

**LEARNING CONSULTANCY
PARTNERSHIP**

Partners for Performance

**Learning and development activities
within
small and medium-sized businesses
in the South of England**

September 2007



Acknowledgements

Learning Consultancy Partnership would like to sincerely thank all the companies who took part in the survey and made this piece of research possible.

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Introduction

This report presents the findings of an online survey, undertaken between March and June 2007, by Learning Consultancy Partnership (LCP), a consultancy and training organisation based in the South East of England.

It is hoped the findings will be of interest to participating organisations by providing them with local information against which to benchmark their training and development practices.

Purpose and aims of the research

The purpose of this study was to undertake an analysis of people development activity within small and medium-sized enterprises (SMEs) based in London and the South East, in order to inform our understanding of how their needs differ from those of larger organisations.

The primary aim was to identify what people development activities are taking place within SMEs. The secondary aim was to discover which of these activities the respondents felt have had the most impact on their business survival and growth.

In particular, we were interested in comparing our results with national studies to identify similarities and differences, paying particular attention to regional issues that may help us to tailor our service and better consult with our clients.

Our specific research questions included:

- Does the size of the organisation correlate with the amount of training days and spend per employee, per year?
- What type of training do SMEs invest in?
- Which categories of employees do they train and develop?
- How much of their annual budget is spent on training and development activities?
- How do they measure the effectiveness of their training and development activities?
- Which training providers do they use?
- Which of their business processes are linked to training and development activity?
- What are the main obstacles to undertaking training and development?
- When is the best time to undertake off-the-job training and development?
- What are the top three training and development priorities for the coming 12 months?

General discussion

Previous SME research

According to the CBI¹, small and medium-sized businesses account for approximately half of all UK employment and gross domestic product (GDP). Therefore it is not surprising that understanding the specific needs of these organisations has been the focus of a number of studies, surveys and government initiatives in the UK, including the Annual Small Business Survey (Department of Trade and Industry (DTI), 2005); The Small Business Survey (Institute of Employment Studies (IES), 2003) and the Confederation of British Industry's (CBI) Quarterly SME Trends Survey, 2007, to name but a few. Even larger-scale surveys, such as the Work Foundation's 'Workplace Trends' and the Chartered Institute of Personnel and Development's (CIPD) 'Who Learns at Work?', have included particular questions aimed at analysing the needs of smaller companies.

A focus on growth in SMEs

These studies have shown the needs of small and medium-sized organisations differ from those of larger organisations as they face obstacles that bigger businesses can deal with more effectively. For example, smaller companies often focus on growth – in 2004/05 53% of small businesses reported² an intention to grow their businesses – and growth can lead to a number of barriers for SMEs. Among them are financial strain, regulatory pressures and issues regarding the recruitment, development and retention of their employees. Small and medium-sized businesses have reported difficulties in recruiting skilled workers, and the CBI² estimates that by 2020, 42% of jobs in the UK will be at graduate level and above. Maynagh & Worsey

¹ Improving government services for small and growing businesses, CBI (2006).

² Encouraging small business growth. Enabling the enterprise revolution, CBI (2006).

(2005)³ also argued that work and employment will be even more challenging in the future. The Learning Skills Council⁴ found that half of ‘hard to fill’ vacancies and ‘skill shortage’ vacancies were in organisations with fewer than 25 employees, and the larger the organisation the fewer problems they reported with recruitment.

‘By 2020, 42% of jobs will be at graduate level and above’

CBI, 2006.

Lack of leadership and management skills has also been identified as a barrier to growth. The Council for Excellence in Management and Leadership (CEML) suggested there is widespread agreement that high-quality management and leadership skills are in short supply in the UK and good management and leadership is fundamental to achieving sustainable growth and economic performance. As companies expand, their leaders need to take a more ‘hands-off’ role which involves moving away from technical expertise and customer liaison to a role which requires delegation, strategic planning and coaching skills. Successful growing businesses recognise the importance of good management and leadership and are prepared to invest in them. Research⁵ has shown that great leadership is the foundation of double-digit growth, and companies that make leadership a top priority see better business results.

Long-term skill needs

In 2004, the government commissioned an independent review of the UK’s long-term skills needs and the Leitch Review (2006)⁶ argued that the UK faces a significant skills challenge if it wishes to be a competitive economy. In his introduction Lord Leitch states, “Our nation’s skills are not world class and

³ Latest trends in learning, training and development, CIPD (2006)

⁴ National Employers Skills Survey 2005, Key findings LSC (2006)

⁵ Growing great leaders key to double-digit growth, Hewitt Associates (2004)

⁶ Prosperity for all in the global economy – world class skills, Leitch (2006)

we run the risk that this will undermine the UK's long-term prosperity. Productivity continues to trail many of our main international comparators ... Our skills base compares poorly and critically, all of our comparators are improving. Being world class is a moving target.”

‘Our skills base compares poorly and critically, all of our competitors are improving’

Lord Leitch, 2006.

The review makes a number of key recommendations for change, including a better focus on economically valuable skills that will provide a real return on investment and sharing responsibility for skills development between employers, individuals and the government.

What training and development is taking place?

Findings from surveys into how small businesses are investing in developing their employees skills are mixed. The Annual Small Business Survey 2005⁷ found that 41% of respondents had provided training for their employees in the previous 12 months but only 25% had provided training and development to improve leadership and management skills. A study⁸ into the best 50 SMEs to work for reported that 40% of respondents stated they engaged in more formal training than similar companies and would undertake in-house training and external short courses, although training for a recognised qualification was less popular. The National Employers Skills Survey 2005⁹ found 65% of employers had trained their employees in the previous 12 months, resulting in an average annual spend of £1,550 per employee.

Organisation size was found to be a key determinant, with 90% of organisations with over 25 employees providing some form of training and

⁷ 8640 respondents

⁸ Training, learning and business performance in SMEs. Insights from studying the 2004 Sunday Times 50 best SMEs to work for

⁹ 7059 telephone interviews

development for their staff. The report concluded that there had been a slight increase in the number of employers undertaking off-the-job training and approximately a quarter still had some staff that lack the required skills to do their jobs effectively.

The Centre for Management and Leadership (CEML)¹⁰ stated smaller companies provide fewer training days per employee than larger organisations e.g. 4.5 compared to 5.5. They also found that demand for management training in smaller firms tends to be low and is not met by government initiatives. The CIPD's¹¹ survey found that 72% of organisations had a training budget and companies with fewer than 250 employees had an average spend of £417 per person, per year.

Use of informal methods

Another study by CEML¹² found that informal methods of developing management and leadership ability were deemed as most important by entrepreneurs and SME managers, with informal mentoring and management courses playing an important role. The least used methods were reading, conferences and using a business advisor.

Surveys consistently show that small and medium-sized companies are less likely to provide formal training than their larger counterparts and are less likely to undertake academic development. Lord Leitch (2006) stresses the importance of learning and development being demand rather than supply-led so that organisations can invest in activities which are relevant and valuable to their business.

¹⁰ Excellent managers and leaders meeting the need. A consultation paper. CEML (n.d.)

¹¹ CIPD annual survey report learning and development (2007)

¹² Management and leadership in UK SMEs. CEML (n.d.)

'Surveys consistently show small and medium sized companies are less likely to provide formal training than their larger counterparts'

LCP, 2007

The Small Business Research Centre¹³ found that smaller firms were less likely to provide formal training than medium-sized companies and were also less likely to participate in government schemes. The CBI¹⁴ argued that small and medium-sized organisations are turned off by public sector bureaucracy and will often conduct their training in an informal and ad hoc manner. The incidence of training seems to be linked to company size and business area, with professional and technical services being more likely to provide training for their employees.

Emphasis on in-house training

Much of the training provided tends to be in-house and based on material tailored to address a specific business requirement. SMEs will use external providers if they do not have the skills and knowledge to provide training and development in-house. The Nottingham Research Observatory found that there was extensive evidence of the positive impact of management and employee training on SME performance, and Whincop (2001) argued that lack of training is one of the main barriers to SME viability.

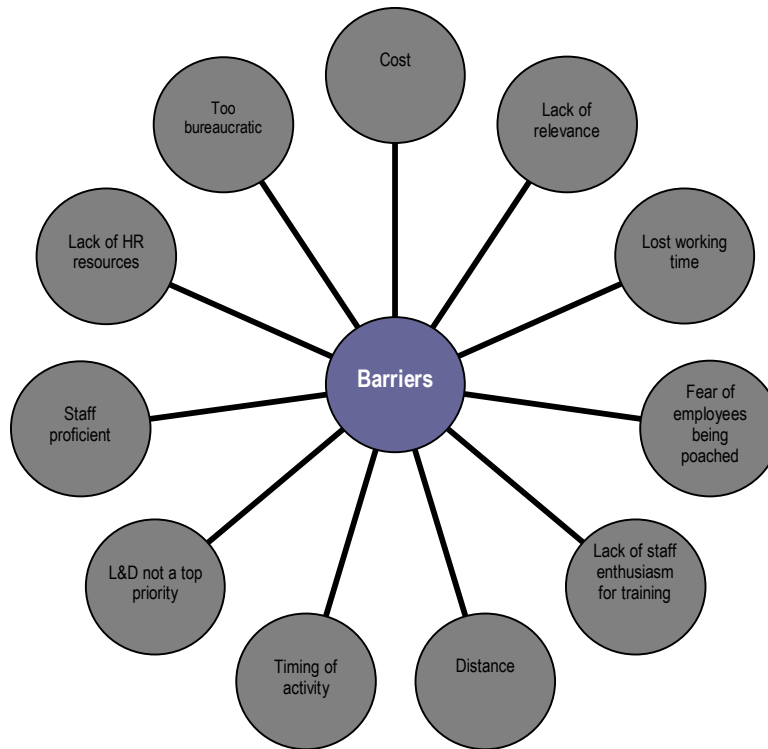
Key barriers and drivers of training and development activity within SMEs

Research has highlighted a number of barriers that small and medium-sized businesses face which may prevent them from undertaking training and development activities (e.g. Federation of Small Businesses, 2004 & CIPD 2006).

