Exploring Training and Development in Queensland SME Training and Development Innovators

A dissertation submitted by

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Abstract

There has been considerable international and national interest in recent years in the role of training and development (T&D) in Small and Medium size Enterprises (SMEs). This growth in interest is primarily owing to the recognition of the importance of SMEs to economic regeneration, the contribution of T&D to productivity and efficiency, and the role T&D could play in bridging skill shortage gaps and skill development in organisations. Furthermore, T&D practices are crucial in the growth of SMEs. Despite the importance of SMEs to national economies, the academic and professional discipline of HRM, while well-established, remains embryonic when translated to SMEs in contemporary dynamic environments. Specifically, studies on training and development have predominantly focused on larger organisations and have been limited in SMEs. This research is the first of its type in Queensland and in Australia to examine the T&D practices of SME innovators that have either received awards or have been publically recognised for their T&D support.

The overall research objective of this study is to examine the T&D processes and practices within Queensland SME training and development innovators SMEs. This is done in order to identify good practice regarding training and development in the Queensland SME sector. Four research questions were developed to inform this research objective, including: RQ1: What are the drivers (internal and external) of training and development in innovative SMEs?, RQ2: What are the characteristics of a training and development climate in innovative SMEs?, RQ3: What are the characteristics of training and development processes and practices in innovative SMEs?, and finally RQ4: What is the perceived role of T&D practices in organisation performance. Eleven sub research questions were also developed.

This study employs a qualitative methodology since the field of T&D does not have a single, rigid methodology, and the use of interpretive methods are welcomed. This approach facilitates a more in-depth understanding of the complex nature of training and development. The research adopted a phenomenological approach, building up ideas and accumulating material from multiple interviews with SME

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managers or their designated representative. The overall approach followed was a multiple-case research design where each mini-case case was considered as an independent experiment in generating the necessary information for the purposes of analysis. An in-depth semi-structured interview program was conducted with 30 SME owners/managing directors or their representatives responsible for T&D in the firm. The thirty SME mini-case studies formed the context of analysis for T&D in these organisations. The following criteria were applied in selecting interviewees: SMEs that have been publicly recognised for their T&D practices; organisational size ranging from 10 - 200 employees; SMEs within the State of Queensland; and any ABS industry categories excluding agriculture.

Content analysis was performed on the interview data and secondary data using NVivo qualitative analysis software. Data strips were identified as themes and sub-themes from the interview transcripts were entered as direct quotes into a matrix representing the categories.

The results indicated that the T&D in Queensland SME innovators have some similarities and differences from the general SME population. It was found that presence of a HR manager and government requirements were the predominant internal drivers and external drivers of T&D respectively. In exploring the attitudes of SME managers in innovative T&D SMEs, the results showed that all the study participants possess a passion for T&D. This overall passion seems to be a major determinant of the T&D culture in their firms. Managers who possessed diploma levels and higher seem to display a more positive attitude towards T&D and valued formal T&D or a combination of formal and informal T&D approaches more, than interviewees with lower levels of qualification.

Within the context of the T&D process, there was very little demonstration of objectives established for work behaviour, skills, attitudes, specific knowledge and learning outcomes that they needed to achieve at the conclusion of their T&D activities. As with T&D objectives, less than half of the participating SMEs claimed to have a written T&D policy.

The finding that participating T&D SMEs generally did not engage in TNA and those who did, did so in an informal manner, paint a less than positive picture for the

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effective T&D in participating SMEs. Since TNA is an important input into other aspects of the T&D process, a lack of attention to this aspect could have a negative flow-on effect on the other aspects of the T&D process such as T&D design and implementing appropriate T&D practices. Ultimately this could result in ineffective T&D.

Regarding the issue of T&D design, the majority of SME participants designed their T&D both internal to the firm and by employing an external T&D expert such as a Registered Training Organisation (RTO). Internally designed T&D seems to be most valued by interviewees and has been identified as a strength by the majority of SMEs. SME participants did not see the value of engaging an expert to capture important information feeding into the T&D designing process.

Regarding the characteristics of the T&D practices in innovative T&D SMEs, all participating SMEs indicated that they use both internal and external trainers. Those that utilised internal trainers described this practice as a cheaper option and internal trainers understand the SME requirements better. Those that utilised external training providers did so because they saw the external trainer as the expert in training. All participating SMEs used formal off-the job training and all but one SME used informal and formal on-the-job training. This was closely followed by mentoring, temporary assignments, and job rotation. The use of both informal and formal T&D practices paint a positive picture for participating SMEs since their importance in achieving sustainable competitive advantage is stressed by several authors.

Participating SMEs did not utilise evaluation and feedback for strategic purposes. This lack of systematic evaluation may impede a clear understanding of the effectiveness of T&D in participating SMEs.

Despite a mixed reaction to the role of training and development in organisational performance, the majority of interviewees expressed the view that T&D activities helped their firm to be more competitive and it assisted in enhancing their competitive advantage in a globalised world.

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Certification of Dissertation

I certify that the ideas, experimental work, results, analyses, software and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

J. P. Novak.   **21/2/2012**

Signature of Candidate   Date

ENDORSEMENT

…………………………………   ………………………..

Signature of Supervisor/s   Date

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To my three little daughters Jasmine Kimberley Novak, Danielle Sarah Phoebe Novak, and Annaliese Zoe Alice Novak the journey has been long and it is finally over. I hope I have been a good role model for you all and instilled that with great persistence and dedication and no matter what the barriers are anything is possible. More importantly I hope I have distilled in you the quote of a great man that has been said to me constantly throughout my life:

"What the mind can conceive the body will achieve"

John Joseph Novak my Dad.

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CHAPTER 1 INTRODUCTION

1.0 Introduction

The business community is made up of a diverse range of businesses. This diversity encompasses different industry sectors, legal structures, organisation structure, geographical location, gender ratios or gender of the CEO owner manager, and size of the organisation to name a few factors. The features of a small to medium-sized enterprises (SMEs) vary greatly compared to a large organisation. SMEs: have a tendency to have informal relationships, no divide between planners and doers, managers tend to have fewer qualifications, appointments and promotions tend to be based on family or friendships, tend to operate for fewer hours each week, tend to open communication flows and everyone is prepared to contribute as needed. Further to this research suggests that SMEs tend to have more informal and inadequate planning. Additionally, SMEs are less likely to have a business, strategic, marketing, financial and other assorted plans and formalised human resources management (HRM) practices. Whereas a large organisation tend to have formalised and extensive business and strategic plans, formal internal and external relationships and more male CEO/managers. They also tend to divorce of planning from doing, qualifications are used as a basis for employment and promotion, they can operate 24 hours a day, they have clear job descriptions and mostly have the presence of a dedicated HR manager (Australian Bureau of Statistics 2012; Bishop 2012; Bryan 2006; Kaplan & Warren 2010; Kellermanns & Eddleston 2007; Lawlor & Tovey 2011; Mazzarol 2006; Petridou & Glaveli 2008; Poutziouris 2003; Thoms et al. 2002; Werner & DeSimone 2009; Wiesner & Innes 2010; Wiesner & McDonald 2001).

Whilst there is a clear differentiation between SMEs and large organisations perhaps the greatest diversity exists within the SME sector itself. For example SMEs can have a diverse range of legal structures such as, sole traders, partnerships, Pty Ltd company, cooperative, non for profit and trust (ASIC 2012). As SMEs are generally independently owned and operated; having close control by the owner/manager; and the owner contributes most of the operating capital, the managing director has

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significant impact on shaping the organisation (Australian Bureau of Statistics, 2005). Further to this research suggests that SMEs are less likely than larger employers to provide T&D to employees (Panagiotakopoulos 2011; Ahmad & Halim 2012; Birdthistle & Fleming 2005; Bryan 2006; Craig & Moores 2010; RW 2002; Schaper et al. 2011; Wiesner et al. 2007).)

Despite the diversity that exists amounts SMEs, SMEs have been described by the academic community an imperative to the economies of countries. SMEs have long been recognised by governments as the "engine room" of economic growth for countries (Bhutta et al. 2008; Jones 2004 ; Pansiri & Temtime 2010; Wijewardena et al. 2008). According to the OECD (2010) SMEs are an important source of job creation in the OECD economies. The OECD (2010 p 26) further went on to state that "SMEs are best seen as agents of change in the economy, introducing new products and services and more efficient ways of working. They underpin the adaptation of our economies and societies to new challenges and drive economic development." Similarly it is viewed that SMEs play an important role in creating a dynamic and successful economy (Giambonaa & Birchall 2011). The European Union highlighted that SMEs created more jobs than larger organisations since between 2002 and 2010, eighty-five-percent of all jobs in the European Union was attributed to SMEs (Commission of the European Communities 2009, 2012).

The Asia Pacific economic cooperation (APEC) has also recognised the importance of SMEs. SMEs account for around ninety percent of all businesses, employ approximately sixty percent of the work force and generate around thirty percent of all exports (APEC 2012). According to the Central Bank of Malaysia (2007) the Malaysian government acknowledged the potential of SMEs and were very optimistic of the potential for growth inside the entrepreneurial and SME community. To enhance and galvanise SMEs in Malaysia, the government of the day established a SME bank to assist these organisations financially. In addition to this the government developed various programs including training and development programs to simulate innovation (Central Bank of Malaysia 2007).

In the past the traditional view on innovation has very often been linked to the investment in research and development (R&D) where innovation and skills were

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only associated with science, technology and engineering as government policies were tailored towards this (Commission of the European Communities 2006; OECD 2010) . However, there has been a paradigm shift in the late 20th and early 21st century towards a better understanding of innovation pertaining to SMEs.

In the 1990's researchers such as Dogson & Rothwell (1991) and Oakey & Cooper (1991) identified a number of critical success factors for innovative strategies in SMEs. The factors that constitute as critical success factors include: analysing competitors, developing co-operations and partnerships, encouraging a company culture, creating a structure reflecting in the effective use of systems and technology and investors in organisations human capital which are currently known as process innovation (Laforet & Tann 2006). Laforet and Tann (2006) further went on to highlight in their findings that more innovative SMEs provide more T&D for staff especially with regard to their managers than in less innovative SMEs. The term innovation has changed towards encompassing the creation of a multitude of new services and products, the development of workplaces and external relations and the development of business processes and practices such as T&D regardless of size (Drucker 2009; OECD 2010).

Similarly the European Commission (2012) stated on their web site that "European innovation performance is intimately linked to its people's skills and competences." The European Commission further concluded it has long been viewed that, a key instrument to improving European innovation performance is the T&D of people within the work place. Innovative behaviour can be also demonstrated by the way that the Managing Director/owner thinks about the process and practices that set their organisation apart from their competitors, this includes the T&D process and practices (Wood et al. 2011).

The OECD (2010) clearly outlines that one of its criteria of an innovative SME is the training and development practices in SMEs. Similarly the APEC small and medium enterprise working group (SMEWG) highlighted in their strategic plan (2009-2012) that a priority in identifying innovation was the T&D activities conducted by SMEs (APEC 2009). In addition to the OECD and APEC the European Commission Enterprise and Industry reports on SMEs integrates

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innovation and skills into one category as they identify that for SMEs to be innovative there needs to be T&D involved (European Commission 2012).

In Australia the scope of innovative activity across all size of businesses, as measured by the Australian Bureau of Statistics (2011) Business Characteristics Survey (BCS), covers four types of innovation namely: operational processes; organisational/managerial processes; goods or services; and marketing methods. Within the organisational/managerial process innovation category, business innovation has been classified as incorporating knowledge management processes to better use or exchange information, development of knowledge or skills within the business and new methods of organising work responsibilities and decision making.

In light of the discussion above, for the purpose of this study, a T&D Innovator could be classified as an organisation that has a Managing Director/owner who demonstrates innovative behaviour by the way that she or he thinks about the process and practices of their firm (where the organisational/managerial processes incorporate the development of knowledge or skills). Within this context, activities such as T&D processes and practices within the business and the development of knowledge management processes promote an efficient use or exchange of information that sets their organisation apart for their competitors (Australian Bureau of Statistics 2011; Wood et al. 2011).

1.1   Background

There has been considerable international and national interest in the role of training and development (T&D) in SMEs in recent years (Asia Pacific Economic Cooperation 2002; Boohene et al. 2008; Choo 2006; European Commission 2012; Jones 2004 ; Kotey & Sheridan 2004; OECD 2010). This growth in interest is primarily owing to the recognition of the importance of SMEs to economic regeneration, the contribution of T&D to productivity and efficiency as well as the role T&D could play in bridging skill shortage gaps and skill development in organisations. Furthermore, T&D practices are crucial to the growth of SMEs (APEC 2009; European Commission 2012; Jones 2004 ; OECD 2010). However, there is a

dearth of research focusing on T&D in SMEs as is evident from the literature review chapters to follow.

This study was conducted within the business context of Queensland, Australia. A review of the data from 2007 and the latest data available from the Australian Bureau of Statistics (ABS) 2012, counts Australian Businesses, including Entries and Exits, indicates that there is a steady growth with inside the small to medium size enterprise bracket however, there was movement both in entries and exits. There was a slight increase of medium-sized firms in Australia due to the reduction of employees in some large organisations however, the percentage of SMEs to large organisations overall remained proportionately comparable. In general the data from Australian Bureau of Statistics (2007, 2012) indicates that Queensland SMEs SMEs comprise of approximately 96.4 percent of all Queensland businesses and counts for approximately 80 percent of all private sector employment.
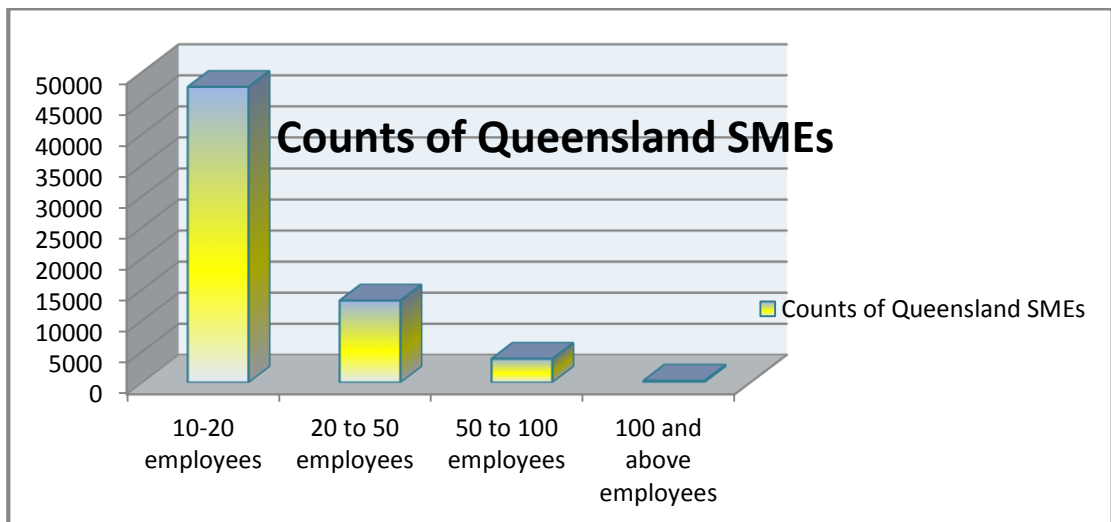
Figure 1.1 Counts of Queensland SMEs developed for this research from information from the Australian Bureau of Statistics (2007, 2012)

Queensland's geographical location is on the North-eastern seaboard of Australia having a geographic area of 1,730,648 sq. km which is 23 percent of the total area of Australia (Australian Bureau of Statistics, 2010).

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Figure 1.2 Map of Queensland

(http://www.worldgenweb.org)

The rest of this chapter outlines the research problem, the research objective and research questions, provides justification for the research, describes the contribution of the research, defines key terms in the study, outlines the delimitations of the scope of the study and presents the structure of the study.

1.2   The research problem

The research problem of this study could be narrowed down to two major issues: The first relates to the lack of research on training and development (T&D) in SMEs and the second, to the distinct lack of T&D models/frameworks within the SME sector (Al-Khayyat & Elgamal 1997; Smith 2006). This is will now be discussed in greater detail.

Despite the importance of SMEs to national economies, the academic and professional discipline of HRM, while well-established, remains an emerging area when translated to SMEs in contemporary dynamic environments. Specifically, studies on T&D have predominantly focused on larger organisations (Bishop 2012; Curran et al. 1993; Kerr & McDougall 1999; Kotey & Sheridan 2004; Macpherson & Jayawarna 2007; Reid et al. 2002; Wiesner & McDonald 2001; Wilkinson 1999). Fisher and Dowling (1999), Kitay and Lansbury (1997), and Kramar (1999) further identified that factors such as globalisation, advances in technology, and labour market conditions have created an external environment dominated by increasing competition (Anthony et al. 1996). It has been shown that a key to managing these challenges is via the effective T&D of skills and talent in SMEs, which could create competitive advantage and improve the performance of a SME (Brooks & Nafukho 2006; Caudron 1999; Wright et al. 1994; Yorks 2005).

In addition, there is extensive literature on the business forces that drive large organisations and how management can design and deliver training interventions. However, there is a dearth of data and literature available in relation to these issues within the SME sector (Curran et al. 1993; Kerr & McDougall 1999; Kotey & Sheridan 2004; Macpherson & Jayawarna 2007; Reid et al. 2002; Wiesner & McDonald 2001; Wilkinson 1999). While there is a growing body of literature on the subject of T&D in SMEs, much of the research into SME T&D appears fragmented and unrelated (Kitching & Blackburn 2002). Accordingly, the major weakness of any current discussion of SME T&D is the lack of research on its character, availability, and effectiveness (Curran et al. 1993). As a result many authors have called for further research on T&D in SMEs (Harney & Dundon 2006; Jones 2005; Kent et al. 2003; Macpherson & Jayawarna 2007; Matlay 2004).

In addition, researchers whose work is focused on the SME sector have expressed dissatisfaction with the theoretical foundation and models of T&D that have been developed within large organisational contexts over time (Al-Khayyat & Elgamal 1997; Byrom et al. 2002; Camp et al. 1986; Campbell 1971; Jones 2005). Further to this it has been argued that SMEs are not just scaled down versions of large organisations and T&D models developed for large organisations may not be

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applicable in SMEs (Wiesner & Innes 2010). It is evident that there exists a need for SME specific models (Byrom et al. 2002). Moreover, studies of T&D models that specifically focus on SMEs in the Australian context are lacking, which could create problems for the development of T&D best practice in SMEs.

In order to address these gaps in the literature, this research focuses on the T&D processes and practices of SMEs that are proactive and innovative in T&D. The context of this study is SMEs in Queensland that have either received awards or have been publically recognised for their T&D support, efforts and initiatives. The reason for this approach is that these SMEs provide an excellent context of analysis for exploring and analysing good practice in T&D within the SME sector (Drummond & Stone 2007). Using the typology of Rogers (1995) innovators in T&D could be classified as industry leaders regarding T&D processes and practices. For example these innovators are recognised for their excellence in the T&D practices through awards such as that of the Queensland Government (Department of Education and Training 2010).

1.3   Research objective and research questions

In view of the discussion above, the overall research objectives and the research questions of this study will now be outlined.

1.3.1 Research Objective

The overall research objective of this study is to examine the T&D processes and practices within Queensland SME T&D innovators (these SMEs have been recognised for their proactive efforts in the area of T&D). This is done in order to identify good practice regarding T&D in the Queensland SME sector.

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1.3.2 Research questions

The following research questions have been formulated to inform the research objective above. Specific research issues are associated with each research question.

RQ 1: What are the drivers (internal and external) of T&D in innovative SMEs?

$RI_{1.1}$:   What are the internal drivers of T&D in innovative SMEs (such as size, presence of HR manager and existence of a strategic plan) and how do they impact on T&D in these SMEs?

$RI_{1.2}$: What are the external drivers of T&D in innovative SMEs (such as government requirements, new technologies, quality issues, pool of talent issues and increase in competition) and how do they impact on T&D in these SMEs?

RQ 2: What are the characteristics of T&D climate in innovative SMEs?

$RI_{2.1}$:   What are the attitudes of SME managers towards T&D in innovative SMEs?

$RI_{2.2}$: What is the resource allocation (budget) for T&D in innovative SMEs?

$RI_{2.3}$:   What is the importance and relevance of strategic T&D objectives in innovative SMEs?

$RI_{2.4}$:   What T&D policies are in place in innovative SMEs and why?

RQ3: What are the characteristics of T&D processes and practices in innovative SMEs?

$RI_{3.1}$: What is the role of a training needs analysis in innovative SMEs?

$RI_{3.2}$: What are the characteristics of the design of T&D on innovative SMEs?

$RI_{3.3}$: What are the characteristics of the T&D practices in innovative SMEs?

$RI_{3.4}$: What is the role of evaluation of the T&D effort in innovative SMEs?

RQ4: What is the perceived role of T&D practices in organisation performance?

$RI_{4.1}$: What is the perceived role of T&D in human resource performance outcomes SMEs?

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RI$_{4.2}$: What is the perceived role of T&D in the financial performance outcomes in innovative SMEs?

1.4 Justification of this research

The justification of undertaking this research is based upon the identification of a theoretical gap of T&D in Queensland SMEs, and the lack of studies in the area of T&D and SMEs generally. This research could inform good practice and assist SMEs in their T&D practices. Further to this, it could act as a T&D blue print that SMEs could potentially utilise to improve their competitive advantage and survival in the global market place, therefore contributing to the state of Queensland and Australia both from an economic importance and social aspect.

This research has the potential to provide an enhanced understanding on how innovative SMEs use T&D to cope with the changing environment in order to survive and grow. Additionally this research attempts to be of value to government policy makers at federal, state and local levels as well as individual managers and owners of SMEs (Australian Bureau of Statistics 2001, 2012). The outcomes of this research could inform private and government agencies engaged in the provision of training programs to SMEs, to become more focused in their approach to SMEs in order to fulfil the needs of their SME clients to a greater extent. In relation to the role of governments with regards to the T&D of SMEs, it has been increasingly recognised that government strategies need to be discussed and understood further (APEC 2012 Central Bank of Malaysia 2007,De Faoite et al. 2004; Lange et al. 2000; Matlay 2005, 2008; Scottish Government 2009, 2012). This research may therefore assist in the development of a more responsive and focussed approach to training by training agencies (Department of Education Employment and Workplace Relations 2008; Department of Employment and Training 2008; Hoque & Bacon 2006).

Several gaps in the literature justify the exploration of T&D in innovative SMEs. Whilst there is a growing number of studies on best practice and training and

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development practices in SMEs (See for example Wiesner et al. (2007) and Drummond & Stone (2007)), there remains a dearth of studies in the area of good or best practice regarding T&D in SMEs (Dawe & Nguyen 2007). As pointed out in the previous section, there is a shortage of appropriate T&D frameworks addressing T&D processes and practices in Australian SMEs Smith and Hayton (1999) and Al-Khayyat and Elgamal (1997). As a result many authors have called for further research on T&D in SMEs (Harney & Dundon 2006; Jones 2005; Kent et al. 2003; Macpherson & Jayawarna 2007; Matlay 2008). Also, SMEs often don't have the funds to employ training managers and this research will assist other SMEs in better structuring and implementing their T&D processes and practices (Kerr & McDougall 1999; Lange et al. 2000; Westhead & Storey 1997). By focusing on innovative SMEs, this project has the potential and ability to develop the internal strategic T&D capabilities of SMEs.

This research is important since in times of economic upturn and downturn, T&D has a major role to play in either addressing skills shortages or skill deficiencies of new and existing staff. Recent literature argues that T&D will remain the most critical human resource management challenge worldwide and in Australia, regardless of region, industry or organisational size (Australian Government 2012; Arup 2008; Boohene et al. 2008; Clarius Group 2009; Scottish Government, 2012; Skillstech Australia 2011). The focus on the experiences of innovative T&D SMEs is new in the Australian context and often lacking, therefore this research will assist in valuable learning experiences in relation to the implementation of T&D processes and practices.

1.5 Defining Key Terms in the Study

1.5.1 Training and Development

In defining training and development, this study employs the definition by Stone (2008 p. 353): Training is defined as '*activities that teach employees how to better perform their present job*' and development as '*activities that prepare an employee for future responsibilities*'

1.5.2 Small and Medium Enterprise (SME)

SMEs are defined variously in different countries and across industry sectors (Wiesner & Innes 2010). Even in Australia, the Australian Bureau of Statistics (ABS) applies different size categories for small business depending on the industry sector. A small organisation is defined by the ABS as fewer than 100 employees in the manufacturing sector and fewer than 20 in retail, wholesale, construction and service sectors. In Australia, as of June 2007 there were just over 2 million actively trading businesses. However, approximately 60 percent of these had only one staff member (the owner) and are non-employing small organisations (Australian Bureau of Statistics 2008). Therefore while there are many small organisations, for many of them T&D of staff is not an issue.

In this study, we drew on the definition by Wiesner and Inness (2010) who conducted a national survey on HRM practices in Australian SMEs. They define a small business as an organisation employing 10 to 100 employees and a medium business as 101 to 200 employees. The lower limit of ten employees is used because T&D is a functional aspect of HRM and SMEs with a workforce with more than 10 employees will be expected to have some kind of T&D activities in place (Wiesner & Innes 2010).

1.5.3 T&D Innovator

In the introduction the aspect of innovation in a SME was discussed. For the purpose of this thesis the author relied on the definitions below:

A T&D Innovator could be classified as an organisation that has a Managing Director/owner who demonstrates innovative behaviour by the way that she or he thinks about the process and practices of their firm (where the organisational/managerial processes incorporate the development of knowledge or skills). Within this context, activities such as T&D processes and practices within the business and the development of knowledge management processes promote an efficient use or exchange of information that sets their organisation apart for their competitors (Australian Bureau of Statistics 2011; Wood et al. 2011).

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1.6   Brief Overview of Methodology

The research method employed in this study was qualitative in nature, consisting of thirty semi-structured in-depth interviews with a selected group of SMEs in Queensland. The research adopted a phenomenological approach, building up ideas and accumulating material from multiple interviews with SME managers or their designated representative (Ghauri et al. 1995).

The research design of this study into the use of T&D practices in innovative SMEs is based on an exploratory research design. The use of an exploratory design is warranted primarily owing to the limited empirical evidence available about T&D practices in SMEs (Ghauri et al. 1995; Hussey & Hussey 1997; Patton 2008).

NVivo was employed in analysing the interview data and other organisation specific reports in order to help answer the research questions. The details of the methodology are discussed in chapter 4.

1.7   Delimitations of Scope and Key Assumptions

There are a number of limitations embedded in the nature and scope of this study. As this study involved SMEs in a specified geographical region i.e. State of Queensland, and is limited to the involvement of the SME Managing/owners or their representative, results are only reflective of what has happened in the state of Queensland within a specific timeframe and may therefore not be generalisable to a larger context. The participation of SME manager/owners or their representatives was voluntary and owing to the nature of the sample (SME T&D innovators), self-selection bias and self-efficacy may occur, since participating organisations are known for their success in the T&D area (Leedy & Ormrod 2005).

The method itself has some inherent limitations, for example the interviewing skills of the researcher is imperative since the results are derived from interviews and the information gathered is subject to the level of personal skills and the ability of the interviewer. Moreover, due to the subjective nature of this method the ability of the

interviewer and his/her ability to effectively ask open ended questions is essential (Morse & Richards 2002; Patton 2008; Zikmund 2003). These limitations will be discussed further in chapter 4.

1.8   Structure of the study

This thesis comprises six chapters as outlined in Figure 1.3.
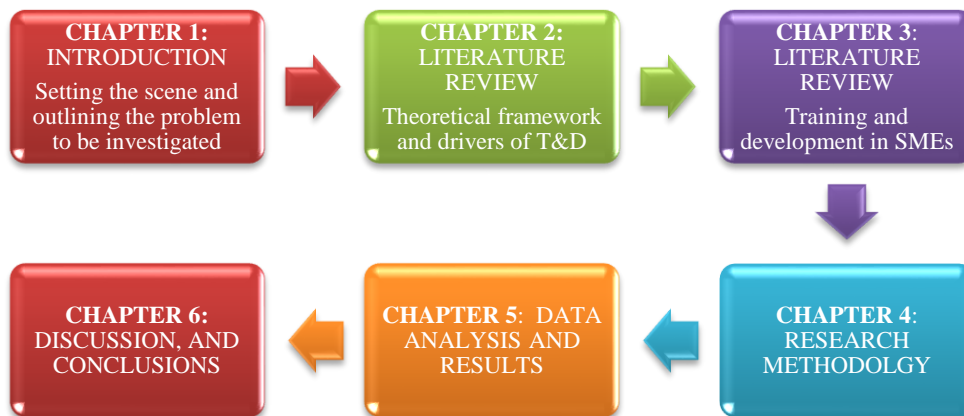
Figure 1.3 An outline of the thesis chapters

Chapter 1: Introduction
Setting the scene and outlining the problem to be investigated
Chapter one provides the background to the study, outlines the research problem and research questions, outlines the working definitions used in this thesis and describes the structure of the study and the related thesis chapters.

Chapter 2: Literature review − providing a theoretical framework and drivers of training and development
Chapter two discusses the theoretical underpinnings of the study and critically discusses the   drivers of T&D.

Chapter 3: Literature review – training and development in SMEs

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Chapter three provides a detailed overview of the T&D literature on organisation contextual characteristics, the T&D process and finally a brief discussion on the link between T&D and organisation performance.

Chapter 4: Research Methodology

Chapter four provides a description of the research design and research methods employed in this study.

Chapter 5: Data analysis and results

Chapter five presents the analysis of the primary data collected through the interviews of SMEs. This data was analysed for the purposes of addressing the identified research questions.

Chapter 6: Discussion and conclusions

Chapter 6 represents a discussion, interpretation and integration of the results with relevant literature. Practical implications, recommendations for future research and conclusions are also outlined.

1.9 Summary

This chapter introduced the vital role and importance of SMEs to the economic regeneration, the contribution of T&D to productivity and efficiency as well as the role T&D could play in bridging skill shortage gaps and skill development in organisations. The research problem and the research questions explored in this study as also introduced in this chapter along with a brief overview of the research methodology. The major research objectives of this study are to: firstly, examine the T&D processes and practices within Queensland SME T&D and secondly, this research explores the perceived role of T&D practices in SME organisation performance.

This chapter also presented a discussion on the justification of this research, defining key terms in the study; delamination of scope and key assumptions was also

presented along with a brief overview of the methodology used in this study. Finally the structure of the research and a chapter outline were presented in Figure 1.3.

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CHAPTER 2 THEORETICAL PERSPECTIVES AND DRIVERS OF TRAINING AND DEVELOPMENT IN SMES

2.1 Introduction

The purpose of this chapter is to provide an overview of the literature pertaining to Training and Development (T&D) processes and practices within Queensland SME T&D innovators. This chapter will firstly outline a conceptual framework developed for this research. Secondly a review of the literature pertaining to the underlying theories underpinning T&D is outlined. Finally the literature relating to the drivers of T&D in SMEs (external and internal drivers) will be discussed.

2.2 Description of the theoretical framework

The following initial conceptual framework of T&D at the organisational level of SMEs (see Figure 2.1) is proposed. This framework falls under the umbrella discipline of Human Resources Management (HRM), and sub-discipline of Human Resources Development. As depicted in Figure 2.1, the framework comprises four components: Training and Development Drivers; Training and Development Climate, Training and Development Process and Training and Organisation performance. The theories underlying these components will be outlined and thereafter a discussion follows which describes the four components of the framework and their links with the respective research questions.

The following framework (see figure 2.1) shows the key elements to be discussed in the literature review:
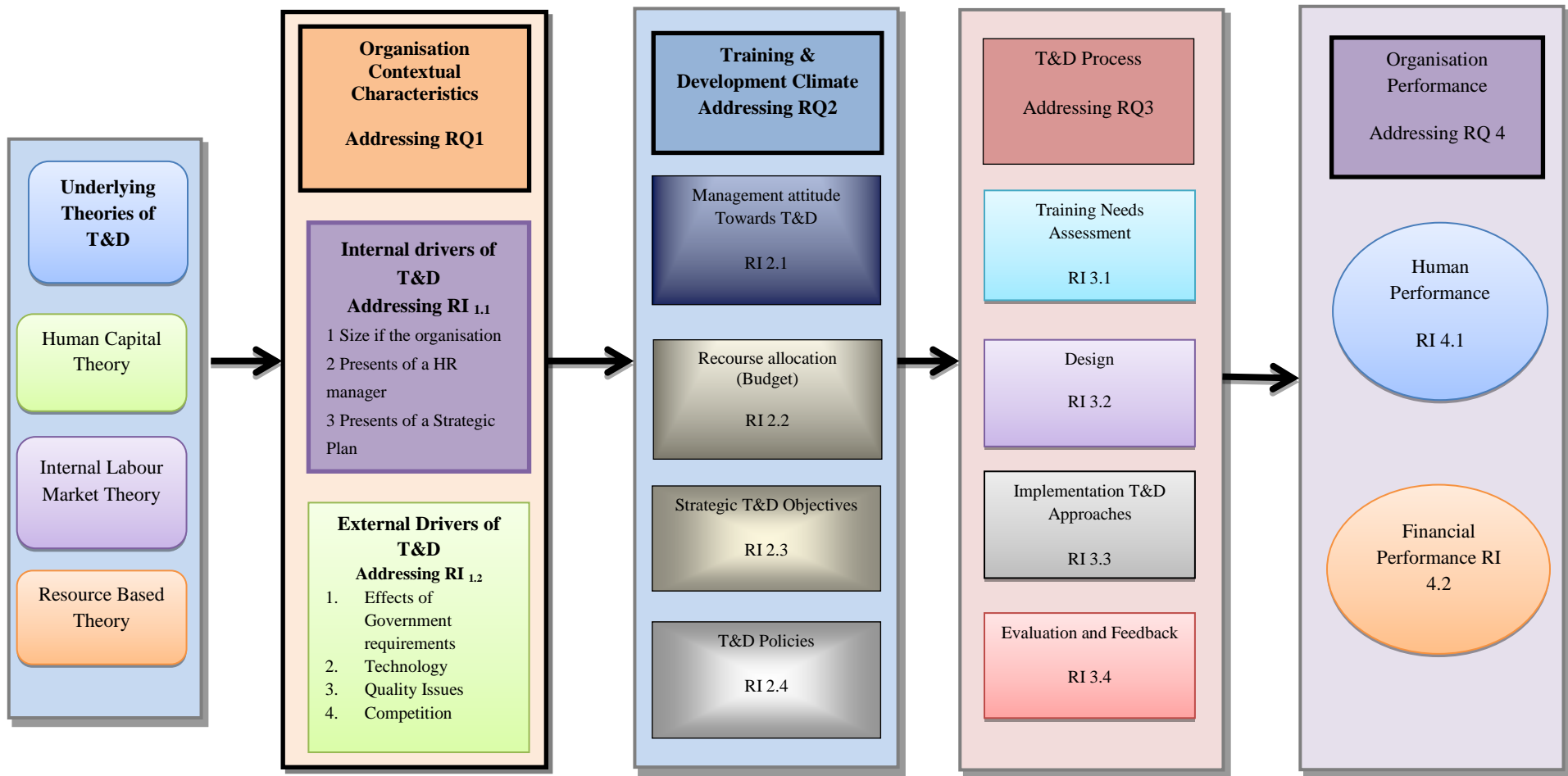
Figure 2.1 Conceptual Framework developed from Smith and Hayton (1999) and Al-Khayyat and Elgamal (1997) models

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It should be noted that the framework above is not meant as a methodological framework guiding hypothesis or to be imposed on the data, it is merely a visual representation of the structure of this thesis.

The above conceptual framework used in this study, draws on the work of Smith et al (1999), Smith and Hayton (1999) and Al-Khayyat and Elgamal (1997). These researchers carried out two major projects examining the determinants of employer training for the Australian National Training Authority (Smith & Hayton 1999). Smith et al (1999) made key linkages between workplace change in Australian enterprises and T&D. They developed a model which focuses on employer training development. Their model attempted to explain the factors that influence the decisions of enterprises to train their employees. It emerged from their research that there was a clear link between training, organisational development and the drivers for employer training (Smith & Hayton 1999). They also examined the relationship between employer training and organisational change in Australian enterprises. Their research found that the central driver of training at the enterprise level as the introduction of workplace change such as quality initiatives (Smith & Hayton 1999).

Al-Khayyat and Elgamal's (1997) model comprises of a macro training and development model (MTDM) which was built upon the two types of training and development models which are dominant in the literature: the micro and the macro view approach of training activities (Al-Khayyat & Elgamal 1997). The micro view of training is recognised as the dominant model in the literature and is used extensively (Goldstein 1986; Nadler & Wiggs 1986). This model focuses on the examination and explanation of individual training events. However, Al-Khayyat and Elgamal (1997) views this model as one that fails to account for environmental elements surrounding the training activities. The macro perspective is used less frequently in the literature, however, it attempts to explain the internal and external environment that impact upon the training activities in an organisation, such as management attitude towards training (internal) and industry norms (external) (Anderson 1993; Tseng 1984).

Al-Khayyat's and Elgamal's MTDM is similar to that of the macro model developed by Anderson (1993) which is concerned with training and development at the

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organisational level. The next three sections are based on the work of Al-Khayyat & Elgamal's (1997) macro training and development model (MTDM). Their framework has been adapted to investigate themes unique to SMEs.

As evident from the framework depicted in figure 2.1, the literature review commences with a discussion of the theoretical approaches underpinning this study (section 2.3). The discussion then focuses on the various drivers of T&D in a SME context (section 2.4) and thereafter components relevant to the T&D climate and the T&D process in SMEs (chapter 3) will be outlined. Finally a short discussion of the role of T&D in organisation performance will follow (chapter 3).

2.3 Theoretical Approaches Underpinning Training and Development in SMEs

The concept of change by learning is the underlying principle of training. Training is the means within an organisation by which the objective of human resource development (HRD) is achieved (Al-Khayyat and Elgamal, 1997, Delahaye 2005, Werther and Davis, 1985). Three theories which underpin training and development have been identified for the purpose of this thesis: Human Capital Theory, Internal Labour Market Theory, and Resource Based Theory. These are now explained.

2.3.1 Human Capital Theory

The central notion of the Human Capital Theory is that training is a long-term proposition and an investment in employee's skills, capabilities, and knowledge; all of which are embodied in and inseparable from the individual in an organisation (Becker 1964; Dess et al. 2003; Smith 1998). The Human Capital Theory also argues that an increase in the training of staff will result in increases in productivity for the business on the one hand and higher wages and skills for the people that undertake that training, on the other hand (Becker 1986; Samson & Daft 2009; Terjesen 2005).

Human capital theory (HCT) was first conceptualised after the Second World War when the world was experiencing the rise of economic prosperity across many countries, in particular the United States of America (Schultz 1959; Smith 1998). The original theorists of HCT were economists of the 1950's (Smith 1998; Barcala et

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organisational level. The next three sections are based on the work of Al-Khayyat & Elgamal's (1997) macro training and development model (MTDM). Their framework has been adapted to investigate themes unique to SMEs.

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al. 1999; Becker 1964; Strober 1990). Economists of this time traditionally viewed training in terms of return on investment. Moreover the HCT is based on the seminal works of authors such as Becker (1964); Ben-Porath (1967), Mincer (1999), and Schultz (1959). Schultz conducted a longitudinal research from 1932 to 1957, which looked at the contribution of education to labour productivity (Becker 1964). However, it was Schultz (1960 p. 571 cited in Smith 1996 p. 77) who first articulated the assumption of theorists that education was a form of investment:

> *"I propose to treat education as an investment in man… I shall refer to it as human capital… it is a form of capital if it renders a productive service of value to the economy. The principal hypothesis underlying this treatment of education is that some important increases in national income are consequence of additions to the stock of this form of capital."*

It appears from the literature that this approach was formulated after Becker (1962) conducted research into the private returns to individuals of investment in education, in particular educational and vocational training investment. Today, this approach is synonymous with human capital investment (Delahaye 2005; Mincer 1999). Becker (1964) identified the concepts of two distinct types of training: general training and specific training. Specific training is informal on the job training that is specific to the organisation's requirements. These skills that an employee gains are usually not transferable to another organisation, thus reducing the poaching of trained employees (Smith & Hayton 1999; Strober 1990). General training is conducted by registered training providers to build personal skills, knowledge, education, and abilities. This type of training is focused on how cognitive abilities could be enhanced to result in higher productivity (Becker 1964; Smith 2007; Terjesen 2005).

Becker (1986) also proposed that general training and specific training in an organisation are only separated by the organisation's views of the importance and effectiveness of training. Consequently funds allocation is usually slanted towards the most appropriate form of training to help the organisation. However, there has been some debate by human capital theorists regarding the practicality of training; how the two types of training could be distinguished; the value of the two types of

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training; and whether training produces the same benefits to both the organisation and trainees (Smith 1998; Swart 2006).

It has also been argued that industry-based training should be regarded as a form of investment into human capital, because on the one hand, individuals undergoing this type of training are likely to progress to better positions with higher pay and on the other hand, organisations benefit by the positive impact of training on productivity. Furthermore, Becker (1986) and Terjesen (2005) argue that these skills are needed in order to perform a job which is valued by the organisation. Thus the knowledge and skill advancement gained by personnel can be rewarded by the organisation with increased pay and promotions. Furthermore Barcala et al. (1999) suggested that most of the studies into HCT are concerned with the role of an individual's investment in training. Regardless of the differing views, Becker's approach is now a widely used theory. His theory is used to understand human capital investment, in particular educational and vocational training investment in organisations. Moreover HCT has also improved the concepts of generic and specific training (Smith & Hayton 1999; Strober 1990). However, a review of the literature into HCT in SMEs finds there is a research bias towards large organisations (Barcala et al. 1999; Smith & Hayton 1999; Strober 1990).

There have been conflicting views about the effectiveness of the human capital theory, especially in SMEs. On the positive side, Plummer and Taylor (2004) conducted empirical studies into entrepreneurship education and found that in order for SMEs to grow, they need to invest in their employees through training and development. On a more critical note, Swart (2006) and Smith (2006) argue that the theoretical framework of the human capital theory does not deliver what it sets out to do and that it is not clear whether training produces the same benefits for the organisation and the individual and it is unclear exactly how it contributes to corporate performance. Furthermore, Smith (1998) concluded that despite the central concept of training and development as a long term focus on the human factor of the organisation, it does not explain the mechanisms of skill development at the collective or individual level. This brings us to the Internal Labour Market Theory.

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2.3.2 Internal Labour Market Theory

The Internal Labour Market theory is concerned with how an organisation's administration unit selects and allocates labour that is governed by a set of administration and procedures (Smith, 1998). This approach was based more or less on the winning of employee commitment through the prospect of long-term career advancement, employee welfare programs and packages, seniority pay systems and job security in which there was great support from management staff and unions alike. It has been viewed that such arrangements in some ways suited the principles and strategies of HRM and can create cross-organisational synergy (Chapman 1999; Pieroni & Pompei 2008; Salaman et al. 2005; Stace & Dunphy 2001).

Doeringer and Piore (1971) defined internal labour market as "…an administrative unit, such as manufacturing plant, within which the pricing and allocation of labour is governed by a set of administrative rules…" The internal labour market (ILM) concept was initially developed by American institutional labour economists who conducted empirical analyses of labour markets soon after the Second World War (Baily 1974). The research conducted by the American institutional labour economists was not concerned with the behaviour of individuals within an organisation; rather they were focused on developing and constructing middle-level hypotheses involving the reduction of phenomena to broad analytical constructs (Creedy & Whitfield 1992).

Other early research of internal labour market research made distinctions between two types of internal market. Firstly, it was based on the organisation and secondly on the profession of the personnel (Creedy & Whitfield 1992). The theory was quickly further developed in an attempt to explain the disparity of earnings in an organisation between similar jobs in different organisations by labour economists of that time (Salaman et al. 2005; Smith 1998). Some authors such as Cappelli (1993) suggested that the theory was developed due to two reasons. Firstly, to help in the reduction of turnover in an organisation in an attempt to capitalise on the current

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skill sets of staff in their organisation. Secondly, it was an attempt to reduce the high cost of recruiting, selecting, training and constantly renegotiating with skilled workers. From these initial developments, Creedy and Whitfield (1992) argue that the internal labour theory comprises four characteristics including: employment stability; point of entry; constrained wage adjustment; and attachment of wages to jobs.

In recent years ILM research has focused on employing organisations and how they view occupational characteristics as constraints in which the organisation shapes its internal ILM. The research focus on three main areas which include (i) the determinants of wage changes within ILM, (ii) nature and extent of the recruitment and promotion policies within an organisation, and (iii) the level of labour turnover. Further to this, the ILMT can be depicted as the internalisation of the employment relationship where it is not concerned with the role of training in increased productivity; rather it is concerned with progression of employees on the internal job ladder and the acquisition of skills in order to achieve such progression. Interestingly Edwards (1979) and Strober (1990) described the ILMT as the 'bureaucratic control' and 'political system' of an organisation because the manager of an organisation possesses the decision-making power in relation to not only the decision 'who' receives the training but 'which' jobs are placed on the job hierarchy. Consequently, this affects the earnings of prospective employees.

