cases, the government programs and activities mentioned did not necessarily fit well with the essential roles respondents apparently wanted government to play. For example, more than one respondent who in the previous question had said government should play solely a planning and coordination role, indicated in response to this more specific question that governments should provide financial incentives and assistance to small business. This suggests that many survey respondents do not have a clear, well-developed concept of what governments should be doing to strengthen small business management skills.

Financial assistance and incentives figured quite prominently in the responses given to this question. However, no respondent felt that government should simply "throw money at the problem." On the contrary, a view frequently expressed was that government must carefully target its efforts and its financial support in order to maximize benefits. Several respondents made it clear that they would accept less government assistance for training if the remaining funds were used more effectively.

Information and advisory programs, particularly some form of diagnostic service to assist small companies in determining their training needs, were deemed essential by many respondents. Some noted that it is not enough simply to explain the relationship between management training and increased productivity and profitability. Small businesses need, first, to develop a much better idea of what their problems and needs are in order to determine the steps to be taken.

Specific government programs and activities mentioned, in descending order of frequency, included the following:

- information and advisory programs on management training targeted at small businesses;
- financial assistance/incentives to small companies to encourage them to provide management training (tax-based measures are the most popular idea in this regard);
- design and delivery by government of training programs geared to the needs of small business;
- programs that lead to cooperative ventures between government(s) and business to expand and improve management training;
- government initiatives to act as a coordinator in respect of small business training;
- expansion by governments of their existing services related to small business management training.

IV.

CONCLUSIONS

Both the literature review and the survey point to a number of broad conclusions that can be drawn regarding current small business management training services and activities:

Emerging Training Requirements

Small business owners and managers are increasingly interested in management training. Several factors appear to account for this trend: growing domestic and international competition, rapid technological change, demographic shifts, and government efforts to increase awareness of the importance of management training on the part of smaller companies. Heightened interest in management training by small firms has inevitably translated into a growing demand for training services.

Smaller firms are increasingly aware of the growing importance of various "new" areas of management training, such as human resource management and strategic planning. Indeed, more than half of respondents to the survey identified either human resources/personnel management or strategic planning as the "greatest unmet training need of Canadian small business managers today." Nonetheless, small business owners and managers appear to be primarily interested in traditional management skills such as marketing, accounting and finance.

Range/Accessibility of Training Services

A wide range of training services are currently available to small businesses through private sector trainers, industry and professional associations, public education institutions, and the federal and provincial governments. In addition, a number of small firms provide training to managers or employees on an in-house basis. While this range of services is impressive, each of these sources of management training presents unique advantages and disadvantages to the small business owner or manager. Private sector trainers, for example, are perceived as effective in meeting the needs of smaller companies but relatively expensive. Government programs, on the other hand, are seen as inexpensive, but less relevant to the needs of small firms.

The literature review and the survey underlined a number of barriers that limit access to management training by smaller firms. The most important of these were cost and lack of time. Both the literature review and the survey also pointed to lack of awareness on the part of small business managers of the important link between training and competitive success.

"Gaps" In Small Business Training Services/Activities

A number of "gaps" in training services currently available to small businesses were identified in both the literature review and the survey. Further and more in-depth consultations with small business owners and managers are needed, however, before these can be confirmed or before a detailed set of policy actions can be recommended. The following represent the most important "gaps" identified:

Extent and Nature of Training

Although not technically a "gap" in the training services available to smaller companies, the survey - in keeping with the findings of the literature review - indicated that a large majority of respondents believe that small businesses "rarely" provide managers with formal training opportunities. Moreover, an overwhelming 93% of survey participants expressed the view that small business relies too heavily on informal "in-house" training. These findings suggest both that smaller firms should be encouraged to expand training opportunities for management personnel and that greater use should be made of formal types of management training.

Lack of Information

For the most part, Canada's training industry has been geared to the management needs of larger firms. As a result, little evaluation has been undertaken of either the effectiveness of training services geared to small businesses or the extent of current small business training activities. Greater information on the specific training activities and requirements of small firms is therefore essential. Both the literature review and the survey also underlined the need for a central, readily-accessible and inexpensive source of information on available training programs.

Need For Greater Awareness of the Importance of Training

Another important "gap" brought out by the study is the need to enhance awareness among small business owners and managers of the important link between training and competitive success. While many small firms do indeed train, a significant number - as the results of the literature review and survey would suggest - have yet to see a clear connection between training and their ability to compete effectively. Moreover, smaller firms are primarily interested in traditional management skills: accounting/budgeting, marketing and sales. Relatively few appear to be interested in such "new" management fields as human resource management and strategic planning (in spite of the fact that most survey participants identified such areas as representing the "greatest unmet training need" confronting smaller companies.)¹⁸ In large part, this can be explained by the "bottom-line" orientation of most small companies: activities not directly related to supplying or selling the company's product are frequently seen as unnecessary or of relatively low priority. Nonetheless, the results of the study suggest that various bodies - government, industry associations, local chambers of commerce, and educational institutions - should take a more active role in promoting training among smaller firms by stressing the real and substantial link between effective management training and bottom-line profitability.

Lack of Affordable\Convenient Training Services

Both the literature review and the survey identified cost as the most important barrier to management training on the part of small business. This suggests a major gap in the availability of affordable training services geared to the needs of smaller firms. Lack of

18. This apparent discrepancy can be explained, in large measure, by the fact that those who participated in the survey were professionals involved in activities related to management training, as opposed to small business owners and managers themselves. Consequently, respondents to the survey, it seems reasonable to assume, would tend to take a broader, more strategic perspective towards the kinds of issues confronting smaller firms.

time was also singled out as an important barrier to management training by small business: many courses that might otherwise be of interest to small business managers are not available at convenient times. Both of these findings suggest a gap in the level of responsiveness of both public and private training providers to the specific needs of smaller firms.

Role of Government/Possible Future Initiatives

Both the literature review and the survey suggest that government has a legitimate role to play in improving the skills of, and training available to, small business managers. Most observers, however, do not believe that government should become directly involved in the provision of training services. Rather, its primary role should be that of facilitator, coordinator and catalyst. Government activities should use training resources to initiate specialized information and diagnostic programs and assist small businesses in identifying and evaluating their management training needs.

In this respect, several future initiatives could be considered to improve small businesses' management skills. There is an obvious need, for example, to establish some kind of readily-accessible training directory - possibly on-line. Both this study and other research make it clear that lack of awareness of training issues and sources prevents many small firms from offering training. Development and dissemination of a directory of training ideas and sources for small business managers and entrepreneurs could help to improve awareness. This directory could include a list of "best practices" and examples of how carefully targeted management training has paid off for small businesses. Such a project could be undertaken jointly with a major business association, such as the Canadian Chamber of Commerce (most of whose member companies have fewer than 100 employees).

The government might also consider developing a simple "diagnostic" that would enable small businesses to assess their own management skills, needs, and deficiencies and evaluate options available to improve these skills. It could also encourage joint projects with public and private sector suppliers, as well as small businesses themselves, that aim to enhance the current level of small business management training. High costs, time constraints and - in some cases - distance inhibit many firms from providing formal management training. If small companies in a local area or industry could pool their limited resources and work together, it is likely that they would find it easier and less costly to increase the amount of management training provided. In this regard, projects designed to encourage small businesses to pool their efforts and resources in order to expand opportunities for management training could prove effective.

V. APPENDICES

- Appendix A - Background on Survey Participants
- Appendix B - Questionnaire and Data Tables
- Appendix C - List of Participants
- Appendix D - Bibliography for Literature Search