¹³ The nature of training and motivation to train in small firms. SBRC (2002)

¹⁴ Informality works. A new approach to training SMEs CBI (2003)

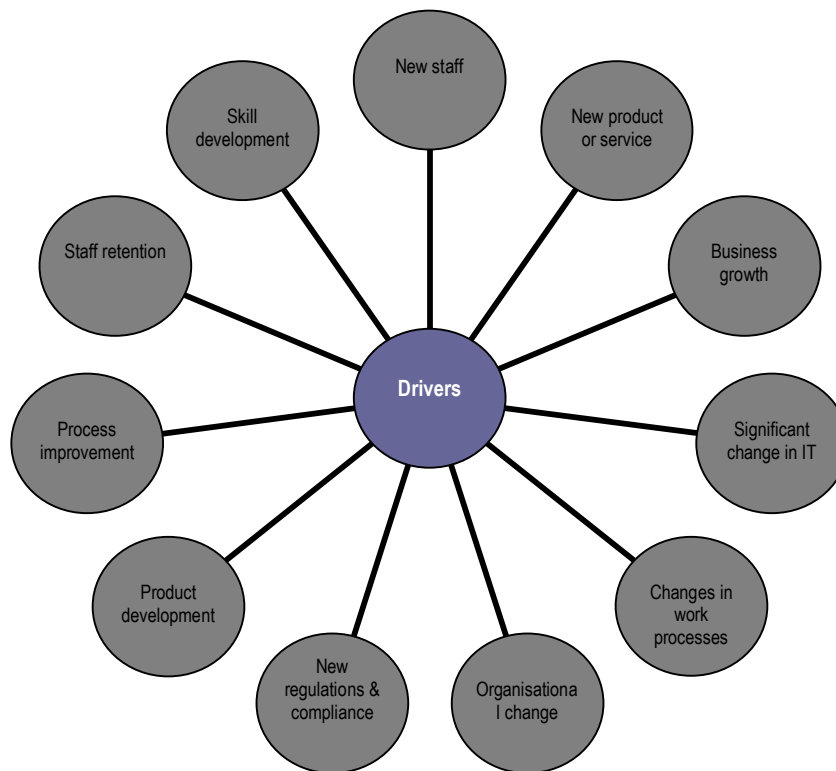
Figure 1: Summary of the main barriers to SMEs undertaking training and development activity



Although these barriers are consistently found in SME research, with the top two being cost and lost working time, it does not mean smaller organisations do not value training and development. The Small Business Council has argued that small and medium-sized organisations may train more than the government realises as they are more likely to use informal on-the-job methods that are invisible to policy makers and government measures. Some evidence suggests that SMEs value skills over qualifications; it is the ability of employees to do their job that is most important as successful SMEs are sales driven and market led, meaning training provision needs to be practical and tailored. The Nottingham Research Observatory also found that, generally, evidence underestimates the amount of informal training undertaken by SMEs, as smaller organisations are more likely to do informal training that is not necessarily picked up by research and statistics.

The Small Business Research Centre¹⁵ discovered the main motivation for SMEs to provide training and development was to develop employees' skills in their current role and to improve organisational performance (71%). The CBI also found that owners and managers were much more likely to undertake training and development if they were convinced it would add value. SMEs align training activity to their business plan and will provide training in response to organisational and technological changes.

Figure 2: Summary of the main drivers of SMEs undertaking training and development activity



¹⁵ The nature of training and motivation to train in small firms. SBRC (2002)

SME learning, training and development: the future?

There is general agreement that SMEs have particular requirements that are different from those of larger corporations and that it is necessary to adopt a broad approach to providing development activities which covers both formal and informal methods. CEML¹⁶ and Lord Leitch argue that current provision is mainly supplier-led and there is a need to change to a demand-led approach if training providers are going to engage entrepreneurs and SME managers in development activities.

There is a plethora of schemes available which SMEs have found to be bureaucratic and irrelevant to their needs. Although government initiatives such as 'Train 2 Gain' are used, SMEs often find it confusing to pick their way through a huge amount of information to find out what is available for them. Appropriate development activities need to place a strong emphasis on mentoring and experiential learning, and off-the-job training materials need to be tailored to real business priorities. SMEs may not provide as much formal training, but learning and development is valued as a source of motivation as well as a way to reinforce company ethos and culture. Benefits of training reported by smaller companies include: higher morale, greater job satisfaction, improved retention rates, increased productivity/performance and greater innovation.

The CIPD report into latest trends (2006), argued that demonstrating the value of training and development activity through effective evaluation is critical to justifying the business case for investment in training. There is a need to do more to measure people's contributions to organisational success. Supporting, directing and accelerating learning which is relevant to the strategic plan will result in longer-term development.

¹⁶ Joining entrepreneurs in their world. Improving innovation, entrepreneurship, management and leadership in UK SMEs. CEML

London and the South East: a regional perspective

Regional differences exist as to the type and incidence of training undertaken by SMEs. The Learning Skills Council¹⁷ found 'skills shortage vacancies' to be highest in Yorkshire and the North West, whereas in London and the South East it was 1% lower than the national average of 5%. However, the average number of employers with skill gaps in their existing workforce in the South East was 18%, which is higher than the national average.

The South East England Development Agency (SEEDA) reported a high concentration of service sector organisations in Berkshire and Surrey, with East Sussex and Kent having a more manufacturing base. Generally SEEDA reports that the region is dominated by service sector companies, which account for 80% of all employment in the region, and this sector is predicted to be the main driver of growth over the next ten years. The Sector Skills Council (SSC) found that in the logistics sector, businesses in the South East had provided 10% more training for senior managers than the logistic sector nationally. They also found that employees were more receptive to training if it was tailored to issues facing the South East rather than nationally.

The Regional Skills Productivity Alliance (RSPA) 2005¹⁸ stated that increased spend on training leads to greater employment growth, turnover and profit, particularly for smaller firms. The South East region has high costs and many report their competitive advantage in having a highly skilled and flexible workforce. RSPA argued that the South East region ranks 34th out of 40 global high-performing regions in terms of GDP and 35th in terms of productivity.

¹⁷ National employers skills survey. LSC (2005)

¹⁸ Regional skills for productivity alliance. Draft delivery framework RSPA (2005)

They reported that particular issues facing the South East are:

- A total of 50,000 management jobs are forecasted for the South East between 2005 and 2010.
- Fewer than 24% of UK middle managers across all sectors have undertaken any learning and development in the past five years.
- 56% of all managers in the South East do not possess a level 3 qualification.
- A predicted 75% of new jobs in the South East in the next ten years will require graduate status.
- Currently 30% of South East employers do not provide formal training for their employees.

Methodology

Design

The study used a self-completion, online, survey design for collecting retrospective data regarding the training and development activity within small and medium-sized businesses in London and the South East of England. Small and medium-sized businesses were considered to be those with between one and 1000 employees.

Participants

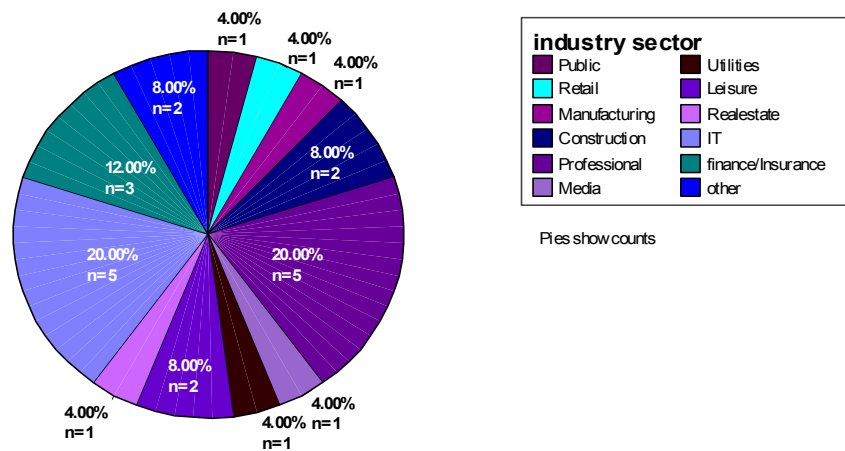
A random sample of participants was used and they were recruited in three different ways:

- Some were already known to LCP and were invited to take part.
- Others were recruited from a mailing list of human resource contacts of companies based in the South East with under 750 employees, supplied by Sussex Enterprise.
- The final group were taken from the websites of local Chambers of Commerce and other networking agencies based in the South East region.