It has been said that when economies are growing the ILMT comes into its own. However, as skills shortages increase so too does the cost of hiring new labour. Skill shortages have forced many organisations to look at their ILM to reduce these costs in the short term (Shah & Burke 2003a, 2003b). Australia is also experiencing skills shortages since Australia is expected to have over the next 5 years a worker shortfall of approximately 195,000 jobs (Department of Education Employment and Workplace Relations 2008). Thus the issue of ongoing training of staff in both large and small organisations to fulfil the requirements of the organisation is imperative.

Even though studies into this theory have been focused on large organisations, it could be argued that SMEs are more sensitive to incurring the high cost involved in

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recruiting, selecting and training new staff. Thus the ILMT could be very useful for application in SMEs. However Stace and Dunphy (2001) suggested that because of the 'high commitment' which is needed to maintain the internal labour market system and the nature of niche market strategies that usually exist in SMEs, SMEs may be increasingly less able to provide the structural flexibility, flexibility of workforce numbers and resources required to sustain this approach.

Further to this, there remains significant disagreement on the opportunities for employees offered by SMEs in comparison to larger organisations. For example Hoque and Bacon (2006) suggest that the internal labour markets in SMEs do not appear to facilitate employee retention and increase the chance of return on training investments like large organisation. Vinten (1998) also stated that "There remains considerable disagreement on the employment opportunities offered by SMEs compared to larger organisations." As a result, it has been suggested that further studies are needed into the effectiveness of this theoretical approach. In addition, there is an urgent need to improve the data underlying internal labour market research within Australia (Creedy & Whitfield 1992; Rainnie 1989; Vinten 1998).

2.3.3 Resource Based Theory

The resource-based theory (RBT) provides an understanding of how resources of an organisation can be utilised strategically. This approach is based on the assumption that the human resources of an organisation hold unique characteristics that are long lasting but hard to replicate; all factors which distinguish an organisation from its competitors (Barney 1991; Hansen & Wernerfelt 1989; Prahalad & Hamel 1990). It is seen that human resources are an important source in generating sustainable competitive advantage. To obtain this fit along with a sustained competitive advantage for an organisation, it is viewed that the development of implicit organisational knowledge, staff skills and the core competencies or core capabilities that are organisation specific is essential (Graetz et al. 2006; Hoskisson et al. 1999; Sarkis et al. 2010).

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The RBT has been used by strategic management academics and also progressively by entrepreneurship academics, to identify and explain important performance disparities among differing organisations. This theoretical approach is based in the work of Penrose (1959) and others (Alvarez & Barney 2002; Barnett et al. 1994; Barney & Arikan 2001; Ireland et al. 2003; Michael et al. 2002).

The attainment and employment of resources such as human resources, financial and knowledge-based resources are pivotal assets and are critical mechanisms for survival and prosperity of an organisation in a changing environment (Graetz et al. 2006). Additionally this perspective has shifted the emphasis in the strategy literature away from external factors (such as industry position) toward internal organisation resources that include: human resources, financial, knowledge-based and other factors, which are all pivotal assets which generate sustained competitive advantage. Moreover they are seen as critical mechanisms for the survival and prosperity of an organisation in a changing environment (Graetz et al. 2006; Hoskisson et al. 1999; Pfeffer & Salancik 1978; Salaman et al. 2005).

Dierickx and Cool (1998), Conner (1991), and Grant (1991), theorised that the internal organisation environment should be the key focus for strategy and strategy-related analyses and decisions. Some authors have identified some limitations of the RBT. For example, (Dyer & Singh 1998) argue that since the RBT focuses on the internal resources of the organisation, the organisation develops the tendency to hold and protect rather than share it's valuable resources, which could possibly eliminate its competitive advantage.

Overall the internal fit of employee management and change practices are core building blocks in the resource-based approach. Furthermore, it is seen that human resources are an important source in generating sustainable competitive advantage. To obtain this fit along with sustained competitive advantage, the development of implicit organisational knowledge, staff skills and the core competencies or core capabilities that are organisation-specific is essential. In order to achieve competitive advantage in a changing environment, some SMEs employ formal training programs while others

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view informal on-the-job training as the most effective way of training to create competitive advantage (Graetz et al. 2006; Hoskisson et al. 1999, page 699).

2.4 Organisation Contextual Characteristics: Drivers of T&D

There are many internal characteristics (Internal Drivers) and external drivers that can affect T&D. Internal drivers such as organisational size based on the number of employees, the presence of a HR manager and the existence of a strategic plan will be examined as internal drivers of T&D in this study. Several external drivers of T&D including the effects of government, the development of new technology, quality issues, pool of talent issues, and the increase in competition, are also examined in this study. This section provides the literature support for *RQ 1: What are the drivers (internal and external) of T&D in innovative SMEs?*

2.4.1 Organisation Contextual Characteristics (Internal Drivers)

This section will discuss impact of internal drivers on T&D in SMEs such as organisation size, presence of a HR manager and presence of a strategic plan.

2.4.1.1 The Impact of Organisation Size on T&D

Whilst arguments still exist about the type, quality and amount of T&D that an organisation of a particular size may provide, most authors agree in general that organisation size is a contributing factor to the provision of T&D (Bishop 2012; Delahaye 2005; Huerta et al. 2006; Jones 2006; Kotey & Sheridan 2004; Lange et al. 2000; Wiesner & McDonald 2001 p. 14). The main topics in the literature pertaining to the relationship between organisation size and T&D could be segmented into three subcategories: firstly the relationship between organisation size and the prevalence of T&D; secondly the relationship between organisation size and the financial capability of organisations to provide T&D; and finally the relationship between organisation size and the type and quality of T&D that an organisation makes available. Therefore this section relates to RQ1, RI $_{1.1}$, but there are some cross linkages to RI$_{2.3.}$

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The general discussion in the literature on the relationship between organisation size and the prevalence of T&D seems to present two main viewpoints. On the one hand, some authors contend that the size of an enterprise is not the most important determinant of the prevalence of T&D that an organisation provides. Rather, it is the changing environment that is the biggest influence on an SME's decision to train and develop (Smith et al. 2003). Smith (2003) further argues that organisation size is only relative at the micro end of the spectrum of organisational size, as under half of all micro-sized organisations provide training and would not increase their level of T&D in a changing environment. Thomson and Gray (1999 p. 113) also argue that "… the key factors for small organisations are ones of choice, not circumstance. Size, for instance, is only an important factor in organisations with less than ten employees." There was however a determination by Smith et al. (2003) that the SMEs sector in general does increase the T&D provision in a changing environment, and organisation size is thus a factor.

On the other hand, Wiesner and McDonald (2001 p.14) in their Australian national survey into SMEs found a significant positive relationship between the adoption of T&D practices and organisational size. These authors found evidence that organisation size was shown to have a significant impact on the prevalence of human resource practices in general. Similarly Jones (2005) also found in his longitudinal study of Australian SMEs that there was an increase in the training provision in all SMEs that were experiencing growth periods. However, training appears to be higher amongst SMEs that are growing rapidly. This association between growth and T&D was also noted by Storey and Westhead (1994). The European literature also indicates that despite government training initiatives, the small business sector has been slow to adapt or undertake training. Nonetheless, it seems that the larger the organisation, the higher the participation rate in management skills development (Thomson & Gray 1999).

The ability of a small organisation to financially undertake training is also impacted upon by organisational size, as small organisations may be more 'financially constrained' than larger organisations (Kerr & McDougall 1999). The link between

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an organisation's size and the ability to provide T&D in large organisations has also been noted by Huerta et al. (2006). Their research indicated that the greater the number of employees and turnover of an organisation, the higher the percentage of investment into T&D. Moreover, there is a higher percentage of in-company training departments in larger organisations when compared to their smaller counterparts. In general small organisations pay a higher rate per capita than larger organisations for training, which is calculated not only in terms of the cost of the training but also in terms of the time involved by the manager/owner of the organisation to implement that training (Kerr & McDougall 1999). Australian businesses with less than 20 employees spend on average $422 per employee, while small organisations up to 100 employees in general spend $472 per employee. Medium organisations up to 200 employees spend up to the equivalent of $661 per employee (Australian Bureau of Statistics 2003). The issue of resource allocation will be investigated more in-depth as part of (RI $_{3.2}$) later in this literature review under the title Training and Development Climate in section 3.2.2

Whilst the take-up of training may vary by organisation size, a key issue is whether the size of the organisation can determine the type and quality of the training that it provides to its staff (Westhead & Storey 1997).   Larger organisations appear to mainly employ formal T&D practices to achieve competitive advantage. However there seems to be a mix of types of T&D in SMEs. Some SMEs have been found to employ formal T&D in the form of structured training, seminars, workshops or conferences or job rotations/exchanges, while others tend to employ informal on-the-job training as the most effective way of training to create competitive advantage (Graetz et al. 2006; Hoskisson et al. 1999 p. 699; Jones 2006). The Australian Bureau of Statistics (2003) also indicates that the size of an organisation impacts upon the type of T&D. For example, only 39 percent of businesses with less than 20 employees provide structured training, this increased to 70 percent within organisations who employed 21 to 100 people, this percentile increased even further for organisation who employed more than 101 people as the ABS found that 98% of these employers provide structured training. The increase in SME size has also been linked with the increase in formal off-the-job training (Hoque & Bacon 2006).

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The literature indicates that as an organisation transforms from a small to a medium organisation, there is generally a fundamental shift in how T&D is conducted. For example, training and development of employees in smaller organisations tends to be focused towards the operational level where the owner-managers watch and correct employees on-the-job. This informal on-the-job training is usually performed and conducted by the owners/employees, whereas when an organisation develops from a small to medium size business, it is more likely to provide training and adopt formal training methods by utilising external training providers relative to medium-sized organisations (Jones 2006). Similarly, in a medium sized organisation, training is directed towards management and their participation in informal training tends to be more pronounced. Moreover, as the organisation develops from a small to medium-sized business, it is more likely to provide training and adopt formal training methods by utilising external training providers (Bishop 2012; Jones 2006; Kotey & Sheridan 2004).

Apart from industry categories, 'substantive differences' occur between small and medium-sized organisations when it comes to training provision, methods, fields and providers of training. There is thus a significant relationship between the size of an organisation and the implementation of Vocational Education and Training (VET) (Jones 2006). However Jones (2006) indicates that despite this relationship, the investment of structured VET programs in small businesses is still at a minimal level. Still, data from the Australian Bureau of Statistics (2003) indicate that 81 percent of all Australian employers provide some training for their employees. A further breakdown of these figures indicate that of these organisations that provide training, 41 percent provide structured training, 59 percent provide unstructured training and 79 percent of organisations provide both structured and unstructured training.

Quality of training is very difficult to measure, and some authors such as Westhead and Storey (1997 p. 8) believe that "…there is no conclusive evidence which suggests the quality of training provided by large organisations is better or worse than that provided by smaller organisations... In our judgement, there is no obvious reason why the quality of training provided in small organisations should be inferior

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to the training provided in large organisations." Therefore the current research will help fill the gap in the literature by addressing RI _{1.1.}

The issue of T&D approaches will be investigated in greater depth under the heading 'Training and Development Process' in chapter 3. Whilst the literature draws linkages between organisation size and T&D, these elements have been part of larger surveys into general HR practices in SMEs and not specifically focused on research into T&D activities. Hence an understanding of whether the size of an innovative SME has an impact on the T&D activities in these organisations will make a significant contribution to the literature.

2.4.1.2   *The Impact of the Presence of a HR Manager on T&D*

The role of a Human Resource Manager (HRM) is an important factor in the successful growth and development of an SME. However, this role has to a large extent been neglected by scholars, especially with respect to the importance that a HR manager plays in T&D (Kerr & McDougall 1999; Kotey & Sheridan 2004). The research that does exist consistently points to a lack of organised, clear approaches to the basic people needs of the business (Lynas & Healy 1999).

The role of a HR manager has evolved to incorporate a wide range of duties and responsibilities. For example, in the 1980s the HRM mainly looked after the administration of benefits, welfare and T&D of personnel (Poulter 1982), whereas in today's business environment the HR manager is seen as an important strategic component of an organisation. Graetz et al. (2006 p. 191) sees the role as including:

> *"the designing, implementing, maintaining and evaluating of appropriate*
> *human resource and organisational systems, such as HRD systems, as well*
> *as performance management and reward systems, and human resource*
> *information systems, that help to leverage, support and sustain new business*
> *objectives."*

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Nonetheless, the training and development function of the HR manager also involves the effective planning for the development of successful learning processes, organisational development, and career development of all organisations regardless of size (Delahaye 2005; Dessler et al. 2007; Graetz et al. 2006; Phatak et al. 2005).

There is general consensus in the small business literature that the role of the HR manager tends to be merged with the role of the owner/manager. In this context the role is usually informal compared to larger organisations where there is a dedicated HR manager who possesses the appropriate formal skills and training to implement more formal HRM systems, practices and approaches (Kotey & Sheridan 2004; Wiesner & McDonald 2001). Some authors such as Jones (2005) and Nankervis et al. (2002) found that where HRM is a function that does exist in an Australian SME, it is not seen as a strategic role, but rather the HR manager is seen more as an administrative and operational role. Further to this, according to Nankervis et al. (2002) the owner/managers or CEOs in Australian SMEs tend to believe that the strategic position of an organisation is almost entirely determined without input from the HR manager or department. This perception may partly be because owner/managers do not believe that the HRM has either a strategic or business role to play. In other words, the role of HRM is still viewed as a largely and administrative and operational function. This appears to verify the work of Wiesner and McDonald (2001) whereby HRM in Australian SMEs' HR practices are only moderately represented in Australian SMEs.

Storey and Westhead (1994) postulated that the presence of a HR manager may be directly or positively related to organisation size. In their research, Storey and Westhead (1994) determined that, in the majority of the high-growth SMEs, there was an important association between T&D policies and having a fulltime, dedicated tertiary qualified manager as a human resource development manager. In addition, a qualified HR manager, or general managers who have sought to develop their expertise, appear to be the driving force in the implementation of nationally-recognised training to cover many of the training requirements that an organisation may require (Hoque & Bacon 2006; Smith et al. 2006). With this in mind,

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organisation size becomes very important. Correspondingly, Van Eerde et al. (2008 p. 66) concurs with this viewpoint stating that:

> *"We consider the perceived utility of training, as judged by those in charge of training, such as (HR) managers, to be the most important factor to affect organisational effectiveness. Only if training satisfies training needs can it be considered useful, and it is suggested that only when it is useful, will effectiveness result."*

2.4.1.3   *The Impact of a Strategic Plan on T&D*

A strategic plan (SP) is imperative for the successful development and growth of a SME and to meet the aspirations of the owner/manager of that SME, Not only ... but also the need to develop a SP as a process in which all parties can engage is of the utmost importance for the success of the ongoing support of that plan and ultimately the survival of the SME (Lynas & Healy 1999). The SP is also seen as an important part of developing the strategic direction of the learning and development department as it gives direction and vision that the whole organisation can follow. The SP also generates the greatest opportunity for developing an appropriate program and for delivering that program to the people who can benefit from it. Furthermore, the strategic plan helps the Chief Learning Office (CLO) stay abreast of important and emerging issues (Elkeles & Phillips 2007). Other authors such as Thompson and Strickland (2001) consider that without the SP an organisation may not have the ability to convey leadership and decision-making skills. Above all, the SP also has the ability to give guidance and a strong and clear vision of where the organisation is heading for all parties involved in that organisation.

There is little specific research and information about the direct correlation between SP and T&D in SMEs in the literature. Nevertheless, in a national survey of Australian SMEs Wiesner and Innes (2010) and Wiesner et al. (2007) have found a significant relationship between the existence of a strategic plan and the prevalence of T&D. According to Storey and Westhead (1994), strategic planning incorporates

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many elements including human resource management and development, which is a driving element in the growth of small organisations.

It is argued that SP in the majority of SMEs is distinctly scarce as most SMEs do not have the funding nor the time or the personnel to engage in strategic planning (Hudson et al. 2001; Mintzberg et al. 1998; Schamp & Deschoolmeester 1998). It has been suggested that those SMEs that do have a strategic plan, may not have any mechanisms for measurement such as reviewing or gathering feedback regarding their strategic goals (Chapman & Hyland 2000). When strategic planning is present in a SME it may be less formal than in larger organisations. Nevertheless, overall, there is general consensus that strategic planning plays a vital role in the achievement of the organisational objectives of an SME (Storey & Westhead. 1994; Thompson & Strickland 2001).

In view of the discussion above, the following research issue has been formulated:

RI$_{1.1}$: What are the internal drivers of T&D in innovative SMEs (such as size, presence of HR manager and existence of a strategic plan) and how do they impact on T&D in innovative SMEs?

2.4.2   External Drivers of T&D

The literature into SMEs recognises that there are major issues facing SMEs throughout the world and in Australia, especially in relation to the external environmental forces that have impacted upon businesses of all sizes. Some of these environmental issues include acceleration in both social and economic changes, while certain demographic changes are also evident. The workforce has shifted from a traditional full time male oriented workforce to a combination of part-time, younger workers, working families, and women re-entering the work place (Australian Bureau of Statistics 2001; Briscoe 1995; Fernald et al. 1999; Kotler et al. 2007; Sayers & Toulson 1995; Wood et al. 2006).

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This part of the literature review builds upon the internal drivers of T&D as discussed above. As with internal drivers there are several external drivers that have an effect on T&D. For this research, five main areas of interest are examined: the effects of government on T&D, the development of new technology, quality issues, pool of talent issues, and the increase in competition.

2.4.2.1   *The Impact of Government on T&D*

The role of T&D in developing employees' skills, competencies and capabilities is crucial to Australia's and Queensland's economic success. As a result governments have a vested interest in T&D provisions (Queensland Government 2007).

The role of governments worldwide and the requirements they impose on businesses have been well documented and have been increasingly recognised as an important factor in the T&D of SMEs workforce by the literature (De Faoite et al. 2004; Lange et al. 2000). There are a number of initiatives by international governments to stimulate SMEs in order for them to meet their legal requirements and comply with the equal employment opportunity (EEO) laws, labour force changes, quality requirements, and flexibility issues. Consequently there has been pressure placed on SMEs to train employees in these areas (Hartenian & Gudmundson 2000; Shenawy et al. 2007).

On the other side of the coin governments such as the Scottish and Malaysian government have develop proactive policies and injected funding to stimulate SMEs to T&D employees. For example the Scottish government injected £16 million for support of apprenticeships where SMEs have been identified as the principal employer of apprentices (Ahlgren & Engel 2011; Scottish Government 2009, 2012). As mentioned in the introduction, Malaysian SMEs have been recognised by the government of the day through establishing a SME bank to assist SMEs financially. In addition to this the government developed various programs including training and development programs to stimulate innovation (Central Bank of Malaysia 2007).

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In view of this, government strategies need to be discussed and understood further (De Faoite et al. 2004; Lange et al. 2000).

Perhaps the most significant factor for Australian employers large and small, is to provide T&D for their employees when their work changes. In a landmark case of the Australian Industrial Relations Commission in 1984 (AIRC), 'Termination, Change and Redundancy Decision' the involvement of employees in managing workplace change was preserved (Sir John Moore et al. 1984). Whilst not specifically noting organisational size in their findings, it was found that " if an employee is transferred to other duties for reasons of an economic, technological, structural or similar nature, the following shall apply: The employer shall provide such training or retraining as is necessary to enable the employee to perform his/her new duties." The importance of meeting legal obligations in SMEs is clearly highlighted (Sir John Moore et al. 1984 p. 80).

Since 1988, T&D policies in Australia have undergone a series of significant reforms (Smith et al. 2006). In 1996 the then Federal Labour Government introduced the Training Guarantee, scheme aimed at promoting higher levels of enterprise investment in training. The Training Guarantee saw increases in training across a wide range of Australian enterprises during the first four years of its operation. As a result businesses in general had to adapt to the training requirements because Australian enterprises with payroll costs of over Au $200,000 were required to spend at least 1.5 percent of their payroll on the provision of structured or formal training for their employees. However, The Training Guarantee was later repealed by two different Australian governments in the 1990s (Fraser 1996; Smith 2006; Smith & Hayton 1999).

In 2012 the Australian government developed a National Workforce Development Fund where the government has injected $700 million. The key focus was to drive the much-needed expansion of the national vocational education and training (VET) system through a national partnership agreement with the states and territories. The aim was to assist businesses of all sizes to develop and encourage the stimulation of training and development amongst employees by subsidising VET programs. Even

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though the Termination, Change and Redundancy Decision preceded the Training Guarantee and now the implementation of THE National Workforce Development Fund, it is evident that Australian SMEs need to be cognisant of the ongoing requirements and opportunities through new funding programs within a changing environment.

Government regulation therefore can have a significant impact on whether SMEs conduct T&D (Hoque & Bacon 2006). Governments in general recognise that a highly skilled workforce is an important factor in explaining differences between countries' economic performances (Department of Employment and Training 2008). However, it seems that SMEs in general do not have the time or the willingness to implement legislation requirements, let alone the ability to understand the details of legislation (Atkinson & Curtis 2004; Walsh 1999).

It is also argued that governments do not understand the SME sector, and as a result many initiatives by them fail to come to fruition (Culkin & Smith 2000; Stevens 1996). Perhaps this is because very little research has been conducted on the government's influence on T&D (De Faoite et al. 2004; Lange et al. 2000). The current research project will assist in closing this gap in research.

2.4.2.2   *The Impact of the Development of New Technology on T&D*

Several organisations such as the Organisation for Economic Co-operation and Development (OECD), Centre for Education and Inclusion Research (CEIR) and National Institute of Economic and Social Research (NIESSR) have identified the significant impact of new technologies for example, new equipment, the development of the internet, new software or even the way clients purchase products and services on SMEs in general, and on how they use T&D in their organisations to cope with the changing technical environment (Barry & Milner 2002; Duan et al. 2002; Smith 1998). T&D is of critical importance in developing a highly skilled workforce that can utilise technology, which sequentially enables business to

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compete more effectively in today's business environment (Jones 2005; OECD 1999).

SMEs in general tend to be not proficient in their exploitation of new technologies. The lack of T&D in new technology in a SME can cause problems for SMEs in developing products or services and using new technologies. As a result, innovation and adaptability of a SME in the marketplace may be hindered (Acs et al. 1997). Auger & Gallaugher (1997) found that this is problematic especially in the management ranks of SMEs. Managers are often willing to implement and use new technology but are unable or do not possess the appropriate competencies to effectively implement and use the technology.

It is therefore puzzling as to why there is a lack of training in the use of new technologies (Barry & Milner 2002; Kitching 1999; Macpherson & Jayawarna 2007). Abdelgadir N and Elbadri (2001) count the low importance of training, not planning regularly for training and not having a dedicated training department, as reasons for this lack of training.

Some authors suggest that the development of technology and its implementation have a negative effect on the workforce because employers use it to reduce production costs through labour-saving technologies, reduce the number of employees, and de-skill the remaining workforce in an organisation. The contrary is argued by Mathews (1993) and Smith (1998). They suggest that as the global economy is moving away from mass production, SMEs are increasingly focusing on becoming more of a niche market provider. To this end, SMEs have a tendency to invest in technology to become more flexible, more efficient and to develop the ability to gain a competitive advantage over rivals. Smith (1998 p. 93) called this the "post Fordist school of thought". Smith (1998 p. 93) also noted: "there is a debate between advocates of Braverman's deskilling hypothesis, and the post-Fordist up-skilling position has usually been conducted at a theoretical, even rhetorical, level." As a result these authors suggest that up-skilling in the use of these new technologies is a necessity rather than a choice for employers.

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2.4.2.3   *The Impact of Quality Initiatives on T&D*

In recent times the requirement for organisations to implement Quality Initiatives (QI) has come to the fore. For example, governments including the Queensland government, require any organisation that is tendering for a government contract worth over $50,000 to have quality practices in place. Therefore to manage and respond to the issues of QI, regulatory and legislative changes, many SMEs have implemented different quality approaches by formalising and standardising policies and procedures to enforce the values and norms associated with these practices (McAdam & Henderson 2004; OECD 2002a; Smith 1998; Stace & Dunphy 2001). Further to this, Stace and Dunphy (2001) state that many SMEs see Quality Assurance (QA), Quality Circles (QC), Total Quality Management (TQM) and more recently Six Sigma (SS) as a holistic approach to managing and thinking about business.

For QA and other similar systems to be effective T&D has a significant role to play in its introduction and most importantly its sustainability in an organisation. In larger organisations T&D is an ongoing process so TQM and other QI systems can be implemented correctly to maximise the innovative process (MacKenzie 2001; Smith 1998; Viadiu & Fransi 2005).

The UK experience suggests that SMEs could implement appropriate QA practices such as TQM in order to enhance their competitive position when dealing with external environment forces which constrain businesses (McAdam 2000; Mulhaney et al. 2004). However these practices have pros and cons. For example Mulhaney et al. (2004) who solely looked at quality issues in a single SME, found that owner/managers believed ISO and TQM are too expensive and labour intensive because staff members are usually fully committed to their everyday work. Moreover, the managers/owners do not have the time to perform the T&D needed to implement such systems. McAdam (2000) also points out that managers/owners of SMEs often lack the expertise and training necessary to incorporate and apply complex QA models. Mulhaney et al. (2004) on the other hand, believes that if a third party consultancy mentored the implementation of quality practices and

maintaining ISO standards, it would not only be achievable but beneficial for the organisation's strategic position on the global stage.

The literature suggests that SMEs that embrace TQM along with building top management commitment/leadership, teams, training/education, and process efficiency in their organisations have experienced positive outcomes. However, when training is limited or not supported, the implementation of a quality management system can result in failure because of lack of clear goals, unrealistic team expectations and inadequate management support (Johnson 2004; Shenawy et al. 2007).

Shenawy et al. (2007 p. 447) recognizes that T&D is necessary for teaching the TQM philosophy which requires permanent change in individual behaviours and attitudes. Moreover T&D is essential in providing employees with new techniques and practices necessary for the effective and efficient operations of a SME.

In Australia, studies that have investigated the relationship between T&D and quality initiatives remain relatively scarce (Jones 2005; Smith & Hayton 1999). Despite this there is general consensus in the literature that the implementation of QA initiatives affects the T&D of SMEs in Australia. For example, Smith and Hayton (1999) found in his two-year study of the determinants of training that one of the central drivers of T&D at the enterprise level was the introduction of quality initiatives. The Australian Bureau of Statistics (2003) concluded that businesses need to increase training in conjunction with the introduction of quality improvement processes for goods and services. However, Jones (2005) in their research of Australian SMEs establish that when a SME implements major changes such as QA, that SME in general increased its T&D. Interestingly, TQM was not found to be a significant determinant of training in any of the SME's growth development pathways.

Because the relationship between T&D and quality initiatives remains relatively unexplored, there is a need for more research in relation to the impact of TQM on SMEs, especially where training is concerned (Jones 2005; Shenawy et al. 2007; Smith & Hayton 1999).

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2.4.2.4   The Impact of Pool of Talent Issues on T&D

It is argued in the literature that training and development as part of talent management and addressing skill shortages in organisations will remain the most critical Human Resource Management (HRM) challenge worldwide and in Australia, regardless of region, industry or organisational size (Department of Employment and Training 2008).

Skills shortages are the inevitable result of a tight labour market. Australia, with Queensland in particular, is experiencing one of the most competitive labour markets in 30 years (Australian Government 2008, 2012; Queensland Government 2011b). Skills shortages used to be simple cyclical phenomenon linked to the latest economic upswing or downturn; however this is no longer the case.

> *'Rather, skills shortages now reflect the joint impact of global changes on the nature of work (with many lower skilled jobs moving to emerging lower-cost economies), the influence of technological evolution and an older workforce as a result of an ageing population' (Department of Employment and Training 2008 p. 46).*

According to the Australian government (2012) there will be an estimated shortfall of 500,000 skilled workers despite the fact that 1.6 million Australians will have completed a vocational education and training (VET) qualification by 2015. To address the predicted skills shortage. With regard to the current skills shortage that exists in Australia the labour government has injected $700 million in a National Workforce Development Fund. This has seen an increase in people undertaking apprenticeships and traineeships for example in 2007 there were 405 000 and in 2012 there are over 450,000 people undertaking apprenticeships and traineeships. However what is not clear from this data was the breakdown of what type of training was undertaken as it only referred to the VET system or the money allocated to SMEs.

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The lack of talent faced significantly impacts upon SMEs because each employee constitutes a larger percentage of the total workforce than in the case of a larger business (Hill & Collins 2000). Even though it is seen that there is a slowing in business confidence and an increase in unemployment rates, skills shortages are likely to increase because businesses are not investing in T&D, and as skills shortages increase so too does the cost of hiring new people (Shah & Burke 2003b). Effective talent management, and by extension training and development of the workforce, is therefore of critical importance to combat the skills shortage issue but also to address the quality of employees (Clarius Group 2009; Department of Education Employment and Workplace Relations 2008; Golhar & Deshpande 1997; Hornsby & Kuratko 1990; Skillstech Australia 2011).

A skills shortage exists where a business finds it difficult or impossible to fill vacancies - particularly those involving specialised skills that require significant training or experience. However closely related to the issue of skills shortages, is the issue of skills gaps where employees are in place but do not have all of the qualifications, experience or skills they need to do their job effectively. Skills gaps are particularly prevalent in industries that are changing rapidly. Technology, a competitive environment and new ways of doing business can elevate the importance of core skills such as teamwork, problem-solving, IT literacy and business acumen over formal qualifications. According to the Australian Chamber of Commerce and Industry's Survey of Investor Confidence, skills shortages and gaps constitute the number one constraint on investment for small and medium businesses in Australia today (Arup 2008).

In recent times the world, including Australia have been experiencing an economic downturn, wherein there have been many reports highlighting mass job losses and increases in the unemployment rate. The question of whether the skill shortages experienced in the past will continue is up for debate. The latest published ABS unemployment figures for June 2012 still show unemployment below 5.1 percent whereas in the 1990s the unemployment rate peaked at 10.9 percent with over

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900,000 Australians out of work (Australian Bureau of Statistics 1990, 2009, 2012). In addition, the percentage of unemployed Australians who are looking for jobs is far less than in the previous recession cycles, consequently the job market and the pool of talent issues still have a long way to go before reaching the same levels as in the recession of the early 1990s (Clarius Group 2009).

Nevertheless, according to various organisations such as the Australian Computer Society, Clarius Group, Australian Chamber of Commerce and Government there has been hiring freezes and 'belt tightening' in large and small businesses alike. This has contributed to the current gloomy economic climate (Arup 2008; Clarius Group 2009; Skillstech Australia 2011). This economic slump has been recognised as doing little to abate the skills shortage that Australian businesses have been experiencing and the demand for professionals remains strong (Clarius Group 2009). The Australian Computer Society indicated that ICT skills shortages will grow to 14,000 jobs by 2010, and will continue to reach 25,000 by 2020 (Australian Computer Society 2009). Furthermore, a recent study by accounting organisation Deloitte and the Australian Industry Group indicates that more than two thirds of CEO respondents felt that their organisations had suffered and will continue to suffer because of skills shortages. Sixty percent said the skill shortage crisis is impeding innovation in their organisations (Arup 2008).

It also seems that skills shortages of skilled professionals, associate professionals and skilled tradespersons will remain high in Australia. However, the labour market conditions over the short term are expected to ease but unemployment may rise due to weaker economic growth. Further to this the reduction in the private sector investment in skills and training during the economic downturn could exacerbate the current skills shortage (Skillstech Australia 2011). The National Skills Index suggests that the situation will ease in some occupations however in the main the skills shortages issue is likely to remain problematic particularly for occupations such as Health Professionals, Chefs, Wood, Metal, a Automotive tradespersons as well as Construction and related occupations (Clarius Group 2009; Department of Education Employment and Workplace Relations 2008; Skillstech Australia 2011).

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The role of training and development in developing employees' skills, competencies and capabilities is therefore crucial since bridging the skills shortages gap is essential to Australia's and Queensland's economic success. In addition, the proportion of the workforce with higher level skills is an important factor in explaining differences between countries' economic performances (Queensland Government 2007; Skillstech Australia 2011). Therefore, the main educational source of qualifications for the majority of jobs and the vocational education and training sector, must ensure the skills it develops maximise the value of work being performed in the job market.

2.4.2.5.   *The Impact of Increased Competition on T&D*

In many countries SMEs have come under major pressure as a result of globalisation and the integration of markets to remain competitive on the international, national and local level (Hamburg & Engert 2007; OECD 2007). Since the early 1980s, Australian enterprises have also become exposed to increasing levels of international and domestic competition because of the dismantling of tariff protection systems and the deregulation of key areas of the economy (Smith & Hayton 1999; Smith et al. 2003). Organisations are increasingly required to change and by incorporating new business practices they have been able to match multinational competitors. Moreover, managers who have been able to make changes to their business paradigms seem to have greater success than those who have not (Vargas & Rangel 2007). However, the relationship between an increase in competition and T&D has had little empirical attention in the literature. However, a correlation has been found between an increase in T&D provision and gaining a competitive advantage (Matlay 2002; Schone 2007).

Within an international context, the literature indicates that T&D in SMEs tend to increase due to a growth in competition. Numerous authors argue that in order for improvement to occur and to gain a competitive advantage in a global economy, it is essential that SMEs address several issues, one of which include improving the training and support platform to increase the skills of personnel in the organisation (Cassell & Lee 2007; Matlay 2002; Webster et al. 2006). Competitive advantage is

seen as being characterised by three key elements: cost leadership, an economics focus and a differentiation advantage (Porter 1998). This differentiation advantage could be achieved through T&D since the SME can deliver greater and higher quality services for the same price as its competitors, and thus positional advantages can be achieved (Porter 2008). In the main the relationship between competition and T&D is often mentioned as background information under the umbrella of globalisation in an attempt to stimulate other empirical analyses (Schone 2007).

Schone (2007) in their research into the relationship between international competition and training in the workplace in Norway concluded that SMEs respond to fierce international competition by increasing their T&D and also up-skill their labour force in the process. Further, According to Schone 2007 (p. 151):

"... globalization, and increased international competition, is often said to be one important factor determining the need for more work-related training. The relationship between increased international competition and more training has almost become a stylized fact."

Similar results have been reported in other countries. In Europe, German SMEs have been found to be motivated to provide continuing education and vocational training (CVT) which is seen as a strategic factor in dealing with increasing national and international competition (OECD 2002a). In Poland, SMEs in the tourist industry identify competition at the local, regional and international level as having forced them to become more efficient to reduce overall costs and develop training programs for personnel to increase their service quality and coverage and to gain a competitive advantage over other organisations (OECD 2007). Whilst researching on-the-job training in Canada, Zeytinoglu and Cooke (2009) found that training is positively correlated with competition faced by the workplace, including local, national, and global competition. Moreover, organisations facing no competition tend to have a lower incidence of training while those in workplaces facing worldwide competition have a higher incidence.

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Similar to the international literature Fraser (1996, p. 57) reported that in Australia:

"... industry organisations have often argued that increased competition is the only effective means of increasing training efforts in the private sector. Given the conviction with which this belief has been expressed, it is perhaps surprising that competition was the least reported of all the suggested factors behind increased training expenditure, cited by fewer than 9% of respondents who reported training in the last year. Only 3% regarded it as the most important factor that increased their training expenditure."

However, Fraser (1996) recognised that Australian organisations needed to seek competitive advantage through their own workforce training because training often adds value primarily through these sources of competitive advantage rather than by simply enhancing productivity.

It could be argued that high growth SMEs who may be attempting to enter new market niches where there is little competition need constant T&D to develop a competitive advantage over existing players and stay ahead of potential new entrants (OECD 2002b; Singh et al. 2008). As global competition intensifies SMEs need to form collaborative symbiotic relationships and to improve efficiencies through T&D to access wider markets.

Although there is a growing amount of literature pertaining to T&D as a key element in obtaining a competitive advantage over other organisations, the relationship between competition and T&D in SMEs appears to be scarce and fragmented, even though indirect evidence seems to support a positive relationship (Matlay 2008; Smith et al. 2008).

In view of the discussion above, the following research issues has been formulated:

RI$_{1.2}$: What are the external drivers of T&D in innovative SMEs (such as government requirements, new technologies, quality issues, pool of talent issues and increase in competition) and how do they impact on T&D in innovative SMEs?

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2.5   Summary

This chapter has critically discussed the theoretical underpinnings of this study: the Human Capital Theory, the Internal Labour Market Theory and the Resource Based Theory. Following this discussion, the chapter has examined the impact of various internal and external drivers of T&D within the SME context. Overall it is clear from the discussion above that an understanding of these drivers is important both to the future and growth of a SME along with the economic and social stability of the state of Queensland and Australia. There is consensus among authors that there is a need for more research in relation to the impact of these drivers on T&D within the SME context. The next chapter explores the rest of the issues identified in Figure 2.1: T&D climate, T&D processes and practices and role of T&D on organisation performance.

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CHAPTER 3: TRAINING AND DEVELOPMENT IN SMEs

3.1 Introduction

Having discussed the theoretical foundations of T&D and the drivers of T&D in SMEs, this chapter provides an overview of the literature pertaining to T&D processes and practices in SMEs. These processes include: T&D climate and the T&D process. Four major components are discussed with regard to the T&D climate including: management's attitudes towards T&D; the resource allocation (budget) of a SME, the T&D objectives, and finally the T&D policies within the organisation. Training and development practices and processes discussed in this chapter include: the conduct of a needs assessment; T&D design, formal and informal T&D practices and T&D evaluation and feedback.   The chapter concludes with a discussion of the impact of T&D on the organisation performance.

3.2 Training and Development Climate

The T&D climate of an organisation has been identified as holding significant importance for the T&D process as without a climate that fosters a positive environment, the T&D may be in jeopardy. This is because these elements are the inputs for the next stage of the conceptual framework − the T&D process at the organisational level of SMEs.   For the purpose of this research, the T&D climate consist of four major components namely management's attitudes towards T&D; the resource allocation (budget) of a SME, the T&D objectives, and finally the T&D policies within the organisation. The literature discussed in this section informs *R2: What are the characteristics of T&D climate in innovative SMEs?*

3.2.1 Management's Attitude towards Training and Development

The first component deals with management's attitude towards the implementation of T&D. The importance of this element lies in the fact that T&D is fundamentally a

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change instrument and if the organisation's climate, and in particular it's management, does not support the relevant change initiatives then T&D might as well be abandoned (Al-Khayyat & Elgamal 1997). Further to this, the Managing Director/owner mindset or attitude towards processes and practices such as T&D is a factor in the levels of innovation and competitive advantage that exists (Wood et al. 2011). Poulter (1982), Dawe and Nguyen (2007) and Stone (2008) concur; indicating that the organisation's climate should be conducive to T&D, and that management's attitude and support is of great importance, as without its support the program will be mostly ineffective.

The lack of effectiveness of training in an organisation has on occasion been blamed on the lack of support of top management owing to a perception of training as just another expense. To counter this perception of management it is a necessity to make top management and supervisors aware of the importance and benefits of T&D activities in upgrading knowledge, abilities and skills of both managers and employees. In order to achieve the best results, involvement and support from top management and supervisors in training processes are imperative. It has been argued that T&D should be part of daily workloads throughout the organisation to improve the success of the organisation (Abdelgadir N & Elbadri 2001; Poulter 1982).

The literature internationally, points to the lack of specific research into management attitudes towards T&D. This may be due to difficulties in gaining a true picture of the SME owner/manager's perspectives, owing to their general suspicion of academic research lean (Lange et al. 2000). Despite this lack of research there is evidence of a positive association between management attitudes and levels of T&D. The relationship between management attitude and T&D is usually reported as part of wider studies into HRM, HRD and T&D. In general the literature identifies that SME owners and managers play a pivotal role in making decisions relating to the provision of formal and informal job-related training. Further to this, owners/managers of SMEs tend to demand less formal training than those in larger organisations (Matlay 2008; Westhead & Storey 1997).

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The Ministry of Small Business and Entrepreneurship (2007) in Canada conducted a survey into high performance practices of SMEs, and they identified a positive link between high performance practices, including training and SMEs having a supportive workplace. These SMEs had lower employee turnover and better business success than those organisations with a less supportive workplace. It was further identified that High Performance Organisations (HPFs) also teamed up with other organisations to share the cost of employee training and skills development. As a result, Canadian SMEs manager/owners who embrace T&D, along with reimbursing employees' tuition and education costs, produce better skilled and more satisfied employees.

Correspondingly, studies in the UK show a consensus that management's attitudes are a contributing factor in the T&D provision in SMEs. For example, The Confederation of British Industry in 2004 conducted a study among its 5,000 members which investigated the effect of employers' collaboration in raising staff skills (N= 421). The study indicated that there was some evidence of the impact of managers/owners' attitudes to training. Support from management in the T&D process led to better productivity, better motivated staff, and was thus necessary for business growth (Confederation of British Industry 2005). Organisations with a less positive attitude to T&D tend not to actively seek training initiatives that may be available from various organisations, including government agencies. For example, SMEs that have participated in the UK Skills for Small Business programs previously, tend to exhibit positive attitudes to T&D even where the actual training has been limited (Dawe & Nguyen 2007; GHK Economics & Management 1997).

Similarly the indication in Scotland is that SMEs appear to perform well in terms of achieving the national education and training targets. However, traditionally Scotland has lagged behind the rest of the UK in terms of the proportion of its employees receiving job-related training. Whilst there have been various barriers identified to T&D in Scottish SMEs, support and attitudes of SME management towards T&D play an important part in this gap (Lange et al. 2000). Since the late 1990's there has been a strong emphasis on workforce development by the Scottish Government. The focus of the programs was on low-skills employment toward

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higher value-added jobs (Ahlgren & Engel 2011; Scottish Government 2012). Some of the initiatives included greater support for apprenticeships where the Scottish Government has invested an additional £16 million in 2009-10 to provide support for an extra 7,800 apprentices and in the reengaged 300 redundant apprentices into new employment, mainly in the SME sector (Scottish Government 2009).

A study into whether training programs produce real benefits for SMEs in Taiwan suggests similar findings. Huang (2001) determined that organisations with sophisticated training systems and strong management support for training have effective training programs that assist the organisation, and that such organisations are more successful in delivering that training. Hence it is clear from the international literature that there is a strong link between the degree of management support for training and training effectiveness (Huang 2001).

The literature in Australia whilst very limited is similar to the overseas experience. It is viewed that management's attitudes amplify the value of all types of training that an Australian SME may undertake (Dawe & Nguyen 2007). Studies into the national training guarantee scheme implemented by the Australia Government found that management's attitude was the second most important factor for the planning, implementation and the methods of training used, and ultimately for the success of that training in an organisation (Fraser 1996). In other words, to maximise the probability that T&D initiatives will contribute to the SME's business goals, the commitment and motivation of its management is paramount (Baker 1994). If management is committed to the T&D process it is much more likely to work, but if the support is not forthcoming then T&D becomes a cosmetic process (Stone 2008).

Even though the Australian Bureau of Statistics (2003) (which is the most up to date data available as of 2012), identified that 70 percent of medium-sized organisations, 98 percent of employers with 101 or more employees and only 39 percent of businesses with less than 20 employees provide structured training, the investment in dollar terms per employee appears minimal in SMEs. The budget allocation component will be discussed further in section 3.2.2. The under-investment in training in Australian SMEs in the past comprises three components in which

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management's attitudes towards training again present highly (Baker 1994). Baker (1994) suggests poor managerial attitudes towards training may have been encouraged by poor management training. This poor level of T&D among managers has also been identified as a reason why the benefits of training may not be fully recognised and in turn lead to under-investment in training (Laforet & Tann 2006).

To improve the management attitudes towards training it has been suggested that government organisations could undertake an information drive that is targeted at SME managers to increase their awareness of the benefits of the T&D process (Baker & McKenzie 2006). This was also echoed by the Australian government (2012) who identified that by winning support of businesses and owners was imperative in addressing the current and future skills shortages that Australia will experience. Therefore the Australian government developed the National Workforce Development Fund where in the last 18 months $174 million has been allocated towards 498 projects with industry contributing $100 million for the T&D of new and existing workers. This injection of funds both from government and industry has seen a dramatic increase of T&D in all sectors especially in SMEs (Australian Government 2012).

Walker and Webster's (2004) study into the effectiveness of the Small Business Smart Business scheme which operated in Western Australia over a 5 year period, in part raised awareness of the importance of T&D. They found that attitudes of business owners towards training did in fact have an effect on the level of participation and the willingness of their organisation to participate in training. Of the 2,500 SMEs surveyed, those who had a positive attitude not only perceived value of training as positive, but they also suggested that it helped with the aspirations of business growth through improved productivity of their businesses. In the main however SME owner/managers perceive training as a cost and not an investment, with many believing that funding for training should be a government responsibility (Walker & Webster 2004).

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Whilst Walker and Webster's (2004) viewpoint may be valid, managers' attitudes to training may differ within an organisation. For example Jones, (2005 p. 607) notes that while "senior managers may recognise the strategic importance of T&D, middle and first line supervisors strongly influence the form that training takes, and often prefer training to be short, sharp and focused on the specific problems faced by the enterprise" . This variance in attitudes may also be linked to the educational background of the manager or owner of the SME.

The literature further indicates there is a link between the level of the "professional" training and education of owner/managers in SMEs and their attitudes towards T&D, which can and does have a significant influence on the organisation (Elkeles & Phillips 2007). The personal capability and attitude of the owner/manager also has a significant influence on what might or might not be done with regard to the development of skills of people operating in the organisation (Lynas & Healy 1999; Smallbone et al. 2000).

Smallbone, Supri and Baldock (2000) identify a general failure among UK SME managers/owners who have a limited amount of professional training to recognise the full value of T&D. As a result this failure can lead to T&D practices that do not take full advantage of the potential value that T&D can provide to an organisation, in turn adding little to the competitive advantage of the organisation. Therefore, a fundamental conflict can develop between the viewpoint of people in the organisation who conduct formal training and the owner/managers who may not participate or see the value in formalised courses. As a result, finding ways to overcome obstacles for those involved with training can prove difficult (Lynas & Healy 1999).

Jones (2005) argues that professional managers tend to provide more formal and off-the-job training. With successful executive development comes a multiplied effect for management as they can focus on the organisation's needs and future directions in dealing with environmental factors, employee issues and so on (Elkeles & Phillips 2007). However, some suggest that there is little interest from SME managers in the acquisition of professional qualifications for themselves or the use of external

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courses, and that organic development of the learning process is much more appropriate to their needs and the needs of SMEs than formal training (Lynas & Healy 1999).

In view of the discussion above the following research issue has been formulated:

RI2.1: What are the attitudes of SME managers towards T&D in innovative SMEs?

3.2.2 T&D resource allocation

Resource allocation is viewed as one of the most important components of T&D (Al-Khayyat & Elgamal 1997; Beebe et al. 2004). Al-Khayyat and Elgamal (1997) distinguish the provision of resources for T&D based on how T&D is delivered by identifying four types of T&D provision, including: formal training in an external setting by an external training provider; formal training within the workplace by an external training provider; formal training on the job provided by the organisation itself; and informal training on the job by the organisation.

Financial resources which are the focus of this research refer to the allocation of a T&D budget. A training budget is defined by Beebe, Mottet and Roach (2004 p. 306) as "a formal document that outlines all of the anticipated costs needed to develop, present and assess a training program". The literature argues that economies of scale with regards to SMEs prevents these organisations from benefiting from T&D, whereas larger organisations have a designated and significant T&D budget so they can establish internal training structures to up-skill their workers (Dawe & Nguyen 2007; Kitching & Blackburn 2002; Lange et al. 2000).

The literature internationally suggests that the existence of a designated training budget in SMEs appears to be minimal. For example Johnston and Loader (2003) in their research into the influences on SME participation in T&D in the UK, found that smaller organisations were significantly less likely to have a training budget. Matlay (2002) also found that only 5.62 percent of SMEs had a T&D budget, while similar research into SMEs in the tourist industry found that only 12 percent had a training

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budget (Jameson 2000). In general SMEs may be more 'financially constrained' compared to larger organisations, because in general small organisations pay a higher rate per-capita than larger organisations. This is calculated not only by the cost of the training but by the time involved for the manager/owner to plan and deliver the training (Kerr & McDougall 1999; Westhead & Storey 1997).

SMEs also tend to be more sensitive to the pressures of competition, which may put strict limits on the T&D budget (Lundvall & Kristensen 1997). Conversely, because larger businesses make a larger profit, they are more likely to invest more into their T&D and have also tended to have a designated and significant T&D budget. Therefore they can establish internal training structures to skill their employees (Dawe & Nguyen 2007; Kitching & Blackburn 2002; Lange et al. 2000).

Organisational size has a significant impact on the existence of a formal training budget and the provision of a systematic approach to T&D (Jameson 2000; OECD 2002b; Wiesner & McDonald 2001). Jameson (2000 p. 44) states that "two of the indicators of a systematic approach to training are the existence of a training plan/policy and a specific budget for training". Within the context of Australian SMEs, medium organisations tend to be more likely than small organisations to have a training budget. For example, Wiesner et al. (2007) found that 48 percent of Australian small organisations, compared to 72 percent of medium organisations have a training budget.

With regard to management training, it appears that SMEs see more value in management training T&D as the organisation grows (Kotey & Sheridan 2004)). Gray and Mabey (2005) in their research of 191 SMEs and 201 large organisations also found that only 51 small organisations had a dedicated T&D budget for management training. However the OECD (2002a) concluded that despite considerable information on T&D available in OECD countries, it is difficult to determine the scale of the total market for external management training for SMEs, or even to isolate the proportion of training budgets in regard to management T&D in SMEs. In general the responsibility for the allocation and development of the T&D budget in SMEs is retained by the manager/owner (Johnston & Loader 2003).

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Likewise, Matlay (2002 p. 362) found that in "92.71 percent of small organisations, the owner/manager was identified as the main decision maker". Therefore, without management support the participation and improvement in the T&D process may fail (Webster et al. 2006).

In general, high performance SMEs have a budget that is specifically earmarked for training, which is seen by management as an investment that is not only based on immediate operational requirements but is also expected to yield returns in the medium term (Hirschsohn 2008; Kitching & Blackburn 2002). Thus the issue of management attitude and influence is once again raised.

(Stone 2008) and (Smith 2006) found that Australian organisations spend little on HRD and even less on T&D due to managers not valuing such initiatives. Therefore there seems to be a lack of a designated budget for T&D in the SME sector. For example, Wiesner and McDonald (2001 p. 13) found that "almost all SME managers claimed to provide training and development within their organisations; however, only 61 percent had a formal budget allocation for training." Jones (2006) further found that substantive differences occur between small and medium-sized organisations in Australia when it comes to training provision or budget, methods, fields and providers of training.

Historically Australian organisations have been forced to have a T&D budget through the Training Guarantee Scheme (Smith et al. 2006). The Scheme saw increases in training budgets across a wide range of Australian enterprises during the first four years of its operation, since Australian enterprises with payroll costs of over Au$200,000 were required to spend at least 1.5 per cent of their payroll on the provision of structured or formal training for their employees. With the termination of this Scheme in the mid-nineties T&D has declined across all organisation sizes especially SMEs. The Training Expenditure and Practices Survey conducted by the ABS found that only a minority of Australian businesses provided T&D (Australian Bureau of Statistics 2003). The ABS determined that only 39 percent of businesses with less than 20 employees provide structured training, whereas 70 percent of 21-

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100 organisations and 98 percent of employers with 101 or more employees provide structured training. In monetary terms Australian businesses with less than 20 employees spent on average $422 per employee, small organisations spent $472 per employee, whereas medium organisations spent the equivalent of $661 per employee (Australian Bureau of Statistics 2003). The issue of formal and informal training will be discussed more in-depth later in this literature review.

Like international SMEs, Australian SMEs are more sensitive to competition than their larger counterparts. As a result increasing competitive pressures in the workplace can lead to short-term cost reduction strategies, including budget cuts for training. However, reducing the training budget can put productivity growth at risk in the longer term as the skills of staff fall (Richardson & Liu 2008). Overall, it seems that Australian employers chronically under-invest in the training of their employees and show little inclination to increase their training effort (Smith 2006; Webster et al. 2006).

It is therefore of value to determine the resource allocation of innovative T&D SMEs. In view of the discussion above the following research issue is explored in this research:

RI$_{2.2}$: What is the resource allocation (budget) for T&D in innovative SMEs?

3.2.3 Training and Development Objectives

Training objectives are an important element in the decision to choose a particular training method, since training should be based on an understanding of the trainees, the identified training needs, the available resources, and the learning principles (Abdelgadir N & Elbadri 2001; Al-Khayyat & Elgamal 1997; Beebe et al. 2004; Beebe et al. 2012; Lawlor & Tovey 2011). Two levels of objectives are distinguished: firstly at the organisational level (strategic T&D objectives) and secondly at training event(s) level. There are several types of objectives for T&D within these two layers (Baker & McKenzie 2006; Beebe et al. 2012; Lawlor & Tovey 2011; Tobias &

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Fletcher 2000). The discussion to follow firstly centres around the literature regarding Strategic T&D objectives at the organisational level which is the focus of this study. The discussion then proceeds with a dialogue of objectives at the Training Event Level in order to provide a holistic picture of the literature on T&D objectives within an organisation.

3.2.3.1 Strategic T&D Objectives at the Organisational Level

Objectives at the organisational level are regarded as part of the strategic objectives, and they will therefore be referred to as strategic T&D objectives (STDO). These STDOs are usually derived from the strategic plan (SP) or the business plan (BP) and are concerned with the organisation's development (Al-Khayyat & Elgamal 1997; Baker & McKenzie 2006). Additionally STDOs are also derived from organisational analysis or training needs analysis (Wexley & Latham 2002). The issue of training needs analysis is discussed in Section 3.3.1. Most authors agree that clearly stated T&D objectives in the strategic plan are imperative in generating enhanced organisational performance and individual growth of staff (Baker & McKenzie 2006; Tobias & Fletcher 2000; Wexley & Latham 2002).

Several authors have found strong links between the STDOs and the goals of the organisation, where the organisational T&D objectives enable organisations to develop long term strategic T&D to aid in the achievement of organisational goals (Baker & McKenzie 2006; O'Connor, Bronner & Delaney. 2002; Tobias & Fletcher 2000). The human resource developmental objectives ought to be clearly stated, revised and changed periodically since they are essential for the achievement of any HRD and T&D initiatives and for the success of the organisation as a whole (Al-Khayyat & Elgamal 1997; DeSimone & Harris 1998). DeSimone and Harris (1998 p. 132) and Goldstein and Ford (2002) indicate that the objectives at the organisational level are used by the organisation to evaluate the impact of the training program on the organisation itself. However, the objectives must be unambiguous in order to provide the best opportunity for success of the training

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process. Some of the STDOs include talent management programs, succession planning and employee career development (Baker & McKenzie 2006).

There appears to be little specific information about the direct correlation between SP and T&D objectives in SMEs both within the international and Australian context. SMEs in Australia are struggling with the future and the development of STDOs as the market place is evolving quickly (Goldstein & Ford 2002; Stone 2008). As a result, in the majority of SMEs STDOs are distinctly scarce or virtually non-existent, as most SMEs do not have the funding nor the time or the personnel to engage in the formal development of strategic planning (Hudson et al. 2001; Mintzberg et al. 1998; Schamp & Deschoolmeester 1998).

Notwithstanding it is argued that SME managers/owners ought to develop STDOs so that T&D can focus on future requirements of the organisation (Goldstein & Ford 2002). SP and T&D are both elements of high performance SMEs (Drummond & Stone 2007; Smith et al. 2003; Wiesner et al. 2007). Furthermore, Wiesner, Poole and Banham (2007) found a significant correlation between the existence of an SP and T&D in Australian SMEs. However, 61 percent of SMEs in Wiesner, Poole and Banham's (2007) study had a strategic plan and only 46 percent said they had transformed their practices in order to achieve the goals and objectives acknowledged in their strategic/business plans.

The development of national competencies with clearly defined objectives in order for trainees to reach the required competencies in a formal manner are endorsed by government in various countries (for example Australia, the United Kingdom, Norway and India) (Baker 1994; Beebe et al. 2012; Dawe and Nguyen 2007; Lawlor & Tovey 2011; Schone 2007; Smith et al. 2003). This government endorsed approach is an attempt for all parties involved in the T&D process to have a better outcome from the process (Smith, A. et al. 2003). Despite this, SME managers and consultants alike should not only be cognisant of the impact of change such as T&D have upon the organisation, but also the impact upon its employees and their capacity to cope both technically and psychologically with higher performance expectations. Therefore, the deployment of well-defined training program objectives is imperative (Jones 2006; Lorenzet et al. 2006; Torrington & Huat 1994).

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It can be determined from the above discussion that in general, the literature has paid little attention to the importance of strategic objectives, as the main focus has been at the training event level (Al-Khayyat & Elgamal 1997).

3.2.3.2 Objectives at the Training Event Level

Training program objectives are important and should be treated as sub-objectives of a well-stated organisational human resources development strategic objective. As mentioned earlier, training objectives are derived from an organisation's needs (Al-Khayyat & Elgamal 1997; Beebe et al. 2012; Reid et al. 1992). Mager (1984), an early advocate of objectives at the training event level and upon which many other authors, for example, DeSimone and Harris (1998), Goldstein and Ford (2002), and Reid et al. (1992) have based their work, refer to these objectives as instructional objectives which are focused on the skills that people are required to possess and maintain to perform their duties. Similarly Beebe, Mottet and Roach (2004 p. 70) defines training objectives as "concise statement[s] that describe what the trainees should be able do when they complete the training."

During the training session the objectives aid the participants to focus their efforts and attention. Further to this, the objectives are the formal descriptions of the process, the work behaviour, skills, attitudes, specific knowledge and learning outcomes that the trainees will be able to achieve at the end of the training process and they are usually measurable (DeSimone & Harris 1998; Goldstein & Ford 2002; Reid, Barrington & Kenney 1992). However, many organisations, especially training programs in SMEs often lack these types of objectives (Reid et al. 1992; Torrington & Huat 1994).

It is generally accepted that there are three phases in achieving the competencies or working behaviour objectives that are required:

1. Specify the required work behaviour that must be achieved by the employee;

2. Determine the significant circumstances under which the competencies need to be performed;

3. Determine the standards that the participants must perform at.

The basic premise therefore is that the T&D objectives at the training event level are concerned with the improvement of the employees' knowledge and skill levels (Baker & McKenzie 2006).

It was argued earlier that SMEs are more likely to adopt formal training methods by utilising external training providers as they grow but when they are still small the owner/managers often are responsible for training provision (Jones 2006). The concern here is that if training is conducted by the owner/manager who does not possess a training and assessment background or qualification, positive training outcomes may be negated. Moreover, training program objectives may be jeopardised or not even developed in the first place (Lorenzet et al. 2006; Smith et al. 2003).

In view of the discussion above, the following research issue has been developed for exploration in this research:

$RI_{2.3}$: *What is the importance and relevance of strategic T&D objectives in innovative SMEs?*

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3.2.4 Training and Development Policies

In general a policy in a business context can be thought as an 'expression of intention' where the T&D policies of an organisation establish a broad framework for the implementation of that training (Reid, Barrington & Kenney 1992). Wood et al. (2006 p. 276) defines policies as "a guideline for action that outlines important objectives and broadly indicates how an activity is to be performed". Training policies also create frameworks within which particular training forms and approaches are more likely to occur (Jones 2005).

A review of the literature finds there is very limited research on T&D policies, especially in the SME sector. As Al-Khayyat and Elgamal (1997 p. 89) stated "long-term human resource development policies are almost neglected by models found in the literature except that of Tseng (1984)". This is surprising as in general most organisations have a variety of policies in place at any time (Wood et al. 2006). Similarly Reid, Barrington and Kenney (1992) suggest that all organisations have T&D policies, whether they are in written or unwritten form, or whether they are explicit or implicit. However the general lack of research on this topic area contradicts this notion.

An organisation's T&D policies are a reflection of a organisation's philosophy towards the T&D of its employees (Beebe et al. 2012; Reid, Barrington & Kenney 1992). Moreover, the use of appropriate T&D policies and practices can determine how well T&D is received and ultimately contributes to the organisation (Yadapadithaya & Stewart 2003). As Tannenbaum (1997 p. 447) stated: "Rather than the amount of training, it is the quality and appropriateness of the training, and the supportiveness of the work environment [that are important]". Thus the importance of training policies should not be understated as the experience of the UK shows that training policies can to a large part be attributed to their effect on a society's economical alignment and long term economical growth (Zambarloukos & Constantelou 2002).

The T&D policies of an organisation are influenced by various factors, for example the labour market structure, the organisation of the national education and training system, the nature of the organisation – manufacturing or service, technology, government policies, unions and even the economic conditions (Claydon & Green 1994; Yadapadithaya & Stewart 2003). It has further been suggested that government T&D policies are influenced by unions (Claydon & Green 1994). On balance it appears that in only a relatively small proportion of cases, unions had a significant direct input into training policy at an organisation level (Green 1993). However, it is important to emphasise that this does not mean that union influence is negligible (Stuart 1996).

Authors such as Loan-Clarke et al. (2000), Wilkinson (1999) and Scott et al. (1989) make a case for the increase of T&D policies in SMEs. This also pertains to the case for increased legislation as legislation encourages management systems to stabilise important areas. Any government legislation should build upon existing SME T&D training policies, but this should be done in a consultative manner (Loan-Clarke et al. 2000).

Contrary to this approach, the imposition of a blanket approach to developing T&D policies may not be effective. For example Lloyd-Reason and Mughan (2002 p. 385) state that "any attempt to overly prescribe educational and training policies for individual countries is, of course, fraught with dangers." Instead, it should be the primary responsibility of organisations to develop these T&D policies as they are essential to create and foster a climate that promotes the successful acquisition and transfer of new skills and ideas (Yadapadithaya & Stewart 2003).

The SME research that does exist on T&D policies emphasises that within SMEs these policies are often informal and implicit and unwritten compared to larger organisations (Loan-Clarke et al. 2000; Tanova & Nadiri 2005). Tanova and Nadiri (2005) found that only 9 percent of large organisations do not have a written training policy, whereas 61.4 percent of SMEs indicated that they have a written policy for training and development. In addition, almost 25 percent of SMEs compared to 9

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percent of large organisations surveyed indicated that their T&D policies were unwritten.

A longitudinal study of 389 SMEs about management development in Britain found that very few small businesses had written management development policies (Thomson et al. 1997). More recently, Gray (2002) found there are key differences between small and large organisations in the T&D of staff at the managerial level. His findings showed that SMEs in general do not possess formal T&D policies whether at the organisational, management or employee level. Gray and Mabey (2005 p. 472) concluded that "the small organisations with explicit management development policies generally had a stronger focus on meeting the development needs of both the organisation (47%) and of individual managers (58%)." They identified that the minority of SMEs adopt structured and formal management development policies and activities, and that those who do report the existence of policies experienced higher growth.

In addition, T&D policies could be used to overcome skills shortages and improve the pool of talent in SMEs (OECD 2002b). When an organisation progresses from a small to a medium-sized organisation, the development of good training policy and formal practices becomes more evident (Perez De Lema & Durendez 2007; Woodhams & Lupton 2006).

In general the literature acknowledges that organisations possessing written T&D policies, regardless of their size, have a more systematic approach to T&D compared to those without (Tanova & Nadiri 2005; Thomson & Gray 1999). One of the main indicators of a systematic approach to T&D is the presence of a positive written training policy that conveys the key criteria for the T&D process. These organisations also have a tendency to train more extensively (Hirschsohn 2008; Kitching & Blackburn 2002). Some authors such as Lloyd-Reason and Mughan (2002) suggest that the implementation and improvement of T&D policies are imperative for SMEs to shift towards a more strategic approach and become more innovative.

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In view of the discussion above, RI$_{2.4}$: What T&D policies are in place in innovative SMEs and why? is explored in this research.

3.3   Training and Development Processes

Training and development practices and processes explored in this study, include: (i) the conduct of a needs assessment; (ii) T&D design, (iii) formal and informal T&D practices and (iv) T&D evaluation and feedback.   The literature in this section informs *RQ3: What are the characteristics of T&D processes and practices in innovative SMEs?*

Most training theorists and practitioners agree that the training process has at least four steps or phases including the: training needs assessment phase, the design phase, the implementation of T&D phase and the evaluation and feedback phase (Abdelgadir N & Elbadri 2001; Al-Khayyat & Elgamal 1997).   The latter phase depends on the correct execution of each former stage of the process (Huerta et al. 2006).   Often, T&D programs fail due to a lack of awareness of these four elements, especially when it comes to the training needs assessment phase (Abdelgadir N & Elbadri 2001).   The literature into these phases is now discussed.

3.3.1 Training Needs Analysis

The training needs analysis (TNA) provides a focus and direction for the organisation in terms of the investment it must make in the development of its people. It is also seen as a tool to assist organisations towards more structured training (Batram and Gibson, 1997, Byars and Rue, 2000).   TNA identifies the gap between what is currently happening and what should be occurring in an organisation.   One cannot design training without knowing the requirements and goals of the organisation and the trainee (Abdelgadir N & Elbadri 2001; Batram & Gibson 1997; Byars & Rue 2000; Beebe et al. 2012; Delahaye 2005; Lawlor & Tovey 2011; Stone 2008).

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There is unanimous agreement in the literature that the TNA phase is the most critical in the T&D process. The margin for errors at this stage can put all subsequent stages off-target and ultimately produce unwanted negative results in the T&D process (Abdelgadir N & Elbadri 2001; Al-Khayyat & Elgamal 1997). As Odiorne and Rummler (1988 p. 130) have pointed out "the quality of the training outputs is only as good as the training needs assessment data input. If the training needs have not been properly identified, then both the training course and the training function are in jeopardy". Similarly Stone (2008 p. 358) states that "the ultimate goal of the TNA is to provide a comprehensive set of behavioural objectives that provide direction for the T&D efforts and benchmark the evaluation of the training." Despite unanimous agreement in the literature this process is often overlooked in most organisations, or performed incorrectly (Carlisle et al. 2011).

TNA has been identified by Byars and Rue (2000 p. 269) as "… a systematic analysis of the specific management development activities required by the organisation to achieve its objectives." Similarly, Stone (2008 p. 358) views the TNA as a process that "… identifies training needs and translates them into training objectives." In general the TNA provides a focus and direction for an organisation in terms of the investment it must make in the development of its people and it is seen as assisting organisations towards more structured training (Batram & Gibson 1997; Fraser 1996).

TNA should and can examine various levels of the organisation, including the organisational level, department level, and the individual level (Carlisle et al. 2011; Lawlor & Tovey 2011; Torrington & Huat 1994). For the purpose of this research the focus is on TNA at the organisational level. The TNA at the organisational level looks at the organisation as a whole, wherein the primary purpose of the TNA is to identify problems of organisational development and determine which part of the organisation requires the training to be conducted (Batram & Gibson 1997; Stone 2008). Where the TNA reveals that training is the best option, the training methods and techniques can be discussed and negotiated in this stage of the process (Poulter 1982).

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As discussed in chapter 2, external environmental drivers such as technology, pool of talent issues, and legal and social issues all have an effect on an organisation (Briscoe 1995; Fernald et al. 1999; Kotler et al. 2007; Wood et al. 2006). Therefore the external environment needs to be analysed as it can and usually does generate the need for an organisation's T&D (Stone 2008).

Despite the general consensus in the literature that TNA is a critical component in the T&D process (Carlisle et al. 2011), Stone (2002) found that 70 percent of training was wasted in Australian SMEs. Similarly (Keogh & Stewart 2001), Smith (1999), Smith (1998), and (Patton 2005) have noted that there is a distinct absence of TNA in SMEs, and consequently T&D take place in a rather ad hoc and unsystematic manner. This unsystematic approach by SMEs may be the result of SME owners/managers pressuring T&D managers and trainers to cut costs and time (Baker & McKenzie 2006).

SME owner/managers have not been found to have little time for diagnosis of training needs nor do they possess the competencies to identify new or necessary skills that may be required (Lynas & Healy 1999). Very few SMEs discuss the identification of TNA at a strategic level including identifying training needs through market analysis and consideration of long-term business plans (Johnston & Loader 2003; Keogh & Stewart 2001; Lynas & Healy 1999). This is surprising because it has been shown that the major reason for SMEs to invest in training is the improvement of employee work performance (Hughes et al. 2002; Smith 1999).

Similarly Keogh and Stewart (2001) suggest that SMEs vary in the degree to which they employ a TNA and the level of complexity in TNAs. The majority of SMEs in Keogh & Stewart's (2001) research took an informal approach to TNA where emphasis was placed on self-assessment of employees and even if a need for TNA was identified, some SME managers/owners believed that their employees would come forward and identify their own training needs.

SMEs that conduct TNA have a significantly higher incidence of training success, tend to use a more formal systematic approach and have more comprehensive

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training than those SMEs who don't employ a TNA (Huang 2001; Smith & Hayton 1999). Furthermore the relationship between TNA, the effectiveness and the competitiveness of the organisation in an SME is important, as the TNA has significant effects on all the output indicators of an organisation (Al-Khayyat & Elgamal 1997; McCole et al. 2001; Van Eerde et al. 2008).

Overall SME managers/owners tend to view TNA as only important as and when training arises which is in turn based on immediate and individual needs (Johnston & Loader 2003; Keogh & Stewart 2001). In view of this, SMEs may find it useful to employ a diagnostic service that utilises TNA to analyse skills and business needs in order to make the connection between the training and business needs of an SME (Dawe & Nguyen 2007).

In view of the discussion above, the following research issue has been developed for exploration in this research:

$RI_{3.1}$: *What is the role of a training needs analysis in innovative SMEs?*

3.3.2 T&D design

The design phase is concerned with how the training plan and objectives are translated into the job situation (Al-Khayyat & Elgamal 1997). It therefore focuses on the principles of learning, sequencing and content of the training (Al-Khayyat & Elgamal 1997; DeSimone & Harris 1998). The utilisation of an internal or external training provider in SMEs is also discussed.

The design of the T&D process at the organisational level is concerned with whether it is designed by an external provider or internally by the organisation itself. T&D can be designed by various external providers, for example a registered training organisation (RTO), tertiary education bodies such as TAFE and universities, external training consultants, vendors or manufacturers of equipment and

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government organisations. Alternatively T&D could be designed internal to the organisation (Australian Bureau of Statistics 2003).

External training providers can be defined as organisations that provide training content such as a curriculum and training package that is usually externally monitored by a registered training organisation or university (Dawe 2003). The Australian Bureau of Statistics (2003 p. 40) adds that an external training provider is one

> *"...[that] usually provide[s] structured training on a fee-for-service basis. Training may be delivered on the provider's own premises, or on the premises of the organisations they provide training to, or on independent premises (e.g. hotel conference facilities)."*

This definition will be adopted for the purpose of this research.

Internal training is funded by the organisation and is usually designed and conducted by staff or training specialists within an organisation, to meet the unique requirements of the enterprise and to ensure that its employees have the appropriate qualifications to perform their duties. However, internal training can also be designed and delivered by an outside training consultant or organisation in conjunction with the organisation that is seeking the training (Australian Bureau of Statistics 2003; Dawe 2003). Further still, Smith et al. (2008) sees internal training as non-accredited training which is informal on-the-job learning.

Large organisations use a blend of external and internal training providers and use external training providers significantly more than SMEs. SMEs tend to have preference towards internal T&D provision rather than engaging an external T&D provider (Hill & Stewart 2000; OECD 2002a; Smith et al. 2003). Perhaps this is clearest expressed by the OECD (2002 p. 8) which states that "available evidence indicates that smaller organisations are relatively and absolutely less likely than larger enterprises to provide external training to all grades of workers." Further to research suggests that SMEs are less likely than larger organisations to provide external and internal T&D to employees. Therefore, SME may not produce the

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optimum level or mix of skills which can add for the economies of a country (Panagiotakopoulos 2011)

There is a variety of reasons, why SMEs are less likely than larger organisations to provide external training to all grades of workers. Organisational size is a significant factor. For example, Gray and Mabey (2005 p. 471) state that "…there is a direct relation between the organisation size and the provision of internal and external training courses." Similarly Westhead and Storey (1997) and Hirschsohn (2008) suggest that the take-up of external training providers is strongly associated with employer size: as soon as an organisation has 50 employees, the engagement of external training increases rapidly. However, authors such as Lange, Ottens and Taylor (2000), Kitching and Blackburn (2002), Dawe and Nguyen (2007) and the OECD (2002) suggest that this may be because few SMEs see T&D as a strategic tool and SMEs do not have the scale of economies compared to large organisations to invest in T&D. Additionally, due to the higher turnover in managerial staff, there may be information gaps about the benefits that formal training by an external provider can bring to the organisation.

It has been shown that the choice of the T&D provider is also dependent upon the industry sector that the SME is in, and whether they are employing people in a traineeship and/or apprenticeship (Fraser 1996; Hirschsohn 2008). For example SMEs in the computer industry usually seek external providers to implement computer packages Tanova and Nadiri (2005) whereas Jameson (2000) found that the tourism and hospitality industry's most common type of training method is internal training.

SMEs tend to view internal T&D as a better option because the general cost of the external provider to supply tailored training packages to the specific needs of an SME, outweighs the benefits associated with this type of training. Short-term displacement costs for individuals who were trained off the premises or in non-productive environments is also a deterrent to using external providers (Bryan 2006; Matlay 2002; Smith et al. 2002; Westhead & Storey 1997).

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As a result of SMEs relying mainly on internal training and the movement of a workforce to higher levels of casual employment, the type of training received by employees has changed over the past decade. However, although not to the same extent as large organisations, SMEs are increasingly partnering with external registered training providers to deliver (albeit very limited) nationally recognised qualifications internally to their permanent employees (OECD 2002a; Richardson & Liu 2008; Smith 2006).

Research results on training provision, internally versus externally to SMEs have been mixed. For example, Australian SMEs tend to focus on internal training where the informal transfer of work skills and knowledge can be facilitated between individual employees (Webster et al. 2006). At the same time, Kotey and Sheridan (2004) determined that when small and medium organisations are compared, there are a higher percentage of small organisations that do not allow employees to pursue external training, as they rather provide internal training. This is supported by findings of Smith et al. (2003; 2006). As a result there is a trend of SMEs becoming registered training organisations which can design and provide internal training that is cost effective to the organisation (Australian Government 2011). Moreover, they can implement formal training that is nationally recognised and more importantly, they possess the ability in this way to award national qualifications to their employees. This also allows them the ability to access government funding for certain programs such as the training of apprentices and trainees or VET programs.

However, statistical data produced by the Australian Bureau of Statistics (2003) contradicts these findings by reporting that 95.2 percent of employers with 20 to 99 employees and 98.3 percent of organisations with 101 or more employees utilised external providers. This equates to only 4.8 percent and 1.7 percent respectively utilising internal training.

Evidence from the literature suggests a positive relationship between the use of external training and organisation productivity. Bryan (2006) and Dawe (2003) found that SMEs can move towards better and more successful training practices should they import formal training from a range of external training providers.

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RI$_{3.2}$: What are the characteristics of the design of T&D on innovative SMEs?, explores the issue of T&D design in innovative T&D SMEs and as such will contribute to the debate on internal versus external training provision.

3.3.3 Implementation of T&D Approaches and Practices

Once the training needs have been defined and the design decided upon, the implementation or the delivering of the training and development program and/or activity becomes the next task (Al-Khayyat & Elgamal 1997). For the purpose of this research this section is concerned with how the T&D is implemented by an organisation, that is, whether T&D is implemented by an informal or formal approach. Training needs within the workplace may be met through the provision of informal unstructured training which does not have specified content or a predetermined plan (Australian Bureau of Statistics 2003; Dawe & Nguyen 2007) or formal structured training where training activities have a specified content or predetermined plan.

Informal training can be unstructured, non-accredited, informal on-the-job T&D and is often done in an ad hoc fashion. However, it has been argued that it is effective in amplifying and instilling values and attitudes amongst employees and managers (Dawe & Nguyen 2007). Informal training (or unstructured, non-accredited, informal on-the-job training) requires the participants to learn by doing, and it can take place in self-managed teams, project-based activities and in functional and cross-functional team meetings, but it is usually performed on the job in their place of employment. Informal training is commonly used in the induction of new workers or trainees who are assigned to supervisors or other experienced workers to be instructed, supervised, or even just required to read a manual. Thus T&D is often done in an ad hoc fashion (Dawe & Nguyen 2007; Graetz et al. 2006; Smith et al. 2008). Informal training helps to build the unique combination of skills and cooperative social arrangements or the tacit knowledge that underlies much of the work of organisations, so it can be argued to positively influence organisational performance (Graetz et al. 2006; Smith et al. 2008).

Although many skills can be attained through informal workplace training, formal training enhances the implicit knowledge of a person and provides the theoretical, technical and behavioural skills that workers need to apply technology and innovation (Bishop 2012, Dawe & Nguyen 2007; Figgis et al. 2001; Graetz et al. 2006; Ministry of Small Business and Entrepreneurship 2007; Smith 1998; Smith et al. 2008). It is viewed that formal external provision of training, supported by formal on-the-job training to develop new skills and competencies, will ensure that employees sharpen their skills and be up-to-date on products, markets and the latest findings within a particular industry (Ministry of Small Business and Entrepreneurship 2007).

Formal T&D is usually implemented by external training providers that have developed a curriculum or training package that is instructor led, whether delivered on-campus, at the workplace or self-paced, and results are externally monitored and recorded (Anderson et al. 2001; Dawe 2003). Formal training is defined by the Australian Bureau of Statistics (1998 p. 65) as:

> *"... all training activities which have a predetermined plan and format designed to develop employment related-skills and competencies. It consists of periods of instruction, or a combination of instruction and monitored practical work. The instruction can take the form of workshops, lectures, tutorials, training seminars, audio visual presentations, demonstration sessions or monitored self-paced training packages. It can also include structured on-the-job training".*

The decision to implement either informal or formal T&D is significantly influenced by many factors which have been discussed in section 3.3.3. As discussed earlier, perhaps most important is management's attitude as owners/managers play a pivotal role in making decisions relating to the provision of formal, job-related training (Dawe & Nguyen 2007; Kitching & Blackburn 2002; Lange et al. 2000; Matlay 2008; Poulter 1982).   Although Walker and Webster (2004) found that formal training was considered by the majority of SMEs to be important, due to the

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resources and time required to accommodate stand-alone training formal training tends not to be actively sought by SMEs. Similarly Hughes et al. (2002) provide evidence that SME managers in the UK have a mixed reaction to formal T&D. On one hand formal T&D is seen by SMEs to lead to better motivated staff, higher productivity and larger business growth, but conversely they see formal training as resulting in increased wages, more disruption in the workplace and poaching of staff from competitors and larger organisations. Informal training therefore seems to be the preferred choice by SMEs (Smith et al. 2008; Torrington & Huat 1994; Wexley & Latham 2002).

To achieve and sustain a competitive advantage for an SME, the development of implicit organisational knowledge, staff skills and core competencies or capabilities that are organisation-specific are essential. However, in a changing environment, some SMEs employ formal training programs such as structured training, seminars, workshops or conferences or job rotations/exchanges, while others view informal on-the-job training as the most effective way of training to create competitive advantage (Graetz et al. 2006; Hoskisson et al. 1999; Jones 2006). However, because there is a significant amount of informal training that is not recorded, obtaining an accurate picture of the training landscape is difficult (Smith et al. 2008). As a result of the ambiguity that exists policy makers and researchers have attempted to understand how SME can be encouraged to participate more in formal training (Bishop 2012).

It is clear from the discussion above that an understanding of how and why SMEs employ particular T&D approaches and practices is essential in meeting the goals of the organisation and consequently their financial and social sustainability (Ministry of Small Business and Entrepreneurship, 2007).

The exploration of *RI$_{3.3}$: What are the characteristics of the T&D practices in innovative SMEs?* will elucidate the T&D approaches and practices within innovative T&D SMEs.

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3.3.4 T&D Evaluation and Feedback

Training evaluation and feedback is the final component in the training and development process and is commonly viewed as completing the training process cycle. Training evaluation is focused on determining the success or failure of the training at various levels of the organisation (Al-Khayyat & Elgamal 1997; Smith, Andrew 1998). There are various types and purposes for evaluating T&D, however, evaluation can be categorised into two main groups: process-oriented evaluation and outcome-oriented evaluation models (Al-Khayyat and Elgamal, 1997, Brinkerhof, 1987, Dawe, 2003, Dawe and Nguyen, 2007, Smith, 1998).

Process-oriented evaluation is concerned with collecting information and measuring the effects and value of training processes that can help the trainer improve the design and operation of the T&D program. It should be noted however, that all process-orientated models contain some elements of the outcome-oriented evaluation model (Smith, 1998).

Outcome-oriented evaluation models have been forged from the seminal works of Kirkpatrick (1959) who identified four stages of evaluation namely: reaction, learning, behaviour and results. Outcome-oriented evaluation models identify value of training and return on investment. Moreover, the key objective is to allow the company to identify the value of training for the company's level of profitability or the bottom line and the dollar value of what the T&D department does. In this context, the training evaluation can be measured either in quantitative or qualitative means (Al-Khayyat & Elgamal 1997; Brinkerhof 1987; Dawe 2003; Smith 1998).

As a result, evaluation of T&D could have four distinct purposes which firstly include the measurement of the outcomes and objectives at the training event level and whether they have been achieved. Secondly, whether contribution of the various components within the training program have had an overall effect. Thirdly, the evaluation of the training process as a cost benefit for the organisation, and finally evaluation as a way to persuade others in the organisation that T&D is worth the

investment for the organisation (Al-Khayyat & Elgamal 1997; Brinkerhof 1987; Dawe 2003; Smith 1998).

Evaluation and feedback are intertwined as no adequate evaluation can be undertaken without an effective feedback system that makes necessary information available. That is, if one does not evaluate T&D and the effects it has on employees undertaking T&D and the organisation as a whole, one cannot give informative feedback on the effectiveness of the T&D process, which can lead to major problems for future training need analysis and training in general (Al-Khayyat & Elgamal 1997; Bramley 1996).

Thus a well-designed T&D evaluation and feedback can give insights into the effectiveness of T&D that has been performed. Perhaps more importantly it has the ability to give valuable information that can aid in the future design, development and delivering of more effective programs that an organisation may require (Yadapadithaya and Stewart, 2003). Goldstein (1993 p.147) defines evaluation as:

"...the systematic collection of descriptive and judgemental information necessary to make an effective decision related to the selection, adoption, value and modification of various instructional activities."

Whereas, Al-Khayyat and Elgamal (1997) describes feedback as:

"...an ongoing systematic process aimed at the transmission of data and information among the entire training and development system. It is a means of communication, requiring that great attention be given to what, when, why and how to transmit information among the parties involved in training and development activities."

Evaluation of the training program is usually conducted at the end of the program, and some organisations evaluate training only immediately after the training and feedback is then given to the trainer or supervisor (Al-Khayyat & Elgamal 1997; Smith 1998). By conducting the evaluation of the training program at the end of the

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training or just at the end of the training program, Smith (1998) believes that the time to remedy any issues or shortfalls that arise from the evaluation may have passed.

This study is concerned with the evaluation of the T&D and the feedback at the organisational level and whether T&D has an impact on a SME performance. The value of looking at evaluation from this perspective is to determine whether it has an effect both on the SME but also how it can help the owner/manager produce better outcomes for the organisation and the people undertaking the T&D into the future.

To this end evaluation and feedback at the organisational level appears to be very limited as the literature seems to be mainly concerned with process evaluation. Moreover, there is a lack of academic research that analyses the impact of T&D on the economic performance of SMEs. The literature that does exist appears to agree that training, evaluation and feedback are performed only in a minority of organisations and are even less prevalent in SMEs (Abdelgadir N & Elbadri 2001; OECD 2002). However SMEs are not alone as the OECD (2002) suggests that governments also fail to evaluate the effectiveness of T&D programs. Although there is general acceptance that evaluation and feedback are important for an organisation, there is little understanding of the reasons for evaluating a training program, and this is therefore the exception rather than the rule (Grossman 2000).

The failure of organisations, especially SMEs, to measure the effects that T&D has on the organisation may also be owing to the fact that managers/owners do not understand or know how to perform an evaluation or what to evaluate, or they do not see the value in evaluation. As a result managers/owners see it as merely a cost rather than as a benefit to the organisation. Perhaps a more poignant reason may be found in the perception that evaluating the effectiveness of T&D in an organisation is one of the most difficult tasks in the T&D process (Al-Khayyat & Elgamal 1997; Goldstein 1986; Torrington & Huat 1994; Wexley & Latham 2002). However, Dawe (2003 p. 90) believes one of the main reasons for the lack of evaluation of training in most enterprises is the accounting system, where training costs are treated as an

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inseparable part of labour costs and not as an investment from which a return is expected.

To overcome these barriers it is suggested that SME managers/owners undertake formal training in the importance of rigorous evaluation and feedback, along with the organisation designing a benchmarking strategy. The latter is seen as an excellent method to add weight to the T&D process and consecutively to the evaluation and feedback phase (Wexley & Latham 2002). Furthermore SMEs could identify which elements of the T&D effort make for a high performing organisation, as high performing SMEs have a higher presence of training evaluation and feedback compared to other SMEs (Huang 2001).

RI_{3.4}: What is the role of evaluation of the T&D effort in innovative SMEs? explores the important issues of T&D evaluation and feedback within innovative T&D SMEs.

3.4 T&D and Organisation performance

The pursuit of ongoing T&D in a business is seen as a legitimate objective and it could be fundamentally important to the economic and human performance of a SME along with wider stake holders that interact with the organisation (Samson & Daft 2009). If an organisation does not maintain a positive financial position it would be unlikely to sustain strong economic growth. Furthermore, it can have ongoing ramifications not only for the organisation itself but the staff and the wider social community. Thus, by not undertaking such practices as T&D, the organisation could compromise its ability to effectively compete in the market place (Australian Business Deans Council 2008; Gibb 2008; Michie & Sheehan 2005; Suggett & Goodsir 2002; Swanson 1993), the abilities of employees in the organisation and the future of the organisation (Business Council of Australia 2008; Suggett & Goodsir 2002).

Whilst there is an ongoing discussion in the literature about the correlation between T&D and organisation performance generally Addison and Belfield (2008) Zwick

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(2006), Aragón-Sánchez et al. (2003), Devins and Johnson (2003), and Bishop (1991), considerable less attention has been given to this aspect in SMEs specifically. Understanding the impact of T&D on all stake holders to achieve organisation performance and strategic goals is crucial especially within the SME context (Brooks & Nafukho 2006; Choo & Bowley 2007; Yorks 2005).

There is general agreement in the literature that T&D has a positive impact upon organisational performance (see for example Van de Wiele 2010; Akhtar et al. 2008; Chand & Katou 2007). Katou and Budhwar (2007) argue that an effective training process enhances firm performance through the development of highly trained employees. There is also strong support for a positive link between staff's participation in training programmes and firm performance. Huang (2000) argues that high performing firms place a strong focus on the T&D function and emphasise a long term focus. Akhtar et al. (2008) found a significant relationship between training and both the quality of products/services and financial performance.

In general SMEs are mostly privately owned and operated in which the managing director are hesitant to make available detailed financial and accounting data. Consequently, 'organisation performance' has been measured variously in the literature, including objective and subjective measures (Appiah-Mfodwa et al. 2000; Paauwe 1998). Several authors argue the use of subjective measures of organisation performance is an adequate practice when the main focus is on exploring the perspectives of specific members in the organisation regarding behavioural and decision-making aspects in the organisation (Boyd et al. 1993).

Garg and Rastogi (2006) argue that subjective and self-reporting measures of performance are the solution to research in SMEs. This approach provides a unique viewpoint of the organisation's performance apart from just SME financial performance. The views of CEO's and/or managers can give a broader perspective on important measures such as customer satisfaction, employee satisfaction and perceived product/service quality (Tsai et al. 2006).

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This approach was followed in the current study through exploring the perceived impact of training and development practices on organisation performance. This was done by asking SME managers of innovative T&D SMEs, in their view, what impact the T&D practices in their organisation has on financial and staff performance outcomes. Regarding financial performance, SME managers were questioned about the perceived impact of T&D on annual revenues' growth – the ratio of annual income in the current year to that of the last year. In terms of staff performance outcomes, SME managers were questioned about the perceived impact of T&D practices on employee commitment, employee turnover, skill development and staff satisfaction (Gollan 2005).

In view of the discussion above, *RQ4: What is the perceived role of T&D practices in organisation performance?* has been developed. Two sub research issues are explored as part of this research question:

> *RI$_{4.1}$: What is the perceived role of T&D in human resource performance outcomes SMEs?*
>
> *RI$_{4.2}$: What is the perceived role of T&D in the financial performance outcomes in innovative SMEs?*

3.5 Summary

This chapter has critically discussed the literature pertaining to T&D processes and practices in SMEs. For the purpose of this research, the T&D climate consist of four major components namely management's attitudes towards T&D; the resource allocation (budget) of a SME, the T&D objectives, and finally the T&D policies within the organisation. Training and development practices and processes explored in this study, include: the conduct of a needs assessment; T&D design, formal and informal T&D practices and (iv) T&D evaluation and feedback.

It is evident that an understanding of T&D climate of an organisation is important as it holds significant importance for the T&D process as without a climate that fosters a positive environment, the T&D in an organisation may be in jeopardy. Similarly the T&D climate is important because these elements are the inputs for the next stage of the conceptual framework − the T&D process at the organisational level of SMEs.