In total, 557 companies were contacted, of which 25 useable responses were returned giving a 4.47% response rate. This percentage is small compared to other research (e.g. CIPD's learning and development survey, 2007, had a 13% response rate) but this was due to the fact that many of the organisations approached had no prior contact with our company.

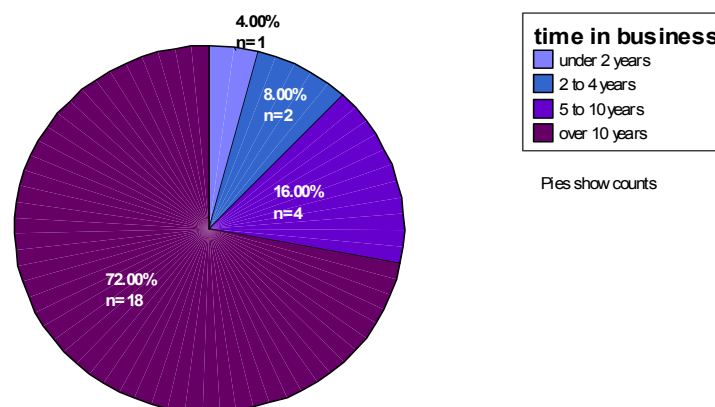
The 25 respondents in the sample came from a variety of industry sectors. The majority of responses came from professional services and information technology, 20% each (n=5), with the third largest response coming from finance and insurance (12%, n=3).

Figure 3: Industry sector



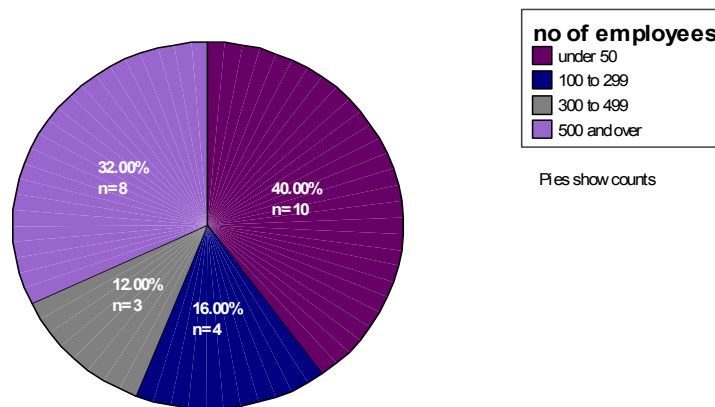
Nearly three-quarters (72%, n=18) of respondents had been in business for over ten years and only one organisation was a start-up business.

Figure 4: Length of time in business



A total of 40% of organisations employed fewer than 50 people, 28% employed between 100 and 500, and 32% employed over 500. No organisations employed between 50 and 99 people.

Figure 5: Number of employees



Materials

The study used an online, self-completion survey which comprised a mix of multiple-choice, rating, numerical, Likert and open-ended questions. A full copy of the questionnaire can be found in Appendix 1.

The survey was made up of four sections:

- company details
- training and development activity
- impact on business performance
- logistics.

Company details included industry sector, number of employees and length of time in business. Training and development activity questions were based on the previous 12 months and included the average number of training days and average spend per employee.

The impact on business performance section looked at how organisations measure the business benefits of their training and development activity and which of these they perceived to be most useful.

The logistics section included items such as the best time to train employees and major obstacles to undertaking training and development. Finally, participants were asked to list their top three priorities for training and development for the coming 12 months.

Other materials used for the study comprised:

- an email inviting organisations to participate in the survey (Appendix 2)
- an introduction confirming participants' right to withdraw (Appendix 3)
- an acknowledgement email restating confidentiality and the right to withdraw (Appendix 4).

Analysis

The results were analysed using SPSS version 15.0. Details such as industry sector and time in business were entered as nominal data. Information regarding the number of training days and average spend was entered as ordinal data.

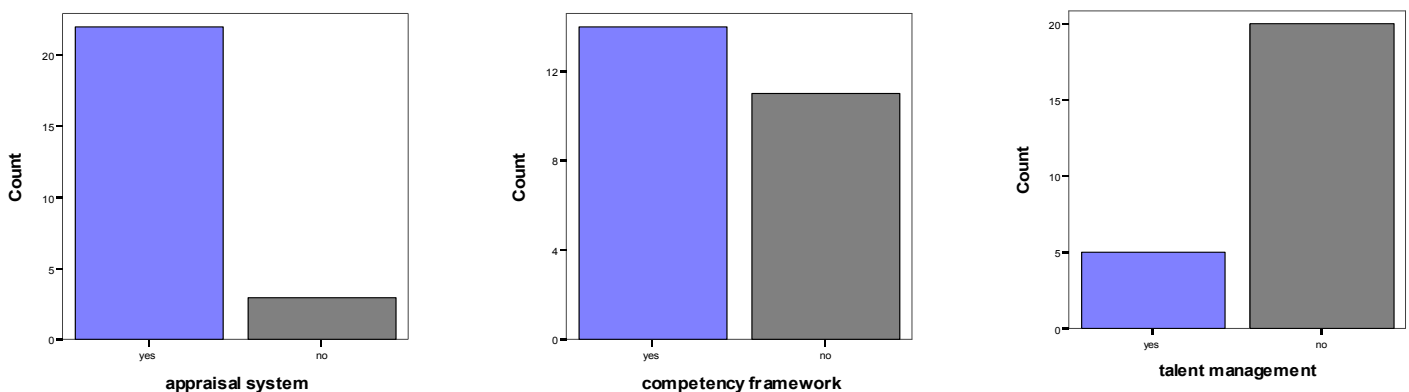
Results

Company details

A total of 64% of organisations (n=16) had a dedicated human resource (HR) or training role. Of those, organisations with over 100 employees (n=15) all had a dedicated role, whereas only 10% (n=1) of those with under 50 employees had one. As many as 84% of organisations (n=22) reported having a formal appraisal process; the 12% (n=3) who did not were in the under-50-employees category.

The results on competency frameworks were mixed, with 56% (n=14) of respondents reporting using them. When broken down into two categories, 40% (n=4) of organisations with fewer than 50 people reporting having them and 67% (n=10) of organisations with 100 employees or more had them. Talent management processes were less popular, with only 20% (n=5) of organisations reporting using them. Just 10% (n=1) of those with under 50 employees used them, as did 27% (n=4) of those employing over 100 people.

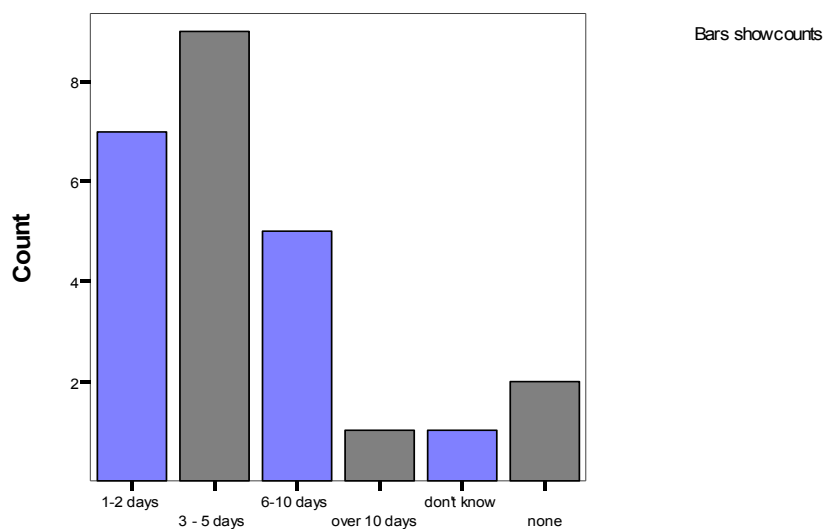
Figure 6: Number of respondents using appraisal, talent management and competency framework processes



Training and development activity

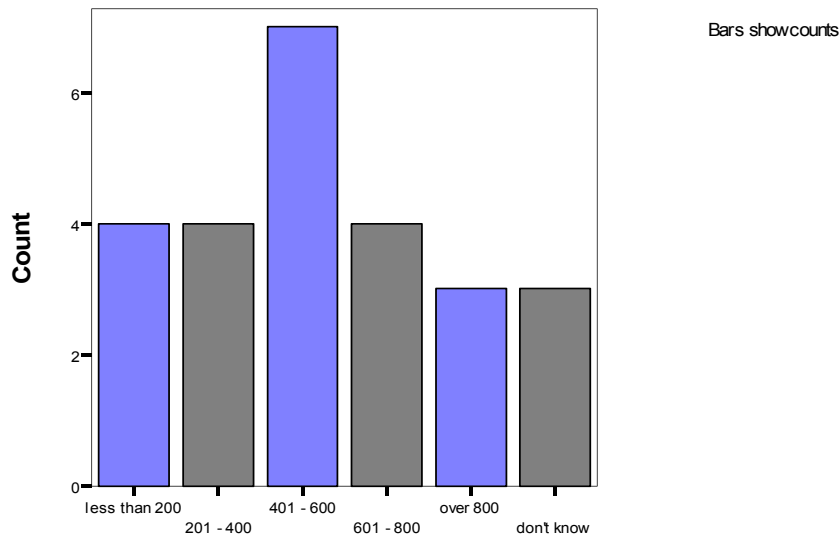
Participants were asked to report on their training and development activity over the previous 12-month period. Firstly, they were asked to report on the average number of training days provided, per employee, and the average training expenditure, per employee.

Figure 7: Average number of training days provided, per employee, over the previous 12 months



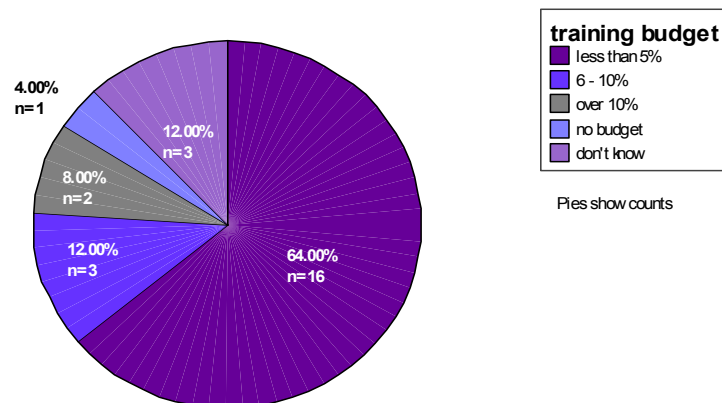
A total of 36% (n=9) of respondents provided between three and five days training, 28% (n=7) provided between one and two days and 20% (n=5) provided between six and ten days. Just 8% (n=2) of organisations provided no training at all. No significant relationship was found between the size of the organisation and the average number of training days provided per employee.

Figure 8: Average training expenditure, per employee, over the previous 12 months



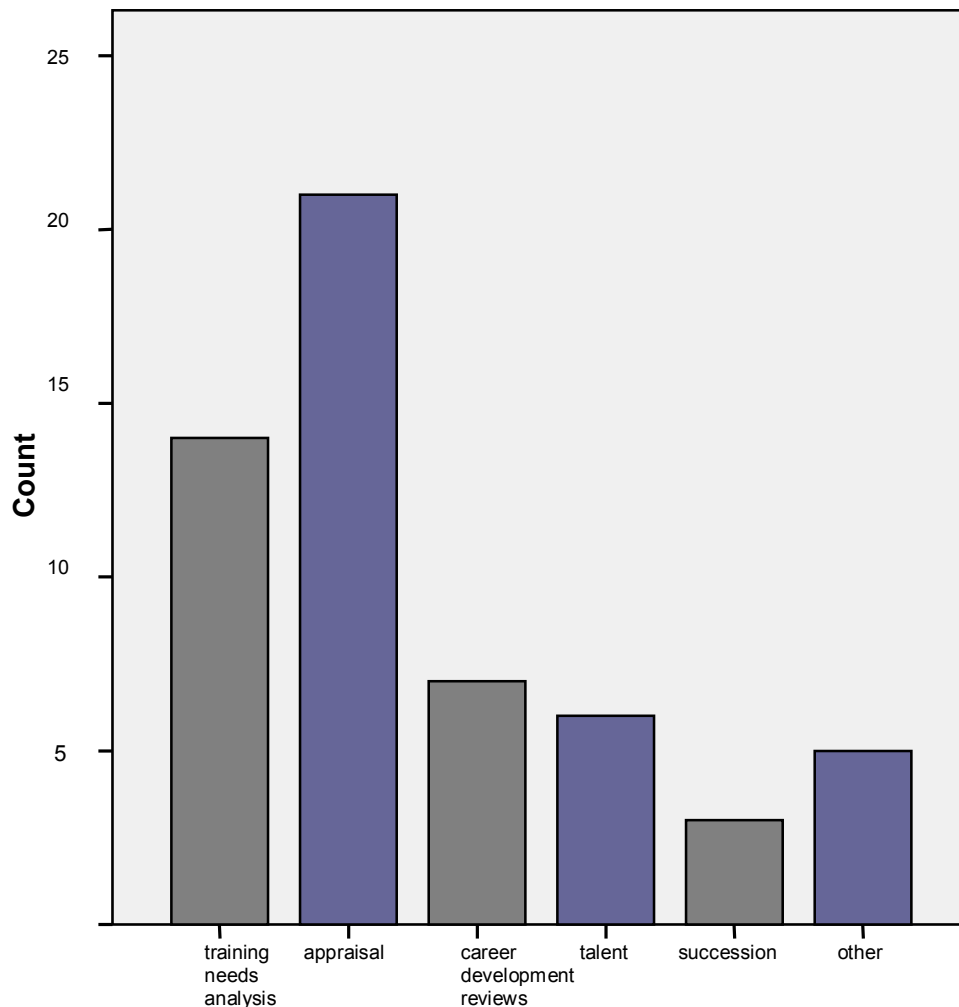
Over a quarter of organisations (28%, n=7) spent an average of between £401 and £600 per employee, over the past 12 months. Only 12% (n=3) reported spending more than £800 per employee. When compared to the overall annual budget, training and development expenditure was low, with 64% (n=16) reporting having less than 5% of the operational budget.

Figure 9: Percentage of overall budget



Participants were asked which processes they used to identify skill gaps and training needs in their organisation.

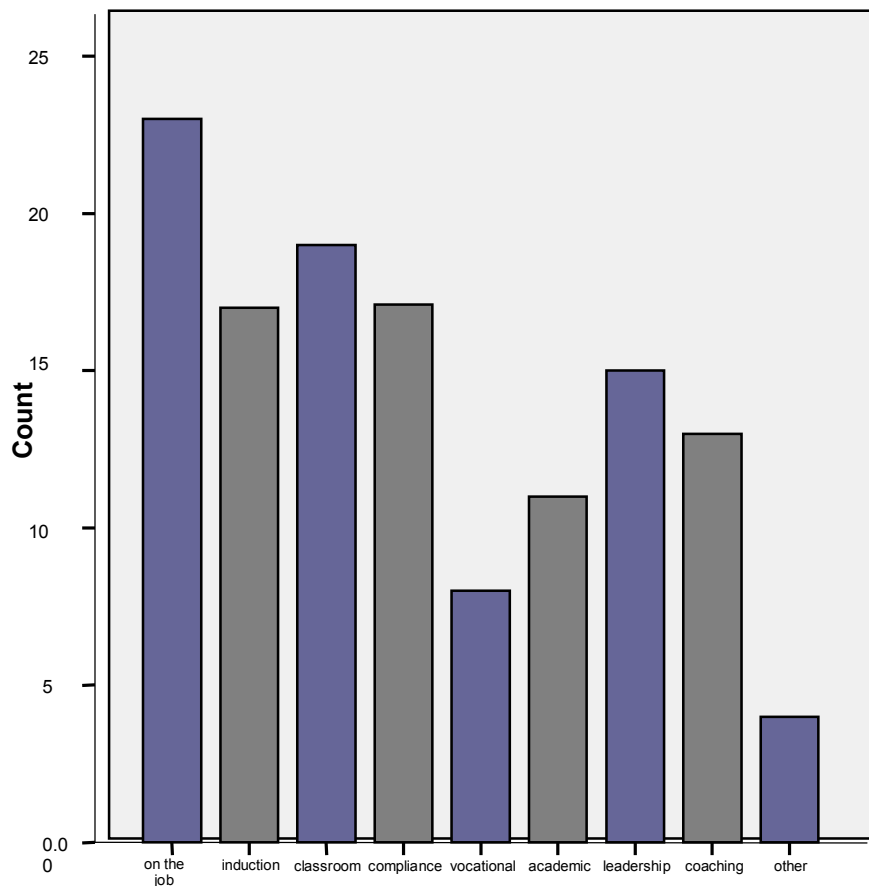
Figure 10: Processes used to identify skill gaps and training needs



The most popular methods were through the appraisal process (84%, n=21) and formal training needs analysis (56%, n=14). Some organisations also used career development reviews (28%, n=7), talent management programmes (24%, n=6) and succession planning processes (12%, n=3).

Next, participants were asked what training and development opportunities they had provided for their employees over the previous 12 months and which training providers they had used.

Figure 11: Training and development activities provided over the previous 12 months



The most popular activities were on-the-job training (92%, n=23), classroom-based training (76%, n=19), compliance training (72%, n=18) and induction training (68%, n=17).

The least popular activity was vocational training (36%, n=9). A total of 60% (n=15) of respondents reported undertaking leadership development activity over the previous 12 months.

Respondents used a mix of training providers. The most popular were external, private training providers (84%, n=21) and industry-specific providers (72%, n=18). Less popular were the Learning Skills Council (8%, n=2) and Local Enterprise Agency (4%, n=1). Just over half (56%, n=14) used their own in-house training staff.

Table 1: Training providers used over the past 12 months

	Yes		No	
	Number	%	Number	%
In-house training staff	14	56	11	44
External, private training providers	21	84	4	16
HE Colleges/Universities	14	56	11	44
Industry specific training organisations	18	72	7	28
Local Enterprise Agency	1	4	24	96
Learning Skills Council	2	8	23	92
Other	4	16	21	84
None	0	0	25	100

Finally, under this section, participants were asked which groups of employees they had provided training for over the previous 12 months.