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It was also discussed in this chapter that, the literature has paid little attention to the importance of the elements within the T&D process in SMEs. It has been identified that T&D process is essential in meeting the goals of the organisation and consequently their financial and social sustainability. Whilst there is an ongoing discussion in the literature about the correlation between T&D and organisation performance generally the literature review concluded that considerable less attention has been given to this aspect in SMEs specifically. Further to this there is consensus among authors that there is a need for more research in relation to the T&D climate, T&D process as well as organisational performance to develop a better understanding of these process and practices both for the future and growth of a SME along with the economic and social stability of the state of Queensland and Australia.

The next chapter provides an in-depth discussion on the research methodology used for this research.

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CHAPTER 4: RESEARCH METHODOLOGY

4.1   Introduction

Chapter four provides an in-depth discussion on the research methodology used for this research. An in-depth discussion of the research project and its methodology is seen as imperative in enhancing the validity of qualitative research (Sekaran & Bougie 2010). This chapter describes the decision processes involved in the selection of research methods and their implementation, including: the research design and methodology, unit of analysis, sampling, data collection and analysis, validity, ethics and research methodology limitations. Before these are discussed the research objective and research questions are summarised below.

4.2   Research Objective and Research Questions

As outlined in chapter one, the research objective is to examine the T&D processes and practices within Queensland SME T&D innovators (these SMEs have been recognised for their proactive efforts in the area of T&D). The research also explores the perceived role of T&D practices in SME organisation performance.

The following research questions have been formulated to inform the research objective above. Specific research issues are associated with each research question.

The in-depth literature review in chapter 2 and 3 provides the theoretical underpinnings of the research questions.

RQ 1: What are the drivers (internal and external) of T&D in innovative SMEs?

$RI_{1.1}$: What are the internal drivers of T&D in innovative SMEs (such as size, presence of HR manager and existence of a strategic plan) and how do they impact on T&D in these SMEs?

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RI$_{1.2:}$ What are the external drivers of T&D in innovative SMEs (such as government requirements, new technologies, quality issues, pool of talent issues and increase in competition) and how do they impact on T&D in these SMEs?

RQ2: What are the characteristics of T&D climate in innovative SMEs?

RI$_{2.1}$: What are the attitudes of SME managers towards T&D in innovative SMEs?

RI$_{2.2}$: What is the resource allocation (budget) for T&D in innovative SMEs?

RI$_{2.3}$:   What is the importance and relevance of strategic T&D objectives in innovative SMEs?

RI$_{2.4}$: What T&D policies are in place in innovative SMEs and why?

RQ3: What are the characteristics of T&D processes and practices in innovative SMEs?

RI$_{3.1}$: What is the role of a training needs analysis in innovative SMEs?

RI$_{3.2}$: What are the characteristics of the design of T&D on innovative SMEs?

RI$_{3.3}$: What are the characteristics of the T&D practices in innovative SMEs?

RI$_{3.4}$: What is the role of evaluation of the T&D effort in innovative SMEs?

RQ4 What is the perceived role of T&D practices in organisation performance?

RI$_{4.1}$: What is the perceived role of T&D in human resource performance outcomes SMEs?

RI$_{4.2}$: What is the perceived role of T&D in the financial performance outcomes in innovative SMEs?

4.3   Research Design and Methodology

"Research design refers to the way in which a research idea is transformed into a research project or plan that can be then carried out in practice by a research" (Given 2008 p. 761). The research design draws on the the phenomenological paradigm. The phenomenological paradigm is concerned with understanding human responses and behaviour from the participants own frame of reference (Hussey &

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Hussey 1997).   However, the research approach in this study differs in some aspects from a genuine phenomenological standpoint where the unit of analysis would generally have been the individual and in-depth narratively oriented interviews would have been conducted. Instead the study draws from the experience of a selection of T&D champions in the SME sector within 30 SMEs. Therefore even though the study employs predominantly a qualitative methodology since the topic area of T&D does not have a single, rigid methodology, the use of interpretive methods are welcomed (Carroll, 1994); and this approach facilitates a more in-depth understanding of the complex nature of T&D in SMEs (Conger, 1998), the analysis of the interview data also draws on a positivist approach in that the themes emerging from the qualitative data are presented in some cases through frequencies. Owing to the lack of research on T&D within the context of SMEs, the research was therefore conducted using an emergent framework. Even though an in-depth literature review has been conducted to inform the research questions, an emergent approach enables an analysis and understanding of the T&D issues from the perspective of the interviewees, rather than refocusing their perceptions and through the lens of some existing theory or framework (Kan and Teo 2011). The approach in this study is not meant to be a depiction of theory building from case study research Eisenhardt's (1989), rather the objective of this study was to develop a thematic analysis rather than to develop substantive theory. The findings are also compared and contrasted to relevant research and theories.

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After reviewing Patton's interconnecting themes and strategies in qualitative inquiry (Patton, 1990), a summary of themes and strategies appropriate for the proposed research has been compiled (see in Table 4.1).

Table 4.1 Research design
(Adapted from Patton 2008 p. 44)

Appropriateness	Approach	
Yes	1. Naturalistic inquiry	Studying real-world situations as they unfold naturally; non-manipulative, unobtrusive, and non-controlling; openness to whatever emerges—lack of predetermined constraints on outcomes
Yes	2. Inductive analysis	Immersion in the details and specifics of the data to discover important categories, dimensions, and interrelationships; begin by exploring genuinely open questions rather than testing theoretically derived (deductive) hypotheses
Yes	3. Holistic perspective	The *whole* phenomenon under study is understood as a complex system that is more than the sum of its parts; focus on complex interdependencies not meaningfully reduced to a few discrete variables and linear, cause-effect relationships
Yes	4. Qualitative data	Detailed, thick description; inquiry in depth; direct quotations capturing people's personal perspectives and experiences
Yes	5. Personal contact and insight	The researcher has direct contact with and gets close to the people, situation, and phenomenon under study; researcher's personal experiences and insights are an important part of the inquiry and critical to understanding the phenomenon
Yes	6. Dynamic systems	Attention to process; assumes change is constant and ongoing whether the focus is on an individual or an entire culture
Yes	7. Unique case orientation	Assumes each case is special and unique; the first level of inquiry is being true to, respecting, and capturing the details of the individual cases being studied; cross-case analysis follows from and depends on the quality of individual case studies
Yes	8. Context sensitivity	Places findings in a social, historical, and temporal context; dubious of the possibility or meaningfulness of generalizations across time and space.
Yes	9. Empathic neutrality	Complete objectivity is impossible; pure subjectivity undermines credibility; the researcher's passion is understanding the world in all its complexity— not proving something, not advocating, not advancing personal agendas, but understanding; the researcher includes personal experience and empathic insight as part of the relevant data, while taking a neutral nonjudgmental stance toward whatever content may emerge
Yes	10. Design flexibility	Open to adapting inquiry as understanding deepens and/or situations change; avoids getting locked into rigid designs that eliminate responsiveness; pursues new paths of discovery as they emerge

The research design of this study into the use of T&D practices in innovative SMEs is also exploratory in nature (Zikmund 2003). Exploratory research examines the little understood issue and intends to develop preliminary ideas that can be refined

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into research questions by focusing on the "what" question. Exploratory research also implies that this research is intended to explain the phenomena (T&D in Queensland innovative SMEs), rather than just describe it (Given 2008; Neuman 2006). Exploratory research is often used in case study methodology (Ghauri et al. 1995; Hussey & Hussey 1997; Swanborn 2010; Yin 2003).

The research methodology of this study comprises mini-case studies which are explored through interview methodology. A case study has been defined as a research methodology that entails the detailed and intensive analysis of a single or multiple cases (Bryman 2008). According to the definition by Sekaran and Bougie (2010 p. 30) case studies '…involve in-depth, contextual analysis of similar situations in other organisations, where the nature and definition of the problem happened to be the same as experienced in the current situation'. Most often qualitative research uses a case-oriented approach, where interviews are applied and where the research focuses on a specific person or an organisation in a specific situation (Kavale 2008; Sekaran & Bougie 2010). Despite the lack of consensus on the characteristics of the case study approach, case studies have increasingly been recognised as one of the most used approaches in qualitative inquiry (Denzin & Lincoln 2003; Sekaran & Bougie 2010).

Therefore, the overall approach followed in this research was a multiple-case research design where each mini-case case was considered as an independent experiment (Yin 2003) in generating the necessary information for the purposes of analysis. The thirty SME mini-case studies formed the context of analysis for T&D in these organisations. An in-depth semi-structured interview program was conducted with 30 SME owners/managing directors or their representatives responsible for T&D in the firm. The rest of this section details various aspects of the conduct of mini-case studies as an in-depth interview program.

4.3.1 Unit of analysis and sampling

In order to investigate the key stages and associated themes involved in T&D in innovative SMEs, this research draws from the experience of a selection of T&D

SME 'innovators' in the SME sector. Given the particular focus on SMEs and T&D innovators, it is important to define the criteria used which served as a guide in the sample selection process. For the purposes of this study, 'T&D innovators' refers to 'SMEs that have taken the lead in conducting T&D activities in their organisations, usually at levels beyond what is 'normally' expected and have achieved recognition as being 'T&D innovators compared to their competitors'. The unit of analysis is innovative SMEs that are registered businesses in Queensland that have been publicly recognised for their excellence in T&D practices and activities through the winning of an award in Queensland.

An extensive review of the available awards for the training and development SMEs in all sectors of industry in Queensland was performed within the time frame of 2005 to 2011. The participants in this research received their awards from government and industry bodies Including:

- The Queensland training awards, hosted by the Queensland government
- Construction skills Queensland
- Queensland Master Builders awards
- Restaurant Marketing Accommodation Hotel/Resort
- Department of State Development
- Group Training Association of QLD
- Prime Minister's Awards for Excellence for Employers of Australian Apprentices Australian Government
- Landscape Queensland Training Awards
- Manufacturing Industry Skills Awards

Despite contacting these industry and government bodies the criteria which SMEs needed to fulfil in the winning of the awards was unclear.

The following criteria were also applied in selecting interviewees:

- Organisational size ranging from 10 - 200 employees;
- SMEs within the State of Queensland
- Any ABS industry categories excluding agriculture

The individuals interviewed were either the SME owner/managing director or their representative responsible for T&D in the firm. The SME owner/CEO/managing director was selected as interviewees because SMEs are often independently owned and operated; the owner/managing director tend to have close control over the operations in the firm; and the owner contributes most of the operating capital as categorised by the Australian Bureau of Statistics (2005 p. 70). This approach has been in other SME related research (Grandon & Pearson 2004). Authors such as Zikmund (2003), Sekaran and Bougie (2010) and Flyvbjerg (2006) agree that in case studies, interviews research assists in narrowing down the scope of research and is the most useful approach in gaining an enhanced understanding of a phenomenon under investigation.

Purposive sampling (Higginbottom 2004) was utilised and a list of SMEs located in the State of Queensland, Australia were identified, that fit the criteria above. A list of SMEs that have won awards or have been publically recognised was compiled following extensive web searches, advice from industry associations, Chamber of Commerce and professionals including academics, business consultants, senior government officials and T& D advisors. It was evident from this list that there were only 96 different organisation recognised for their T&D practices in Queensland from 2005 to 2011, however after further investigation it was determined that 39 SMEs fit the criteria of this study.

Once the list was compiled, the researcher contacted each SME to ascertain that the firm was indeed officially recognised as a T&D innovator and to invite a member of the top management team to participate in the study. Following the initial contact, the owner/CEO's (or nominated members of the top management team responsible for T&D) of each company on the list were contacted directly by the researcher to explain the purpose and scope of the study and to invite them to participate in the study. Based on their availability and willingness to participate in the study and the nature of the business, a final sample of 30 firms was deemed appropriate (Baum 2000) given that the aim was to develop in-depth and detail understanding of the firm's processes in T&D (Miles and Huberman, 1994; Patton 2001). Furthermore cases were selected from different industries and with different ownership structures

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in order to provide a broader understanding of the T&D processes and also allow for cross industry comparisons (Strauss and Corbin, 1990).

Traditional quantitative research usually calculates sample size using a mathematical formula to determine the variation in the population (Collins & O'Cathain 2009). However, in qualitative research there appears to a debate on how large the sample should be but the general consensus among researchers is that there is no specific number of cases that should be used (Bryan 2006; Patton 2002; Patton 2008; Zikmund 2003).   Neuman (2006) P. 241 believes that 'one principle of sample size is that the smaller the population the bigger the sample ratio has to be for accurate sampling'. For example, a research sample under 1,000 should have a ratio of about 30 percent. However Neumann was referring to random samples.

Miles and Huberman (1994) and Patton (2001) argue that it is acceptable for qualitative research to rely on small sample sizes when the aim is to study the topic of inquiry in depth and detail.   However, Eisenhardt (1989) commented that any less than four cases would not be acceptable as it would not yield enough information. Yin (1994) suggested that a sample of eight to ten interviews are ample for qualitative research, whereas Ellram (1996) and Hedges (1985) argues 12 – 15 cases are suitable to gathering information.   Gummesson (2000) suggests that a researcher should only stop accumulating cases at the point where no new information is being presented or recorded. Given (2008) argues that 15 to 20 interviews are appropriate for saturation of themes during analysis, but it was acknowledged that sample size could vary depending on the content and context under study.   Baum (2000) suggests criteria of 12-20 respondents to achieve maximum variation and understanding. According to Ragin (1989) a broader range of 10 to 60 cases would be appropriate in case study research. The purpose of the research and resources available should be considered in establishing the number of cases (Patton 1990; Bryman 2008; Swanborn 2010).   It is clear that there is no hard and fast rule that can be applied when it comes to the sample size. Nevertheless, considering the forgoing discussion, it could be argued that the selection of 30 mini-cases is more than adequate. For example, after contacting the 39 SME CEO's the researcher had a participation rate of 77% and therefore well exceeds Neuman (2006) and Warren's

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(2002) criteria. It should be noted that after conducting 22 interviews very little information and themes were forthcoming and the rest of the interviews only produced minor but important new information about T&D in SMEs (Patton 2008).

4.4   Data Collection − Interview Methodology

Qualitative interviews can take many forms such as face-to-face interviews, phone interviews or internet interviews and can be conducted through structured, semi-structured or open-ended interviews in a formal or informal manner (Brinkman & Kvale 2005; Given 2008; Wills 2007). In this research, a combination of semi-structured in-depth face-to-face and phone interviews was utilised to specifically explore and understand the use of training and development practices, procedures, processes and factors in decision-making in the sample organisations (see Appendix A).

The thirty interviews were held during the period from January 2011 to March 2011. Twenty-six interviews were conducted in person at the head office of the SMEs. Four phone interviews were conducted owing to the extreme weather conditions (flooding) in Queensland during the time of data collection as some SMEs were isolated as a result of the floods. The latter approach also saved time and cost. The quality of the data may be comparable to that collected in face-to-face interviews as the interviewees were willing to provide reliable and detailed information on the telephone and the same procedures were followed as those of both face-to-face and phone interviews. (Zikmund 2003).

4.4.1   Interview Protocol Development

The interview protocol summarises the content the research intends to cover during the interview. The interview protocol for this research was developed in line with Patton's (2002) recommendations to ensure that each interview conducted followed the same basic structure whilst having enough flexibility to accommodate further discussion of emerging themes and explore topics as they arose.

The interview protocol consists of mainly open-ended questions; however a combination of limited choice responses (closed questions) were used for collecting the demographic information. The questions used in the interview protocol were brief, simple and open-ended which allowed the interviewees to expand and provide a rationale for their responses (Given 2008; Shaughnessy & Zechmeister 1994). It also provided rich data to account for individual differences and variations. This strengthens the quality of the data collected (Kavale 2008; Patton 2008).

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4.4.2 Interview Procedure

The researcher made an initial phone call to the SME Owner/Managing Director during which the project was outlined. The rationale for the interview was to be kept to a minimum so that it takes as little of the respondent's time as possible, a practice, designed to encourage respondents to participate (Shaughnessy and Zechmeister, 1994). Assurances were given to these potential participants that the interviews should not take more than 70 minutes.

An introductory letter was also sent via email to prospective SME participants for their perusal (see Appendix B). This letter outlined what the research is about and how the interview will be conducted, along with the informed consent forms (see Appendix C). The researcher then contacted the prospective SME participants via phone a few days after the initial email to arrange a potential interview time convenient to both the interviewer and the participant. Confirmation emails were sent to each SME representative who had agreed to participate in an interview.

A thank you letter was sent to each SME interviewee after the interview. Each interviewee will also receive a copy of a research report at the conclusion of the research project.

The interviews lasted 35 – 65 minutes. The researcher utilised an in-depth and semi-structured question format where the researcher occasionally probed for additional information. Both closed questions and open-ended questions were asked and the interviews were digitally recorded. The recording of interviews allowed the researcher to be highly alert to what was being said and he could actively listen whilst interacting with the participants as a partner without distractions (Patton 2002; Bryman 2008; Bickman & Rog 2005; Moustakas 1990). Digitally recording the interviews increases the reliability of the research and provides accurate data for transcription (Modaff & Modaff 2000; Patton 2002; Patton 2008).

The interviews were conducted by the researcher himself in order to ensure commonality across interviews. Standard interview techniques and protocols were

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used such as avoiding leading questions; probing beyond the expected answers; exploring inconsistencies; and recording participants' own words.

The interviews were conducted in a single session but comprised of four stages:

Stage 1

Each interview commenced with the researcher outlining the research objective, purpose of the research and background of the research. After this initial conversation the researcher once again sought participants' permission to record the interview for ethical purposes (Brinkman & Kvale 2005; Given 2008; University of Southern Queensland 2008b).

Stage 2

The interviewees were asked to provide demographic information about their organisation. The purpose of asking for the demographic information at the start of the interview was not only to gauge the context of the interview but also to establish rapport with the respondents before more detailed questions were asked (Shaughnessy and Zechmeister, 1994). The interviewer then followed the interview protocol. Each participant was asked all the questions and in the same sequential order.

Stage 3

At the end of the interview participants were given the opportunity to add any information, comments, or ask any questions they liked, after which they were thanked for their participation in the research (Williams 2000).

Stage 4

Immediately after the interview the interviewer checked the digital recording and made additional notes about the interview. This was done to enhance the rigor and validity of interviews (Kavale 2008; Patton 2002).

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4.4.3 Reliability and Validity

It is important to reduce research bias and improve the reliability of the interview process as far as possible (Bryman 2008; Given 2008). Joppe (2000) defines reliability as: '…The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.' (p. 1). In developing the interview protocol, the researcher has relied heavily on qualitative research literature to enhance the reliability of the interview protocol. The reliability of the interview protocol has been addressed through a detailed documentation of the procedures of development of the interview protocol, asking questions which allow for replication and describing the procedures in-depth.

Validity refers to 'the appropriateness, meaningfulness, and usefulness of the inferences researchers make based specifically on the data they collect' (Fraenkel & Wallen 2009 p. 453). Lincoln and Guba (1985) and Creswell (1998) suggests that terms such as credibility, dependability, conformability, verification, and transferability should be used instead of the term validity. In this research the content validity of the interview protocol has been addressed by submitting a draft of the interview protocol to a number of senior academics and SME researchers in the Faculty of Business at USQ. These academics have all published in the training and development area. After consulting senior academics and SME researchers, the researcher also conducted trial interviews with three SMEs, to enhance the content validity of the interview protocol. This process ensured that the interview protocol accurately reflected and measured what it purports to measure (Patton 2008).

In addition a pre-test of the interview protocol has been conducted by interviewing three SME managers and seeking feedback from each manager on the length of the interview, appropriateness of the questions; skill level of the researcher in the interview and the content, clarity and process of the interview (Sekaran & Bougie 2010). These SME were not included in the final 30 SMEs included in this research.

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4.4.4 Data Analysis

The contents of the digital recordings were transcribed and content analysis was performed on the interview data using NVivo qualitative analysis software. The purpose of undertaking content analysis of the interview data collected was to identify and interpret the data and identify common themes (Healy & Perry 2000; Wadsworth 1997). This involved the coding and categorisation of data and the subsequent identification of main T&D themes and sub-themes (Babbie, 2004; Patton, 2001). Data strips identified as themes and sub-themes from the interview transcripts were entered as direct quotes into a series of thematic tables in order to identify patterns and relationships both within and between the different SMEs. The data was reviewed to identify recurring themes (Patton, 2001) which were clustered together.

4.4.5 Use of Nvivo

Nvivo is a computer assisted qualitative data analysis software package program and has been used by a broad range of fields including: humanities, social sciences and medical/health sciences (Bazeley 2007). It is used to code and analyse qualitative data, such as interviews, open-ended surveys, transcriptions of focus groups, or other text-based data. Nvivo was chosen for its ability to import documents directly into the programme such as Word. Further to this, the Nvivo program has the ability to organise and analyse unstructured information and of inserting memos and comments into the documents and linking these into that above-mentioned documents. This has given the researcher the flexibility to compare different sources of data in conjunction with the transcribed interviews that were conducted. It also provided an advantage in identifying emerging themes (QRS International 2012).

There has been a recognised debate about the use of computer assisted qualitative data analysis in qualitative research as some commentators are concerned with software is driving the research in a particular direction (Patton 2008; Ragin 1989; Seidel 1991). On the other side of the argument supporters of computer assisted qualitative data analysis has the ability to facilitate more accuracy and transparent

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data analysis process they can be accomplished in a time effective manner which in turn provides for more reliability in the general picture of the data (Creswell 2007; Johnson & Christensen 2008; Neuman 2006; Welsh 2002). In light of the literature that was reviewed pertaining to Nvivo the use of this computer assisted qualitative data analysis was deemed to be appropriate.

4.5 Ethical Issues

Ethics clearance was sought and granted through the Human Research Ethics Committee (HREC) at the University of Southern Queensland (USQ). After the finalisation of the interview questions the researcher gained human ethics clearance as it necessitated the involvement of human beings in interviews. This research approach was considered by the guidelines of USQ as 'Low Risk' (University of Southern Queensland 2008a).

During the recruitment of the participants a clear explanation of the research was given to each participant and they were informed of their rights to withdraw at any time.

For those SMEs who participate in the interviews there was a clear understanding of: what was going to happen and when it will happen by all stakeholders; the confidentiality of information collected; voluntary participation; and their right to withdraw from the study at any time without incrimination.

4.6 Limitations of Qualitative Methodology

As with any study, this research has several limitations. Firstly, the interviews were based on a small sample of SMEs in a specific geographical location, Queensland. To the extent that the firms in the sample face the same external business environment, care should be taken in generalising the findings to other jurisdictions. This is because the social, legal, political and economic and ecological environments

as well as policies provide the context for a firm to develop and grow and as such bear important influences on their overall behaviour including embracing training and development.

Secondly, the focus of the case study research is usually on small samples which limits the generalisations of the study. Although the sample covers different industries and provides in-depth insights into the micro level processes involved in T&D, it still represents the experience of a small selection of innovative SMEs in Australia. Similar organisations in other Australian states have not been included. However, in this study 77 percent of the initial sampling frame of innovative T&D SMEs in Queensland have been included in this study (30 out of 39 SMEs). Even though the results may not be generalisable to other Australian states, the results will enable the identification of T&D best practice in innovative T&D SMEs. Thirdly the age, gender and ethnicity of the participants along with the age, specific location and turnover of the SME was not solicited in this research. It is acknowledge that this may be a potential limitation.

The subjective nature of an interview is a major limitation (Zikmund 2003). The researcher has tried to minimise this limitation by addressing the reliability and validity issues pertaining to the interview protocol (see section 4.4.2) the interpretation and analysis of the results have also been done as carefully as possible so that interpreter and publication bias is negated (Given 2008; Morse & Richards 2002; Patton 1990, 2002; Patton 2008; Richards 2005; Zikmund 2003).

4.7   Summary

This chapter has outlined the overall research objective, the related research questions and sub-research issues. The research design falls within a phenomenological paradigm. The overall approach followed in this research was a multiple-case research design where each mini-case case in which necessary information for the purposes of analysis was generated. Thirty innovative T&D

SMEs constituted the mini-case studies which formed the context of analysis for T&D in these organisations. An in-depth semi-structured interview program was conducted with 30 SME owners/managing directors or their representatives responsible for training and development in the firm.

The interviewee participant selection process has been discussed in this chapter as well as the interview methodology. The reliability and validity, research ethics and methodological limitations have also been discussed in detail. The next chapter reports the interview results and interpretation of these results.

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CHAPTER 5: INTERVIEW RESULTS

5.1   Introduction

This chapter reports on the findings of the interview data. The chapter commences with outlining the demographics of participating firms. The results regarding the internal and external drivers of T&D in innovative SMEs, the characteristics of T&D climate in innovative SMEs, the characteristics of T&D processes and practices in innovative SMEs and the perceived role of T&D practices in organisation performance are summarised. The structure of the chapter follows the research questions explored in this study.

5.2   Demographics of Participating Organisations and Interviewees

This section describes the organisational characteristics of the innovative T&D SMEs and interviewees included in the study. Specifically, it provides a profile of SME respondent organisations in relation to the organisational size and industry category and personal demographics of the interviewees in terms of their position in the organisation and qualifications. This information contextualises the results reported in this chapter. However, first, a summary is given of the demographics of the thirty firms that have been included in this study.

Table 5.1 Sample Characteristics (N=30)

SME Coded Name	Size	ANZSIC Industry categories	Business Structure
AET Manufacturing	10 to 100	Manufacturing	Partnership
AH Construction	10 to 100	Construction	Partnership
BBC Food Services	10 to 100	Accommodation and Food Services	Not for Profit Organisation
BI Education	101 to 200	Education and Training	Private company
CAR Food Services	101 to 200	Accommodation and Food Services	Not for Profit Organisation
CBG Construction	101 to 200	Construction	Public company
CBS Real Estate	10 to 100	Rental, Hiring and Real Estate Services	Sole Trader
CCI Accommodation	101 to 200	Accommodation and Food Services	Private company
DAT Construction	10 to 100	Construction	Partnership
DED Services	10 to 100	Other Services	Partnership
DMM Services	10 to 100	Other Services	Sole Trader
FP Construction	10 to 100	Construction	Partnership
GAP Construction	10 to 100	Construction	Private company
GCA Retail Trade	101 to 200	Retail Trade	Private company
GDT Construction	101 to 200	Construction	Private company
GP Wholesale	10 to 100	Wholesale Trade	Private company
HAP Construction	10 to 100	Construction	Sole Trader
HB Manufacturing	101 to 200	Manufacturing	Private company
JC Construction	10 to 100	Construction	Private company
LAE Construction	10 to 100	Construction	Joint venture partnership
LBE Construction	10 to 100	Construction	Partnership
MTB Construction	10 to 100	Construction	Private company
NAR Health Care	101 to 200	Health Care and Social Assistance	Not for Profit Organisation
NCJ Manufacturing	10 to 100	Manufacturing	Sole Trader
OR Manufacturing	101 to 200	Manufacturing	Private company
PK Manufacturing	10 to 100	Manufacturing	Sole Trader
PQG Construction	10 to 100	Construction	Private company
TBG Construction	10 to 100	Construction	Private company
TPS Retail Trade	101 to 200	Retail Trade	Private company
USC Construction	10 to 100	Construction	Sole Trader

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5.2.1 Organisational Size

As outlined in chapter 1, for the purposes of this study small businesses are constituted by 100 or fewer employees and medium-sized businesses ranging from 101 to 200 employees. However, this study used 10 employees as the lowest extremity for size because the research project is about T&D which is a functional aspect of HRM and SMEs and a workforce with more than 10 employees will be expected to have some kind of T&D activities in place (Wiesner & Innes 2010).

As evident from figure 5.1, twenty (66.6%) of the participating firms were small organisations (10 to 100 employees) and ten firms (33.3%) were medium size organisations 101 to 200 employees.

SME Size Count

101 To 200 Employees (n=10) 33%

10 To 100 Employees (n=20) 67%
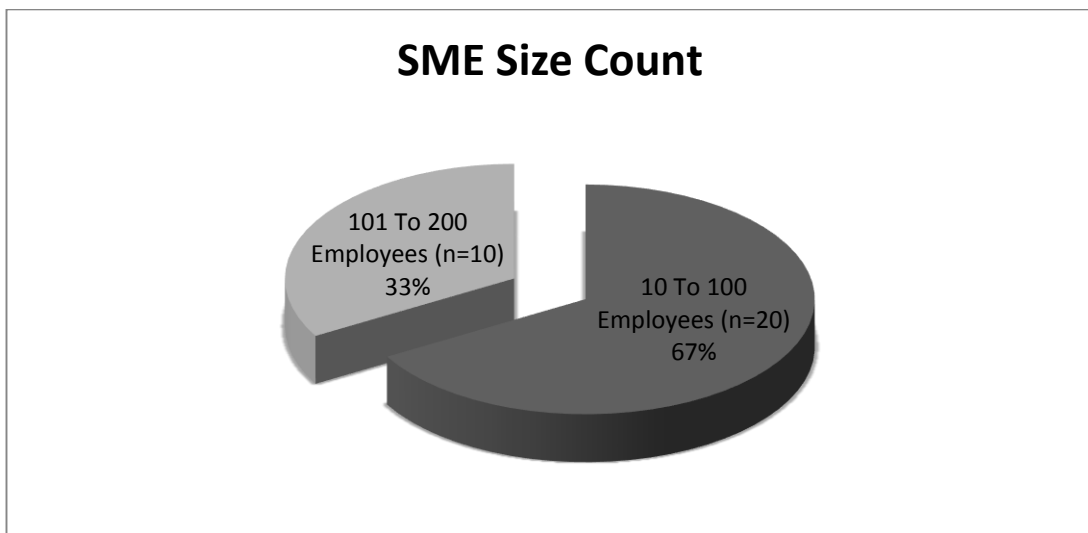
Figure 5.1 Size of participant organisations

5.2.2 Industry Categories

This research employed the ANZSIC industry categories. It is clear from Table 5.1 and Figure 5.2 that the 30 SMEs who participated in this research fell into 7 out of the 12 ANZSIC industry categories. The highest represented category was category E, Construction with 14 SMEs, followed by category C manufacturing, with five

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SMEs. Category H accommodation and food services comprised three SMEs and category S other services comprised two SMEs. There was only one SME in Category F Wholesale Trade, one SME in L Rental, Hiring and Real Estate Services, one SME in P Education and Training, and one SME in Q Health Care and Social Assistance, respectively. There were no SMEs in the other 5 categories.

Industry Category

	C. Manufacturing	E. Construction	F. Wholesale Trade	G. Retail Trade	H. Accommodation and Food Servi...	L. Rental, Hiring and Real Estat...	P. Education and Training	Q. Health Care and Social Assistance	S. Other Services
■ Series1	5	14	1	2	3	1	1	1	2
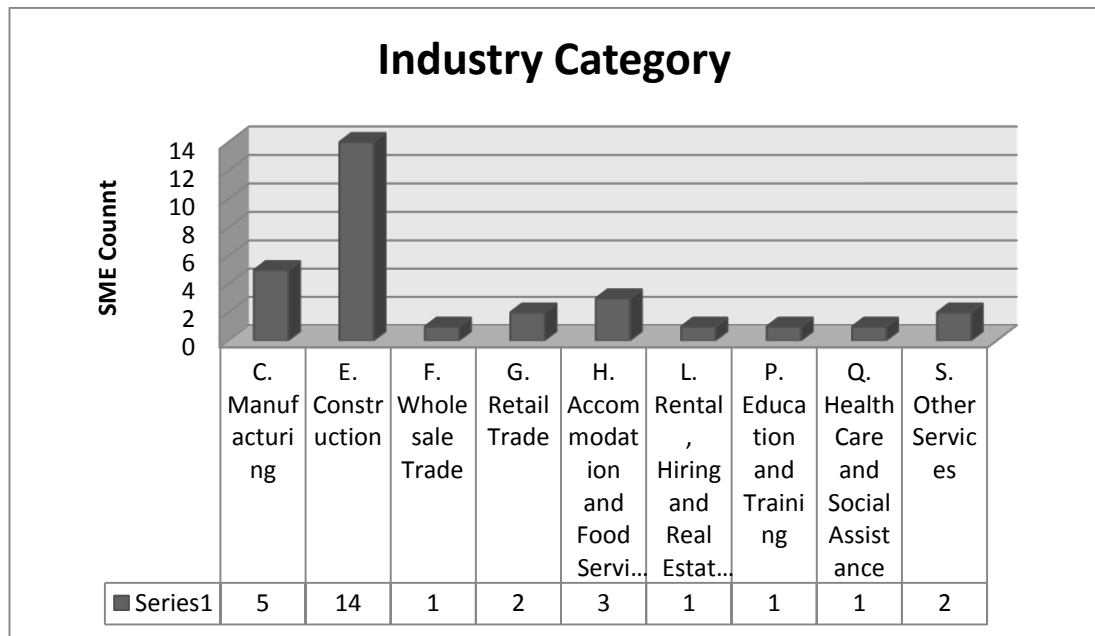
Figure 5.2 Industry Category of Participants

5.2.3 Positions and Qualifications of Interviewees

The interviewees consisted of seventeen MD/Owners (57%), seven HR Managers (23%), five sole trader owners (3%) and one dedicated T&D manager (see Figure 5.3). All participants were responsible or involved to a high degree in the T&D processes and practices of the organisation and therefore possessed knowledge of T&D.

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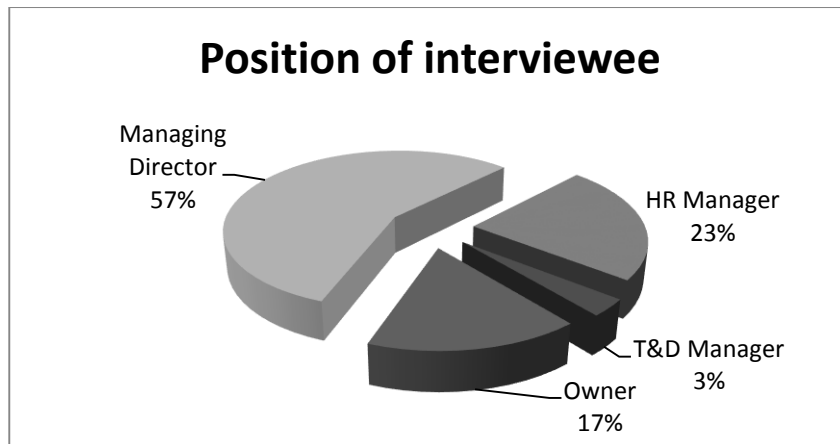
Figure 5.3 Position of interviewee

The qualifications of the participants varied from trade certificates to Masters Degrees. It is clear from figure 5.4 that 21 (70%) of participants held TAFE equivalent qualifications. Twelve interviewees held a Certificate, seven a Diploma and two an Advanced Diploma. Five (16%) of the participants held a Bachelor Degree, one a Post Graduate Degree and three (10%) participants held a Master's Degree. Only two participants held a formal qualification in T&D and five held formal business or management qualifications. The remainder came from a very diverse background including sociology, various trades, building, electrical, accounting, tourism, military, architecture and engineering.
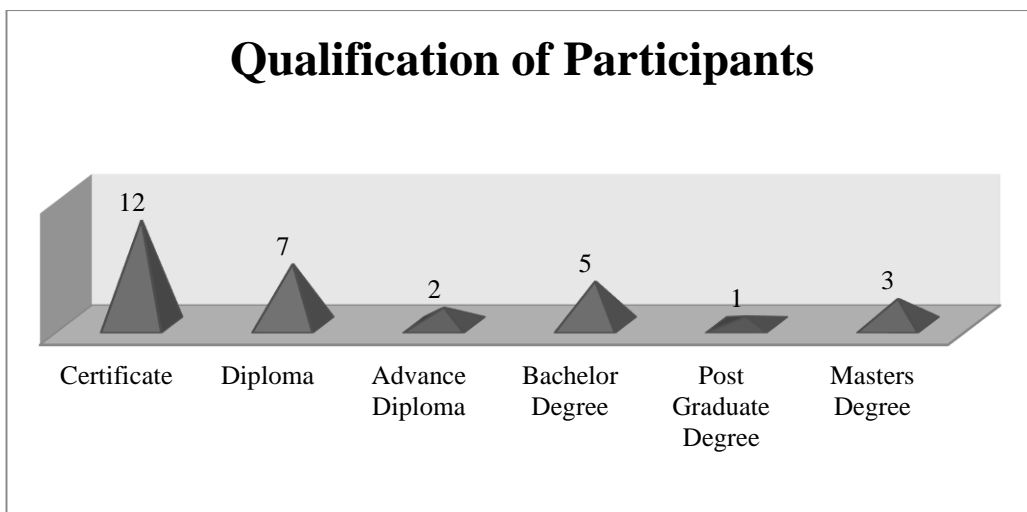
Figure 5.4 Qualifications of Participants

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5.3   The Drivers of T&D in Innovative SMEs

This section presents the results relevant to *RQ 1: What are the drivers (internal and external) of T&D in innovative SMEs?* The first part of this section will address *RI$_{1.1}$:   What are the internal drivers of T&D in innovative SMEs (such as size, presence of HR manager and existence of a strategic plan) and how do they impact on T&D in these SMEs?*   The second part of this section addresses *RI$_{1.2:}$ What are the external drivers of T&D in innovative SMEs (such as government requirements, new technologies, quality issues, pool of talent issues and increase in competition) and how do they impact on T&D in these SMEs?*

5.3.1 Internal drivers of T&D

When the researcher initially asked the question: In your view what are the internal factors to your organisation that drive T&D in your organisation?, many interviewees provided answers which also included external drivers, this indicated that they did not have an understanding of the difference between an internal and an external driver. To overcome this ambiguity by the interviewees the researcher ask specific questions pertaining to organisational size, presence of a HR manager, and presence of a strategic plan which are the main focus of this research. While skills gap was not a focus of this research and was not specifically identified as an internal driver by the 30 SMEs, the narrative from twenty three SMEs throughout the interview was that training and development was also implemented to address the skills gap in their organisation but only after other external and internal events occurred. It was seen by these SMEs that skills gap was only relevant as a driver when the organisation went through a growth stage; won new contracts, competition was offering new products or services, requirements of customers, and when new government requirements occurred.

Therefore there the question emerged whether skills gap is an internal driver of T&D or whether it is the effects of other internal and external drivers that are affecting the skills gap issue within these SMEs. Therefore, whilst the issue of skills gap will be

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discussed throughout the following section further research specifically related to skills gap in SMEs could be undertaken to develop a better understanding of this phenomenon.

Organisational size, presence of a HR manager, and presence of a strategic plan which all represent internal drivers, are now discussed.

5.3.1.1 The impact of organisational size on T&D

Interviewees were asked the question: 'In your view do you think the size of your organisation plays a role in the T&D in your organisation? If yes, how? Twenty seven of the interviewees (90%) indicated that an increase in size had an effect on T&D in their organisations. Twenty-four firms indicated that an increase in firm size had a positive effect on T&D whereas three SMEs said that it had a negative impact on the T&D activities with inside the organisation. Five major themes were identified regarding the positive impact of size on T&D: an increase in the quantity of T&D; an increase in the type of T&D; an increase in the skills gaps within organisations which lead to more training; organisational growth was accompanied by more resources for training; and with organisational growth came an increase in compliance requirements which resulted in an increase in T&D. Table 5.2 reflects some examples of these themes.

Table 5.2 Themes and examples reflecting the positive impact of firm size on T&D

Theme	Examples of positive influence of SME size on T&D
More training due to growth **Compliance**	As the company's got bigger it's become very obvious that it – to run most productively you have to have that training for other people. Obviously I can't work twenty-four hours a day. Sometimes it feels like that but I have to delegate and to delegate you have to trust someone. And I want them operating the same – on the same level and with the same core value as what we're operating from. I think internally definitely. On the management side, but probably the compliance issues obviously no matter what size you are you've got to – got to conform to those and the life skills part of that with the apprentices would definitely be included in that anyway no matter what size we were (FP Construction)
An increase in the quantity of T&D **Compliance**	Yes most definitely. The larger we get the – the more impact we have with workplace health and safeties and all that sort of stuff and as far as developing systems that we're trying to prevent mistakes or lost times and all that sort of stuff. So yes as time has gone on certainly developing more into that area to prevent, you know, the likes of your lost time or mistakes and that sort of stuff yeah (GAP Construction)
Organisational growth accompanied by more resources	Absolutely. I don't think the business could necessarily afford to invest what we see to be around two million dollars a year in facilitating the Training and Development Academy. I don't think a lot of businesses could justify investing that sort of money unless there was some – you know some volume occurring already. There was never the facility for that

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for training	sort of advancement in regards to training or investment in training. I think that even two or three years ago that there wasn't the facility for it. So absolutely I think our – our size definitely has us in a position to make that decision (GCA Retail Trade).
An increase in the type of T&D	We grew very quickly in a short period of time and you realise that without the – without the skills and the development we – we couldn't sustain that growth and we couldn't sustain the level that we achieved so we had to physically drop back and then re-focus on the business to train staff accordingly. We decided to provide more formal training and get someone in to do that on site and then developed more tool box meetings to make sure that they knew what they were doing. This made us more efficient and helped a lot (LAE Construction). For sure because when we first started in this building what some ten – eight years ago we just didn't have this provide as much training ether here at our premises or by sending them to TAFE. We did renovations in our building to allow us to have a dedicated room and provide the type training they need on site. When we were smaller we wouldn't be able to take advantage of the online training or provide training for all our staff now as we are bigger we can and can give them a place to sit in the quiet and do it (LBE Construction).
An increase in skills gaps within organisations which lead to more training	We grew very quickly in a short period of time and you realise that without the skills and the development we – we couldn't sustain that growth and we couldn't sustain the level that we achieved so we had to physically drop back and then focus on the business to – and – and train staff accordingly. So yeah. (LAE Construction).

Regarding the *increase in the quantity and type of T&D*, 14 interviewees argued that an increase in employee numbers tend to lead to more frequent and more formalised T&D processed and practices. This was especially noticeable in some of the small firms that were transitioning towards becoming a medium size enterprise.

Whilst T&D was highly valued by all 30 SMEs, small organisations (21 interviewees) mainly talked about the T&D activities pertaining to the apprentices and trainees such as updating of skills for the trades and operational level staff in the organisation. The majority of T&D in these smaller organisations (19 interviewees) conducted informal on the job T&D and provided mentoring for apprentices and trainees. The formal T&D was usually conducted when apprentices and trainees were sent to a registered training authority for formal training as part of their requirements by government (N=20).

Of the 21 small organisations interviewed, T&D of administration and management staff only occurred in 13 small businesses. This indicates a noticeable absence of T&D for these staff in the other 8 small organisations. It became evident that small organisations became more active in providing T&D to administration and management staff when they went through a growth stage towards a medium range, where new technology was being implemented and new processes and practices had to be implemented. One exception was one small organisation that implemented

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formal T&D activities to all employees and supplied high levels of on-the- job formal T&D for all staff.

All 10 medium organisations stated that they provided T&D across all sections of their organisations. Most of these firms also argued that it was a lot easier to provide *good quality and more formalised T&D* to their staff as their organisations have grown. In contrast four of the medium organisations argued that T&D actually became more difficult, both logistically and financially as employee numbers increased. These four firms found a solution to this problem by becoming a registered training authority. They were unanimous in saying that an increase in size enabled them to become a registered training authority. This was also echoed by one small organisation which was in the process of becoming a registered training authority and another two that were in the process of investigating the logistics of such a move.

Twenty-three SMEs indicated that apart from SME size, as diversification increased, they were presented with a number of challenges such as an increase in *skills gaps*. Employees *required new skills* and consequently had to increase their T&D activities. However, an increase in firm size also resulted in *more resources allocated to T&D*. An increase in financial resources and human resources enabled most SMEs to provide more focused and targeted T&D.

The employment of more staff also obligated SMEs to address government compliance requirements such as OH&S and contract requirements to a much greater extent. This issue overlaps with external drivers, however within the context of SME growth; compliance issues became more prominent in twenty-four SMEs as they grew.

The issue of resources will be investigated in greater depth in section 5.4.2 and government compliance requirements in section 5.3.2.

Four SMEs were in the midst of a period of downturn and they were reducing staff owing to the global financial crisis. Whilst the global financial crisis is an external driver the fact that they had reduced their organisation's size resulted in a reduction in the amount of formal off-the-job training. However these firms were still

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providing informal and on-the-job training whilst undertaking restructuring. These firms indicated that despite restructuring efforts, T&D was still a strong focus in their organisations. They were unanimous that SMEs need skilled people when the economic situation changes and once the economic difficulties have passed skills gaps caused by retrenchments will need to be filled again.

Only three firms stated that an increase in size had a negative impact on T&D. Two themes were identified. Owing to an increase in firm size these interviewees indicated greater time constraints regarding their own time. Greater financial restrictions were also identified as a consequence of an increase in firm size which had a negative impact on T&D.