Table 2: Employees that have been trained over the past 12 months

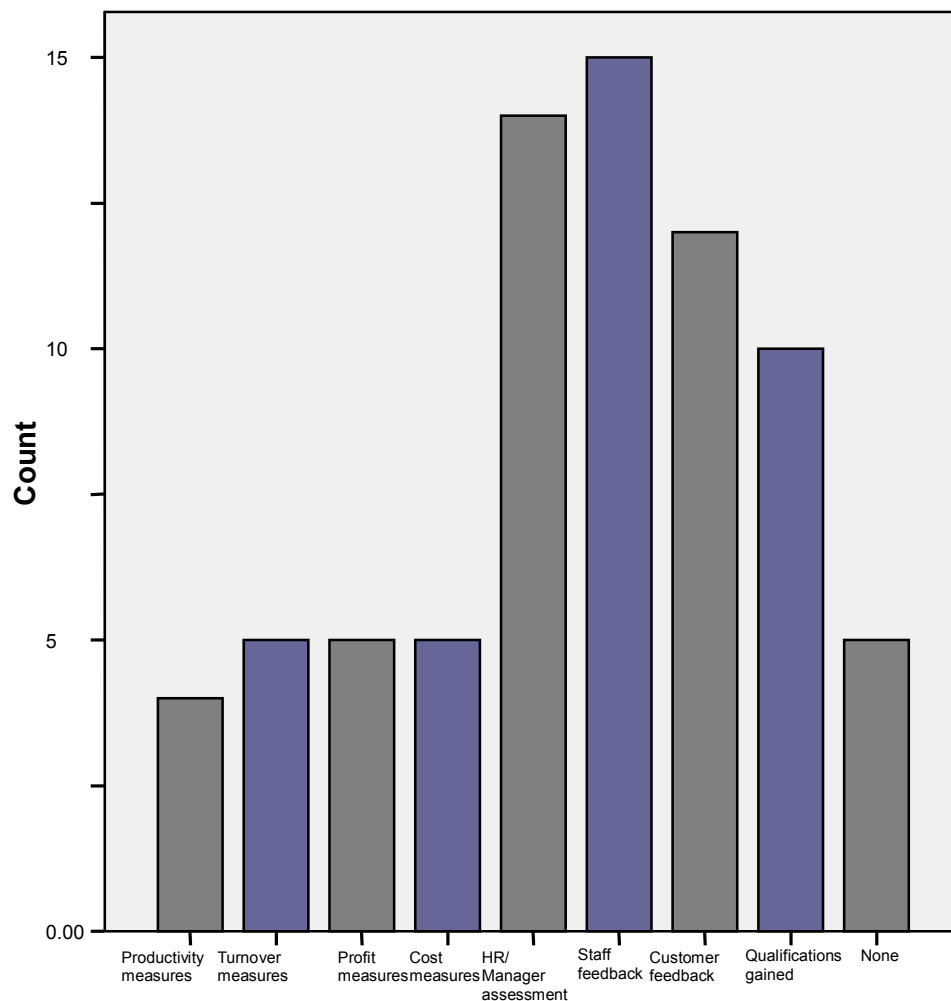
	Yes		No	
	Number	%	Number	%
New joiners	20	80	5	20
Non-managerial employees	20	80	5	20
Managers	18	72	7	28
Senior management team	16	64	9	36
Specialists	16	64	9	36
None	0	0	25	100

New joiners and non-managerial employees were reported as having been trained by 80% (n=20) of organisations and 72% (n=18) of respondents reported having trained their managers. Only 64% (n=16) reported having trained their specialists and senior management teams.

Impact on business performance

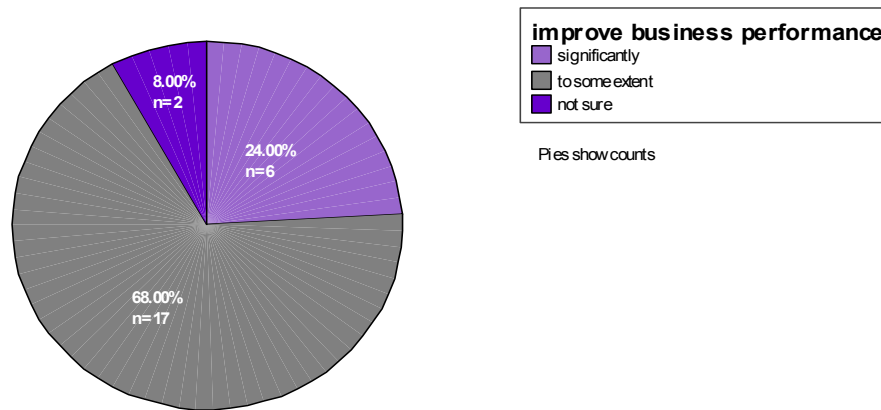
As well as exploring what training and development activity had been taking place, the researchers were interested in how organisations measured the benefits of their training and development activity and which activities they perceived to have the greatest payback to their business.

Figure 12: Measures used to assess the return on investment of training and development activities



The most popular measures used were staff feedback (60%, n=15) and HR or line manager assessment (56%, n=14). A fifth (n=5) used hard measures such as turnover, cost and profit, and a further 20% (n=5) had no measures in place.

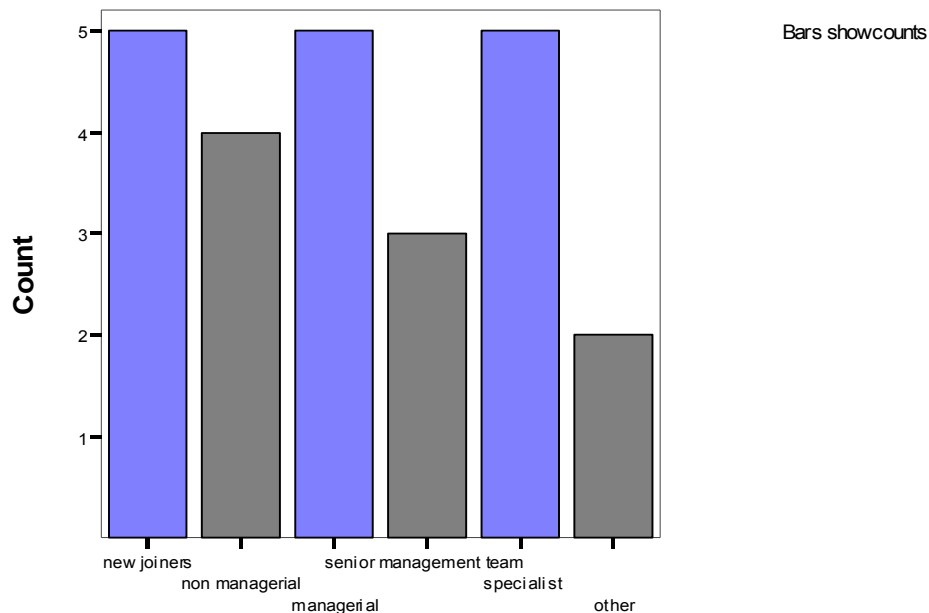
Figure 13: The extent to which respondents felt training and developing their employees improved their business performance



A total of 68% (n=17) felt that training and developing their employees improved business performance 'to some extent', 24% (n=6) answered 'significantly' and 8% (n=2) reported that they were 'not sure'. No respondents answered 'to a little extent' or 'not at all'.

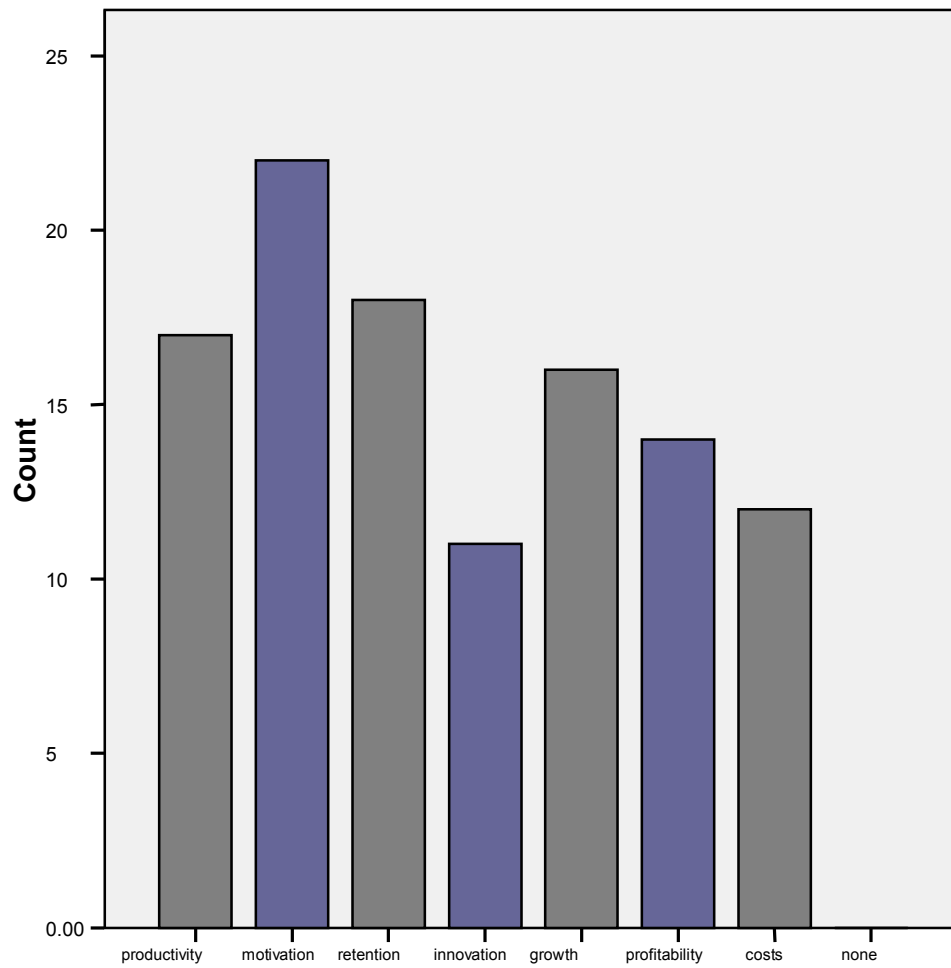
Respondents were also asked to choose one category of employee that they felt produced the greatest business 'payback' if trained. The results were fairly equally distributed, with specialists, new joiners and managerial all at 20% (n=5), non-managerial at 16% (n=4), and senior management team (12%, n=3) and other (8%, n=2) lowest.

Figure 14: Groups of trained employees that provide the greatest business payback



Exploring the benefits participants associated with training and development activity showed that the majority of respondents (88%, n=22) felt that staff motivation was one of the benefits. Almost three-quarters (72%, n=18) believed it was linked to improved retention rates and 68% (n=17) believed it was linked to improved productivity. No respondents reported that they perceived no business benefits associated with training and development.

Figure 15: Business benefits associated with training and development



To explore whether training and development was aligned to strategy, participants were asked which business processes were linked to training and development activity.

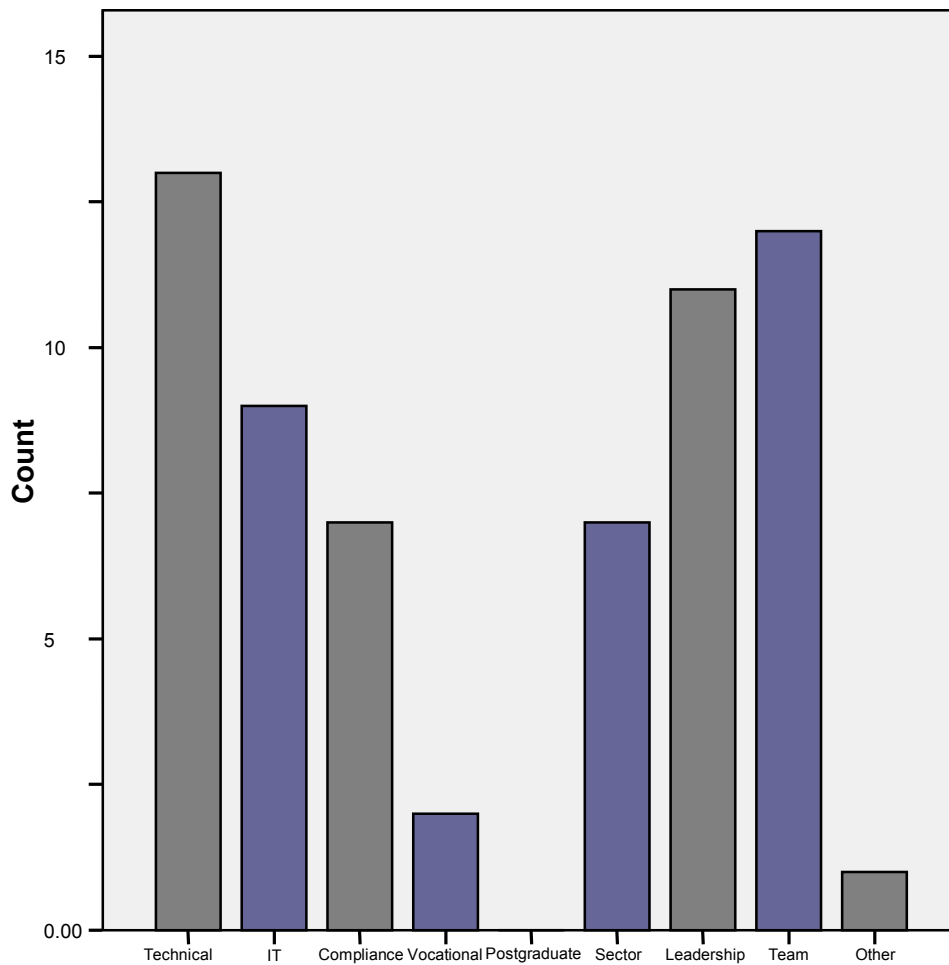
Table 3: Business processes linked to training and development activity

	Yes		No	
	Number	%	Number	%
Business planning	16	64	9	36
Competency framework	9	36	16	64
Succession planning	5	20	20	80
Talent management	5	20	20	80
PDP/appraisal	21	84	4	16

For most organisations (84%, n=21), training and development was linked to their performance development or appraisal process. A total of 64% (n=16) considered training and development as part of their business planning process. Less popular were succession planning and talent management, both at 20% (n=5).

Finally, under this section. participants were asked which training and development activities had been most beneficial. Over half (52%, n=13) felt that technical and trade skills had been of greatest benefit, and just under half saw team development (48%, n=12) and leadership skills (44%, n= 11) as beneficial. None of the participants felt that postgraduate training was of benefit and only 8% (n=2) reported vocational training as beneficial.

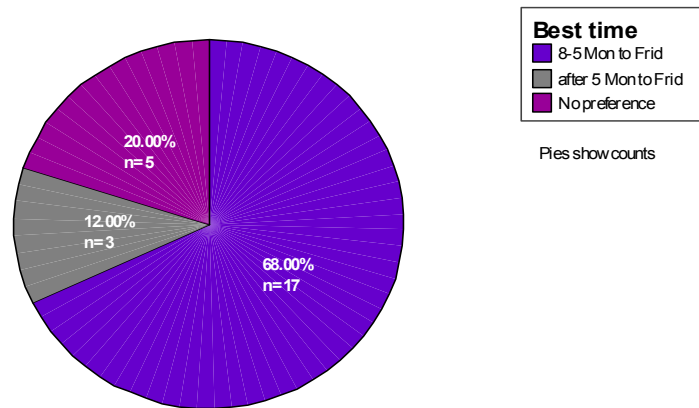
Figure 16: Most beneficial training and development activities



Logistics

In this section participants were asked about the most convenient time to train their employees and which were the biggest obstacles to undertaking training and development within their organisations.

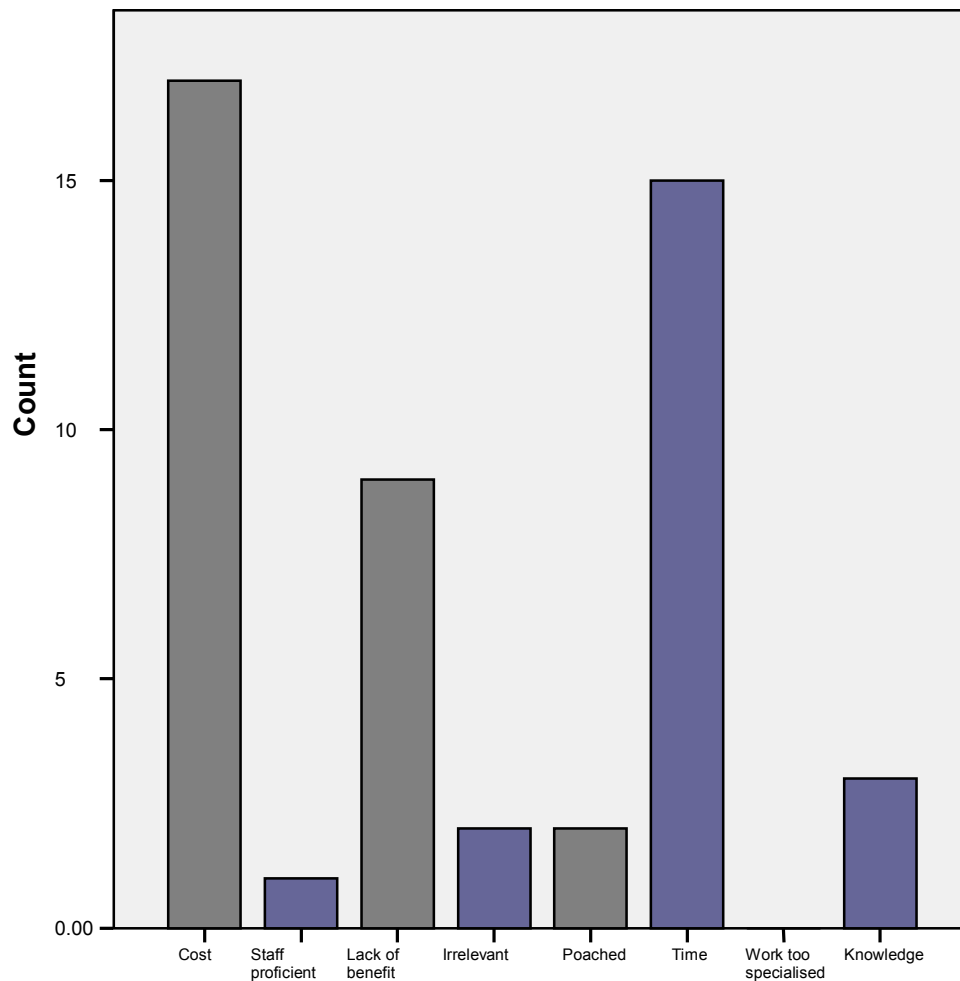
Figure 17: Best time to train employees



Most respondents (68%, n=17) identified Monday to Friday between 8am and 5pm as the most convenient. Under a quarter (20%, n=5) had no preference and 12% (n=3) preferred after 5pm Monday to Friday.