Table 5.3 Themes and examples reflecting the negative impact of size on T&D

Theme	Examples of negative influence of SME size on T&D
Time restrictions	Definitely I think it would be easier to provide training in a smaller organisation. It's been, yeah significantly – we've had – yeah it's been quite difficult with the number of people that we had training and also then trying to meet our production requirements (OR Manufacturing).
Time and financial restrictions	I think the size of our organisation probably does affect the amount of training we can provide. Tied into that obviously is our financial capability of providing training. We run – we are required to run a fairly tight shift because I don't have many all over the place. It is very difficult for us to take staff off the floor to provide training because obviously we've lost a number of staff that are required to care for people and do specific tasks and to take them off the floor for any period of time affects that care delivery. So the size of our organisation and our type of service does affect that delivery of training to staff (NAR Health Care)

Three SMEs argued that an increase in firm size had no effect on T&D in their firms. These firms argued that it is all up to management's attitude whether T&D is a focus in the firm, regardless of the size the firm.

Table 5.4 Themes and examples reflecting no impact of size on T&D

Theme	Examples of no influence of SME size on T&D
No impact Managements attitude	I don't think it comes to size. It comes to who's – who wants to be involved with it because I started this business myself and I was just a plumber and labourer when I first started and then I put on an apprentice after I knew that that labourer was keen enough. Put them on as an apprentice and then went from there. So it's all – it's all to do with who wants to be involved and who really wants to motivate training in an organisation. It doesn't matter what size it is (GDT Construction).

I don't know. Look it – it goes back again like if – you have to do it. You can't get away with not training people. And that's as simple as that. I have got no – I don't have any things – sort of thing – I'd like people to think the way I think. The way I do things. I want them to do the same way and to get people to think like that you've got to train them (HAP Construction). |

5.3.1.2   The Impact of a HR manager on T&D

Thirteen (43%) of the thirty SMEs interviewed had a designated person responsible for T&D in the firm. In five of the thirteen firms that had a designated person responsible for HR, the MD or CEO combined their management role with the T&D role and the other eight employed a HR manager. The following discussion pertains to the SMEs that have employed a dedicated HR manager for some time. The interviewees were asked: 'In your view do you think the presence of a HR manager in your organisation plays a role in the T&D in your organisation? If yes, how?'

The first theme emerging from the data was that all the interviewees saw the *HR manager as the main driver of T&D in their firms* (eight interviewees) and the second theme *identified the HR manager as 'the' person with the appropriate T&D qualifications and experience (six interviewees).*   (See examples in Table 5.5).   It was evident that close dialogue between the HR Manager and the SME owner/manager facilitated the justification for and validation of T&D in the firm.

Theme three emerging from the data was that the *HR manager was seen to have an impact on the formality of T&D* (4 interviewees).

All the interviewees also indicated that the HR manager's role was *adding a proactive dimension to T&D and they played a definite role in the value the firm attach to T&D (six interviewees)* (theme 4).   However, it seems that despite the acknowledged importance of T&D the interviewees (with the exception of one interviewees who possessed a Master's degree) seemed to have had a limited knowledge of best practise T&D practices and processes and they did not seem to fully appreciate their role as HRD developer. The T&D knowledge of these interviewees seemed to be mainly focused upon a general understanding of HR practices such performance reviews, job descriptions and other documentation that are used to determine the type and amount of T&D to be undertaken. The seeming lack of specialised T&D knowledge may also lay in the fact that only one interviewee possessed a Master's degree and one a bachelor degree in HR. It could possibly be inferred that formal qualifications in HR could play a role in the

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provision, type, and quality of the T&D in SMEs. This will be further discussed in the section dealing with T&D processes and practices (see section 5.5).

Table 5.5 Themes and examples reflecting the impact of the presence of a HR Manager on T&D

Theme	Examples HR manager influence
HR manager main driver HR manager as 'the' person with the appropriate T&D qualifications and experience	The internal factors would be the board itself and myself taking on the role of the HR manager. They're all business – ex-business people. A couple of them still are business people. They do understand the requirements of having a plan and working within that plan. Now as the – as the plan develops they also understand that the staff have to develop with that and the requirements of the staff... – staffing have to develop. So it's one of the things that we talk about the board meeting every month is where we're going with that. The training I am only because I am probably the only person qualified to do that here (BBC Food Service). No doubt. Absolutely. I am designing it and driving it… I'm such a driver of training and that sort of thing but I think if there was sort of a HR manager here that training didn't interest them it would be a major factor. It probably wouldn't happen if there wasn't a HR department here (CBG Construction)
Adding a proactive dimension to T&D and playing a role in the value the firm attach to T&D	I've only been with the organisation for roughly eighteen months now is that I have come in with a new set of eyes and really feel that this is a way to engage staff, to empower staff and I've really, as much as I can, have tried to influence this whole training and development needs where I believe we continue to take more and more focus – more and costs are putting aside to – to – for those outcomes (BI Education).
HR manager **impact**s upon formality of T&D	Since I have been employed here, I have implemented more formal practices when it comes to training and development which was lacking prior to my arrival…. The whole idea of training and competency assessment is that you can do more than one job and that now just has become common practice and it's well accepted and people see that as a way of improving their skills and they don't get as bored so it works effectively (OR Manufacturing).

5.3.1.3   *Existence of a strategic plan*

Interviewees were asked "In your view, do you think your strategic plan plays a role in the T&D in your organisation? If yes, how?"   Overall seventeen SMEs reported having a written strategic plan however; responses were mixed regarding whether the strategic plan played a role in T&D. Thirteen of the seventeen interviewees whose organisations had a strategic plan indicated that the strategic plan had a positive impact on T&D.

The major theme emerging from the interviews was the ability of the strategic plan to *provide a strategic direction to T&D activities* (13 interviewees) (See examples in 5.6). Further questioning of these 13 interviewees indicated that seven interviewees explicitly highlighted that the strategic plan included direct and specific elements

pertaining to the T&D activities that were required to be undertaken to meet the strategic direction of the organisation. The remaining six SMEs said the strategic plan facilitated a focus on the achievement of mid to long term goals. This in turn required them to examine how their organisation was going to meet these goals through the training and development of their human capital.

Table 5.6 Themes and examples reflecting the impact of the existence of strategic plan on T&D

Theme	Examples of existence of the impact of the strategic plan
Strategic plan provide a strategic direction to T&D activities	Yes that's something that definitely has taken the focus probably the last, again, twelve to eighteen months when I've come on board. One of the key area is – is obviously with people being our number one aspects is giving them the appropriate training and development whether they are a manager, whether they – you know or whether they are a – sort of a – an admin person. Giving their pro... – the appropriate training so they can do an exceptional job which we always hopefully try to achieve (BI Education).
	Yeah it is. As soon as I alter the plan and it gets approved by the board then with all the changes that certain people in the board have implemented then we look at how we're going to move on from there and that drives how we're going to run the business…. The strategic plan also provides direction for training and development activities needed for our organisation (BBC Food Services).
	Absolutely. Strategic plans are vital because if you don't – if you don't know where you're going, you don't know when you get there and so we have – we have a plan to – well in – put it in a very, very simple term and it sounds nice we wanted to be the company of first choice in refrigeration and air conditioning and the first choice being the place or to be the company that employees wanted to work for, that – that prospective customers wanted to do their work and then our – that suppliers wanted to supply to (DAT Construction)

Four of the seventeen interviewees whose organisations had a strategic plan, felt its impact on T&D activities was marginal or had no impact on it at all (see table 5.7 for examples). It appears that issues of times constraints, fluidity of the business, and an under-developed strategic plan was playing a role in why the strategic plan has had no impact on the T&D activities within these SMEs.

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Table 5.7 Themes and examples reflecting limited or no impact of the existence of strategic plan on T&D

Theme	Examples of strategic plan having limited or no effect
Limited or no effect	It's a little bit hard to say at the moment. Well it probably will influence training in so much as we will perhaps be looking to give our supervisors more ten management skills and yeah. We don't have a timed schedule. It's more like well it's a while since we've done it let's have a look and see what's changed and what is likely to change and review them and rewrite them accordingly (AET Manufacturing).
	Not essentially. The strategic plan has basically been around business principles and marketing (PQG Construction).
	A minor role. I mean one of our strategic plans is to provide the best quality of care and to be a leader in best practices. That – so – so from that perspective yes. But it's not played a major part of our – our overall planning and education (NAR Health Care).
	Minor. Things change so much. You know you would have to keep that plan changed monthly (DMM Services).

5.3.2 External Drivers of Training and Development

This section addresses the second part of RQ1 regarding the external drivers of T&D in innovative T&D SMEs. The interviewer commenced by asking interviewees their views on five main drivers identified in the literature namely; Government requirements, new technologies, Quality issues, Pool of talent issues, and the increases in competition.

After these five drivers were explored the question was asked: in your view what other external factors drive T&D in your organisation and how?

The interviewees identified a wide range of external factors having an impact upon T&D activities in their firms. The **major** driver identified was government requirements (20 interviewees). Other '*major*' drivers identified were: pool of talent issues (1 interviewee indicated it as 'major' issue but 23 SMEs identified it as a driver of T&D); new technologies (1 interviewee indicated it as 'major' issue but 19 SMEs identified it as a driver of T&D); quality issues (2 interviewees indicated it as 'major' issue but 22 SMEs identified it as a driver of T&D); an increase in competition (3 interviewees indicated it as 'major' issue but 20 interviewees identified it as a driver of T&D).

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In the sections to follow it will become evident that some of the factors identified were viewed as both enabling and restricting factors in the T&D activities in the SME.

5.3.2.1   *Government requirements on the T&D of apprentices and trainees*

The majority of interviewees (20 interviewees), identified government requirements as the major external driver of T&D. The impact on the T&D of apprentices and trainees was evident since formal training of apprentices and/or trainees is a compulsory requirement from government. The formality of this type of job training gave the apprentices/trainees an insight into their specialised trade which could not be achieved through informal training.   This type of training was seen by interviewees as an integral activity to the firm. For example, one firm commented:

> *If you take on an apprentice then you have to do formal training as part of the agreement, so we just do it without thinking about it too much (DAT Construction).*

Four sub-themes emerged in relation to government requirements: workplace health and safety (22 interviewees), government requirements on the T&D of apprentices/trainees and other employees (19 interviewees), licensing requirements (17 interviewees), and government contract requirements (7 interviewees).

These government requirements prompted most of the SMEs to formalise their T&D either by engaging a Registered Training Organisation or an external workplace trainer.   Three of the participating SMEs became a RTO with a further two considering the option of becoming a RTO.   SMEs that engaged in employing apprentices/trainees acknowledged that the government demanded formal training of their employees, however there was no requirement in how this was performed.

5.3.2.1.1 The impact of Workplace health and safety (WH&S) on T&D

The requirement for SMEs to train their employees in WH&S issues was seen as the key government requirement for operating a business (22 interviewees). Even though responses were mixed regarding whether WH&S training was viewed in a positive or negative light, in the main this type of training was seen as beneficial to the organisation and staff alike (see Table 5.8 for examples).

In general interviewees felt that WH&S training forced the administration of their organisation to formalise the training process and to provide documentary evidence of the frequency, type and quantity of the training provided by the organisation to their staff. However, some SMEs felt this requirement to record such activities is bureaucratic and they did not see the benefit in doing excessive recording. Interesting only two organisations expressed WH&S as their obligation regardless any government requirements such as the Workplace Health and Safety Act 1995. Table 5.8 provides some example of the WH&S debate.

Table 5.8 Examples of sub-themes and examples regarding the impact of WH&S on T&D

Theme	Examples WH&S debate
Workplace health and safety. **Positive impact**	There's certainly some mandatory requirements i.e. responsibilities to have a safe work environment. Obviously the licensing requirements all have to be met and that certainly has an effect. The – the new Federal legislation on safety is – is terrific and welcomed and it has a impact on the training that we have to do. Other than that the – then the commercial imperative is that we have to train so that we're – our workforce is skilled to be able to provide the services that we need to provide (**DAT Construction**).
	Probably the biggest driving force we had in the last five years was we had a workplace health and safety accident. It improved our company which Workplace Health and Safety officers on the day told us this will improve your company so to go through that process with them and incorporate that into our business with their – with Workplace Health and Safety paperwork was a – was a big outside influence on – on – with our company (**AH Construction**).
	Yes definitely Workplace health and safety issues. Workplace health and safety would have be probably fifty percent of keeping your business running correctly. We've over the years – we've worked very closely with the Department of Workplace Health and Safety here in Toowoomba. There's some very good people down there that have come out and give us some assistance. Our factory manager is also our workplace health and safety officer and he is very keen to make sure that we continue to minimise any injuries and none of us want to have people rolling up saying that they've had an injury. So again it's – it's about looking after your staff, having an environment where they want to come to work each day (**JC**

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	Construction).
Workplace health and safety. **Too much Training required** **Negative impact**	Yeah it does. It does, you know, whether as much as they think. You know common sense is everything. They teach them the over the top workplace health and safety (**DMM Services**). There's so much, especially government work and big –big construction, now where you have to have so many ticks to even get on a construction site and we – we accomplish all of that here through our compliance for workplace health and safety. Lots of bureaucracy involved with that. Lots of levels to tick off (**FP Construction**).

5.3.2.1.2 The impact of Licensing Requirements on T&D

Government's requirement for licensing of the organisation and its employees was another major theme emerging from the data. Further exploration of this theme through the question: 'How has licensing requirements affected your T&D activities?', three further sub-themes emerged: licensed is a good thing (nineteen), licensing if not a good thing (six interviewees), and some interviewees expressed mixed reactions (three interviewees). On the positive side, interviewees felt that licensing is important to their organisation and industry through the T&D since it enhances certification and professionalism. On the negative side, some SMEs felt that the requirements of being licensed for every job and/or multiple activities was becoming very burdensome on the organisation and that it was a waste of time, money and effort. Table 5.9 provides some examples of their comments.

Table 5.9 Sub-themes and Comments on the impact of licensing requirements on T&D

Theme	Comments on Licensing Requirement
Licensing Requirement is a good thing	Yeah we've always had to be licensed which is a good thing. At the moment we find it a little bit frustrating that they're actually creating so many licenses for our guys to have. For example, we do proof of visioning for Telstra through Service Stream and that's another thousand dollar course for each man to be able to go and put a bit of conduit in the ground. Something that any electrician that's been cabling can do. The licensing – yeah I think that there's probably way too many licenses that you need to have to be able to do your work . It's just money, the average – average fellow working here has got half a dozen licenses to be able to do his work and I think that's out of control (LBE Construction). Externally compliance to Australian Standards. So we have to have our people on site both on the construction and in service competent and licensed. They've got to be licensed both with the Plumbers and Drainer's Board, also with the Queensland BSA. They also got to be fire occupationally licensed. So there's quite a lot of compliance there … The licensing requirements has reduced the amount of bad operators with inside in our industry (FP Construction).
Licensing Requirement is not a good thing	The change recent – recent changes in licensing where there's additional – additional schooling is required for plumbers and gas fitters after they come out of their apprenticeship to then go on and do further modules to become licensed. Okay. Whereas before it was you did your apprenticeship and you became a, you know, a juniorman plumber, if you like, and then you would move onto – onto becoming licensed after twelve months and that sort of thing. There was a transition but now there's – there's more – more schooling required and in some cases that – which we might get onto later might be difficult for these fellows to achieve with families and costs and living away from home from a, you know, a rural area that's got to go to

	the cities and that sort of stuff. So in some cases it's, you know, it's created hardship with getting skilled people (GAP Construction).
Licensing Requirement **Licensing is a good thing but is becoming too much**	Yeah we've always had to be licensed which is a good thing. At the moment we find it a little bit frustrating that they're actually creating so many licenses for our guys to have. For example, we do proof of visioning for Telstra through Service Stream and that's another thousand dollar course for each man to be able to go and put a bit of conduit in the ground. Something that any electrician that's been cabling can do. The licensing – yeah I think that there's probably way too many licenses that you need to have to be able to do your work (LBE Construction).

It further appears from the data gathered that the impact of licensing requirements vary depending on the industry regarding the amount and types of training required. For example, electrical businesses need to comply with electrical standards, whereas food and beverage businesses need to comply with certain trading requirements. In general the respondents indicating licensing as a driver; were operating in health care, electrical, plumbing, food and beverage and gaming.

5.3.2.1.3 The impact of Government contracts requirements on T&D

The seven SMEs engaging in government contracts had particular requirements placed upon them before they were awarded a government contact. The major themes arising from the data appear to be the minimum training requirements imposed on organisations and Quality Assurance (QA) requirements for those organisations engaging in government work. QA will be further addressed later in section 5.3.2.4.

A couple of respondents in construction acknowledged that businesses undertaking major contracts in rural communities are required to commit 20% of the project wages costs to T&D and to provide formal national recognised certificated courses for indigenous people. This led to particular logistic and financial issues for these firms who had short contracts of 23 weeks and could not fulfil the government requirements. Whilst this issue was not raised by other respondents, this seems to be a major imposition on any SME considering undertaking government contracts in rural areas (see table 5.10).

Table 5.10 The impact of government contract requirements on T&D

Theme	Comments on Government contacts
Minimum training requirements imposed on organisations Government contracts requirements	It does – it because of the twenty percent compliance issues that we have. But also too – from our residential point of view, we do a lot of work up in the remote communities. So, you know, you have to have your twenty percent compliance in any remote communities and that sort of thing. For example, if you've got a job that's worth a million dollars, twenty percent of that million dollars in wages has to go into training. And within – like those people that you're employing you have to put – you have to put them through a Cert – a certificate of some description which is very difficult and I developed a system here where that I worked with the State Government on it where it – our houses only take twenty-three a week to build and it was impossible to get a Cert – or somebody, you know, receive a certificate in that short period of time. So what I developed with them is that we actually picked the modules within those certificates and they received statement of attainments for those modules and it was far more successful than trying to do little bit and pieces out of each one over the twenty-three week period (CBG Construction).

5.3.2.2 *The impact of pool of talent issues on T&D*

Interviewees were asked the question: "Do you think that the pool of talent has impacted on the T&D practices in your organisation? And how?" The pool of talent issue had an impact on T&D in 23 SMEs. Three sub-themes emerged from the data including: the global financial crisis affecting the skill shortage (20 interviewees), skills shortage/gap of potential and new employees (15 interviewees), and skill shortage attributed to location or distance of the business compared to metropolitan businesses (four interviewees).

It appears that whilst the *global financial crisis* has decreased the pool of talent in the majority of SMEs (20 interviewees) in this research, eight SMEs stated that they are still feeling the effects of the skill shortage caused by the boom in some industries such as the mining industry. This was particularly notable for those businesses in regional areas. SMEs operating in rural areas expressed the view that they could not easily obtain personnel that had the right qualifications; therefore they had a tendency to employ young local people and train them to the required skill levels.

The *geographical location* (4 interviewees) was also cited as resulting in a limited pool of talent and a factor in limited education of current and potential new and young employees (3 interviewees). However this was not seen as a major burden on their organisation. SMEs in regional areas had therefore an additional focus of

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developing rural communities and ensuring employees are valued as a means of retaining their employees for as long as possible.

SMEs that indicated pool of talent issues as a driver also indicated that they have changed their T&D activities that were focus on training new employees to providing more T&D of all current staff. . This was done to close the identified skills shortage gap of both new and current employees

Table 5.11 Examples of sub-themes and examples regarding the impact of pool of talent issues on T&D

Theme	Comments on Pool of talent
No effect	No there's plenty of people looking for work, there's still a lot of people out there. I just saw a young man this morning that's got the skills….The global financial crisis has played an effect on that pool of talent (BBC Food Services).
Global financial crisis affecting the skill shortage **Skill Shortage/Gap**	Very much so. We've noticed in the last twelve months, the change in the economy, staff are a lot more stable than what they were probably two years ago, two and a half years ago. The demographics between the baby boomers, x generation, y generation and some refer xy has played an effect on our training and development practices. We have a lot of junior employees like school based trainees. We have a lot of uni students. So they're – they're here in that transient period. And because it's obviously a very casual workforce it is quite transient in that state. The turnover which obviously impacts the training because you know you don't train just all the new ones. You're actually increasing the level of training that you're doing as opposed to the same training you've done (CAR Food Services).
Global financial crisis affecting the skill shortage **Geographical location** **Mining industry**	Probably, since the GFC you know, things have changed for the better in ways as well in other – in other areas. Biggest difficulty I have getting good people because of the remoteness, we're not a totally remote town but distance an issue for us…. Another issue we have faced is losing our good people to mining. So I am still limited on the quality of person I can employ (GAP Construction).
Skill Shortage/Gap **Skills shortage/gap of potential and new employees** **Mining industry**	Really we first became aware of the issue of pool of talent three years ago when we advertised a job and had three applicants for a position that had the qualification and skills that we needed. So these days rather than bring someone brand new on and train them exactly the way we want to do because we had some good success with doing that. I think that the mining industry has a lot to do with that (HAP Construction).
Global financial crisis affecting the skill shortage **Geographical location** **Skill Shortage/ Gap**	Over the last three to four years that pool of labouring staff that we draw from – the quality of people within that pool has diminished dramatically and it is – it is very difficult to get good quality casual people first of all. We've advertised recently and we got no applications whatsoever in the Toowoomba area to try and employ a trade qualified baker pastry cook. So that pool of people is very small. So there is a skills shortage of trained people. So we find that if we draw people that have been through that training regime their skills aren't broad enough to fit into – to our operation We generally have to go through – if we find somebody interested in keeping we generally have to go through a fairly extensive retraining program (HB Manufacturing).

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5.3.2.3   *The impact of Technology in T&D*

In response to the question: "Do you think that technology has impacted on the T&D practices in your organisation? And how?", nineteen SMEs argued it had an impact upon T&D in their firms.   Three sub-themes emerged from the data including: developing new skills through the use of new technology (19 interviewees), development of new T&D pathways through the enhancement of multi-skilling of the employees (14 interviewees), and improved efficiency (12 interviewees). There were three SMEs that indicated new technology was implemented for EPA requirements and staff needed to be trained to adhere to EPA regulation such as refrigeration gasses. Table 5.12 presents some examples of these themes.

Regarding the first theme, *developing new skills through the use of the new technology*, organisations in the high technology sectors such as electric, electronics and health, the issue of constant changing technology requires organisations to provide ongoing and more specific T&D, both formal and informal, in order to stay abreast of the technology curve. The implementation of technology also requires staff to be multi-skilled in the use of technology. However, in some cases technology has required respondents to become specialised in one specific product or services area. As a result general trades people and staff are required to focus on one area of specialisation. Eight of the 19 SMEs that indicated technology as a driver of T&D argue that the impact of technology appears to be more severe in administration roles. For example, constant upgrading of technology is required owing to new soft or hardware plus T&D in the use of these new technologies is also continuously required.

Though, it seems that participating SMEs adapt to technology in a reactive rather than proactive manner. Technology also allows participating SMEs to provide a greater extent of formal on-the-job training, but there was little evidence that it is assisting SMEs to formalise or improve their T&D practices.

The fourteen SMEs that argued that *new technology leads to new T&D pathways through the enhancement of multi-skilling of the employees* also indicated that

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technology has changed the way employees participate in the training activity or training sessions. Staff were undertaking more formal training in the workplace because they are able to conduct their learning and education online during down time periods or when weather conditions did not allow work to be performed. These SMEs acknowledged the advantage of this aspect since it reduces loss of billable hours of the employee. The improvement in technology also enabled employees to gain more knowledge and skills in shorter time frames. The advantages of technology appreciated by interviewees such as convenience and saving money and the use of technology in T&D was generally seen as beneficial to the organisation. Only a couple of interviewees mentioned the disadvantages of virtual or non-face-to-face training such as CCI Accommodation and TPS Retail Trade.

Regarding the third theme, *improvement of efficiency as a result of training*, twelve interviewees stated that the T&D in the use of new technology was imperative to implement any new efficiency programs. Nine of these interviewees highlighted that employees enjoy the challenge of becoming multi-skilled and this in turn made them more efficient in their current duties as it provides a new challenge to them. Three interviewees indicated that some staff are resistant to using new technologies and when this happens they tend to rather involve staff who are willing to embrace new technologies.

Table 5.12 Examples of sub-themes and examples regarding the impact of technology on T&D

Theme	Effects of Technology
Change in the training process **Multiskilling of employees**	Yeah new technology. I mean we are doing courses online. I mean that is – that is a good thing. We've had like through the Master Plumbers Association they've – they've had like our solar and heat pump course. That's been available online which has been good. So as far as, you know, our financial outlay for the company has been reduce which has been great. It's been a help. Where these guys can do it in their own time at night time, at home, and, you know, leave the computer and come back the next night and continue on with it and that sort thing. So, you know, as far as technology is concerned there (GAP Construction).
Technology implementation for Efficiency **developing new skills through the use of the new technology** **Multiskilling of employees**	It is the only way to go. Efficiency. You've got to create efficiency. You cannot survive in this industry. Clients are becoming more savvy. Their budgets are becoming less. They want more for less money which is – that's business. So the only way you can adapt and stay at least you know if not at least on level footing with your competition is technology and training our staff to use that technology. You've got to be more efficient and multiskilled (PQG Construction).
Multiskilling of employees	Yes and no. Okay because our staff are trained in every – in every aspect. Like, for example, if there was a power strike or a power failure our staff would still be able to work but then when the electricity's going and everything's moving then you've obviously got

	to train yourself on different machines and that sort of thing (PK Manufacturing).
developing new skills through the use of the new technology **T&D staff to use the new technology** **Multiskilling of employees**	New technology definitely. Because we have a – Salminini. A CNC punching machine. It is a robotic punching machine? It's electronic so we need to make sure that our staff have the skills and capability to be able to operate that machine and training certainly assists with that. You know if they're improving their literacy. If they're improving their understanding of how the organisation works. If they're improving their understanding of how robotic machinery works you know, so yeah the first one's a definite (OR Manufacturing).
developing new skills through the use of the new technology **Allowed new T&D pathways**	We do have some computer programs now that we're using for our cabinets. We have another one for the joinery that we haven't quite got running yet. We do have CNC equipment out the back. Computer control stuff which the younger guys pick up faster than the older guys because it's loosely based around Excel style programming so if they've been to school in the last five years they would have had some training in that. Whereas the older people – older staff don't. We do you MYOB for our accounting package. So there is training in the workplace for this – the administration staff to manage that plus all the managers of the joinery and cabinet section have to obviously be able to use a computer and produce quotes, send out quotes, emails and all that sort of stuff. We don't have too many computers down the back yet but I can see in another year or two we will have some computers for the foreman down the back to access to find information etc (NCJ Manufacturing).
Allowed new T&D pathways **Multiskilling of employees**	Absolutely, I mean a good part of our Training and Development Academy calendar every quarter does have a huge component of IT on it. That's why the IT department has merged with mine purely and simply because the areas of greatest development in our industry is by way of, you know, a database program that ninety-five percent of dealerships in Australia use as an example. So we find that that process is developing so quickly that we must constantly train our staff in the use – utilisation of it because often a lot of the staff get trained at the beginning and then work it out as you go and we find that we don't want to leave anything by chance. So for us is that we have a very huge component of our calendar that is involved in learning to – how to use the new technology as it becomes available to us. So definitely I think technology definitely does (GCA Retail Trade).
Allowed new T&D pathways **Multiskilling of employees**	we really just try to diversify each person's understanding and ability and by doing that they actually – they improve on what they already had because they're – the techniques that you use on one areas can brought back to what they're used to doing and they'll actually improve. So that's – technologies been good like that. The other – other thing with technology is your ability to get information quickly. So you can actually find things out if you're stuck relatively quickly. And – and as far as moving forward with the network that you form around people you can actually find the information – if you're stuck and you need to know the right information it takes time but you can usually – we're a member of a lot of different institutes and associates so we can actually – if we're in – if we're stuck and we need to know something we can find the right information with the right people and get them onsite to really stick things out if we have to. So technology's good. it's opened up information, capabilities, improved skills as well as the knowl... – general knowledge of people across the board. So I think – I think it's been a good improvement for our business (GDT Construction).
Developing new skills through the use of the new technology	The answer is yes. Software is driving training and I mean that's part of the reason why we've just put our staff through Cert IV to keep up with the latest issues and trans... – certainly up skilling them in the use of, particularly spread sheeting, because everything now is getting data analysis and this form and that form of interpreting and that. So technology in that way is driving it. Again we're not high tech here so it's not a major, major issue for us. Electronic monitoring all that type of thing. Electronic records of clients. So technology is going to drive us in that direction which means the education and training is going to be driven in that direction whether we want to or not. So training is going to always happen but in what direction it – it's a little bit unknown at this stage depending on where aged care and health care goes (NAR Health Care).

5.3.2.4   The impact of quality issues on T&D

Interviewees were asked the question: "Do you think that Quality Issues has impacted on the T&D practices in your organisation? And how?" Two main themes emerged including: firstly, twenty two interviewees argued that the achievement of high quality products and services was the reason behind T&D initiatives in their firm. Secondly, eight interviewees stated that quality assurance such as ISO 9000, as required by the government, was a driver in their T&D activities.

Further questioning of these 22 interviewees found that eight SMEs have implemented quality assurance systems. Within the remaining 14 SMEs who did not have quality assurance, they viewed that the issue of product quality and providing higher customer services quality did have an impact the T&D of employees. These interviews indicated to meet higher standards of customer satisfaction, as SMEs they provided more informal on the job training. The provision of this type of training for employees was in an attempt to address and meet their desired outcomes of quality products and services to retain their customer support.

For the eight organisations who implemented quality assurance systems it has resulted in these SMEs in engaging in more formal and informal T&D process and practices. The increase in more formal and informal T&D practices was focused towards addressing the riggers requirements to meet the quality assurance systems such as ISO 9000. Moreover the evidence from these SMEs was that requirements of government were the major contributing factor for the presents of QA in these organisations; for contract requirement, and legislative requirements.

A review of the secondary information from the 30 SME finds that four SMEs highlight their focus on quality formal QA accreditation of their organisation. However, most of the SME mention in one form or another, their attention to quality. Further to this QA and in-tern T&D itself appears to be linked to industry body affiliation and best practice requirements of these industry groups and not formalised QA systems within the SME.

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In general the overwhelming evidence from the interviews is to address quality issues T&D was implemented in an informal and reactive way so to counteract negative customer feedback. Further to this there was a clear indication that SMEs had a limited understanding of the impact of quality issues on the T&D activities in the SMEs apart from providing T&D to improve customer relations and improve the end products so that they could develop a better advantage over their competitors.

Table 5.13 Examples of sub-themes and examples regarding the impact of quality on T&D

Theme	Comment on Quality issues
Quality assurance Government contracts	Requirements for government – by government, you know, procurement processes for a business to have a Quality Assurance and Quality Assurance does cover training so, you know, maintaining our QA certification is probably a big driver for training (AET Manufacturing).
Achievement of high quality products and services	I think customer service is one. I think the expectations that range of organisations have on, I guess, organisations or individuals when they're receiving services that is going to be high quality and to provide high quality service you need to give people the right tools so they can think on their feet and have an ability to service whatever needs are addressed at that point in time (BI Education). Quality comes through basically – basically your trade – when you actually do your apprenticeship a lot of your quality comes from that so you need a good tradesperson to direct you in the right direction. But now for us the quality comes through on the job training (GDT Construction). That's our number one. Apart – you know obviously safety is a concern. But personally my number one concern with training was quality assurance. I don't believe that – I don't believe that the skills have been developed in the – I don't believe the skills have been developed and we need to work hard to increase that skill level (LAE Construction).

5.3.2.5   *The impact of competition on T&D*

Interviewees were asked the question: "Do you think that competition has impacted on the T&D practices in your organisation? And how?" Twenty interviewees identified that competition was a driver of T&D activities in their firm.   Two sub-themes emerged from the data. Firstly, global and local competition affected how and why they train the employees in order to obtain a competitive advantage. Interviewees argued that even though competition may not be the major driver of their T&D in their firms, it had an impact on the provision of better products or services over their competitor (8 interviewees). An increase in competition has also forced them to continue to train to have the edge over their competitors (12 interviewees). Globalisation and new competition entering in the Australian market

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played a role implementing more formalised T&D practices however, informal on the job training was still seen as a major form of training. Some SMEs (4 interviewees) argued that the mining industry was a source of competition and whilst they did not compete directly with the mining industry, they used T&D as means of improving the retention of staff.

The second sub-theme emerging from the data was that *competitors forced SMEs to provide a different service or product and this in turn required the organisation to train their staff in new processes and practices*. (See table 5.14 for examples of these themes).

Ten SME did not view competition a factor in their T&D activities, six SMEs viewed themselves as a niche market provider.

Table 5.14 The impact of competition on T&D

Theme	Effect of competition
Global and local competition affected how and why they train the employees in order to obtain a competitive advantage	Well globally becoming more competitive so this company nearly didn't survive a few years ago because of the impact of Chinese imports so – and Thai imports so we had to become more competitive. The other global factors are that we don't get government support whereas you know other countries – our biggest competitor is in New Zealand is Scope.
	We appreciate that as a manufacturing organisation in Toowoomba, in Queensland and Australia we needed to operate more efficiently and be more competitive.
	So we viewed to make sure that people have the basic skills that they needed we'd implemented 5S and as part of that we believe that they needed to know on a weekly basis how their particular team was performing and how they contributed to the greater whole of the business (**OR Manufacturing**).
	Definitely the marketplace. Like for example at the moment, mining's just booming and because mining's booming within those mining towns and those people often travel in and out from elsewhere there's a lot of money getting around with a select few. We are one of a couple of hundred building companies on the Sunshine Coast alone. How we stand out is having highly skilled people who have gone through extensive training (**TBG Construction**).
	Increased competition has forced us to continue to train to have the edge or have the edge over them yes, most definitely, we need to be highly skilled. And I suppose that – that's an area we do certainly look at to make sure we have the skills to be competitive (**GAP Construction**).
Competitors forced SMEs to provide a different service or product and this in turn required the organisation to	Changing the type of work that we do. We have to be flexible enough to develop training programs and procedures to ensure that the site staff when they're – they're given certain or types of installations that they have the facilities to be able to complete those tasks. We can only compete with them by training more and getting better at what we do. Our competitive edge is being better at what we do (**LAE Construction**).
	I think that also I know that a number of our major competitors certainly don't put the same level of training into their personnel that we do. So again I – from a strategic

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train their staff in new processes and practices Training for competitive advantage	perspective that gives us a competitive advantage within the market place. To be competitive we are decided to become leaders in QA…. The situation in the marketplace has changed dramatically now where a huge percentage of our customers will only deal with us – or will only deal with a supplier who is fully accredited. So in the initial days it was difficult to see the commercial return of investing in the training and the development of the QA program. But now days we certainly see the rewards of it (HB Manufacturing).

5.4 What are the characteristics of T&D climate in innovative SMEs?

This section presents the results relevant to **RQ2: What are the characteristics of T&D climate in innovative SMEs?** Four areas were explored in relation to this research question:

RI2.1: What are the attitudes of SME managers towards T&D in innovative SMEs?

RI$_{2.2}$: What is the resource allocation (budget) for T&D in innovative SMEs? RI$_{2.3}$: What is the importance and relevance of strategic T&D objectives in innovative SMEs? RI$_{2.4}$: What T&D policies are in place in innovative SMEs and why? The role of management's attitude in training and development will be now explored in more depth.

5.4.1 What are the attitudes of SME managers towards T&D in innovative SMEs towards T&D?

In addressing:

RI2.1: What are the attitudes of SME managers towards T&D in innovative SMEs?

The interviewees were asked why their organisation employed T&D practices, what is their personal opinion about T&D generally and whether they think this has impacted upon T&D in their organisation. Two major themes arose from the interview data: firstly, interviewees' passion for T&D (30 interviewees) and secondly the positive value they attach to T&D (29 interviewees). Table 5.15 presents some examples of these two themes.

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Table 5.15 Examples of management attitude towards T&D

Theme	Management attitude Towards T&D
Passion for training	When I had my full team I had a person that was always passionate about training. I'm passionate – I'm more the strategic side. I love to organise it and arrange it and everything down the line. Have everything rolling. I don't like being – I don't like actually training so I've always had someone passionate about training within my team and they have always – they've always done it. They've always had a Certificate IV in Training and Assessing so they've always – I guess we've all created as a team the PowerPoint's and all those sorts of things and the handouts and the questionnaires and what needs to go in it but I always get somebody else to actually do the training (CCI Accommodation). And it comes back to having passion for it as well. You know because we've got a passion for it we, you know, it's a part of that. You see the importance of it. We buy into the importance of that and I have very high standards in terms of the type of training that I see delivered. We partner with – we have a vision for our business of being industry leaders in best practice (DED Services).
Positive value of training	I think it's the need – we want to continue to run a very successful business. To do – we can't do that as the owners and managers of the business. We have to have a supportive, competent and committed workforce and we see that training is a – just a pivotal component of having people with the right attitude supporting the business to make sure that it continues to be successful (HB Manufacturing). Without a doubt. I've been doing it for ten years now so it's not going to stop, I am very positive about the training we do that's for sure and it definitely has strengthened our business. I can see how it's strengthened because of when I – I sit in the company as the owner, I've been able to see people develop over the last five years that – that started with nothing so...Even before that we – sort of time gets on a bit but it – it's – it's really, really good to see someone's confidence build from a tradesperson, into a supervisor, into a project manager and they've gone all the way up through the ranks and now they're a key person in the business that understands how important training is themselves and that sort of focus is what we try to get across to everybody that is employed by us (GDT Construction).

It was clear from all the interviews (30 interviewees) that interviewees felt passionate about T&D. This passion for T&D appears to stem from their personal experience in T&D and the advancement in their own career owing to good T&D in their lives. The interviewees, who fulfilled other roles than that of the CEO, highlighted the fact that they were responsible for presenting arguments to the owners for the allocation of resources towards T&D.

Almost all (twenty-nine interviewees) greatly valued T&D. They argued that without their proactive attitude towards T&D it would most likely fail. It is clear that informal on-the-job T&D is valued more than formal T&D by interviewees (the characteristics of the T&D practices will be discussed in more detail in section 5.5.3.2). Some even argued that formal T&D was a necessary evil and questioned its effectiveness for the business (eight interviewees). These interviewees were mainly from the trades and hospitality industries where a high value is placed upon informal on-the-job skill development with immediate positive impact on the organisation.

The dissatisfaction with formal T&D programs appears to be especially directed towards the vet sector where CEO's of these smaller trade businesses see little value in sending their staff to undergo formal training. Other firms enhanced their staff's TAFE training with extensive T&D activities on the job.

It is apparent that all SMEs see the importance of encouraging a positive climate for T&D. There is a general acceptance of the need to develop a culture that encourage learning and interviewees and they all felt that training has a role to play in the competitive advantage of the firm.

Interviewees didn't seem to know much about theory surrounding T&D, however the higher qualified interviewees (nine interviewees) seem to encourage staff to a greater extent in their training by assisting them in setting goals, finding opportunities for them to use their acquired skills, allowing them to practice their skills and discussing their progress. These interviewees were also regularly rearranging work schedules and gave more support to the engagement of staff in attaining formal qualifications. It was clear that the higher qualified interviewees also had a higher regard for formal qualifications of staff across their entire work force and formal T&D practices and policies were more prevalent in these SMEs. Therefore even though formal qualifications of interviewees did not feature initially as an internal driver of T&D, it is evident from the interview data that formal qualifications of interviewees had an impact upon T&D in their firms.

In summary, it was also clear from all thirty interviews that management's attitude towards T&D and the value that they attach to T&D are critical components of the development of a T&D climate. The manager's attitude also impacts on the resources allocated towards T&D and the type, quality and quantity of T&D conducted inside SMEs. The issue of resource allocation in participating SMEs is now discussed.

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5.4.2 What is the resource allocation (budget) for T&D in innovative SMEs?

The second area explored regarding the characteristics of the T&D climate in innovative SMEs, is RI$_{2.2}$: What is the resource allocation (budget) for T&D in innovative SMEs? Exploring this component, was done by asking interviewees: Does your firm have a T&D Budget? If yes, what would the ratio of the T&D Budget be to the gross profit of the firm? And if no, is there a reason why your firm has not allocated a T&D Budget?

All SMEs claimed that their organisation had a budget for T&D, however, further drilling down found only seven SMEs had a written dedicated T&D budget. Of these seven only five SMEs could give an exact figure for the T&D budget. The average budget allocation across the five organisations that could provide an exact figure for T&D spending was 6.3% of the gross profit of the firm on T&D. The other two interviewees gave a budget range of between 2% to 20% and 4% to 8% respectively, but they too were not exactly sure of this figure. Of the seven firms that did provide a budget figure it appeared that medium firms seem to have a better understanding on the costing involved in T&D activities in their firm.

Twenty-one firms indicated that they did not have T&D budget. Of these interviewees sixteen responded that the main reason behind not budgeting is that it is too hard to budget and measure what to budget for. Table 5.16 present some example of these responses. Generally these firms built T&D into the general expenditure of the firm however, the expenditure for T&D was not written down, and therefore it was impossible for them to calculate the exact amount.

It does appear that overall SMEs channel money into T&D related components. All interviewees said that their organisation provided staff with other resources such as computers, payed time off work, transport, and sometime payed for courses that were not directly related to the staff's work. Some firms even developed a dedicated training room for the staff to participate in T&D activities. These firms were not necessarily firms that were an RTO. However, once again only a limited number of interviewees (2 interviewees) could provide a figure of how much the firm spend on

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these resources both in terms of the establishment and maintenance of these resources.

Further questioning revealed that SMEs tend to target their allocation of financial resources towards the implementation of T&D. There was little to no evidence that SMEs formally channel money into the other three elements of the T&D process including the Training Needs Analysis or as some authors such as Delahey (2008) terms it human resources development needs analysis (HRDNI), designing T&D and the evaluation/feedback of T&D. Firms that are registered RTO's (3 interviewees) acknowledged that they did allocate financial resources to these areas but they could not put a definite figure or ratio on the amount allocated.

Table 5.16 Examples of resource allocation to T&D

Theme	Recourse allocation
No Budget - Too hard to budget	I don't have a budget I only have the core things. So I have like LVR which is your low voltage rescue and your CPR which is a statutory requirement. I have those sorts of – in my budget. So I have all those sorts of things so things that we definitely have to do in my budget. Anything that I call a green – so anything that's enticing for staff protection and all those sorts of things I don't have in my budget this year, no. For all other types of training to work out how much you would actually cost and therefore, budget is way too hard and I don't have the ability and skills do it. (CCI Accommodation). We don't have a – a budget set down for training. We certainly, you know, we're running around four apprentices a year. So, I mean, that's all within the budget and additional courses we are looking at seriously we don't train everyone the same because of the costs of the courses. So we basically might have a few fellows in certain areas trained and if there's staff movement then we'll relook at that. So it's a need – a need . To tell you the truth I do not know how we can actually physically measure it so it's too hard to budget (GAP Construction). No . it's been hard for me to set a budget because our business has expanded at an average of seventy odd percent per year. So to set a budget for me is difficult but I – part of our strategic plan was putting on a fulltime accountant and we – we actually filled that position in February of last year. So I've put it to the accountant to set our budgets now (GDT Construction).
Budget for T&D	Absolutely I think that we work within the confines of that type of – that type of amount of money if you like. I'm certainly not sitting there every month working out how much I've necessarily spent because obviously the administration part of our business oversees everything that we spend our money on but absolutely there's definitely a, you know, our process is audited at least every quarter to ensure that we're running under budget or right on budget if you like. Yep, definitely (GCA Retail Trade). We certainly do. We – over the past four years we have increased our financial commitment to delivering ongoing training and we have, in accordance with that we have improved our internal capability to deliver in house training. So we have consistently committed to between three to five percent of our turnover on training and that has increased, our financial commitment to training is directly relative to our overall business growth. Now I can show you there that you can see the amount spent on training and there's our turnover so you can see that correlation. There's a direct correlation to our business growth and the amount that we spend on training. In addition to that which ties into that return on what we're talking about there is we're budgeting dollars. We're in a service and a trade industry so what backs those dollars is time. Like time is money (DED Services).

5.4.3 What is the importance and relevance of strategic T&D objectives in innovative SMEs?

The third component with regard to the T&D climate in participating SMEs explored was the importance and relevance of strategic T&D objectives in their firms, in other words RI$_{2.3}$: What is the importance and relevance of strategic T&D objectives in innovative SMEs?

Interviewees were asked three questions in relation to T&D objectives: Does your organisation have formal (written) strategic T&D objectives in place? If yes, are these objectives part of your strategic plan? Are these objectives important in driving T&D practices in your organisation? If no, why do you think specific T&D objective has not been developed?

Fifteen interviewees claimed to have formal T&D objectives. Two main themes emerged: objectives ensure meeting all government requirements and statutory obligations (12 interviewees) and objectives to promote continuous improvement and learning (six interviewees) (see table 5.17 for examples of these themes).

In eight of the firms that had formal T&D objective, the objectives were part of the SME's strategic plan.

Five interviewees responded that their T&D objectives were informal, implicit and not written down, the other 10 SMEs said they did not have any T&D objectives at all.

Table 5.17 Example of sub-themes regarding why SMEs identify T&D objectives

Theme	Objective identified
Objectives are to make sure that they meet all government requirements and statutory obligations	the company plan is to take on progressively bigger and bigger refrigeration /air conditioning projects and now also electrical contracting projects as the company expands into general electrical contracting and so what we find is that our training and competency record grows all the time where new competencies required for the new range of business are added to them. What it means is that there are new objectives and that we need to have someone within the company, within our brains trust that has that set of skills and so provided we have at least two people within the company that covers every skill then we've met our training objective. Our objective is to have sufficient technical people to cover all of the competencies we would need to be able to perform out in the workplace. Our strategic objective is that we want to develop refrigeration / air conditioning systems that don't impact of the environment. Now what do we need to do that? We need a particular set of skills in different areas. So the training objectives are to make sure that we have at least two technical people so we've got redundancy. So that we've got safety (DAT Construction).

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	I guess when I've conducted specific for the statutory obligations. Obviously there's an outcome there is that we heighten awareness. We heighten people's knowledge base and obviously we can – then re-educate, reinforce those – those whether it's the values, whether it's, you know, competencies, whether it's the qualities (BI Education).
promotes continuous improvement and learning	we aim to provide a work environment that promotes continuous improvement and learning. We aim to provide our employees and ourselves with the skills to excel that as a business we realise our vision which is industry leaders in best practice and work standards and we also aim to ensure that every employee holds a qualification that is directly reflective of their true skills and abilities (who is a dearth DED Services). Well as I said before I think it – it just comes back to what we want out of it is to produce good quality people who are trained in what they do. Proficient in what they do. And not only from a skill point of view but also from an ethics, cultural. You know and also an emotional point of view if you'd like (PQG Construction).

Table 5.18 Examples of sub-themes regarding why SMEs do not identify T&D objectives

Themes	Why no Objective
Time poor	Well there are several reasons for that. I suppose first of all even though, you know, we employ twenty-three people we're still, in terms of management, you really have two people who've got to drive training and development and HR and QA and product development and market development. So there's only 24 hours in the day to do all this sort of stuff (AET Manufacturing). Just been overloaded and just, you know, I mean I – I don't know whether this is what you want to here but basically there is so often that you just have so much ahead of you or stacked on top of you that you can't even envisage fitting anything – anything more in (USC Construction).
Too bureaucratic	This sounds too bureaucratic. Too much paperwork for me. Probably we haven't drilled down to be that specific about is the employment of the next apprentice going to achieve our overall strategic plan (NCJ Manufacturing). I think they are important but higher management think that it is not necessary and to bureaucratic so they do not see the value in it like I do (CCI Accommodation)

The fifteen interviewees that said they did not have written T&D objectives, thirteen argued that they were too time poor and three said it was too much of a bureaucratic process to undertake the development and implementation of the T&D objectives. Seven interviewees could not give an explanation as to why they did not implement strategic T&D objectives.

When the 30 interviewees were asked "Are objectives important in driving T&D practices in your firm?" The majority answered affirmative to this question (18 interviewees). This included some SMEs that did not have any written T&D objectives (two interviewees).

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5.4.4 What T&D policies are in place in innovative SMEs and why?

This section explores RI$_{2.4}$: What T&D policies are in place in innovative SMEs and why?

Interviewees were asked: Does your organisation have formal (written) T&D policies in place? If Yes, what are these policies and why do you have these policies. If no, is there a reason why your organisation does not have written policies.

Thirteen interviewees indicated that they had formal T&D policies in place.   The main reason cited for having formal T&D policies in place was to meet the   The Australian Quality Training Framework (AQTF)requirements. These firms argued that T&D policies were important in meeting the goals of the T&D activities and in enhancing a clear understanding of the direction of T&D activities at all levels of the SME.   These policies were developed by an executive group or by the CEO in conjunction with a RTO.

Of these thirteen SMEs, eight firms had a business and strategic plan but only four had the written T&D Policies imbedded into these plans. Of these four SMEs, two were RTOs and one was in the process of becoming a RTO.   The majority of firm with formal T&D policies link these policies to the competencies that employees are undertaking.

The majority of interviewees indicated an absence of formal T&D policies (17 interviewees).   They cited firms size, time constraints, and an absence of a strategic plan as reasons for this absence.

Table 5.19 Themes and examples regarding the existence of T&D Policies in innovative SMEs

Theme	Comment on T&D Policies
Written T&D Policies was to meet the AQTF	The RTO does obviously for the AQTF side. They are important because the plan itself alters according to the needs of the business and as I say about every six to eight months that – that alters. What I wrote in 2009 doesn't stand up. I wrote one here about I think it was November I think I wrote a policy but I'd written one in March – the March before that (CAR Food Services) It's actually designed and documented to AQTF Standards. So if – yeah AQTF – which is the Australian Qualification Training Framework so yeah, I'm sure you were aware. Yeah so we - it's designed and documented to those standards (DED Services).

	Probably covering over what we've already said about compliance. Compliance is – is the main issue and then the – the other issue – the other main issue is the core values of the company. That's what all of our training is based around (FP Construction).
Policies are written and linked to the objectives and goals of the organisation **Written T&D Policies was to meet the AQTF**	linking those policies, procedures back into those objectives and goals otherwise there's no point in going through all that training if it's just, ,again that whole oh it's just a compliance thing. You're not – it's not really – it's driven by the executive group so that's why the two need to be in sync (BI Education).

Table 5.20 Themes and examples regarding the absence of T&D Policies

Theme	Why No T&D Policies
No strategic plan	Probably because I don't have a strategic plan to work to (CBG Construction). I suppose if we had a strategic plan then we would have policies aswell maybe we should do that and start developing it (AH Construction).
Waste of time	Obviously people who are well organise, more organised then me may like writing things down. Once you write it down then you've got to read it to remember what you wrote down. Same as having a diary you can write things in the diary but if you don't read them then what's the use (NCJ Manufacturing). As I said before with the objectives I think they formalised policies are important but higher management think that it is not necessary and to bureaucratic so they do not see the value in it like I do (CCI Accommodation)
Size of the SME	You can't sort of in a company of this size or any size I believe. You can't just say look here's the policy and procedure in terms of staff training. Here's the way we're going to go about it and expect to do it (TBG Construction) The size does play a part because we don't need anyone in our office doing that sort of thing at this point. So therefore if we did need more people in our office they'd certainly be procedures and polices placed – in place for those working environments but there's not at this point (JC Construction).

5.5 What are the characteristics of the T&D processes and practices in innovative SMEs?

This section addresses RQ3: What are the characteristics of T&D processes and practices in innovative SMEs? Four sub-research issues are explored to inform this research question.

5.5.1 *What is the role of a training needs analysis in innovative SMEs?*

In addressing RI$_{3.1}$: What is the role of a training needs analysis in innovative SMEs? The interviewees where asked three questions.   Firstly, "How does your

organisation determine what training and development it needs?" Secondly if training needs analysis was not identified, then the following questions were asked: Does your organisation conduct a training needs analysis? If yes, could you give me an example of the form that the training needs analysis takes and what role does the training needs analysis play in your organisation? If no, why is that?

Eleven interviewees stated that they conducted some forms of training needs analysis (TNA). These SMEs assessed their T&D needs through a variety of formal (6 interviewees) and informal (5 interviewees) process such as: performance reviews, performance gap analysis, skills gaps analysis, job descriptions and via informal meetings. However, of these eleven interviewees, only two interviewees could articulate or present any evidence that their SME was performing a 'comprehensive TNA' on an ongoing basis. See table for 5.21 examples of how innovative SMEs conduct a TNA in their firms.

Table 5.21 Example of how innovative SMEs conducted a TNA

Themes	Examples
Formal and informal approaches **TNA collected through performance review and skills gaps analysis and** **Informal meetings.**	We do a formal skills gap analysis in the form of training performance checklists at the time of induction to identify current competency. We do staff performance reviews and weekly tool box talk meetings. So that's ongoing coaching and development. I want to stress that huge point of difference that I feel we have. It's got to be frequency and consistency. You can't just do training and a gap analysis and you know one big performance review once a year and that's the only time you talk to employees about the performance. It needs to be frequently. So daily, weekly and as they progress, and as they become more confident and proficient in their role then you can extend the gap to which you are providing that feedback (**DED Services**).
Formal process **TNA conducted through performance review and Employee identification**	Through our performance management process and our key performance indicators which are done twice per year. So especially at management level and even leading hand level on site those people have to basically be ticked off and be marked on their performance. Employee basically work out what they're objectives are for the next twelve months. They put a wish list forward and then we work together on trying to get it (**FP Construction**).
Informal TNA	We don't actually go through a process of doing that but outside of myself and the CAO firstly going through and creating, you know, where the need in the business is and then obviously going from there into the managing direction and CEO and things like but no we don't structure. We'll go through and do an investigation on how the current process works and if we find any – what we believe to be any inadequacies then we realise – we'll try to identify where that inadequacy is and then we design training around that (**GCA Retail Trade**).
Formal and informal approach. **Conducted through performance review, Training Matrix, and Employee**	Basically it's all based around the activities that we're doing. This is training that our business is calling as well. So employees come up to us and actually ask us for training that they want to do and that's part of that commitment I was just talking about which is fine also. But training that we – we want to do we'll actually – we've got a training matrix which has got a list of different person's skills (**GDT Construction**).

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identification	
Formal and informal approaches **Formal process through job description** **Employee identification**	We look at the person's job and we look at where either their career path or where they may need to develop further skills and we provide training through that. The benefit of the training though is now people approach us and request training too (**OR Manufacturing**).

All interviewees that conducted a TNA indicated that regardless of firm size employees were encouraged to give feedback or identify what training they perceived they need or want. These firms assessed their training needs by developing a dialogue with their staff and via informal meetings. This approach seemed to be popular because the interviewees themselves experienced this approach during their working lives. The also felt this type of approach was best for collecting TNA information.

Two interviewees felt frustrated that they were not allowed to conduct an in-depth analysis as the owner saw their proposals for formal TNA as a waste of time and money. Hence, management attitude seems to have played some role in the implementation of TNA.

In small firms, the Managing director usually conducted interviewees with their employees and as the organisation grew supervisors tended to take over this role.

Four medium firms who employing 101 to 200 employees; gathered information from all levels of the organisation including front line workers, line supervisors and other managers. Line managers/supervisors would then report back to the HR manager or owner in a formal report in conjunction with a general conversation in a meeting.

The majority of SMEs did not conduct a formal TNA (19 interviewees). There were various reasons given for this lack of TNA. Three sub-themes emerged, including: experienced in the industry (eight interviewees), time poor (six interviewees) and no formal process (four SMEs). In addressing sub theme one, the SME interviewees believed because of their industry experience and their knowledge particularly in the trades area, they were equipped enough to assess what T&D was needed for their

employees. In addressing sub theme two, SMEs argued that they had a lot of time constraints upon them; therefore they did not have the time to be concerned about conducting a TNA. Regarding the third sub-theme, SMEs argued that the lack of formal processes in the firm resulted in them not thinking about a TNA.   See table 5.23 for some examples of these themes.

Table 5.22 Examples of absence of TNA

Themes	Examples of absence of TNA
Experienced in the industry	Informally probably because I've been in the industry a long time (**BBC Food**).
No formal processes	Because we've got not a really good performance management system there's nothing driving the needs of different divisions of where training is actually needed. It's more of a very casual sit down with the managers, you know, what areas are lacking as opposed to sitting down with the employees and talking to the employees which is in nine times out of ten a far better outcome (**CBG Construction**).
Experienced in the industry **No formal processes**	I haven't interviewed because I'm it. I am it and I know instinctively what we need to do and so I'm setting about doing it. I haven't done a formal process in my own because I know what – what I need. You know and so when we know that we're short on a particular skill set – when we identify a skill set we add it to the training record or the training requirements and so we set out to do it that way (**DAT Construction**).
Time poor	Well it's an interesting question. I think why would it be is because the type of business that we've been in is the type of business where it can be all hands on deck so generally it's been a case over the last twenty years where we've never really had a situation – we had a lot of time on our hands to start one. Delving into depth (**PQG Construction**).

Most interviewees (24 interviewees) had a very limited to no understanding of the components of a TNA or the process of a conducting TNA.   Whilst some interviewees identified that their organisation conduct an analysis of how well individuals perform in their jobs, not one of the interviewees identified doing an operations analysis of particular jobs or grouping of jobs to determine the knowledge skills and attitudes (KSAs) needed to perform those jobs. Nor did the interviewees conduct an organisational analysis of various areas in the organisation where training is required by examining the organisation's corporate goals and objectives against its operational performance.

There was also a general absence of the conduct of any of the following TNA techniques identified in the literature such as a performance deficiency or gap analysis where they measure the differences between what the organisation expects and what is actually occurring in the SME; a diagnostic audit which focuses on the future rather than on existing problems or issues by searching for ways that will lead to more effective performance or preventing performance problems − e.g.,

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technological advancements; and a proactive analysis where the SME search for future problems and challenges, before such issues are evident.

In considering an answer to $RI_{3.1}$, what is the role of a training needs analysis in innovative SMEs?, overall TNA seems to be very limited and fragmented even in the firms that did indicate they conduct some form of TNA. One could infer from the discussion above that formal TNA is very limited and plays a minimal role in: the provision and type of T&D, the determination of the learning objectives of the organisation and the identification of employees to be trained.

5.5.2 *What are the characteristics of the design of T&D on innovative SMEs?*

To answer $RI_{3.2}$: What are the characteristics of the design of T&D on innovative SMEs? The following questions were asked: How does your organisation design its training and development? Do you use an internal training provider or external training provider? Why do you utilise this approach?

The majority of SMEs design their T&D both *internal* to the firm and by employing an *external* T&D such as a RTO (24 interviewees). Six SMEs claim to have their T&D activities solely designed by external RTOs.   However, further probing questioning identified that these six interviewees in fact design their T&D internally as well. See table 5.23 for major themes and comments relating to the design of the T&D with in a SME.

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Table 5.23 Comment on the design of the T&D

Theme	Comment on the design of the T&D
Internally and externally designed. **Design internally to address the deficiencies of the TAFE**	Yeah well see I don't always agree with – I don't agree with this apprenticeship scheme that they're doing now anyway. I did blocks of four weeks, for three years and then had to stay with my host employer for a year after that which I was with him for eighteen years. So – but I don't really agree with the system that they've got happening because of what I said previously **(AH Construction).**
Internally and externally designed. **Design internally to address the deficiencies** **Taylor T&D to address unique organisational requirements**	… so we tailored that course. It's not an off the shelf course. With all due respect if you went to TAFE you would probably get a generic course and it would certainly cover a lot of components that relate to their work here but there would be a percentage of the work within that course that wouldn't relate directly to what we do within this business. By being able to sit down with – with the RTO and looking at the electives they were able to select specific subjects that were directly relative and we – we even to the point where we had some electives with the production people did and some electives that the packaging people did. So they were slightly different according to – to the area they work within the business. To make sure that the boys are trained properly in what they need to be trained in **(HB Manufacturing).**
Internally and externally designed. **Design internally to address the deficiencies**	We use Futera related publications. Obviously a lot of training are written in a generic version to cover the national competencies… And then we will take that internally and obviously build upon that so we'll build our own presentations and, you know, any further information that needs to go into it to adapt it to sort of fit **(CAR Food)**.
Internally and externally designed. **Design internally to address the deficiencies**	Internal and external. We do it mainly externally because we're dealing with outside providers. Yeah we are strongly involved in it so we make sure that we know what the goals are and then we actually look at the options available and then we choose the subjects that are available, then we come up with the timeline and then we monitor as well. And it gets to the point where we even – well I sit down with people and say you know you're running behind. I sat down with three admin staff last year, put the times in their diary because they weren't achieving the milestones they needed and made sure that they got through **(OR Manufacturing).**
Internally and externally designed. **Design internally to address the deficiencies**	We tap into external training providers and of course we do it as well. We do talk to the trainer of our apprentices…. and have them reflect our core values so it – it's really giving them ownership of our core values and wanting for them to reflect those. So even with Blue Dog each apprentice is given a trainer and we do definitely discuss with the trainer the progress of our apprentice and anything that they've noticed in the – because we don't necessarily. We can – we can log on and check – it's actually easier just to make a phone call and have a chat with the assessors within Blue Dog. We do a lot of training and development of their staff a design that was inside our organisation so we can fill a gaps that the external training provider **cannot fill (TBG Construction).**
Internally and externally designed. **External designed only and informal approach internal**	No you're sounding bureaucratic again with that question. If there's a job needs doing. If you can practically do the job… We don't write down all of these different competencies and keep track of them and tick them off. The TAFE college would have a big list of ticks that they have to tick off. We have to actually sign off and say that yes this apprentice is competent in those areas but that will all – all that paperwork come from the government **(NCJ Manufacturing).**
Size of the SME	Lot of stuff that's going on that we have done once again due to the size of the business we can do a lot in-house as opposed to going to external RTOs **(CAR Food Services).**

Internally designed T&D seems to be most valued by interviewees and has been identified as a strength by the majority of SMEs (24 interviewees). Internal design of T&D yielded three sub-themes including: interviewees knew the requirements of the SME (18 interviewees), formal T&D did not address SMEs requirements (11 interviewees) and cost of engaging an external RTO (8 interviewees).

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Regarding the first theme, eighteen interviewees perceived themselves as the ones with the best knowledge to determine what is required of T&D design in their firms. Interviewees argued that they designed the informal on-the-job T&D because the competency level that staff achieved from undertaking formal off-the-job training with a RTO, is not always adequate. They therefore felt it was up them to design informal on-the-job T&D to fill the skills gap. However, there was a clear indication from these interviews that they worked closely with the RTO through instructing the RTO regarding the subjects they would like their employees to undertake in their qualifications. In general these interviewees perceived themselves as the ones with the unique observation abilities and they felt they were best placed to determine how informal T&D was going to be designed.

Four interviewees said they did not agree with the apprenticeship scheme that their staff were engaged in. This dissatisfaction served as a catalyst for some SMEs to become a RTO.

In relation to theme two, eleven interviewees said they prefer to design the T&D within their organisation, to meet their organisation's unique requirements. These interviewees felt that the internal design of T&D achieved more positive results as opposed to external design because they have an in-depth knowledge of the immediate requirements of their firm and where they are heading.   There was however an acknowledgement by these interviewees that they had to work with an external provider to design their formal off-the- job T&D.

One obstacle highlighted by eight interviewees was sub theme three, the cost of engaging an external RTO or consultant. For these organisations the financial capacity of the SME was a major element in why the organisation tried to design the T&D internally. It became evident that these SMEs did not have dedicated T&D budget.

Overall the internal T&D design process in the majority of SMEs appears to be haphazard and informal as many organisations did not conduct a formal TNA. There was also a general absence of: formal procedures which assess employees' skill levels, formal T&D objectives and organisational learning outcomes. The three organisations that were a RTO, designed their T&D internally but still utilised

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outside providers to fill any gaps in designing T&D activities they themselves did not have expertise in.

The engagement in *external* T&D design was utilised by all thirty SMEs, however only thirteen interviewees could give a definitive reason for this practice. Two sub themes emerged regarding the engagement in external T&D design: the external provider was an expert (10 interviewees), and it was the RTOs responsibility (4 interviewees).

In addressing the first sub-theme 'the external provider was an expert', this was particular true for six interviewees who said that they utilised an external person to design all their T&D. Interestingly, these six organisations were a combination of three small enterprises and three medium enterprises. Five interviewees possessed lower level qualifications but one interviewee possessed a Master's degree. It was clear from these six interviewees that they were cognisant of their lack of knowledge and expertise in the area of T&D Design therefore they saw great advantages in engaging an external person.

In addressing the second sub-theme, 'it is the RTOs responsibility, four interviewees felt it was the responsibility of the RTO to determine what national competency units or subjects had to be undertaken by their staff to meet their formal qualification requirements i.e. apprenticeships and/or traineeships. They felt it was up to the RTO or apprenticeships board to determine the design of their formal apprentices and/or traineeships.

It should be noted that it proved to be quite difficult to ascertain how and why SMEs were designing their T&D and many probing questions were required. The majority of SMEs (22 interviewees) did not initially understand the concept of T&D design at the organisation level, nor did they understand the theoretical approaches of designing and planning T&D activities in great detail.

The eight organisations that did have some understanding of T&D theoretical approaches appear to be the organisations that had become a RTO or possessed a person that had a qualification in T&D or a higher level of tertiary education.

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In light of the discussion above and in addressing RI$_{3.2}$, one could infer from the interview data that the lack of understanding of the T&D design process by SME managers appears to be a major factor in the lack of provision of good T&D design methods. Overall, SMEs in general do not seem to have a good understanding of how and why T&D design should be done correctly which in turn influence the characteristics of T&D design in the participating firms. There was no evidence that industry sector played a role. Rather, it was the size of the organisation and the qualification of the person driving the T&D that appear to be the determining factors of whether T&D was designed internally or externally to the firm.

5.5.3 What are the characteristics of the T&D practices in innovative SMEs?

This section addresses RI$_{3.3}$: What are the characteristics of the T&D practices in innovative SMEs? To answer this research question SMEs where asked the following questions. Is the T&D in your organisation provided (conducted) by an internal or external training provider or both? and why do you utilise this approach?

 To determine what type of T&D was utilised interviewees were given a list of T&D approaches, including: informal on-the-job training, formal on-the-job training, formal off-the job training, mentoring, job rotation, temporary assignments, and a combination of these. They were also asked why they utilise this approach(es).

5.5.3.1 Internal versus external training providers in innovative SMEs

When interviewees were asked whether the T&D in their organisation was provided (conducted) by an internal or external training provider or both and why they used this approach(es), quite a few SMEs made the statement: 'you have asked me this previously'. Further questioning revealed that many SMEs did not distinguish between the design and the implementation phase of the T&D process. Almost all

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SMEs (29 interviewees) indicated that they use both internal and external trainers. Only one stated they only use an external trainer for T&D activities.

The major themes that emerge as to why they utilise a combination of internal and external trainers, are virtually a replica of those given regarding T&D design (see section 5.5.2). The two sub themes pertaining to why an internal training provider was utilised include: an internal trainer is cheaper (16 interviewees) and internal trainers understand the SME requirements better (seven interviewees) (see table 5.24).

When it came to the use of external training providers only one theme was apparent: the external trainer is the expert in training (26 interviewees) (see table 5.25).

Overall when the thirty interviewees were asked what the ratio is of internal trainers' verses external trainers, the mean average response were that 86% of all T&D was conducted informally on-the-job by an internal person. Fourteen-percent of T&D was conducted formally and by a qualified external person. The reason given for such high bias towards the use of an internal trainer was sub theme one, 'cost of engaging an external trainer' (16 interviewees). These interviewees highlighted that they did as much T&D as possible within their organisation because the use of an external trainer was seen to be very expensive. These interviewees highlighted that the internal T&D was usually conducted either by the interviewee themselves or the managing director.

Even though 86% of all T&D within participating SMEs was conducted by an internal person, only eight interviewees indicated that this person has formal qualifications such as a certificate IV in workplace training and assessment or above. The issue of not having a qualified person to conduct internal T&D did not seem to be a concern to these interviewees. This lack of concern could be attributable to the second sub-theme, that interviewees felt the internal trainer was best placed to understand the unique workings and requirements of the organisation and the need for training.

The interviewees viewed the internal person as best placed to train employees in becoming more efficient and safer in order to meet both internal and external

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business pressures. They also felt that internal trainers know the industry and experience of this person is more important than formal qualifications in T&D. Interviewees who did use a qualified internal trainer in the implementation of T&D did so for other reasons than the likelihood that this person will have a sound theoretical understanding of T&D or best practices.

Table 5.24 Themes and examples of regarding the use of internal training providers

Theme	Examples
Internal trainer understand the SME's requirements	Using an internal person is very important as I know actually what they do and I mean what they need to do– you've got to know what to do or you can't do it. You know that's all there is to it (BBC Food Services) I don't want to put ticks on myself but I know this business inside, out and back to front and upside down. So – and because I travel a lot to all the different divisions I understand how they all work together. So probably from an internal point of view it's just the – having the knowledge of all the business units. Having the knowledge of who the people are, what their learning capacities are, what their intelligence is and that's sort of what drives and how I develop the training around that (CBG Construction).
Internal trainer cheaper	lot of stuff that's going on in house, that we have done once again due to the size of the business we can do a lot in-house as opposed to going to external RTOs because of the fact it is very expensive to get an outside person therefore it gets done internally (CAR Food Services). Even though I am such an advocate for training and development the board of directors fail to see the long term benefits of it and only see it as a high cost to the organisation and too much to do. So since our occupancy has drastically changed from two years ago to I've done all the training here because it cost so much to get a trainer in from the outside but for the formal requirements such as apprentices and safety training I force Management to give it to our staff (CCI Accommodation).

Regarding the use of an external training provider (26 interviewees), it is clear that they did so because they saw this person as an expert in T&D. The interviewees felt they needed an external person who was a known expert in training, especially when it came to their apprentices and trainees who had to meet the required national competencies. The use of the external trainer was also seen to be important in that it allowed the apprentices/trainees to obtain a formal qualification in meeting the requirements of the apprenticeship/traineeship. The SMEs that were RTO's in particular believed that the use of an external trainer was very important as they brought the expertise, knowledge, and skills that difficult to find internal to the SMEs.

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Table 5.25 Themes and examples of regarding the use of external training providers

Theme	Reason is for external training provider
Experts in training	With somebody that, you know, specialises in that area and – and we'll work together on it. Well because external training providers are trained in training. They have, you know, specific course outlines, course structures and it's really just one less thing for us to think about. Mainly because we can't supply everything that – that we have to. Anything that is formal – formal training. So you walk away with a certificate, a diploma, some form of qualification is external (DAT Construction)
	In our industry the primary qualification is a Certificate in Fire Protection. So the apprentices undertake a four year apprenticeship with a – now our local RTO who are the experts and are the ones that are qualified to provide that level of qualification (FP Construction)
	You know they're conducting it and designing it and everything because they are the experts. The government has designed, I suppose, the criteria for – for that but they're going to then come out with their Cert IV in Plumbing and – and Gas Fitting and that sort of stuff. They have to reach those – those levels of competencies.
	We use RTOs obviously because they are the recognised in qualified people and if we want to have our courses recognised and there's a structured training program that they have. It's a – they provide the off the job training, we provide the on the job training (DAT constructions).

5.5.3.2 T&D approaches in innovative SMEs

It was clear from the interview data that SMEs utilised and implemented a variety of T&D approaches to various degrees of success. This researched focused on formal and informal T&D practices such as Formal on-the-job training, Formal off-the job training, Mentoring, Informal on-the-job training, Temporary assignments, and Job rotation.

All SMEs (30 interviewees) used formal off-the job training and all but one used informal and formal on-the-job training.   This was closely followed by mentoring (n= 26), temporary assignments (n=17), and job rotation (n=17). (see figure 5.5). The major themes from each one of these approaches are in more depth in the following sections.

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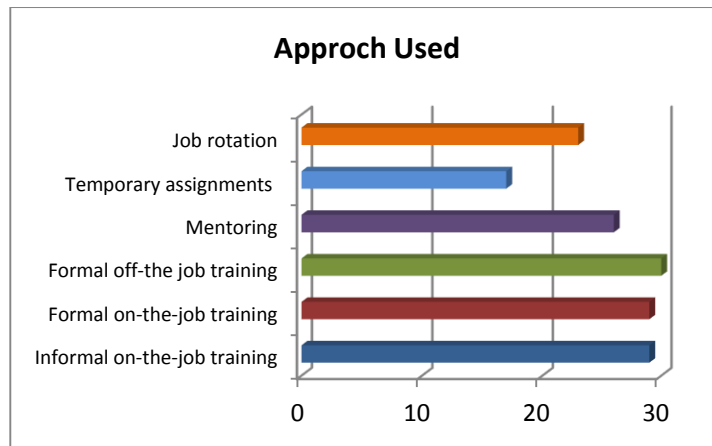
Figure 5.5 Approaches Used in Innovative SMEs

5.5.3.2.1   Formal on-the-job T&D in innovative SMEs

Formal on-the-job T&D was accomplished in most cases with the SME working with an external training provider. Two sub themes emerged regarding the reason why this approach was utilised by 29 SMEs, including: safety and short courses (20 interviewees), and online training available (eight interviewees). See table 5.26 for example of these themes.

This approach was especially highly regarded by three of the SMEs that were a RTO, two other firms that were considering becoming a RTO and by a few other interviewees. In addressing the first theme, twenty-nine firms utilises 'safety and short courses', when there was a requirement to provide staff with training of up to two days long.   Addressing workplace health and safety (WH&S) was one of the main foci of training in the majority of SMEs.   Four SMEs engaged a HR or personal development coach over an extended period of time to assist the SME. The major reason behind this practice was the belief that it would help them improve their organisational processes and practices and increase their organisation's performance.

Eight interviewees indicated that there was an increase in the utilisation of this approach due to the advancement in internet technology (sub-theme two). It seems that technology has enabled SMEs to retain staff in the workplace whilst having them undertake formal training provided by an external provider.

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Table 5.26 Themes and examples of regarding the use of formal on-the-job T&D

Theme	Examples regarding the use of formal on-the-job T&D
Formal on the job T&D in safety	We actually did Vat Nugel is a – a personal development trainer, business coach recognised on the Sunshine Coast here. He does it all over Australia and we did a fourteen week course with him every Tuesday for fourteen weeks basically he came in. We all sat around the board room table here and he – we did specific tasks which was to make everyone work together better basically which was invaluable (AH Construction). The of the apprentices, their physical training's done on site. The certificate courses are done with Training – Clubs Training who actually comes on site. I then get involved once a month the whole crew comes with all their training staff and I have a look at it and I ask them questions and just see where they're going with it and so they can understand it (BBC Food Services). I try to bring in annually for food safety. And chemical – chemical training we bring in our supplier in to – just to like give everyone a bit of a gentle reminder (CCI Accommodation).
Mix of online training and formal on the job T&D	Our apprentices do their TAFE in our classroom. Set up here online. They do their capstan at the training rooms at Bowen Hills. They do most of their practical work on site. With the apprentices they've got a – we've got a library set up on our computer that they access that library. The trainers can come out here to us and the apprentice that's sitting in there doing his TAFE right now and he makes sure that they're getting the – the practical side of their TAFE nailed and recorded properly before they go online to complete the theoretical stuff. Because a lot of the training that is required at work here is base – basically in house training you know which we have systems and procedures on how to do things and it's mainly just in house training that we have (LBE Construction). We have a custom built and custom fitted training room. It's got over ten thousand dollars' worth of technical equipment. So we have got a time investment and a capital investment in training. They can do some of their TFE training online which has reduced our down time of staff (DED Services). We've increased our spend on technology so all, you know, we find that the training room and obviously we've invested setting up the location here but we do WebEx on all – you know we have WebEx facility on all of our courses so that if we do have staff in Rockhampton that don't fly down or drive down that they can still attend via WebEx as well as phone conferencing and things like that (GCA Retail Trade).

5.5.3.2.2 Formal off-the job training in innovative SMEs

Twenty-nine interviewees stated that they utilised formal off-the-job training where it was conducted by an external training provider or RTO. The following three sub-themes emerged: the external provider was the expert (26 interviewees), it is part of the requirements of the apprenticeship (19 interviewees) and it brought a new perspective (10 interviewees). See table 5.27 for example of these themes. As mentioned earlier, these seem to be very similar to those discussed earlier in this section pertaining to the reason why an external trainer was utilised.

Regarding the first sub-theme, the SMEs that viewed formal of-the-job training as better because the external training provider was the expert, also indicated they utilised this approach because they did not have the internal expertise or an internal

trainer available to address the national competencies, nor were they a RTO (26 interviewees).

The second sub theme, formal off-the-job training was utilised because it was a requirement for apprentices/trainees and the employer to meet their apprenticeship contracts, was articulated by 19 interviewees. Even though almost all interviewees (29 interviewees) said they utilised formal off-the job training for the majority of their staff, it became clear that apprentices/trainees were the main focus of off-site formal T&D and administration and management staff were sent only occasionally off site for training. In general, administration and management staff were only sent off site if an online training provider could not be sourced. It was clear that the cost involved in engaging an external trainer to conduct T&D on site, was prohibitive

The third sub theme that emerged was that interviewees believed utilising any off-the-job formal T&D gave the employees new and different perspectives on relevant skills that could not be achieved by doing the internal training. They also felt it added a new dimension to their organisation which resulted in better products and services.

It should be noted that some interviewees who had T&D experience, cited that they would undertake external of-the-job training in order to gain skills which they could then in turn use to train and develop other employees internal to their organisation. However these interviewees acknowledged that it was difficult to transfer 100% of the information to their employees. This may have implications for the validity and reliability of the transfer of knowledge.

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Table 5.27 Themes and examples regarding the use of formal off-the-job T&D

Theme	Examples of formal off-the job training
New perspective	There's a lot of external interaction, you know, how people perform at work is directly, you know, dependent on how they're going outside of work so we put a great emphasis especially on our apprentices to have proper life skills. They attend life skills training which is another thing that we do externally in the training (FP Construction).
New perspective and expertise's for apprentices and staff **part of the requirements of the apprenticeship**	Our off the job training which is our – our TAFE colleges and trade school for the apprentices. There's additional courses for plumbers and gas fitters for endorsements on their licenses and that sort of stuff or, you know, safety courses as well as technical courses with the plumbing trade and gas fitting trade. These are all training that the premises have to attend but could also the tradesmen need to attend those classes as well (GAP Construction).
External expertise's **Part of the requirements of the apprenticeship**	Some of the stuff that we can't provide is provided by Careers Australia. Careers Australia are the ones that make sure that apprentices meet the National competencies which we must ensure that they get to complete their trade (LBE Construction). Is a requirement that we must train the apprentices formally to meet the National competencies as the apprentices undertake a four year apprenticeship with a – now our local RTO which we fought very hard for in Queensland. Prior to that we had to send all of our apprentices to either Sydney Randwick College or RMIT in Melbourne (FP Construction).
External expertise's	Only when it comes to workplace health and safety and – and when it comes to licensing and qualifications for site accesses and so on and so forth. You know your blue cards and all your site safety cards and things. We'll use an external trainer for that type of thing. All of our apprentices are trained through the government colleges and programs. We appoint them through that. They come through that so yeah that's – that's where they go (PQG Construction).

5.5.3.2.3 Informal on-the-job training and mentoring in innovative SMEs

Interviewees viewed mentoring and informal on-the-job training as similar therefore similar comments were made about these approaches. As a result the information presented in the two sections below is similar.

5.5.3.2.4 Informal on-the-job training in innovative SMEs

When interviewees were asked: why do you utilise this approach? the main theme that came through was the sentiment 'this is the way I was taught' (20 interviewees). Examples are presented in table 5.28. According to this sentiment on-the-job training is important because they themselves were taught this way by their supervisor or their mentor. For SMEs that employed trade qualified staff, informal on-the-job training was viewed as something that was carried out on a daily basis and that was integral to developing better skills. It's also seen as a vehicle for the transfer of knowledge from one tradesperson to another.

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Interviewees argued that the criteria for a person to conduct informal on-the-job training was contingent on them having a trade, certificate or fulfilling a position for some time. Other comments made by three interviewees were that this approach works well. Overall most interviewees when talking about informal on-the-job training continuously referred to the mentoring process they utilised whilst conducting ongoing T&D. The main reason for utilising informal on-the-job training was because of the perceived cost benefits for the organisation compared to the high costs associated with formal off-the-job training.

The use of informal on-the-job training ranged from tool box type meetings to showing staff daily duties such as putting fuel in a car and other day-to-day activities of apprentices and trainees. It appears that the use of informal on-the-job training was more relevant to trade, administration, and unskilled positions than staff in professional positions.

Table 5.28 Themes and examples regarding the use of informal on-the-job training

Theme	Comment on informal on-the-job training
This is the way I was taught **tool box meetings**	A lot of the other training that we do is tool box type meetings where, for example, last week one of our builders ran a training session on a new type of range hood that are being installed. So one- the guy that was delegated to go to that had to run the training session for the rest of the crew when he got back. The tool box meetings is great, and they have been done as long as there has been apprenticeships (LBE Construction). I think probably the best training for an apprentice is what they call, in the industry, a toolbox meeting. They're on site. They are able to ask questions. They can come – if they're not happy with the information they're getting out on the site from the other guys or the supervisor or whatever they come to me and we can discuss it. This is the way that I did a right to my pressure and at work to offer me so I do it with my people (USC Construction).
This is the way I was taught **Day to Day activities**	I had one of the young girls here. She bought brand new car, new nothing about it. So they actually had to train her on how to put fuel in it, how to check the tyres, how to check the oil. So there was a lot of unofficial training we also did. I think it is important because this is how it was done what I did my pressure and it gets a lot information across to what I would like done and how (**CBG Construction**).
Internal products used	We've also developed – well we're always internally training with new procedures and processes. Jane will – Jane will develop processes within the Administration to streamline the administration and certainly with MYOB we do training with MYOB and we also have our own internal software package for estimate and project management which we also – we have training videos on and we – we attend those so doing informal training that is very important (LAE Construction).

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5.5.3.2.5   Mentoring in innovative SMEs

Regarding the issue as to why participating SMEs utilise the mentoring approach, two main themes emerged: mentoring is the best approach (26 interviewees), and mentoring is an everyday affair (26 interviewees). Both these themes were discussed in conjunction with each other in the interviews.

It was clear from the interview data that interviewees valued mentoring as this was the way that they themselves were trained on a daily basis in their early career. Interviewees held this approach in such a high regard that they would automatically assign a senior person with adequate work experience to mentor a new employee on a daily basis. However, there was little evidence that any attention was paid to determining whether the mentors and mentees were suited to each other. This lack of a formal approach to mentoring highlights some failures regarding the use of this approach in some of the SMEs as evident from the failure of informal mentoring in four firms. Furthermore, these firms did not demonstrate an understanding of why the mentoring process failed as was clear from the typical response: 'I don't know why it fails sometimes'.

Overall the findings show that the vast majority of SMEs use the mentoring process on a daily basis but in an unstructured and informal manner.   There is very little evidence the mentoring process was formalised by the participating SMEs where mentors had undertaken formal training on the requirements of and the 'how to' of mentoring.

Only two organisations stated that they employed mentoring programs with the involvement of an external person.   Another firm had internal mentors but also acted as an external mentor for other organisations and individuals.

The value of this type of mentoring is demonstrated by the following comment:

> *"I guess this is a personal view, but one the greatest teachers in life as well as in business is experience and what better way of giving people some benefit from that experience and that knowledge but to use a – one of*

the best ways to transfer that information is using a mentoring program
(HB Manufacturing).

Other benefits of this approach cited were the transmittal of skills and knowledge to the wider community for example working with local schools in mentoring students and mentoring people with a disability to assist them in entering the work force.

Interviewees believed that good training in how to be a mentor was imperative and an important factor in the success of any mentoring program.

Table 5.29 Themes and examples regarding the use of mentoring

Theme	Comments on Mentoring
On-the-job training and mentoring is the best approach. Mentoring is an everyday affair	I don't agree with this apprenticeship scheme that they're doing now They just don't learn the whole aspect of the job properly. They know how to do little bits of it but put them together and say build that building – a lot of them would lack. I'm a big believer doing as much as I can with the apprentices in house and mentoring them through their oppression and this is done every single day unlike the apprenticeship scheme is required to do (AH Construction).
	We have mentoring programs and through scholarships that we encourage our employees to apply for. They receive formal mentoring from an external person. We also engage a company to provide external private and confidential mentoring programs to our employees for their personal development. In my view providing one staff with on-the-job training including mentoring is possibly the best approach and we do it everyday (DED Services).
	Mentoring comes with the training. With all the on job training. Most mentoring is an everyday affair. Yep that's essentially what I do most of the day I think, mentoring (GAP Construction).
	I think mentoring I'm thinking it's really – I'm thinking championing probably. That's really championing isn't it. Sort of saying hey listen I'm going to be a champion on administrative processes and I think of mentoring as being I need to sit down with someone and say, you know, what's happening with my career and how can I be doing a better job with that (GP Wholesale).

5.5.3.2.6 Temporary assignments and job rotation in innovative SMEs

Seventeen SMEs claimed they utilise temporary assignments and twenty-three stated they make use of job rotation. However, further questioning revealed that only six of these interviewees utilise these approaches for staff development reasons. These firms used these approaches in the main to improve the skills of their workforce.

It appears that job rotation was especially popular with regard to the T&D of apprentices and trainees, whereas temporary assignments were utilised for trades people and professional staff to develop new skills and to address the skills gap

within these SMEs. The catalysts for these SMEs to provide this type of T&D were customer requirements and the need to develop skills quickly.

Two interviewees in particular were avid advocates of these two approaches − one from the manufacturing sector and the other from retail trade. They argued that job rotation and temporary assignments helped both the organisation and staff since these approaches have led to an increase in job satisfaction, improved skills and enhanced skills in mentoring and communication in their firms.   These approaches seem to work well with regard to both apprentices and administration staff. They provide apprentices with a broader experience and assist the firm with succession planning. This in turn seems to have a positive impact on the organisation's performance because even through staff were doing jobs that they were not originally employed to do, they were doing it in a more efficient manner.

The six SMEs that utilised these approaches appear to have an understanding of 'how' to implement job rotation and temporary assignments. Organisation size does not appear to play a role in use of these two approaches as three were medium size enterprises and three were small enterprises.

Table 5.30 Themes and examples regarding the use of job rotation and temporary assignments

Theme	Examples of temporary assignments and job rotation
Improved skills	Yeah we've got temporary assignments for staff we do – we bring kids in from high school to do work experience on a regular basis and get them to work with them. Again we don't – go out and actively source that but if we have a request from the school to do work experience here yes we – it is very rare occasion that we would say no and again it's just opening up this business trying to encourage a young mind to perhaps think about making the baking industry a career in the future (HB Manufacturing).
	We do. We – we have a system – a lot of the guys that are in the housing section don't want to be in the service section but for the week that they're on call which is one in every twelve they work in service work that week just to – just to keep them in touch and to have them ready for when they do get a call out at night. So that's a temporary assignment (LBE Construction).
	Yep we do that. We actually move people around. In the last two years we've bought in a culture and the training has helped with that and the competency assessment. We move people around as we need them now as well. In the beginning people sort of had their own jobs and we had a lot of difficulty with that. The whole idea of training and competency assessment is that you can do more than one job and that now just has become common practice and it's well accepted and people see that as a way of improving their skills and they don't get as bored so it works effectively (OR Manufacturing).
	Yeah we'll – we also have a construction – a construction company so we'll bring people into that and to give them experiences in other areas and to broaden their base we'll send them out to other companies that may need a hand in other areas maybe being – being industrial or domestic to expose them to areas that we can't offer (LAE Construction).

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5.5.3.2.7   Most valued T&D approach in innovative SMEs

When the interviewees were asked which T&D approach their organisation valued the most, a variety of approaches were identified with no one approach standing out. However, as evident from table 5.31, mentoring and informal on-the-job T&D were highlighted as the most valuable approaches in participating SMEs. Temporary assignments and job rotation were valued least.

It should be noted that even though formal off-the job training was identified by only two SME as the most valued approach, the interviewees who identified a combination of approaches as important to their organisation, also had a high regard for formal off-the job training. They saw the latter as necessary for the success of their staff and organisation. With this in mind formal off-the job training should be considered as an important approach in any discussion in this area.

Table 5.31   T&D Practices Most Valued in innovative SMEs

T&D Practices Most Valued	
Informal on-the-job training	8
Formal on-the-job training	4
Formal off-the job training	2
Mentoring	9
Temporary assignments	0
Job rotation	1
Combination	6
Total	30

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5.5.4 What is the role of evaluation of the T&D effort in innovative SMEs?

This section addresses RI$_{3.4}$: What is the role of evaluation of the T&D effort in innovative SMEs?

Interviewees were asked: do you evaluate the T&D conducted in your organisation? If a simple yes was given, then the interviewees were asked: How do you do this? and at what stage do you do this evaluation? If the interviewees said no they did not evaluate T&D at this level, then the question: is there any reason why you do not? was asked.

The sub-themes that emerged from this information include: evaluation is performed informally (19 interviewees) and customer feedback is sought (10 interviewees). See table 5.32 for examples of these themes.

Table 5.32 Themes and examples regarding the evaluation of T&D in innovative SMEs

Themes	Examples of evaluation and validation of T&D
Informal feed back	Yes we do I'd go back and generally will get 'well okay what's the strategic objective? How am I going to action it and how are you going to measure it.' So I'll have those quite clear and – and generally it will be there's a conscious, sort of team feel or – or as I said or they can articulate as a group or – or there's a cohesiveness or collaboration that the, whatever it is – there's an expectation that everyone's lifted to that level. I will get that from feedback from divisional mangers, executive group or things like that. So I guess there is a focus of why we'd do that (BI Education).
Informal feed back **customer feedback**	I evaluate it from the point of view that I'm looking for skilled mastery by apprentices and tradesmen. How good that training is. I – I do rely on the supervising tradesperson to give the evaluation to say that – or the assessment if you like that that person is – has mastered that skill. I also think getting feedback from customers and support is another who has worked on the job I can see how the apprentices are going. Now when I evaluate that I then look to see how well the skill set's being developed and so I go to the training record and see well how many skills – how many competencies have been mastered. Then I think that's – that's my evaluation and my evaluation is based on – well first of all I need that skill for the business so there's the commercial imperative and then the evaluation is (DAT Construction). That's a difficult question to answer particularly from a quantitative perspective. From a qualitative perspective we – we look at our customer feedback and certainly we have objective – objectives to continually reduce customer complaints. So we look at that and believe that the training is one component (HB Manufacturing).