In terms of obstacles to undertaking training and development, the two biggest perceived obstacles were the financial cost (68%, n=17) and lost working time (60%, n=15). Over a third (36%, n=9) cited lack of tangible business benefits as an obstacle.

Figure 18: Serious obstacles to undertaking training and development



Top priorities for the coming 12 months

The last question in the survey asked participants to list their top three priorities for training and development for the coming 12-month period.

The list was mixed, but over half (56%, n=14) had leadership or management development in their top three and approximately a quarter (24%, n=6) had organisation specific on-the-job or product training as a top priority.

Table 4: Top three priorities for training and development in the coming 12 months

Priority	First		Second		Third	
	Number	%	Number	%	Number	%
Leadership/management development	5	20	5	20	4	16
Technical staff training	3	12	0	0	0	0
Talent management/succession planning	2	8	1	4	1	4
Organisation-specific on-the-job/product training	2	8	3	12	1	4
Taking responsibility/empowerment	2	8	0	0	0	0
Team development	1	4	0	0	2	8
Sales staff development	1	4	0	0	0	0
Customer service skills	1	4	0	0	1	4
Induction training	1	4	0	0	2	8
Competencies	1	4	1	4	0	0
Business/HR development skills	1	4	1	4	1	4
Continual professional development (CPD)	1	4	0	0	0	0
Health & safety training	1	4	0	0	1	4
Coaching/mentoring	0	0	2	8	0	0
Project management	0	0	2	8	0	0
IT training	0	0	1	4	0	0
Productivity improvement	0	0	1	4	0	0
Training non-technical staff	0	0	1	4	0	0
Diversity	0	0	1	4	0	0
Apprenticeship	0	0	0	0	1	4
Performance management training	0	0	0	0	1	4
Business writing	0	0	0	0	1	4
Change programmes	0	0	0	0	1	4
Assessment of training	0	0	0	0	1	4
No response	3	12	6	20	7	28

Discussion

The purpose of this research was to identify what training and development activities are taking place within small and medium-sized businesses based in London and the South East to improve our understanding of how their needs differ from those of larger organisations.

Similarities with larger research project findings

Even though the sample used in this research was small, comprising 25 companies, and should therefore be viewed as a case study rather than a representative sample, there were some striking similarities with other, larger, research project findings. For example, the results of this study showed that training and development is taking place within SMEs, with all the participants reporting some kind of training and development activity. The majority of companies (36%, n=9) reported providing between three and five days training, per employee, per annum, with an average spend of between £401 and £600 per person (28%, n=7).

A CIPD report¹⁹ found organisations spend an average of £469 and provide an average of 5.1 days training, per employee, per annum. The Centre for Management and Leadership¹¹ found that smaller organisations provide an average of 4.5 days, per person, per annum, and the CIPD annual survey 2007¹² found that companies with less than 250 employees spent an average of £417 per person. This suggests that SMEs in London and the South East are in line with national samples in terms of the provision of, and expenditure on, training and development activities.

¹⁹ Overview of surveys: a barometer of trends and prospects 2007

Assessing the effectiveness of training and development

The results of this survey also paint a positive picture in terms of how SMEs view the importance of training and development to their business performance. When asked about the extent to which they perceived the importance of training and development in improving business performance, 92% (n=23) responded 'significantly' or 'to some extent', and no companies answered 'to a little extent' or 'not at all', although there were some who were 'not sure' (8%, n=2). However, this is more opinion than fact backed up by quantitative analysis, as only 20% (n=5) of respondents used profit, cost or turnover measures to assess the return on investment of their training and development activity. A fifth of participants (n=5) had no measures in place at all.

Using systematic measures for monitoring the effectiveness of training and development is always a challenge for HR and training professionals, and most of the respondents relied on the simpler, but possibly less reliable, measures of HR and line manager assessment (56%, n=14) and employee feedback (60%, n=15). Helping smaller companies to create measures which provide them with tangible evidence of the benefits of training and development to their business performance may greatly improve their engagement in the process.

Although investment in terms of time and expenditure on training and development was similar to other studies, the percentage of budget set aside for such activities was small. The good news is that 88% (n=22) of participants had a training budget which is higher than the CIPD's¹² findings of 73%, but for 64% (n=16), this was less than 5% of the overall budget. This

seems to provide evidence that training and development is not always a top priority for SMEs as their focus is on more immediate business priorities.

The CBI², in 2006, argued that for smaller companies the focus is on immediate pressures such as financial strain, regulatory compliance and recruitment, which may lead to a more reactive approach to employee development, such as training staff to ensure they comply with new health and safety criteria. For providers to truly add value, they can assist SMEs by helping them to identify learning and development activity that can really add worth and be measured in terms of how it helps improve business performance.

Links to other processes

The findings showed that training and development was linked to other human resource processes. For example, 88% (n=22) had a formal appraisal process in place and 84% (n=21) said it was linked to training and development and was a process they used to identify skill gaps and training needs. Over half (56%, n=14) had a competency framework which is similar to the 60% reported by the CIPD¹². Less popular was a talent management process, as less than a quarter (24%, n=6) reported having one. This is low when compared to the national picture, as the CIPD¹² found that over half their respondents (51%) had a talent management process in place. However, it is important to state that the CIPD's results were based on a mix of small and large organisations. Talent management is, by its nature, longer-term and therefore may not fit so well with businesses focused on immediate pressures and deadlines. There may be opportunities here to provide SMEs with tailored talent management packages which help them to plan for the future, particularly with the predicted future challenges of skill shortages cited by Lord Leitch⁷ and others.

Training and development was also linked to the business planning process with 64% (n=16) using it. However, what the survey did not cover was the way this was done, and it would be interesting to explore how SMEs align their training and development activities to business strategy. Many (63%, n=16) had a dedicated HR and training role, but this was linked to the size of the company, as all organisations with over 100 employees (n=15) had such a role but only 10% (n=1) of those with under 50 employees had one. This suggests that operational managers in small companies are performing HR and training activities and may require specific help and support in this area. This was also reflected in the top priorities listed by participants: 56% (n=14), cited leadership and management development as one of their top three training and development priorities for the coming 12 months. In fact, 60% (n= 15) of respondents had undertaken leadership development in the previous 12 month period and 72% (n=18) had trained their managers.

Training and development of senior managers

Not as many had trained their senior management team (64%, n=16), and this could be because it is harder to get them away from the business; entrepreneurs often find it hard to let go of day-to-day operations and may not perceive they have as many development needs as their staff. This was reflected in the results, as only 12% (n=3) reported training of senior managers as providing the greatest business 'pay back'. It may also be that senior managers use different types of development methods from their staff, such as business advisors, executive coaching and networking.

Groups most trained over the previous 12-month period were new joiners and non-managerial employees, both at 80% (n=20). The most common methods of training were on-the-job (92%, n=23) and classroom-based (76%, n=19). This is similar to national studies: the CIPD¹² survey found 86% of their respondents had done on-the-job training over the past year. Tailoring

training to specific business imperatives can improve SME commitment. One of the difficulties for government initiatives is getting buy-in for generic programmes. This was reflected in this survey, with only 8% (n=2) having used the Learning Skills Council over the previous 12 months and 4% (n=1) having used their local Enterprise Agency. Instead, over half of participants (56%, n=14) had used their own internal training staff; 84% (n=21) had used external, private, training providers; and 72% (n=18) had used industry-specific organisations.

A requirement for tailoring to business needs

These results reinforce the idea that SMEs will engage in training and development if it is specific and tailored to their business needs and imperatives. Lord Leitch⁷ argued that training providers need to become more demand-led in their approach and be flexible enough to adapt their style and methods to individual organisations. Things like building in bespoke case studies and using local statistics could help SMEs to see the relevance of training to their business. The Sector Skills Council argued that employees were more receptive to training if it was tailored to issues facing the South East rather than nationally.

Despite participants' recognition that training and development can improve business performance. SMEs do face real barriers. The results of this survey were consistent with other research findings, in that time constraints (60%, n=15) and cost (68%, n=17) were the two biggest obstacles to undertaking training and development. However, when asked about the best time to train, only 12% (n=3) cited outside of normal office hours. This could be because it is difficult to get employees to stay on for training activities or because employers will have to pay overtime which would greatly increase the cost.