It is clear from the interview data that seven SMEs did not conduct any evaluation or validation and these interviewees were unable to give an answer explaining why not. Thirteen SMEs conducted informal evaluations at this level and ten SMEs claim to conduct a combination of formal and informal evaluation.

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Further questioning found that ten SMEs utilise customer feedback as an evaluation tool. Customer feedback was done in the main by conversations with customers and some SMEs ask their customers to fill out a feedback form. However, no formal analysis was conducted on the quantitative or qualitative data gathered in this way and the feedback was only utilised in an informal manner. These SMEs used approaches such as surveys and performance reviews.

Some SMEs utilised a combination of more than two approaches to gather information (5 interviewees).

Even though some firms claimed to use a formal approach to evaluation (10 interviewees) further questioning revealed that these SMEs did not do any formal and reliable data analysis. The data gathered was usually read by the CEO and a personal opinion was formed whether T&D was required.

Of the SME who did some form of formal evaluation they said that they conducted this evaluation every six to 12 monthly. The rest of the SMEs did not conduct evaluation according to a time frame. Information gathered was used strategically by only three SMEs.

Therefore it could be surmised that T&D evaluation appears to be conducted in an informal manner and used in a haphazard manner in participating SMEs without any sound theoretical grounding.

To ascertain if and why SMEs evaluated the participants' opinion about T&D, the following question was asked: 'Do you evaluate the value of training from the learners' perspective − for example do you seek feedback from the participants at any stage?. If the response was yes then the questions: at what stage do you do this evaluation? and if so how do you do this? were asked. For those organisations that did not do any evaluation formally, the question: is there a reason why you do not conduct formal evaluation of participants? was asked.

The majority of SME (29 interviewees) conducted some form of evaluation and feedback either from the perspective of the employee or from a value added perspective of the SME. Evaluation was conducted in a formal manner, informal manner or a combination of both.

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Further questioning of these interviewees revealed that twelve SMEs used *formal processes and practices* to evaluate the participant's opinion on the value of the T&D activities. When it came to evaluating the value of T&D from a value added perspective to the organisation, only ten SMEs did so in a formal manor. However, only seven interviewees claim to evaluate T&D both from the participant's perspective and the value added perspective in a formal manner.

When it came to evaluating and seeking feedback about the value of T&D from participants in the T&D process, three SME did it formally, eight SMEs utilised a combination of formal and informal evaluation techniques, fifteen SMEs evaluate T&D in an informal manner and three SMEs did no evaluation of participants.

The first theme that emerged regarding the evaluation of T&D participants' opinions is 'verbal communication with participants' (27 interviewees). This informal approach to gathering feedback from the participants within SMEs was primarily done through verbal communication between either the CEO or his/her representative and the T&D participant. Interviewees viewed this as the best form of feedback because it was immediate and gave them the opportunity to rectify any situation that arose. In general the informal feedback was not formal recorded or documented and therefore the formal utilisation of this information gathered from the staff was limited.

The second theme that emerged was 'feedback is conducted formally' (12 interviewees). This was done in a question and answer format and was conducted by the person who performed the training. The implementation of the question-and-answer form was a requirement for the fulfilment of the national competency requirements. These requirements also necessitated the trainer to conduct the question-and-answer evaluation immediately after the formal training session.

In conjunction with formal feedback and evaluation, eight interviewees stated that they followed T&D up with an informal conversation with the T&D participant to gather their views on the T&D session they undertook. Besides the requirements of national competencies to obtain feedback from the T&D participants, there was no one clear method of formal evaluation. Some organisations developed in-depth feedback systems such as surveys and 360 degree feedback. Once again further

questioning of these interviewees indicated that T&D data gathered through these evaluations were not analysed and interpreted in a formal manner.

Table 5.33 Themes and examples regarding the evaluation of T&D participant's opinion

Theme	Evaluate the participant's opinion
Conducted informally **verbal communication with employee**	I get involved once a month the whole crew comes with all their training staff and I have a look at it and I ask them questions and just see where they're going with it and so they can understand it (BBC Food Services). Most definitely I think it's all about a learning – a learning experience both from the let's say it's the learner and the learnee. I think we also need feedback. So we do – definitely do have that approach. I try to get as much buy in as possible from the – yeah – the – back to the manager, back to the client. The external factors as well to see if they've noticed a change or they've noticed that something – let's reward on good behaviours (BI Education).
Conducted formally **Verbal communication with employee**	It's just a straight forward training session then obviously at the end of it there's a feedback form that we do it from assessment point of view. But we also talk to them to see what they actually thought (BI Education).
Conducted formally **verbal communication with employee** **question and answer form**	So obviously they get done at the end of the training sessions where we talk to them. But we also have – have our own training feedback forms so any training that we do whether it be internal, whether it be a national competency we get all those feedback forms to come through and we also regularly run staff surveys through Survey Monkey (CAR Food Services) Sure at the end of each course there's a form that they get to fill in and it – it's – they can either put their name on it if they like or not but it's a form that asks them to rate their overall experience out of ten and then there's some other questions that go from that. So things like facility, the content if it was relevant. I also talk to them when they get back from the training provider to see how they have done Things like that (GCA Retail)

In ascertaining the reason why organisations did not perform formal evaluation and feedback they were asked "was there any reason why your organisation do not use formal evaluation processes?

Two sub themes emerged regarding the reasons why SMEs did not perform formal evaluations: management was not interested (11 interviewees) and time poor (three interviewees). See table 5.34 for some example of these themes.

SMEs were reluctant to expand on the reason why they did not implement formal evaluation of the employees apart from the two themes above. Regarding the first sub-theme, once again management's attitude seems have an impact on why T&D is not evaluated. In reference to the second theme, interviewees said that amongst

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countless other activities that they needed to do, the development and implementation of formal evaluation was not one that they had time to do.

Table 5.34 Themes and examples regarding why no formal evaluation is done

Theme	Reason why no formal evaluation
Time poor	It's just another job you know. Yeah like you don't need to evaluate everything. I don't really give a shit you know. I'd go to the kid and say 'it is good?' You want to perform because you have to perform you don't work for me (**HAP Construction**)
Management not interested	Cos I really don't think they're (management) are interested in it. And unfortunately my day is so god damn busy that okay they're not interested, so I don't do it. It's got to be visited down the track. They've got to know what they've got to know what they're getting in return for the training that they're – for the money that they're spending on the training and they don't know at the moment and they're really not interested at the moment so (**TPS Retail Trade**).
Too be bureaucratic thus management not interested Time poor	I would say that would be bureaucratic and we do evaluate them and that happens informally by the foreman coming up and saying this apprentice has mucked up this job three times and I'm not sure how we're going to solve it. So then we'll probably get him up here and I'll have a talk to him and if he needs some sort of special training, I'm not sure what special training he needs apart from the same training he's been getting but we probably just jump up and down on him a bit to make him a little more aware that he needs to concentrate (**NCJ Manufacturing**)

To explore whether SMEs view T&D evaluation as important, interviewees were asked: overall do you think evaluation of T&D is important in the training effort? and, why is that?

Two themes emerged from the interview data regarding why SMEs view T&D evaluation as important: it prevents wasting time and money (26 interviewees) and it helps improve employees' buy-in in conducting the training (15 interviewees).

Regarding theme one, the majority of interviewees acknowledged the benefit of T&D evaluation because it prevents wasting time and money on inappropriate T&D. This was despite the fact that some of these SMEs did not utilise a formal approach or informal approach to evaluation to any great extent, nor did they utilise it in a strategic sense.

Regarding theme two, interviewees argued that it helped improve employees buy-in in conducting their training because participants saw the T&D as something that adds value to them personally. Moreover, by seeking and acting on the feedback from the employees it was seen to assist in developing better staff related outcomes such as: improved employee commitment, enhanced skills and increased staff satisfaction. Further questioning found that additional reasons why SMEs saw value

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in T&D evaluation including it assisted in finding the correct trainer and it was used to determine the appropriateness of T&D by matching the needs of staff with the requirements of the job and organisation.

Table 5.35   Themes and examples regarding the importance of evaluation and feedback

Theme	Importance of evaluation and feedback
Prevent wasting time and money	I think it is. Yeah otherwise it's probably – if you're – you might be doing training that's just a waste of time and we're not into wasting time. So yeah if you don't – if you don't sort of evaluate it in some fashion, be it just verbally or – or our meetings how's it – how successful was it? You – why did you do it in the first place (AH Construction) .
Prevent wasting time and money **Helps improve employees buy-in in doing the training**	It is because you're not going to train if it's not going to work. Because as I said there's some training that we've had here that we questioned why we've done it. We probably wouldn't do it again. There's some companies we've used that we wouldn't use again. But I guess that's all part of it. There's good and bad in everything. And you – you've just got to weed out the bad ones. Because if staff – if staff have a bad experience in training they will not be willing to do the training so it helps the staff like the training – it's difficult getting then back again (NAR Health Care). Oh without a doubt. If I didn't think there was results again if you can't measure it you can't manage it. So if we weren't getting results and we weren't seeing improvement than it would be – it would defeat the purpose. It also develops more commitment. It develops ownership of the business and how they represent the business. It's their values in how they carry themselves on our behalf perhaps more importantly it prevents them wasting money and time (TBG Construction). I think it's all about a learning – a learning experience both from the let's say it's the learner and the learnee. I think we also need feedback. So we do – definitely do have that approach. I try to get as much buy in as possible from the – yeah – the – back to the manager, back to the client. The external factors as well to see if they've noticed a change or they've noticed that something – let's reward on good behaviours…. I think from my perspective as definite factor in reducing the amount of wasted time and effort and probably money in training the apprentices and trainees (BI Education).

In addressing RI$_{3.4}$: What is the role of evaluation of the T&D effort in innovative SMEs?, it appears that the role of T&D evaluation both from an employee's perspective and the organisation's perspective, plays a limited role in the T&D activities within innovative SMEs.

The findings show that very few organisations performed formal T&D evaluations or from the staff's and organisation's perspective. It was also evident that the organisations that did utilise formal evaluation tools did not understand the positive benefits of performing detailed and professional data analysis and interpretation. This may lay in the fact that there was a lack of knowledge by all SMEs about sound theoretical approaches to evaluation and the feedback process. Not one interviewee provided evidence of comprehensive evaluation or feedback processes or practices within their organisation.

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Interviewees clearly appreciate the value of T&D evaluation however there appears to be a large discourse between the interviewees' perception of the importance of evaluation and what actually happens in their organisations.

5.6 What is the perceived role of T&D practices in organisation performance?

This section explores interviewees' perceptions about the role of T&D in organisational performance.   RQ4: What is the perceived role of T&D practices in organisation performance within innovative SMEs? is explored.   Two sub research issues are explored to inform this research question. RI$_{4.1}$: What is the perceived role of T&D in human resource performance outcomes SMEs? And RI$_{4.2}$: What is the perceived role of T&D in the financial performance outcomes in innovative SMEs?

5.6.1 What is the perceived role of T&D in human resource performance outcomes SMEs?

To explore RI$_{4.1}$: What is the perceived role of T&D in human resource performance outcomes SMEs?, interviewees were first ask whether T&D in their firm has an impact on four employee outcomes including improved employee commitment, reduced employee turnover, enhanced skills and increased staff satisfaction.

All interviewees felt that T&D has ***increased the skills and enhanced the development of employees*** (30 interviewees).   Three subthemes emerged: T&D builds multiple skills (8 interviewees), T&D builds self-confidence (17 interviewees), and T&D enables portable and transferable skills (three interviewees). See table 5.36 for some examples illustrating these themes.

Regarding the first sub-theme, interviewees stated that T&D activities in their firms help to *build multiple skills.*   These SMEs provided a variety of T&D activities that were implemented to address issues such as the implementation of new products or to meet new requirements placed upon the organisation.

Regarding the second sub-theme, interviewees responded that T&D helps to *build self-confidence* of employees.   T&D seems to have a positive impact on the

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demeanour and verbal communication of employees as their personal work skills increased. This change was due to employees' personal growth in the process of T&D.

Regarding the third sub-theme, interviewees felt that T&D enables *portable and transferable skills* of employees. These interviewees appear to utilise the development of portable and transferable skills as a leveraged to encourage staff to remain with their firm. There was also some evidence it assisted them in gaining a reputation as an employer of choice. This latter aspect was important to these interviewees both from the perspective of employees and the perspective of the organisation.

Table 5.36 Themes and examples regarding increased skills and enhanced development of employees

Themes	Example of increased skills and enhanced development
Builds skills **Builds self confidence**	I am very positive about that. I am very sure again it varies from person to person but we have had some very good success stories where it has turned people's lives around I believe so. Well they increased their skills but in a couple of examples it increased their self confidence in the fact that they were able to do a course and they completed it successfully and they had the knowledge all along but they didn't have the confidence in their own ability (HB Manufacturing) Basically obviously to give our people more skills. Such as Certificate IV in Frontline Management. I have also found that it deftly builds the confidence of the people in our organisation and this seems to increase with the more the training that they do (TPS Retail Trade).
Builds multiple skills **Portability and transferability of skills**	Yes because they do understand that we train them well. Part of that understanding would be because we do put them six months in the cabinetmaking end and six months in the joinery end. So we're actually teaching them two lots of skills. It improved their job prospects over the average apprentices that have come out of their time (NCJ Manufacturing).
Portability and transferability of skills	Definitely skills and individual career development. Because we have a significant number of production workers. Many of those people hadn't been through tertiary education. Quite a few actually hadn't finished high school so this was a great opportunity for us to be able to give those people portable and transferable skills to – so that they would be happier at work here. But also we believed that we had a responsibility that when they left they needed something that would be recognised within Australia so that they could take those skills with them as well (OR Manufacturing).

Twenty-nine interviewees responded that in their view T&D has a positive impact on *employee commitment.* Three themes emerged regarding employee commitment including: increased employee motivation (29 interviewees); reduced absenteeism; (six interviewees) and employees feel more valued (six interviewees).

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Regarding the first sub-theme, increased employee motivation, there was evidence from nine interviewees that they had noticed employees arriving to work earlier and been more prepared for the work they needed to do that day. However, the change was an incremental change over time and not a radical change.

This incremental change in behaviour was also notice regarding the second sub-theme reduced absenteeism. According to these interviewees T&D assisted in reducing sick leave in their view employees felt more committed.

Regarding the third sub-theme, employees feel more valued, interviewees argued that T&D activities enhanced a positive atmosphere in the firm which in turn had a positive impact on employees feeling more valued. Interviewees argued that employees developed this perception because they were given the opportunity to develop their skills and consequently they feel more valued as members of the organisation.

Table 5.37 Themes and examples regarding enhanced employee commitment

Themes	Employee commitment
Employees are more motivated **Fewer sick leaves**	Absolutely. Yeah they – they say they love working for us. They've come out and told us that they like the effort we put into training and developing them and they don't want us to change too much at all. I think they put more into their wok and there are fewer sick leaves (AH Construction) I think so, obviously I only can talk about things that affect – affect us and being a not for profit organisation if I look at from a purely money point of view if we're not seen to be putting money back into our assets are you really going – the disengagement. This dis-motivation. You know unmotivated staff. So this is a way we can engage people. We can motivate them. We're into their needs not just our own so there has been an improvement in the employees commitment (BI Education)
Employees are more motivated **Employees feel valued**	I do because if you've got to go to the training, you know, it's not – it's just something that you've got to do. If you're then offered perhaps to be able to do your – your diploma in something or to go onto that next step to do conflict management, to be able to do any little extra little bits to help you it makes you feel warm and fuzzy. It makes you feel valued which, of course, makes you a better staff member and a loyal staff member. I do believe that it is definitely helped the staff to be more motivated in their work as well and this is important to me and I'd say them as well (CCI Accommodation).
Employees are more motivated	Yes. I believe there's a number of people that are saying 'gosh, you know, I would not have got this opportunity working anywhere else or very few other places would have provided this opportunity and that goes right back to that core principle of we want to be the company that people want to work for and so yeah we've had that – we've definitely got that outcome. I've got a lot of people here who are quite committed to the company (DAT Construction).
Employees feel valued	Absolutely. Yeah they – they say they love working for us. They've come out and told us that they like the effort we put into training and developing them and they don't want us to change too much at all. I think they put more into their wok and there are fewer sick leaves (AH Construction).
Employees are more motivated	I think training and development's got a big part of any employment atmosphere. You don't want to – you know people don't want to just be seen to thinking they're going to be doing the same thing for ever and training whether, you know, core skills are a huge part of training and development but sometimes training and development's really good just for morale within a business. With good morale comes employees are far more motivated to do their work. So some of our training and development done here is purely for that (FP Construction)

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In response to the question about the role of T&D in *increased staff satisfaction*, almost all interviewees indicated a positive effect (29 interviewees). One interviewee was unsure of the impact of T&D on staff satisfaction. Two sub-themes emerged regarding increased staff satisfaction: T&D resulted in enhanced self-worth of employees (7 interviewees) and T&D improved performance through happier employees 5 interviewees). (See Table 5.38 for some examples reflecting these themes).

Perhaps the most notable comment about these two themes was made by interviewees in manufacturing:

> *I am very positive about that. I am very sure again it varies from person to person but we have had some very good success stories where it has turned people's lives around", for this organisation T&D was a way to motivate staff and to build self-esteem and the resultant outcome was staff exhibited higher work satisfaction and commitment to the organisation. This tone whilst not explicitly stated by all organisations was conveyed in various ways by most interviewees (HB Manufacturing).*

See table 5.38 for some example regarding these two themes.

Table 5.38 Themes and examples regarding the impact of T&D on staff satisfaction

Themes	Increased staff satisfaction
Self-worth	It has. It does anyone – if you're learning something, if you feel valued, if you're growing within yourself that will also increase your satisfaction. It will also increase your dependability and wanting to be somewhere (CCI Accommodation) So they get their ongoing training and I think they feel better about their job if you can perform something (GP Wholesale)
Improve performance through happier employees	There's a lot of personal integration with the company and our people, because obviously I want to keep people here happy. If they're happy they perform better and usually if they've got something to challenge themselves with i.e. more training or a different qualification they will stay here and we retain the skills (FP Construction)
Improve performance through happier employees	Yeah absolutely. That's one of our – that's our vision is that our staff drive away – drive to work happy and drive home happy and in turn give us good work output (GCA Retail Trade)
Self-worth **Happy employees**	Basically self-satisfaction of employees. Knowing that they're getting something from the job and they can take it with them when they finish. But they do not necessarily take it with them because they're more inclined to stay with you if they're getting something out of the job more than just the pay cheque at the end of the week and that's where training's very good because the guys feel like they're accomplishing something when – when people feel wanted and they're accomplishing something, they're happy. Happy workforce. Happy people. Good jobs. It's just a flow on effect and it all starts with training (GDT Construction)

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In response to the question about the effect of T&D on *employee turnover*, the majority of interviewees (eighteen interviewees) said it has led to a decrease in their turnover. However, four of these interviewees acknowledged that this effect was not all positive because some employees who have gained higher qualifications owing to T&D would leave to work for a large organisation who can provide a higher salary and better conditions.

Seven interviewees said it had no effect. These interviewees argued that other factors like the global financial crisis was influencing staff to stay, rather their T&D activities. Four interviewees expressed a mixed opinion. Their arguments revolved around the positives of higher skilled staff owing to T&D and employees having higher commitment levels as a result of T&D. Owing to this higher commitment, employees would resist leaving the firm. On the negative side they argued that staff were being poached by other firms once they have acquired higher skills/qualifications.

One interviewees said that T&D activities led to increased employee turnover, putting forward a similar argument that T&D encourages employees to migrate to larger firms. In further questioning this interviewee, it became clear that despite this view, the firm would continue to provide high levels of T&D for their employees. See table 5.39 for some examples of these responses.

Table 5.39 Themes and examples regarding the impact of T&D on employee turnover

Themes	Reduced employee turnover
Has reduce turnover	Most definitely. Well our retention rate speaks for that. Not very many people leave so (FP Construction). I would say yes. However, I think the major thing that would be due to the economy because we had the training practices in there – in there before we entered. Probably a few more opportunities that are coming through in the last sort of eighteen months for the staff that could contribute to that (CAR Food Services). Most definitely. Well our retention rate speaks for that. Not very many people leave so (FP Construction).
Has reduce turnover	To an extent I would say yes. However, I think the major thing that would be due to the economy because we had the training practices in there – in there before we entered. Probably a few more opportunities that are coming through in the last sort of eighteen months for the staff that could contribute to that (CAR Food Services).
Has reduce turnover	The people that we chose to do the training are out of our core staffing level. So and the turnover in our core staffing level has certainly improved, yes. (CCI Accommodation)
No effect	Well I haven't had any employee turnover in twelve months there is no positive relationship between training and turnover been detected in the organisation (BBC Food Services). I've got to be honest here I'd be doubtful. If it has it would only be marginal. I think there's other issues that impact on that more so than the training. I think despite the training the level of turnover… (HB Manufacturing)
Mixed opinion	I think it has and it hasn't because some people leave when they have got more experience

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	and qualifications where as others say because they are getting trained. I think it's early days. I think that, you know, I think that probably in six months' time. Six months or twelve months' time I think that when we review our staff retention I'll answer (GCA Retail Trade). Well in one way it increases the turnover, particularly with apprentices. I suppose we just – though it's not always the case but in many cases, you know, apprentices are local – local lads. Generally once they get their ticket well it's a ticket to the wider world and they don't always just want to hang around. But for the older trade people they really value of the training and they appear to stick around because we are so active in that area… I think that is one of the reasons why they stick around (AET Manufacturing).
Increased turnover	No. It's probably increased turnover if anything. Give the – give the people the skills they have more skills to move on. So unfortunately yeah a lot of money's been lost over the years. You know, where a lot of care is taken with who is suited to go but at sometimes within a very short time they've had something else up their sleeve and that's just another ticket to help them get to where they want to go and I'm probably talking mines (GAP Construction).

5.6.2 What is the perceived role of T&D in the financial performance of innovative SMEs?

In addressing RI$_{4.2}$ the interviewees were asked: In your view do you think your training efforts have an impact on your bottom line? Twenty-eight interviewees said it had an impact and two said it did not have an impact.

Two themes arose regarding the impact of T&D on their bottom line: T&D led to increased productivity (22 interviewees) and T&D effected the bottom line due to high costs of training staff (6 interviewees), and the remaining two interviewees were unsure of the impact on the bottom line of the organisation. See Table 5.40 for examples reflecting these two themes.

Regarding the first theme, T&D led to increased productivity', interviewees saw an increase in the work output of employees after T&D activities. However, according to theme two, some interviewees argued that T&D was a costly exercise and it even had a negative impact on the firm's bottom line. Nevertheless, they also argued that the positive aspects of their T&D activities by far outweigh any negative impact T&D may have on the bottom line.

When interviewees were asked: Do you think T&D has increased your firm's annual income in the current year compared to that of the previous year and if so what ratio do you think that would be?, little evidence was forthcoming from interviewees that there was an increase or decrees in annual income in the current year compared to

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that of the previous year, owing to T&D activities as the majority (28 interviewees) said they do not know what the ratio would be. It is recognised that eight of interviewees were not the Owner/Manager therefore may not be privy to such details. Two interviewees who were able to give a definite ratio argued that measuring this kind was of issue was very difficult due to the current economic climate and it was a hard to record.

Table 5.40 Themes and examples regarding the impact of T&D on financial performance of innovative SMEs

Theme	Comment on Financial Performance
Increases productivity	I suppose with training apprentices I'd have to say no. But with training our tradesmen I'd have to say yes. But it's more a ticket – a ticket that would be benefiting our company so that we didn't have to employ a personal workplace – I mean a professional workplace health and safety guy. We were able to use – we gave the boys their – the skills instead of employing someone else to do it. Clearly where sales is concerned it makes our boys more productive (JC Construction)
Increases productivity High costs of training staff	Yes and I think for good and for bad. Obviously we're delivering better care which is a positive. We're keeping – retaining staff longer which is a positive. The negative. It does cost. It does cost to take the staff off the floor. It does cost them time in staff care. It does cost in equipment because the staff get better at it. Know about better equipment and want better equipment. The positive side of that is obviously better care's delivered. But the bottom line is I feel – you know, I might have to go and buy $5,000 machine rather than $2,000 machine (NAR Health Care) Even though I am such an advocate for training and development the board of directors fail to see the long term benefits of it and only see it as a high cost to the organisation and too much to do. So since our occupancy has drastically changed from two years ago to I've done all the training here because it cost so much to get a trainer in from the outside but for the formal requirements such as apprentices and safety training I force Management to give it to our staff (CCI Accommodation).
Increases productivity	Positive way. New work, more efficient use of downtime. Well we've been able to get into the air conditioning section through training which has filled a hole in our turnover in Januarys. It's – the different way that we're doing the training with the apprentices is definitely beneficial to us because they don't need to be in there for a whole day. That guy can take two hours now and go and help a fellow put an air conditioner in and come back. You can't do that with them while they're at TAFE (LBE Construction).
Increases productivity	I suppose there would have to be some impact because efficiency is all to do with profitability from our point of view. Reducing man hours, better skilled people, making better decisions. So there is certainly an impact there. Training and development is – is vital to the bottom line (PQG Construction).

Further to the impact of T&D on the financial performance of the firm, interviewees were also asked if and how the organisation measured this impact of T&D on employee performance and financial performance.

More than half of the interviewees indicated that they did not measure the impact of T&D on staff outcomes (6 interviewees). Four interviewees said they conduct a formal measurement and six interviewees said they utilise a combination of formal and informal measurement. Formal measurement in these ten SMEs ranged from the

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evaluation and feedback forms (as discussed in the T&D process section), 360 degree anonymous feedback surveys, engagement survey, performance and development reviews and key performance indicators. Similarly, four interviewees stated they conducted informal measurement. These SMEs usually did informal measurement by talking to their employees, management's personal observation and customer feedback (Table 5.41).

More than half of the interviewees indicated that they did not measure the financial performance (17 interviewees). Five interviewees said they conduct a formal measurement and one interviewee said they utilised a combination of formal and informal measurement. The evidence from these six interviewees indicated they utilised profit and loss statements and other financial reports. Of the remaining seven interviewees that said they measure the impact of T&D on financial performance in an informal manner cited a variety of methods including: observing the cash register, observing the reduction in mistakes, an increase in customers and better customer feedback (Table 5.42).

Table 5.41 Measurement methods of staff outcomes

Themes	Measurement methods of Staff performance
Formal and Informal	The best way to do that is to do an employee engagement survey and we covered a whole range of not just the organisation but the individual roles, supervisors (BI Education) We do it through PDR's and KPIs. And talking to our people (CCI Accommodation) We measure it two ways. We measure it by the number of signed off competencies in their training record so that's a quantitative amount of training and then the amount – then we gauge it informally by conversation, you know, we – we pick the body language (DAT Construction) Probably feedback and the scores that we get from each course and the fact that it is – can be anonymous. Like give the freedom to comment and to feedback. I think having that six monthly and we're, you know, we're probably three months away from our next feedback but the feedback we got was really high that, you know, say eighty-seven percent of the staff that completed the survey believed that there was – there was – there was a great benefit with having a Training and Development Academy as a concept in our business – a working concept (GCA Retail Trade)
Formal	We have formally measured and documented such as satisfaction, signed off competencies and so on this is all in T&D documents (DED Services)
Formal	We have a section on our performance management which is all based around, you know, 'how happy are you in your job and what could make your job even better?' So it might not be a quantitative assessment but it's certainly an opportunity for employees to give that feedback back and they do nice and honestly. They're encouraged to do so. So that's – that's my way of measuring (FP Construction). I did a survey for the boys 360 degree anonymous feedback and I got quite good feedback from that (JC Construction)

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Table 5.42 Measurement methods of financial performance

Theme	Measurement methods of Financial performance
Formal measurement and data analysis	Profit and loss statements and other financial reports and this is a is a key measure I think that – I think it's a point of difference too, is that businesses may struggle to accurately put a quantitative value on the training and measure quantitatively what their return is. There are definitely ways to do that and I'm going to put a plugin for USQ and data analysis now. That actually did help me. That's an outcome I guess of my own training, is that I can sit here now and go I can accurately analyse what is being put in and what I am achieving as a result of that So – and you put in difference performance measures, different accounting measures so that we now track employees time, how many times a job might be returned, what we have to write off in mistakes. And you can put a – you can apply a quantitative value to that so then you are able to measure it and then you know that's another way that that's formally feeds back in to what those needs are – training needs are (DED Services) I guess of my own training, is that I can sit here now and go I can accurately analyse what is being put in and what I am achieving as a result of that So – and you put in difference performance measures, different accounting measures so that we now track employees time, how many times a job might be returned, what we have to write off in mistakes. And you can put a – you can apply a quantitative value to that so then you are able to measure it and then you know that's another way that that's formally feeds back in to what those needs are – training needs are (CAR Food Services).
Formal measurement	There's your annual profit margins and then there's the growth of the business as an asset in itself (FP Construction). Profit and loss statements and the use of a computer – it's a computer generated program that we use for time management on jobs and for training and so on. But yes it's – it's just simply by – by monitoring the man hours against the man hours that have been allowed and wastage are basically errors. But you know we're sort of – we can pick the significant spikes (PQG Construction).
Informal measurement	If you get a job done quicker and more efficiently without mistakes it's more profitable. If you do all those three things and the customer's very happy that turns into your next job (AH Construction). Yeah through error rates we see a reduction in errors by our people (GP Wholesale)

Overall only two interviewees (DED Services and CAR Food Services) made it very clear that they did a formal data analysis in relation to the feedback they have received, not only of regarding the impact of T&D on financial performance but also the impact on staff outcomes as well. Those firms that utilised formal measurement, all but one had a written strategic plan. As such one could argue that formal strategic planning creates a conducive context for the measurement of T&D impact on organisational outcomes. However, the exploration of this issue falls beyond the scope of this study.

Whilst this research was concerned with the perception of the interviewees regarding the role of T&D in achieving human and financial performance, it would have been remiss of the research not to enquire about the impact of T&D on the competitive advantage of SMEs.

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Therefore the question: Do you think your T&D activities have increased the organisations competitive advantage?, was asked.   Twenty-eight interviewees sated that that T&D efforts in their organisation had impacted on their competitive advantage positively and two said it had no effect. Three themes emerged: T&D made the firm more competitive generally (28 interviewees), T&D activities assisted SMEs to tender and win contracts in general and highly sought after government contracts (15 interviewees), and T&D creates smart people (8 interviewees).

The perception of twenty-eight interviewees was that T&D made their organisation more competitive and allowed them to provide better services including far superior quality of products and services over their competitors. The competitive advantage that this gave these SME had flowed onto other areas, for example, T&D was perceived as enabling the SMEs to tender and win more contracts, in particular government contracts, which were seen as a prestigious achievement for their organisation (15 interviewees). Regarding the third theme, the perception emerged that T&D created smart people.   Interviewees argued that by responsibility implementing worthy T&D pathways, good and smart people are created and this in turn assisted the firm with developing a respected business name. This was done through better customer service and product knowledge which distinguished the firm from their competitors.

The perception of the interviewee on the human performance and financial performance aspect with in their SME will now be reported on. (see Table 5.43 Comment on Competitive Advantage)

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Table 5.43 Themes and examples regarding the impact of T&D on the competitive advantage of innovative SMEs

Theme	Comment on Competitive Advantage
Help win contracts **Help win awards**	Yeah I think it has and that's why we had the Australian Championships and all that because of our organisational skills here because - we've got the Australian Surf Titles. We host all their functions. We're not a surf club. We're a bowling club. It's not for any other reason is we're very good at what we do in that sort of work. That's probably why we won the Club of the Year. Not for how beautiful the club looked. It was changing the patterns of what we do here and increasing our revenue. Our bottom line (BBC Food Services). Definite – definite competitive advantage and I – and I'll tell you why is that when we tender for a job and I can think of probably four or five jobs where we were unsuccessful tenders only for the project then to fail right at the end that we were then and for that contractor to walk off the job and suffer their loss for us to then be contacted by the people we tendered to originally and ask us can we come in and examine what the others have done and see if we can rescue it. You know that has happened a number of times and of course we charge them. You know we – we were going into de-engineer what they've done, seeing what part of it will work, find out where it's all gone wrong, devise a way of getting around it and then go in with our skilled workforce to be able to complete the job and then produce the outcome that we're looking for (DAT Construction).
Help win contracts **Adds to good business name**	Most definitely. There's so much, especially government work and big –big construction, now where you have to have so many ticks to even get on a construction site. We're certainly not the cheapest but we're often referred to as number one so I'm very proud to stand above because I put a lot back into training (FP Construction).
More competitive in a very hard industry	Absolutely. Without a doubt it has made us more competitive in a very hard industry. I think it gives us – one of the things it gives us – it gives us a little bit of breathing space in factories. If we are having some areas of performance issues the factories are more patient with us because they understand our level of commitment. They know that it's not just about turning up to their training. It's about the fact that we're actually going to have over two hundred people that either directly or indirectly related to their product is going to be going through some formal training process and having an organisation culture of training it's not just about how to sell more cars and it's, you know, it's about people understanding when they come in that being part of the GCA Retail Trade is about constant development and being open to that (GCA Retail Trade).
Creates good, smart people **Adds to good business name**	Yeah I definitely whether it's – whether it's currently present in this economy is debateable. But again speaking – speaking in a normal world yeah definitely. I mean our – good training, good education creates good, smart people. Clients like to see that. They'd like to see the same face all the time. So yeah definitely an advantage over our competitors. Definitely (PQG Construction).

Interviewees were asked being publically recognised for their T&D efforts have been a positive with regard to their competitive advantage. Twenty-six interviewees argued it has assisted them in enhancing their competitive advantage. A review of available secondary firm documents and websites found that the majority of firms (19 firms) promote the fact that they have obtained public recognition or have won awards for their T&D activities. They also seem to use this public recognition as a marketing and promotional tool for their organisation. However, it was evident that most firms conducted very little promotion around this achievement.

5.7 Summary

Firstly, the results pertaining to the internal drivers of T&D in innovative SMEs (such as size, presence of HR manager and existence of a strategic plan) and how they impact on T&D in these SMEs, as well as the external drivers of T&D in innovative SMEs (such as government requirements, new technologies, quality issues, pool of talent issues and increase in competition) and how they impact on T&D in these SMEs, have been outlined in this chapter. Secondly, the findings regarding the characteristics of a T&D climate in innovative SMEs have been summarised. This included the attitudes of SME managers towards T&D in innovative SMEs, the resource allocation (budget) for T&D in innovative SMEs, the importance and relevance of strategic T&D objectives in innovative SMEs and what T&D policies are in place in innovative SMEs and why. Thirdly, the characteristics of T&D processes and practices in innovative SMEs have been explored. The findings with regard to the role of a training needs analysis in innovative SMEs, the characteristics of the design of T&D on innovative SMEs, the characteristics of the T&D practices in innovative SMEs and the role of evaluation of the T&D effort in innovative SMEs, have been summarised. Finally, the results regarding the perceived role of T&D practices in organisation performance of participating SMEs have been reported on. This includes the perceived role of T&D in human resource performance outcomes and financial performance outcomes in innovative SMEs.

The next chapter discusses the findings summarised in this chapter in-depth in view of the existing T&D literature. The practical implications for SME managers and policy are also discussed, as well as some direction for future research.

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CHAPTER 6: DISCUSSION, PRACTICAL IMPLICATIONS, DIRECTIONS FOR FUTURE RESEARCH AND CONCLUSIONS

6.1   Introduction

The purpose of this chapter is to discuss and integrate the research findings from the interviews with the relevant literature. Specific conclusions and recommendations are also given in view of the research findings. The overall research objective of this study was to explore the T&D processes and practices within Queensland SME T&D innovators. There are four research questions addressing the research objective. The discussion in this chapter is structured around these research questions.

6.2   RQ 1: What are the drivers (internal and external) of T&D in innovative T&D SMEs?

The first research question, has two sub research issues which together inform the discussion in this section. The first sub research issue RI $_{1.1}$ relates to the internal drivers of T&D in innovative SMEs (such as size, presence of HR manager and existence of a strategic plan). The second sub research issue RI $_{1.2}$ is concerned with the external drivers of T&D in innovative SMEs (such as government requirements, new technologies, quality issues, pool of talent issues and increase in competition).

The literature review recognised that there are many ***internal drivers*** that can affect T&D in SMEs, of which organisational size, presence of HR manager and existence of a strategic plan are of particular relevance to this study. These aspects are now discussed.

According to the results, the majority of interviewees thought *organisation size* had a considerable impact on the T&D activities in innovative T&D SMEs and their ability to provide T&D. However this impact played out in various ways. Almost half of the participating firms argued that an increase in employee numbers tend to lead to

more frequent and more formalised T&D processed and practices. This finding is supporting of the research conducted by Jones (2005) and Storey and Westhead (1994) which report that SMEs tend to employ more formalised T&D processes as organisations grow.

Whilst T&D was highly valued by all participating SMEs, the emphasis in the majority of small organisations was on T&D of apprentices and trainees such as updating of skills for the trades and operational level staff in the organisation. T&D of administration and management staff received less attention in small firms compared to medium firms. The segmentation of administration staff and apprentices/trainees has received little attention in the literature. However, Jones (2006) and Kotey and Sheridan (2004) argued that medium firms tend to direct training towards management staff to a greater degree than small firms. Similarly Thomson and Gray (1999) found that the larger the organisation, the higher the participation rate in management skills development.

Although it is easier to provide good quality training when the organisation grow one can not necessarily assume that the training in medium firms are of better quality then small firms. Westhead and Storey (1997 p. 8) argues this point by saying *'...there is no conclusive evidence which suggests the quality of training provided by large organisations is better or worse than that provided by smaller organisations'*.

According to the results, some medium firms argued that T&D actually became more difficult, both logistically and financially as employee numbers increase. They were unanimous in saying that an increase in size enabled them to become a registered training organisation. A review of the SME literature and literature pertaining to registered training organisations could not locate specific information on the correlation of firm SME size and becoming a registered training organisation. Neither did a comprehensive reading of the official Queensland and Australian government websites (Department of Education and Training 2011; Department of Education Employment and Workplace Relations 2012).

The majority of SMEs indicated that apart from SME size, as diversification increased, they were presented with a number of challenges such as an increase in *skills gaps*. Since employees *required new skills* they consequently had to increase

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their T&D activities This correlation between diversification and addressing skills gaps was also highlighted by WM Enterprise Consultants (2005) who found that when land based businesses diversified into other industries such as tourism, a skills gap developed. In their conclusion they identified that to overcome these skill gaps, T&D was essential. However, despite this finding it was found that the uptake of T&D for this purpose was limited. The results show that an increase in firm size also resulted in *more resources allocated to T&D*. An increase in financial resources and human resources enabled most SMEs to provide more focused and targeted T&D. This link of organisation size and resource allocation has been highlighted by authors such as Huerta et al. (2006), Australian Bureau of Statistics (2003) and Kerr and McDougall (1999). Kerr and McDougall (1999) found that small organisations are more 'financially constrained' than larger organisations in providing T&D to their staff. Similarly Huerta et al. (2006) reported that larger organisations invest more in T&D owing to the greater number of employees and higher turnover compared to smaller firms.

Almost half of the participating SMEs had a designated person responsible for T&D in the firm. Regarding the impact of the presence of a *HR manager*, all the interviewees that employed a person responsible for HR, saw the HR manager as the main driver of T&D in their firms. The HR manager was also seen by some SMEs as 'the' person with the appropriate T&D qualifications and experience to have an impact upon T&D. One example from the data indicated that the HR manager is in an ideal position to facilitate the justification for and validation of T&D in the firm through his/her close interaction with the SME owner/manager. Terpstra Mohamed, and Rozel (1996) in Wiesner (2012) argue that the beliefs, assumptions and education of HR managers have an impact upon the information they seek out and the HR practices they adopt. Owing to this selective focus of their attention, HR managers are best placed to have a positive impact on decision-making relating to HR practices. This argument is supported by Murphy and Southey (2003) in Wiesner (2012). They argue that characteristics such as networking skills, political influence, knowledge and experience, professionalism and personality traits of HR practitioners influence their ability to conduct a needs analysis and identify appropriate T&D practices for adoption, as well as obtain the requisite support, resources and

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opportunity (Wiesner and Innes 2012). In some firms the HR manager was seen to have an impact on the formality of T&D and all interviewees viewed the role of the HR manager as adding a proactive dimension to T&D. Possession of a current knowledge base and the ability to research new developments via methods such as benchmarking and networking are widely acknowledged as key determinants in the adoption of innovative practices (Sanchez, Kraus, White and Williams, 1999 in Wiesner 2012).

There is debate on the benefits of engaging in strategic planning, especially in smaller organisations (Richardson 1995 in Wiesner 2012). Within this debate, Mintzberg (1979) in Wiesner (2012) is one of the leading members in the 'anti-planners' camp who argues that the world has become so complex and fast moving time spent on formulating plans is wasted (Joyce and Woods 2003 in Wiesner 2012). He characterises strategic planning as bureaucratic when what is needed is fast, flexible and incisive action. However, there is much literature arguing the counterpoint that strategic planning is essential in all businesses, including smaller ones. While much published research tends to reflect the experiences of large-scale businesses, it is at least possible that the same conclusions may be warranted for SMEs. Joyce and Woods (2003) in Wiesner(2012) also point to the positive role that formal planning processes play in bringing about change and innovation in the growth of SMEs. The lack of strategic planning in almost half of the participating SMEs, could contribute to the difficulty of developing a strategic approach to HRM approaches such as T&D in SMEs (Barrett and Mason 2007). With regard to the impact of the existence of a strategic plan on T&D, it was evident from the results that SMEs that employed a strategic plan, thought that a strategic plan has the ability to *provide a strategic direction to T&D activities.* This finding is supported by Wiesner and McDonald (2001) who found that strategic plans had a significant positive relationship with the prevalence of T&D in Australian SMEs.

Of the five ***external drivers*** explored in this study (government requirements, pool of talent issues, technology, quality issues, and competition) government requirements was identified by two-thirds of study participants as the major external driver of T&D in innovative T&D SMEs. This finding is supported by Hoque and Bacon

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(2006). Although the other drivers were identified as impacting upon their T&D activities in varying degrees, the impact of government requirements were clearly more profound.

Whilst the literature regarding the impact of government requirements on T&D has been well documented (see De Faoite et al. 2004; Lange et al. 2000), a deeper analysis of various aspects that may have an impact on T&D in SMEs is largely an unexplored area of research. The current research project project has tried to fill this gap by delving deeper into specific what aspect of goverment requirements have an impact on T&D in SME innovators. Four themes have been identified of which the first three were identified by the majority of SME participants, including: workplace health and safety, government requirements on the T&D of apprentices/trainees and other employees, and licensing requirements. Government contract requirements were noted by less than third of the SME participant.

It was evident from the results that participating SMEs realised the importance not only of WH&S but also other legislative requirements on their organisation and staff. This depicts a positive picture for innovative T&D SMEs. In contrast Atkinson and Curtis (2004) and Walsh (1999) found that SMEs in general do not have the time or the willingness to implement legislation requirements, let alone the ability to understand the details of legislation. Amuedo-Dorantes C (2002), Booth AL et al. (2002) and Guadalupe M (2003) concluded that SMEs in general had weak incentives to invest in adequate training and safety related issue especially with regard to temporary workers.

However, a 'chicken-egg' scenario could be true in this instance. For example, in view of Arocena and Núñez's (2010) finding that T&D activities are one of the major variables that significantly impact upon the adoption of OHS systems in SMEs, it could be that T&D innovators view WH&S requirements as important owing to their strong focus on T&D. Therefore, the assumption that all Queensland SMEs view WH&S as an important driver may therefore not be true and would be a worthwhile direction of future research.

Not far behind WH&S, government requirements on the T&D of apprentices/trainees and other employees and licensing requirements, featured as a

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strong driver of T&D in participant firms. Whilst research exist on the T&D of apprentices and trainees in the VET sector (Gow et al. 2008; Smith 2007), the findings of the current study regarding the impact of government requirements on the T&D of apprentices/trainees and other employees in SMEs adds to fill the gap in research in this particular area.

There was a clear identification by participating SMEs that they understood the importance of training and developing their staff in meeting legal obligations both in terms of the T&D of apprentices/trainees and other employees and licensing (Sir John Moore et al. 1984 p. 80). However they saw this as a double-edged sword. On one hand they argued that government requirements were too high, burdensome and unrealistic, especially when employing a new staff member. On the other hand, they saw the government requirements as an integral part of running a business that employs apprentices/trainee.