It could be that offering short masterclass sessions may make classroom-based training easier for SMEs and this could be supported by on-the-job

development activities, such as project work or cross training. Other approaches, such as developing learning sets and tailoring e-learning packages, could also prove popular.

Business benefits associated with training and development

When asked about the business benefits associated with training and development, the most common responses were improved staff motivation (88%, n=22), improved retention rates (72%, n=18) and increased productivity (68%, n=17). This suggests that employees see training and development as beneficial and are more likely to stay with organisations that are prepared to commit some time and money into developing them. Other research has confirmed this: a *Sunday Times* study⁹ of 50 best SMEs to work for found that 40% of the top companies reported providing more formal training than their counterparts.

In this study, the most beneficial activities were reported as technical/trade skills (52%, n=13), team development (48%, n=12) and leadership skills (44%, n=11). This again reinforces the idea that SMEs are more interested in tailored training that has a direct impact on their productivity.

There are limitations to this study, such as the small sample size and the fact that under 5% of those contacted, responded. The question is 'how representative are they of the 95% who did not?' However, despite these limitations, many of the results are similar to the findings of larger, national surveys which may be useful for benchmarking purposes.

Conclusion

The results from this study do suggest that SMEs in London and South East face the same challenges as SMEs elsewhere in the UK. In particular, engagement in training and development activity could be improved by offering bespoke or tailored interventions that are seen as relevant and useful to business plans and objectives.

Training providers can help SMEs by recognising the real barriers they face and by providing them with more tailored and flexible products which are seen as relevant and can help organisations to improve skills and motivation. Cost is an issue, and providers can help SMEs by exploring with them alternatives to expensive, classroom-based training.

Case studies and focus groups could be used to better quantify the specific needs of SMEs in this region and further research in this area would provide a more detailed overall picture.

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Appendix 1 - Survey

Company Details

1) Which of the following industry sectors best describes your business?

- | | |
|---|--------------------------|
| Public Sector | <input type="checkbox"/> |
| Voluntary Sector | <input type="checkbox"/> |
| Retail/Wholesale | <input type="checkbox"/> |
| Manufacturing | <input type="checkbox"/> |
| Construction | <input type="checkbox"/> |
| Professional Services | <input type="checkbox"/> |
| Media & Publishing | <input type="checkbox"/> |
| Utilities | <input type="checkbox"/> |
| Leisure & Hospitality | <input type="checkbox"/> |
| Housing, Real Estate, Renting & Business Services | <input type="checkbox"/> |
| IT/Telecommunications | <input type="checkbox"/> |
| Finance/Insurance | <input type="checkbox"/> |
| Other | <input type="checkbox"/> |

2) How many people does your organisation employ?

- | | |
|--------------|--------------------------|
| Less than 50 | <input type="checkbox"/> |
| 50 - 99 | <input type="checkbox"/> |
| 100 -299 | <input type="checkbox"/> |
| 300 – 499 | <input type="checkbox"/> |
| 500 and over | <input type="checkbox"/> |



3) How long has your business been in operation?

Under 2 years

2 – 4 years

5 – 10 years

Over 10 years

4) Does your organisation have a dedicated HR/training role?

Yes

No

5) Does your organisation have a formal system for managing performance and development such as an annual appraisal process?

Yes

No

6) Does your organisation use a competency or skills framework?

Yes

No

7) Does your organisation have a talent management process?

Yes

No

Training and Development Activity

8) On average, how many training days did your organisation provide, per employee, during the past 12 months?

- None
- 1 – 2 days
- 3 – 5 days
- 6 - 10 days
- Over 10 days
- Don't know

9) On average, how much did your organisation spend on training, per employee, during the past 12 months?

- Nothing
- Less than £200
- £201 - £400
- £401 - £600
- £601 - £800
- Over £800
- Don't know

10) What percentage of your organisation's annual budget is set aside for training and development activities?

- Less than 5%
- Between 6 and 10%
- Over 10%
- No specific budget for training
- Don't know



11) Which of the following processes do you use to identify skills gaps and training needs? (Tick all that apply)

- Formal training needs analysis
- Appraisal process
- Career development reviews
- Talent management reviews
- Succession planning forums
- Other
- No formal process used

12) Which of the following training and development activities have you provided for employees over the past 12 months? (Tick all that apply)

- On the job training
- Induction training
- Classroom based training
- Compliance training (e.g. Health & Safety or Data Protection)
- Vocational training (e.g. NVQs)
- Academic qualifications
- Leadership/management development
- Coaching/mentoring
- Other

13) Which of the following training providers have you used over the past 12 months? (*Tick all that apply*)

- In-house training staff
- External, private, training providers
- HE Colleges/Universities
- Industry specific training organisations
- Local Enterprise Agency
- Learning Skills Council
- Other
- None

14) Which of the following groups have you provided training for over the last 12 months? (*Tick all that apply*)

- New joiners
- Non-managerial employees
- Managers
- Senior management team
- Specialists
- None of the above

Impact on Business Performance

15) How does your organisation measure the return on investment of training and development activities? (*Tick all that apply*)

- Productivity measures
- Turnover measures
- Profit measures
- Cost measures
- HR/line manager assessment
- Staff feedback
- Customer feedback
- Qualifications achieved
- No measures in place

16) Does investment in the training and development of your employees improve your business performance?

- Significantly
- To some extent
- Not sure
- To a little extent
- Not at all



17) Training which of the following groups produces the greatest business 'pay back'? (*Tick one only*)

- New joiners
- Non-managerial employees
- Managers
- Senior management team
- Specialists
- Other

18) Which of the following benefits are linked to training and development activity? (*Tick all that apply*)

- Increased productivity
- Improved staff motivation
- Improved retention rates
- Greater innovation
- Business growth
- Improved profitability
- Reduced costs
- No benefits

19) In your organisation training and development activity is linked to which of the following processes? (*Tick all that apply*)

- Business planning
- Competency framework
- Succession planning
- Talent management
- Performance development process/appraisal system



**20) Which of the following training and development activities have been the most beneficial for your organisation during the past 12 months?
(Tick all that apply)**

- Technical/trade skills
- IT/computing
- Compliance (e.g. Health & Safety/Employment law)
- Vocational training (e.g. NVQ, Apprenticeship)
- Post graduate qualifications (e.g. MBA)
- Sector specific qualifications (e.g. CIPD, AAT)
- Leadership skills
- Team development
- Other

Section D – Logistics

21) When is the best time for your employees to attend off the job training sessions?

- Between 8 am and 5 pm (Monday to Friday)
- After 5 pm (Monday to Friday)
- Saturday or Sunday
- No preference

22) Which of the following are serious obstacles to undertaking training within your organisation? (*Tick all that apply*)

- Financial cost
- No need for training - employees are proficient
- Lack of tangible business benefits
- Not relevant to business plan
- Trained employees may be poached by competitors
- Lost working time
- Work is too specialised for training
- Don't know what is available

23) What are your top 3 priorities for training and developing your employees in the coming 12 months?

24) Any other comments?

Thank you for taking part in this survey, if you have any questions, please contact enquiries@lcp.org.uk. If you wish to withdraw your data, please let us know within 4 calendar days. After 4 days we will no longer be able to withdraw your data as we will not be able to identify which organisation completed it once it has been entered onto the database.

A summary of this research will be sent to you within the next six months.

Appendix 2 – Invitation to participate

Dear (name here)

Learning Consultancy Partnership (LCP) has identified a real gap in the research available on Learning and Development activities within smaller or medium-sized businesses in the South of England.

As a result, we are currently conducting a survey aimed at:

- Identifying tools and activities these businesses are using to develop their employees.
- Which of these tools and activities have had the most impact on business survival and growth.

A summary of the results will be provided to you and all other respondents taking part.

The questionnaire will approximately 10 minutes to complete. Please click below to complete the survey online and find contact details for LCP.

The first 30 responses will be added into a draw to win a bottle of vintage champagne AND a free training or coaching session with one of LCP's senior partners.

www.lcp.org.uk/survey

Thank you for your time.

Appendix 3 – Informed consent

Learning and Development Activities Survey

Within Small or Medium-sized Businesses in the South of England

Thank you for agreeing to complete the survey.

Please note that all your responses will be confidential with only the aggregate scores being published.

Participation is purely voluntary and you may withdraw your data up to four days after completing the questionnaire.

A summary of the results will be provided to you and all other respondents taking part.

Learning Consultancy Partnership may also share a summary of results with other interested parties but will not pass on your organisation's personal details or contact information.

Considering this information if you are happy to continue please click to complete the survey online. » [Online Survey](#)

Appendix 4 – Confirmation

Dear (name here)

Thank you for taking part in our survey regarding training and development activities in small and medium sized companies in the South East. Just to confirm that your company information will remain confidential and will not be passed to any third parties. If you wish to withdraw your data please email me by (date), as after that we will not be able to identify which company provided the data. A summary of the results will be sent to you within the next six months and if you have any questions please contact me.

Thank you once again for completing the survey and if you would like more information about our organisation please use the link below to visit our website.

Kind Regards