The majority of SME participants held the view that government does not fully understand the SME sector and some government requirements to train and develop their employees was highly burdensome and put pressure on the organisation itself. Similar views were expressed by Culkin and Smith (2000), Stevens (1996), De Faoite et al. 2004 and Lange et al. (2000). This finding is significant for the progression of good T&D practice in SMEs since government has been identified as 'the' major driver of T&D in SMEs that are already strong on T&D (T&D innovators), but at the same time these firms do not seem to have confidence in government's ability to understand the needs of the SME sector.

6.3 RQ 2: What are the characteristics of a T&D climate in innovative T&D SMEs?

The literature has identified the T&D climate of an organisation as of significant importance to the T&D process and without a climate that fosters a positive T&D environment, the effectiveness of T&D may be in jeopardy (Al-Khayyat & Elgamal 1997). It is important since the T&D climate serves as an important input to the next

stage of the T&D framework − the training and development process at the organisational level of SMEs.   Four components of a T&D climate have been explored in this research: SME management's attitudes towards T&D in innovative SMEs; the resource allocation (budget) of innovative SME, the training and development objectives of innovative SMEs, and T&D policies of innovative SMEs.

In exploring the *attitudes of SME managers* in innovative T&D SMEs, the results showed that all the study participants possess a passion for T&D. This overall passion seems to be a major determinant of the T&D culture in their firms.   They themselves acknowledged the important role of attitude in driving T&D in their firms. Participating SMEs saw management's attitude as the major factor responsible for the amount, quality, type, and how much financial support was allocated towards T&D in the firm. Interviewees who fulfilled HR roles viewed themselves as the ones who was promoting, lobbying and influencing the CEO to see the strategic value of T&D. Lynas and Healy (1999) and Smallbone et al. (2000) argue that this type of lobbying of the owner/manager was undertaken because these managers recognise that without the buy-in and agreement of the owner/manager, T&D would not progress. These managers also saw themselves as the ones responsible for fostering a culture that values the importance of T&D.

All interviewees also highlighted that they were responsible for fostering a climate of proactively towards T&D. The importance of a positive view to T&D is critical since T&D is fundamentally a change mechanism which could promote an organisational climate supporting such change Al-Khayyat and Elgamal (1997).

Despite the general valuing of T&D by study participants, the results suggest that education level of the interviewees played a role in their attitudes. Managers who possessed diploma levels and higher seem to display a more positive attitude towards T&D and valued formal T&D or a combination of formal and informal T&D approaches more, than interviewees with lower levels of qualification. Higher qualified interviewees also displayed a greater understanding of the strategic value of T&D for their organisation. However, despite the higher level of qualifications of some interviewees, generally interviewees demonstrated a limited understanding of

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theoretical issues pertaining to T&D.   Similarly Elkeles and Phillips (2007) and Smallbone, Supri and Baldock (2000) found that regardless the size of the organisation, there is a link between the personal capability and attitude of owner-managers in SMEs towards T&D and level of their 'professional' training and education.   Other research supporting this finding is the study by Jones (2005) who highlighted that front line supervisors (who in general are not as qualified as a senior counterparts) preferred training to be short, sharp and focused on immediate specific problems faced by the organisation, whereas senior management recognised a strategic long-term outlook of T&D.

Nevertheless, despite any differences in qualification levels, the study participants' passion and valuing attitudes towards T&D is an important finding for SMEs in Queensland. Al-Khayyat and Elgamal (1997), Dawe and Nguyen (2007), Poulter (1982) and Stone (2008) reported without this kind of attitude, a T&D climate and effective T&D is unlikely to be effective.

The attitudes of SME managers also played a role in the resource allocation of T&D. However, despite their proactive attitudes towards T&D this has not translated into a clear understanding of how much their organisation invests in the T&D of their staff. According to the results, all participating SMEs stated that their organisation had a *T&D budget*. However, further questioning found that less than one-third of SMEs had a written dedicated T&D budget.   Even fewer SMEs could provide a formal budgetary figure. Matlay (2002) also found a very low prevalence of T&D budgets in SMEs (Jameson 2000). This prevalence is much lower than an Australian survey conducted by Wiesner and McDonald (2001). They found that sixty-one percent of SMEs have a formal budget allocated to training. However, since their study did not conduct any further qualitative exploration of SME managers understanding of a T&D budget there is the possibility of an overrepresentation of this figure by SME respondents. They further found that medium firms reported a greater prevalence of a T&D budget.

In this study, interviewees form medium firms seemed to have a better understanding of T&D costing activities than interviewees from small firms. This difference was

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also noted by Jones (2005) and Johnson (2002). Economies of scale could prevent small firms from taking advantage of the full benefits of T&D, whereas larger organisations tend to have a designated and significant T&D budget so they can establish internal training structures to up-skill their workers (Dawe & Nguyen 2007; Kitching & Blackburn 2002; Lange et al. 2000).

Even though the majority of SME participants viewed *T&D objectives* as important in driving T&D practices in their firm, less than half of the participating SMEs claimed to have T&D objectives. However, similar to the issue of a T&D budget, T&D objectives were not very well defined, articulated or even documented in participating SMEs   (also see Baker & McKenzie 2006; O'Connor et al. 2002; Tobias & Fletcher 2000).   Two benefits of T&D objectives: meeting all government requirements and statutory   and the promotion of continuous improvement and learning were identified by these firms.

Most of the participating SMEs that employ apprentices and trainees demonstrated an understanding of the requirements and competencies objectives of formal training, to reach and meet national competency standards which have been endorsed and implemented by governments (Baker 1994; Dawe & Nguyen 2007; Schone 2007; Smith et al. 2003). Despite this acknowledgement by these study participants, this has failed to translate into the development and the understanding of strategic training and development objectives within the majority of SMEs. Similar to other literature (Al-Khayyat & Elgamal 1997), the majority of SMEs in this research have paid little attention to the importance of strategic objectives nor did they have written and defined T&D strategic objectives as their main focus seem to be on the training event level.

Within the context of the T&D process, there was also very little demonstration of objectives established for work behaviour, skills, attitudes, specific knowledge and learning outcomes that they needed to achieve at the conclusion of their T&D activities (Reid et al. 1992; Torrington & Huat 1994). This is despite the value of achieving measurable goals both for the trainee and the organisation itself

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(DeSimone & Harris 1998; Goldstein & Ford 2002; Reid, Barrington & Kenney 1992).

As with T&D objectives, less than half of the participating SMEs claimed to have a written *T&D policy* which is in line with the findings of Thomson et al. (1997). They cited firms size, time constraints, and an absence of a strategic plan as reasons for this absence in T&D policies. The main reason cited for having formal T&D policies in place was to meet the Australian quality training framework requirements. These firms argued that T&D policies were important in meeting the goals of the T&D activities and in enhancing a clear understanding of the direction of T&D activities at all levels of the SME. The results indicated that these policies were developed by the executive group or by the CEO in conjunction with a RTO because the AQTF highlights that both employers and RTOs have legal and moral obligations when training staff, irrespective the formality (formal off the job training) or informality (informal on-the-job training) of the training (Department of Education Employment and Workplace Relations 2012).

6.4   RQ 3: What are the characteristics of T&D processes and practices in innovative T&D SMEs?

The third research question explored has four sub research issues which together inform the topic of the training and development process in innovative T&D SMEs. This research question is concerned with: $RI_{3.1}$: What is the role of a training needs analysis in innovative SMEs?, $RI_{3.2}$: What are the characteristics of the design of T&D on innovative SMEs?; $RI_{3.3}$: What are the characteristics of the T&D practices in innovative SMEs?, and $RI_{3.4}$: What is the role of evaluation of the T&D effort in innovative SMEs?.

It has been outlined in the literature review that the *TNA* phase is the most critical in the T&D process because if there are errors in this stage, potentially it could put subsequent stages of the T&D process in jeopardy (Abdelgadir N & Elbadri 2001; Al-Khayyat & Elgamal 1997).

Even though the majority of participating SMEs thought TNA is important, less than half claimed to have some form of TNA in their firm. However even the firms that did report the use of a TNA could not present any evidence that their SME was performing a 'comprehensive TNA' on an ongoing basis. Other studies have confirmed this trend in SMEs (Keogh & Stewart 2001; Patton 2005; Smith 1998; Smith 1999). Similarly very few SMEs discussed the identification of a TNA at a strategic level including identifying training needs through market analysis and consideration of long-term business plans (Johnston & Loader 2003; Keogh & Stewart 2001; Lynas & Healy 1999).

The lack of TNA in participating firms were attributed to the view that because of their industry experience and their knowledge particularly in the trades area, they were adequately equipped to assess what T&D was needed for their employees. This is an interesting result given Lynas and Healy' (1999) finding that SMEs managers may not possess the competencies to identify new or necessary skills that may be required. This confidence of participating firms, in their own abilities to know what is needed may also inhibit their willingness to gain a better understanding TNA. The results showed that SME participants generally showed a very limited understanding of TNA regardless of their qualification level. Even participants that were RTO's at the time of this study, demonstrated a limited understanding.

Participating SMEs also argued that they experienced constraints. They further argued that the lack of formal processes in the firm resulted in them not thinking about a TNA. Lynas and Healy (1999), and Baker and McKenzie (2006) also found that SME owner/managers have too little time and finances to engage in the diagnosis of training needs.

The finding that participating T&D SMEs generally did not engage in TNA and those who did, did so in an informal manner, paint a less than positive picture for the effective T&D in participating SMEs. Since TNA is an important input into other aspects of the T&D process, a lack of attention to this aspect could have a negative flow-on effect on the other aspects of the T&D process such as T&D design and implementing appropriate T&D practices. Ultimately this could result in ineffective

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T&D (Abdelgadir N & Elbadri 2001; Al-Khayyat & Elgamal 1997) McCole et al. 2001; Van Eerde, Tang & Talbotb 2008).

Regarding the issue of *T&D design*, the majority of SME participants designed their T&D both internal to the firm and by employing an external T&D expert such as a RTO. A few firms claimed to have their T&D activities solely designed by external RTOs. Internally designed T&D seems to be most valued by interviewees and has been identified as a strength by the majority of SMEs. This finding is confirmed by the research of Hill and Stewart (2000) and Smith et al. (2003).

The choice of who designs T&D seems to be dependent upon the interviewees' perception of self-efficacy. Interviewees perceived themselves as holding unique observation abilities regarding what their T&D should look like, and they viewed themselves as best placed to determine how informal T&D should be designed to meet their unique requirements of their staff in their organisation (Alavi 2006; Cockerill et al. 1996; Cunningham et al. 2002). They also preferred to design the T&D themselves to meet their organisation's unique requirements. This preference towards internally designing T&D rather than engaging an external T&D provider has also been reported by Hill and Stewart (2000), OECD (2002a) and Smith et al. (2003). SME participants did not see the value of engaging an expert to capture important information feeding into the T&D designing process. This over-reliance on internal expertise in the design on T&D in participant firms could work against SMEs since it excludes taking advantage of much needed external perspectives regarding the design of the T&D (Abdelgadir N & Elbadri 2001; Al-Khayyat & Elgamal 1997).

Only a few SMEs acknowledged the gaps in their knowledge regarding T&D design. These firms engaged an external training provider to design all T&D in their firm as they saw the value in bringing in external expertise as a means of compensating for the lack of internal expertise (Bryan 2006; Dawe 2003).

The results further indicate that medium firms sourced external expertise in T&D design to a greater extent than small firms. Several authors argue that as the

organisation grows so do their financial capability to engage an external expert (Bryan 2006; Fraser 1996; Hirschsohn 2008; Jameson 2000; Matlay 2002; Smith et al. 2002; Tanova & Nadiri 2005; Westhead & Storey 1997). There was no evidence that industry sector played a role.

In summary, the results indicate that SMEs in general do not seem to have a good understanding of how and why T&D design should be done correctly which in turn influence the characteristics of T&D design in the participating firms. Rather, it was the size of the organisation and the qualification of the person driving the T&D that appear to be the determining factors of whether T&D was designed internally or externally to the firm.

Regarding the *characteristics of the T&D practices* in innovative T&D SMEs, all participating SMEs indicated that they use both internal and external trainers. Those that utilised internal trainers described this practice as a cheaper option and internal trainers understand the SME requirements better. Those that utilised external training providers did so because they saw the external trainer as the expert in training.

According to the results all participating SMEs used formal off-the job training and all but one SME used informal and formal on-the-job training.   This was closely followed by mentoring, temporary assignments, and job rotation. The use of both informal and formal T&D practices paint a positive picture for participating SMEs since their importance in achieving sustainable competitive advantage is stressed by Graetz et al. (2006), Hoskisson et al. (1999) and Jones (2006).

SME participants viewed mentoring and informal on the job T&D as identical practices. This tendency may be owing to the lack of mentors having received formal training in the practice of mentoring. There was also a strong bias towards the use informal mentoring as opposed to formal mentoring (Australian Bureau of Statistics 2003; Dawe & Nguyen 2007).   In general the implementation of mentoring in participating SMEs was haphazard, unstructured, an ad hoc, and the choice of matching the mentor with mentee was not generally thought out or based on sound matching methods. These may be some of the reasons why some firms felt mentoring may not have been as successful as they hoped for. Kent et al. (2003) and

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May-Chiun and Ramayah (2011) stress the importance of mentorship in achieving optimal outcomes. It enables the development of necessary skills to act as a sounding board, help challenge assumptions of mentees and encourage wider thinking.

The majority of participating SMEs acknowledged the importance of formal training in enhancing the implicit knowledge of staff and improving the technical and behavioural skills needed to perform their duties (Dawe and Nguyen, 2007, Figgis et al., 2001, Graetz et al., 2006, Ministry of Small Business and Entrepreneurship, 2007, Smith, 1998, Smith et al., 2008).

The fourth stage of the training and development process explored was the *evaluation and feedback* stage. The results were mixed. Almost a third of participants did not conduct any evaluation of T&D. Just more than a third did conduct informal evaluations and another third claimed to conduct a combination of formal and informal evaluation. These results are not dissimilar to what was found in other studies (see Abdelgadir N & Elbadri 2001; OECD 2002).

Whilst limited, the literature strongly suggests that an understanding of the impact of T&D on all relevant stakeholders is essential in achieve strategic goals and firm performance (Brooks & Nafukho 2006; Choo & Bowley 2007; Yorks 2005). However, participating SMEs did not utilise evaluation and feedback for strategic purposes. This lack of systematic evaluation is not conducive to a clear understanding of the effectiveness of T&D in participating SMEs (Yadapadithaya and Stewart, 2003; Goldstein 1993 p. 147).   Participating SMEs also displayed a lack of knowledge of sound theoretical approaches to evaluation.

Until participating SMEs realise the value that T&D evaluation could play in optimising the other three T&D elements (discussed above) (Smith 1998; Al-Khayyat & Elgamal 1997; Smith, Andrew 1998), they are unlikely to make the most of their training dollar.

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6.5 RQ4: What is the perceived role of T&D practices in organisational performance?

The final research question "RQ4: What is the perceived role of T&D practices in organisational performance?" explored how T&D practices in participating SMEs impact upon organisational performance, including human resource and financial outcomes. The pursuit of ongoing T&D in an organisation is seen as a legitimate objective and it could be fundamentally important to the human resource performance and economic performance of a SME (Samson & Daft 2009).

Regarding, $RI_{4.1}$: What is the perceived role of T&D in human resource performance outcomes SMEs?, several authors have examined the link between T&D and human resource outcomes. For example, Hirschsohn (2008) found a positive link between T&D and employee skills; Pajo et al. (2010) and Cardon and Stevens (2004) found a positive link with employee commitment; Cardon and Stevens (2004) and Rowden and Ahmad (2000) found T&D results in reduced employee turnover; Gollan (2005) found that T&D increases staff satisfaction; and Smith (2007) and Terjesen (2005) argue that T&D enhances the cognitive abilities, personal skills, knowledge, education, and productivity of employees.

The results indicate that all participating SMEs perceived a positive link between T&D activities and increased skill levels of employees. Some SMEs argued that T&D gave their staff skills that were portable and transferable and help build their self-confidence. In view of this finding, it also could be argued that informal on-the-job T&D has as much legitimacy as formal T&D in participating SMEs in the transfer of staff skills. This finding differs from Smith and Hayton's (1999) assertion that informal on-the-job training is organisation specific and is not usually transferable to other firms.

Almost all participating SMEs expressed the view that T&D activities in their firm increased employee commitment and satisfaction since staff became more highly motivated, felt valued and more willing to act as mentors for younger employees. Study participants views regarding the impact of T&D on employee turnover were

more diverse. Even though the majority of interviewees argued that T&D has led to a decrease in their staff turnover, some acknowledged that this effect was not all positive because some employees who have gained higher qualifications, would leave to work for a large organisation that can provide a higher salary and better conditions.

It seems that participating SMEs also use T&D to attract and retain employees by promoting this as an employee benefit. Some SMEs offered T&D as a substitute for high salary packages. Cardon and Stevens (2004) reported a similiar finding. It could therefore be argued that T&D could make SMEs more attractive to prospective employees (Cardon & Stevens 2004; Marlow 2000; Patton et al. 2000; Williamson 2000).

Overall the findings confirm the positive role T&D play in enhancing human resource outcomes. This finding is supported by other studies (see Barling et al. 2003; Sels et al. 2006; Zheng et al. 2006).

Regarding RI$_{4.2}$: What is the perceived role of T&D in the financial performance outcomes in innovative SMEs?, a mixed picture emerged. The majority of participating SMEs viewed T&D to have a positive impact on productivity, however some felt that T&D affected their bottom line in a negative manner due to the high cost of training staff.

Despite this mixed reaction, the majority of interviewees expressed the view that T&D activities helped their firm to be more competitive and it assisted in enhancing their competitive advantage in a globalised world. It appears that they used T&D to alter and enhance the skills and talents of their staff to operate in a more effective and productive manner. This has been shown as a key element in improving the performance of staff, creating competitive advantage, and managing the challenges that SMEs face in a global environment (Anthony et al. 1996; Brooks & Nafukho 2006; Caudron 1999; Wright et al. 1994; Yorks 2005).

It is suggested in the literature (Mathews 1993; Smith 1998) that as the global economy is moving away from mass production businesses, SMEs tend to become

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niche market providers. This appears to be the case with some SMEs who participated in this research. In general, participating SMEs had the tendency to gain competitive advantage over their rivals by implementing T&D activities so their staff and organisation could become more flexible and more efficient. This finding is supported by Mathews (1993) and Smith (1998). Some study participants argued that T&D pathways were responsible for creating good smart people and this in turn has assisted their organisation to develop a better business name through better customer service and product knowledge – hence T&D becomes a means of distinguishing themselves from their competitors.

However despite the perceived impact of T&D on competitive advantage, there was strong evidence that in general SMEs did not have a good grasp or comprehension of actual financial costs and benefits of T&D activities in their firm. This finding is supported by Suggett and Goodsir (2002) who argued that SMEs generally, tend not to have a strong focus on economic indicators and measurement. Owing to this deficiency in many SMEs, there have been calls in the literature to use "non-financial" criteria to measure the return on training in order to gain a better understanding of the effects of T&D on firm performance (Al-Khayyat & Elgamal 1997; Hequet 1996). Therefore this research has helped to fill this research gap.

6.6 Implications for Practice and Policy

As this study focuses on SMEs in Queensland that have either received awards or have been publically recognised for their T&D efforts and initiatives, it provides an excellent context of analysis for exploring and analysing good practice in T&D within the SME sector (Drummond & Stone 2007). These innovators were recognised for their excellence in T&D practices through awards such as the Queensland training awards, Construction Queensland Skills awards, and various industry association awards. By using the typology of Rogers (1995), these thirty SMEs could be classified as innovators and industry leaders in T&D. Therefore, this research is well placed to identify some implications for both the SME sector in general and policy makers regarding how to enhance good practice in T&D but also what deficiencies need addressing in achieving good T&D practice.

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These implications are outlined below.

6.6.1 Implications for SMEs

This research found that innovative Queensland T&D SMEs, had both strengths and weaknesses when it came to the processes and practices of T&D.   This section firstly identifies specific implications and provides recommendations that are general in nature.   This is then followed by specific implications and recommendations pertaining to the T&D theoretical framework.

1) Although not a specific research focus of this study, the results indicate that management education could play a role in the existence of good and holistic T&D practices.   It is therefore suggested that SMEs owner/managers undertake professional training or education in T&D as it could result in developing more formalised T&D processes and practices, reduce wastage in T&D and in turn develop a more a highly skilled workforce − all factors that have been recognised as important to the success of a SME (Smallbone, Supri & Baldock 2000; Department of Employment and Training 2008; Stone 2002).

2) Research shows that those organisations that have a dedicated HR manager have superior and more formalised T&D processes and practices.   Engaging such individuals could result in better staff related outcomes and increased financial performance of the organisation. Whilst organisation size is a contributing factor to the employment of a HR manager, SMEs would therefore benefit from engaging the services of a HRM or HRD professional or assigning a staff member to specifically focus on HR and T&D issues in the firm.

3) Participating SMEs did not show a good understanding of the internal and external drivers of T&D. By developing a better understanding of these two separate forces a SME could be better placed to focus on particular types of T&D suitable to their firm.

4) Although management attitude towards T&D was found to be exceptionally positive, the prevalence of the three other components relevant to the T&D

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Climate (T&D budget, strategic T&D objectives and T&D policies were low in the majority of participating SMEs. Since the T&D climate of an organisation has been identified as of critical importance in the T&D process, the implication of this finding for SMEs is that without a climate that fosters a positive T&D environment, the effectiveness of T&D may be in jeopardy (Al-Khayyat & Elgamal 1997). This is because these elements are the inputs to the next stage of the conceptual framework − the T&D process at the organisational level of SMEs. In view of this SMEs would benefit from:

- Developing a specific and formal T&D budget, strategic T&D objectives, and T&D policies;

- Developing a better understanding of the budgetary issues involved in T&D activities;

- Maintaining, linking and reporting the T&D budget on a regular basis back to the strategic/business plan

- Developing strategic T&D objectives based on theoretical and best practice principles;

- Linking strategic T&D objectives to the business plan and strategic plan; and

- Understanding and developing a T&D policy.

5) Despite the fact that the prevalence of T&D activities was high in participating SMEs and some SMEs demonstrated some formal approaches to the four elements of the T&D process, significant gaps were apparent. Overall the understanding of the T&D process was inadequate. The implications here for participating SMEs and SMEs in general, is that a lack of an in-depth understanding of the T&D process could result in the provision of inappropriate training to their staff and in turn a waste of money. This also could result in a general failure of the effectiveness of T&D activities in the firm because each subsequent T&D phase depends on the correct execution of each former stage of the T&D process (Huerta et al. 2006). This potential failure is of concern because T&D is of critical importance in developing a highly skilled workforce which enables SMEs to compete more effectively in today's business environment (Jones 2005; OECD 1999). Therefore the following recommendations are proposed:

- SMEs would benefit from the design and implementation of a formal T&D needs analysis;

- Information from the training needs analysis must be reported on correctly and management should utilise this information to inform the T&D design phase;

- SMEs would benefit from a better understanding of how to design T&D activities for both formal and informal T&D;

- SMEs would benefit from a better understanding of how T&D is implemented and the effects various approaches have on both the employee and the organisation;

- SMEs would benefit from developing more formalised evaluation and feedback processes and practices (both qualitative and quantitative approaches);

- SMEs would benefit from carrying out T&D evaluation on a regular basis;

- Evaluation ought to be conducted within each section of the T&D process cycle;

- SMEs would benefit from collating qualitative and quantity data and performing a sound and reliable data analysis, either by an external or internal person who can correctly analyse and interpret the results of the data analysis;

- The data collected from the feedback ought to inform the training needs analysis.

6) This research was concerned with the perceived role of T&D in human and financial performance of SMEs. The findings indicate that formalised recording of financial costs/benefit analysis was lacking. Moreover, there was little indication of formalised approaches to assessing staff related outcomes of T&D. The implications here is that without an in-depth understanding of the effects of T&D on the SME's financial and staff related outcomes, the firm may not be taking full advantage of the benefits of T&D and may be in jeopardy of not maintaining a positive financial position. Thus, by not undertaking such practices, the organisation could compromise its ability to effectively compete in the market place (Australian Business

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Deans Council 2008; Gibb 2008; Michie & Sheehan 2005; Suggett & Goodsir 2002; Swanson 1993), and optimise the abilities of employees in the SME (Business Council of Australia 2008; Suggett & Goodsir 2002). It is therefore recommended that formal approaches to collating feedback both from the employee's perspectives but also the customers' perspectives be developed.

6.6.2 Implications for Policy Making

1) This research found that the greatest external driver of T&D was government requirements. Although it was evident from the findings that government requirements prompted most of the participating SMEs to formalise their T&D, participating SMEs expressed the view that the Queensland and Australian Government's understanding of the effects of government requirements (for example the Queensland's Government's 10% training policy) on them to train and develop their staff is poor. They also felt that government had a poor understanding of the impact of government policies on their firm. It is therefore recommended that government policy makers conduct in-depth research into the effects of government policies pertaining to SMEs and training and development.

2) This research highlighted that the vast majority of innovative T&D SMEs had a proactive attitude towards T&D but fail to have comprehensive and inclusive T&D processes and practices. With this in mind Government T&D awards such as the Queensland government Training Awards, could implement findings from this research by including key elements of the theoretical framework proposed in this study, into their selection criteria. This inclusion could assist in informing and educating potential entrants of best practice and in turn help SMEs to develop better T&D practices and processes for their organisation.

3) The evidence from this research shows that SMEs with a dedicated HR manager had high incidences of formal approaches towards T&D processes and practices. Therefore, Government should investigate how they could

assist SMEs in employing a dedicated HR manager or assist them in engaging external expertise.

4) The findings of this study indicate that management's education played a major role in the existence of good and holistic T&D practices. It is therefore suggested that part of any licensing requirements, business owners must undertake formal education in the area in human resources management in particular staff development training. By undertaking such qualifications, SMEs could reduce waste of T&D and in turn develop a more highly skilled workforce.

5) The Department of Employment, Economic Development and Innovation, and the Department of Education and Training would benefit from taking note of the findings, in developing specific programs aimed at SMEs. These programs could improve the level of education of employees and managers and consequently increase firm performance.

6.7   Recommendation for Future Research

During the process of the literature review and after conducting this study many proposed directions for further research became evident. These recommendations are summarised below.

1. The T&D framework examined in this thesis could be tested on a larger sample, ideally through a large scale survey of SMEs with a good cross section of firms represented in the sample. A wider mixed method (qualitative and quantitative) study will enable a much broader analysis of the decision-making processes involved in implementing and associated learning behaviours in the pursuit of T&D. For example, as this research was concerned with Queensland SMEs innovators, future research could be conducted on the general population of Queensland SMEs to ascertain the similarities and differences regarding the theoretical framework utilised in this study, between the two groups. Such research would be advantageous to al T&D stakeholders i.e. SMEs, Queensland local and state governments, and

organisations who provide T&D.

2. Future research could overcome some of the limitations identified earlier in this thesis. The interviews were based on a small sample of a pre-selected group of SMEs in a specific geographical location. To the extent that the firms in the sample face the same external business environment, care should be taken in generalising the findings to other jurisdictions. An extension of the study to other geographical contexts will contribute to the generalisability of the findings to other legal, political and contexts. For example, comparative research could be conducted between SME innovators in different states of Australia to ascertain similarities and differences and further develop best practice guidelines for Australian SMEs. Such research could for example explore whether factors affecting T&D in Queensland SMEs are similar or different to those in other States and Territories of Australia. This type of research could inform the national picture relevant to T&D in SMEs.

3. The findings show a positive impact of the educational levels of SME managers on T&D. Further research regarding the impact of educational qualifications of SME managers on T&D would be of benefit in devising specific government strategies in this area.

4. Government requirements were highlighted as the most influential external driver of T&D amongst participants in this research. Further research into the effects of government requirements on the T&D activities in SMEs could result in more informed decisions by SMEs, the Queensland government and other stakeholders. It could also inform government organisations and agencies about the effectiveness of their programs in promoting and encouraging T&D.

5. This research explored the impact of the presence of a HR manager and existence of strategic plan on T&D. The interaction between these two variables could be explored further and how they together could impact T&D in SMEs.

6. According to the results the T&D process in SMEs innovators was not well understood, nor implemented in its entirety. Future research into why this is

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the case could help develop strategies that encourage good practices to safeguard SMEs against T&D wastages and failure.

7. Further research into the effects of TNA on the T&D process in SMEs is not only imperative but is warranted since TNA has been identified as having a significant impact on all the output indicators of a firm.

8. It was highlighted in this research that some SMEs became RTOs. As there is little research regarding the effects of SMEs becoming a RTO, future research could develop a better understanding of this development (Smith et al. 2006).

9. SME participants utilised a combination of formal and informal T&D practices. However since informal T&D is more evident in SMEs, an in-depth exploration of informal T&D activities and its impact upon firm performance would be a useful direction of future research. This could assist SMEs in general to gain a better understanding of how to utilise and conduct different types of informal T&D approaches more effectively.

10. Informal mentoring was highlighted as the most utilised and useful approach to staff T&D in participating SMEs. Further research could investigate the informal mentoring process inside SMEs to a greater extent in order to develop a framework for best practice.

11. This study has focused upon the perspectives of SME CEOs or their representatives responsible for T&D. Examining the perspectives of staff and external stakeholders regarding the linkages proposed in this paper would greatly add to the external validity of the findings.

12. Two issues that were not addressed in this study at all are whether any of the SMEs had any measures of long term effects on training. Furthermore information on the quality of T&D was not explored. There were a very also a limited number of demographics presented in this study about both the firms and the interviewees — age, gender, and ethnicity were all missing, yet are factors proven to influence T&D behaviours on the part of individuals. Similarly, no details were given about firm age, location, turnover etc. which can have an influence also. These issues would be worthwhile pursuits in extending this study.

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13. In hindsight it would have been useful to explore the issue of HR managers acknowledging the link between the existence of this position and firm size, and the implied inter-relationship. In an extension of this study, this issue would be worthy of exploration.

6.8 Conclusion

The specific focus on SMEs in this thesis adds to our understanding of T&D in innovative Queensland T&D SME and the role of T&D in firm performance. The thesis offers new insights into the practical experiences of innovative T&D SMEs and thereby contributing to the fields of human resource management and human resource development.

Based on the qualitative analysis in this thesis it can be concluded that T&D SME innovators in the sample are supported by a very strong commitment to and passion for T&D. It would not have been possible for the participating firms to have achieved the level of T&D success without this overarching principle.

What conclusions can be drawn regarding T&D in SMEs versus large organisations? The SME have much greater control over the development and utilisation of T&D strategies. The dominant role of the business owner/manager is not only due to the owner's personality, characteristics, values and strong T&D mindset, but also to the lack of other stakeholders in the decision-making processes (Wiesner & Innes 2010). Often, the employer combines the roles of CEO, board of directors and T&D staff. In addition, work councils, if present, have fewer rights than in large firms. Consequently, managers' internal room for manoeuvre is larger for smaller companies.

It was clear from the interviews that T&D initiatives require human resources, material and financial resources. Compared to their larger counterparts, these limitations are a reality for the majority of SMEs. This may be why SMEs train and develop in different ways to large organisations (Banham 2006). However, their

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smallness in size put them in a much better position to leverage their capacity for learning.

Unlike their larger counterparts, SMEs don't have "fixed existing T&D operations. SMEs focused on T&D opportunities, do not have an existing history of ''compliance only'' investment and infrastructure to overcome. This makes them an ideal context to trial new approaches to T&D without risking or dealing with entrenched expectations internally or externally to the firm. The results support this argument.

Whilst T&D activities seem to be relatively unstructured, formal T&D was viewed as extremely important when it came to apprentices/trainees and any employee undertaking formal qualifications. SMEs in general were proud that they provided their staff with training and development, moreover some participating SMEs viewed it as a social responsibility to their employees.

While managers or owners usually have high competencies and expertise in their industry, the findings revealed that the education level of interviewees in the area of human resources related disciplines were generally low. This is a major issue because a lack of competencies within the management ranks of SMEs has been linked with the demise of an organisation. It is therefore imperative that managers and owners continuously invest in their own professional training and development, not just that of their staff. Possibly the most important aspect of management training and professional qualifications and skills is that it enables SME managers and owners to reach the ultimate goal of 'working on the business and not in the business' which is critical in successfully operating a business in today's global environment.

Even though there was a general lack of a dedicated T&D budget and most interviewees could not provide a defined amount that they invest in T&D, they do appear to be exceeding the reported $472 to $661 per employee that Australian SMEs spend on T&D.

Several recommendations have been offered in view of the findings. These recommendations are not intended to suggest SMEs should become similar to large

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establishments but to take advantage of processes and practices which are compatible with SMEs. Hill and Stewart (1999) and Hornsby and Kuratko (1990) argue that smaller firms may even have a behavioural advantage over large firms when it comes to managing people because the lack of formal or professional policy towards employee management enables flexibility within the labour process, and an individual approach to the employment relationship (Wiesner 2010).

Harney and Dundon (2006) in Wiesner (2010) argues that SMEs are characterised by complexity and unevenness with HR practices mediated through a web of social and economic relationships Ram (1991, 601) in Wiesner (2010) supports this notion by noting that HRM in SMEs is 'complex, informal, and contradictory' instead of simply either pleasant or repressive.

Through evidence-based research this study has developed a better understanding of what is driving T&D, the T&D climate, the T&D process and outcomes in SME T&D innovators. This research has reported valuable information about T&D in SME T&D innovators that has not previously been identified in the literature. Even though the sample possibly displayed a higher level of passion for T&D than other SMEs, the general trends in the results are similar to that found in other studies focusing on T&D in SMEs. This research indicates that expanding the scope of the study to include SMEs from the general populous across Australia would provide additional supporting information and evidence to the literature about T&D in T&D SME innovators and their associated practices.

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Respondents Name:

Respondents Organisation:

Date of interview:

Section 1: Demographic questions

1. Number of Employees in your firm _____

2. Your highest level of your education_____

3. Does your firm have a dedicated HR manager? ☐ Yes ☐ No

4. Does your firm have a written Business plan? ☐ Yes ☐ No

5. Does your firm have a written strategic plan? ☐ Yes ☐ No

6. You have been publically recognised for T&D in your firm and as such you have been identified as having good T&D practices. Could you please tell me about the training and development you conduct in your firm.

Thank you for that, I would like now to ask some specific questions

Section 2: The drivers of T&D (Relates to RQ1)

1. In your view what internal factors drive T&D in your firm?

☐ Size of your organisation

☐ Having an HR manager

☐ strategic plan

(If the interviewee has not identified the above points then I asked the following questions)

  a. In your view, do you think the size of your organisation plays a role in the training in your firm? If yes, how?

  b. In your view, do you think having an HR manager in your firm plays a role in the training in your firm? If yes, how?

  c. In your view, do you think your strategic plan plays a role in the training in your firm? If yes, how

2. In your view what external factors drive T&D in your firm? And how?

- ☐ Government requirements
- ☐ New technologies,
- ☐ Quality issues,
- ☐ Pool of talent issues
- ☐ Increase in competition

(If the interviewee did not identify these points above then I asked the questions below)

3. Do you think that the following 5 elements have an impact on the T&D practices in your firm? And how?
   a) Government requirements
   b) New technologies
   c) Quality issues
   d) Pool of talent issues
   e) Increase in competition

Which ones have the greatest effect?

Section3: . The elements and characteristics of T&D climate in the firm (Relates to RQ 2)

1. What is your personal opinion about T&D generally
2. Do think your personal opinion has impacted upon T&D in your organisation?
3. Why does your firm employ T&D practices?
4. Does your firm have specific T&D objectives?
   a. If Yes
      i. What are these objectives?
      ii. Are these objective part of your strategic plan?
      iii. Are these objectives important in driving T&D practices in your firm?

    b. If No

        i. Why do you think specific T&D objectives have not been developed?

5. Does your firm have a T&D Budget?

    a. **If Yes,** What would the ratio of the T&D Budget be to the gross profit of the firm?

    b. **If No,** is there a reason why your firm has not allocated a T&D Budget?

6. What other resources do your firm allocate to T&D?

7. Does your firm have formal (written) T&D policies in place?

    a. **If Yes,** what are these policies and why do you have these policies.

    b. **If No,** is there a reason why your firm doesn't have written policies.

Section 4: What are the characteristics of T&D processes and practices in innovative SMEs? (RQ 3)

1. How does your firm determine what training and development it needs?

2. Does your firm conduct a training needs analysis?

    a) **If Yes,** Could you give me an example of the form that the training needs analysis takes and what role does the training needs analysis play in your firm.

    b) **If No,** Why is that?

3. How does your firm design its training and development?

    ☐ Internally training provider

    ☐ Externally training provider

    a) Why do you utilise this approach?

4. Is the T&D in your firm provided (conducted) by;

    ☐ Internal trainers

    ☐ External trainers

    ☐ Both (what ratio do you think it would be?)

    a) Why do you utilise this approach?

5. I am going to present to you a list of T&D practices. Could you please indicate which practices you employ in your firm.

- ☐ informal on-the-job training
- ☐ formal on-the-job training
- ☐ formal off-the job training
- ☐ Mentoring
- ☐ Job rotation
- ☐ Temporary assignments
- ☐ Combination of these
- ☐ What other training do you conduct?

    a) Why do you utilise this approach?

6. Do you evaluate the value of training from the learner's perspective? For example do you seek feedback from the participants at any stage?

    a) **If Yes Ask**

        i. At what stage do you do this evaluation?

        ii. How do you do this ?

    b) **If No Ask**

        i. Is there any reason why you do not?

7. Do you evaluate the value of training from a value added perspective to the firm?

    a) **If Yes Ask**

        i. At what stage do you do this evaluation?

        ii. How do you do this ?

    b) **If No Ask**

        i. Is there a reason why you do not?

8. Overall do you think evaluation of T&D is important in the training effort?

    a) If yes, why is that?

Section 5: What is the perceived role of T&D practices in firm performance? (RQ4)

1. In your view, what are the benefits of your training efforts to staff related outcomes?

- ☐ Improved employee commitment
- ☐ Reduced employee turnover
- ☐ Increased the skill of the employees development
- ☐ Increased staff satisfaction

(If the interviewee has not identify the above points then I asked the following questions)

2. Have you measured it, if so how.
3. Do you think it has improved employee commitment?
4. Do you think it has reduced employee turnover?
5. Has it increased the skill and the employees' development?
6. Has it help increased staff satisfaction?
7. In your view do you think your training efforts have an impact on your bottom line?
   - ☐ **If Yes Ask**
     - i. How has it?
     - ii. Have you been able to measure the effect?
     - iii. Do you think this has increased annual income in the current year to that of the last year? If so what ratio do you think it would be?
   - ☐ If No Ask
     - i. Why is the firm persisting with the T&D activities?
8. Do you think your T&D activities have increased the firm's competitive advantage?
9. In conclusion do you think that the T&D has helped the firm and will persist with the T&D activities?

Thank you for participating in this research.

End of interview

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Appendix B: Introductory Letter

Jeremy Novak.
35 XXXXXX
XXXXX
QLD 4000
Ph. XXXXX

Good morning (Participants Name),

My name is Jeremy Novak, I contacted you by phone on (DATE HERE) where you indicated that you may like to participate in the research I am doing.

The research that I am conducting at the University of Southern Queensland (USQ), is exploring and examining the Training and Development processes and practices of within Queensland Small to Medium Size Enterprises (SMEs) innovators. This research has received ethics approval from USQ (number of the approval) however, if you wish to confirm this you can contact Associate Professor Retha Wisner on XXXX via email on XXX

As discussed with you I have been a SME owner and Managing Director for some 13 years and now carrying out this important research. This research has the potential to provide an enhanced understanding of how SMEs use training and development to cope with the changing environment to survive and grow further; and consequently add value to the economy of Australia. The propensity for SMEs to train and develop their employees may also be dependent on other workplace characteristics. This research seeks to help identify these elements and may assist in the development of more responsive and focussed management and government policies aimed at enhancing training activity in the sector.

To do this I would like to conduct an in-depth interview with you, where I will be asking several questions. It is expected that this process will have no risk to participants moreover, minimal imposition upon yourself. The in-depth interview are scheduled to run for no more than one hour thus to minimise interruption to yourself or your firm. For the purpose of reliability, I would like to request that this interview be voice recorded so the valuable information that you will be providing can be utilised effectively in the translation from audio to a text format. During this translation any identifiable information of yourself and your firm will be removed for your privacy.

In addressing any privacy issue that you may have, I guarantee that any information that is provided by you or your firm, will be treated as confidential and your privacy will be respected at all times. Any data that is generated as a result of the study will be de-identified thus you and your company name and any personal information that you provide will not be available to anyone else besides me.

Please note that you may withdraw from the research at any time without providing an explanation or any fear of consequences. Any material that you have provided will be disposed of immediately upon your indication that you wish to withdraw. In appreciation of your participation an electronic copy of the research will be forward to you at the completion of the research.

I will contact you within the next week to arrange the interview with you and to arrange a mutually convenient time. However please do not hesitate to contact me on 07 55XXXXX if you have any question.

Again thank you for participating in this important research.

Warm Regards

Jeremy Novak.

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Informed Consent

<u>Title of Research</u>: *Exploring Training and Development in Queensland SME Training and Development Innovators*

<u>Information about the Researcher Jeremy P. Novak.</u>: Jeremy has been a SME owner and managing director for some 13 years. He is now a lecturer in HRM is carrying out research into T&D practices in Queensland SMEs through USQ for the fulfilment of his Master's degree.

<u>The Agreement</u>

Before agreeing to participate in this research study, it is important that you read the following explanation of this study. This statement describes the purpose, benefits, risks, discomforts, and precautions of the program. It also describes your right to withdraw from the study at any time. No guarantees or assurances can be made as to the results of the study.

<u>Explanation of Procedures</u>

This research study is designed to investigate and examine the T&D processes and practices within Queensland SME T&D innovators that have been recognised for their proactive efforts in the area of T&D. This research is being conducted in order to explore and identify good practice regarding T&D in the Queensland SME sector. Participation in the study involves participation in an in-depth interview, anticipated to take no more than one hour. The in-depth interviews will be audio taped by the researcher and later transcribed for the purpose of data analysis. The interviews will be conducted at a time and setting that is mutually agreeable to the participant and the researcher.

<u>Risks and Discomforts</u>

There are no anticipated risks or discomforts that are anticipated from your participation in the study. The in-depth interview will take approximately 1 hours of your time.

<u>Benefits</u>

The anticipated benefit of participation in this research is the opportunity to share T&D learnings with the purpose of informing government policy and provide information to other SMEs. Participants will receive a report of the research. This research has the potential to provide an enhanced understanding of how SME's use training and development to cope with the changing environment to survive and grow further; and consequently add value to the economy of Australia. The propensity for SMEs to train and develop their employees may also be dependent on

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other workplace characteristics. This research seeks to help identify these elements and may assist in the development of more responsive and focussed management and government policies aimed at enhancing training activity in the sector.

Confidentiality
The information gathered during this study will remain confidential in a locked Safe during this project. Only the researcher will have access to the study data and information. There will not be any identifying names on the audio-tapes, and participant's names will not be available to any-one. The tapes will be destroyed at the completion of the study.

The results of the research will be published as part of the thesis, and may be published as part of a professional journal (*Proctor*).

Withdrawal without Prejudice

Participation in this study is voluntary; refusal to participate will involve no penalty. Each participant is free to withdraw consent and discontinue participation in this study at any time without prejudice.

………………………………………….
Signature of Research Participant

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Appendix D: SME Representative Information statement and Informed Consent Form

<u>Title of Research</u>: *Exploring Training and Development in Queensland SME Training and Development Innovators*

<u>Researcher</u>: Jeremy P. Novak

<u>Findings</u>

At the completion of the research an offer of a electronic copy of the research will be offered to the participants. This will be provided to each participant by Jeremy P. Novak.

<u>Cost and/or Payment to Subject for Participation in Research</u>
There will be no cost for participation in the study. Also, participants will not be paid to participate in this study.

Questions

You may think of questions after completing the interview moreover, if you have any questions concerning the study, participants can call Jeremy P. Novak on Ph. Xxxx or Associate Professor, Retha Wiesner, on xxxxx

You will be given a copy of this form to keep.

<u>Agreement</u>
You are making a decision whether or not to participate. Your signature indicates that, having read the information provided above you have decided to participate.

………………………………………. …………………………………………
Signature of Research Participant   Signature of researcher
                                   Jeremy P. Novak

………………………………………. …………………………………………..
(Please PRINT name)   (Please PRINT name)

………………………………………. ………………………………………….
Date   Date

……………………………………….. …………………………………………..
Signature of Witness   Signature of Witness

………………………………………. ………………………………………….
(Please PRINT name)   (Please PRINT name)

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Appendix E: Revocation of Consent Form

Exploring Training and Development in Queensland SME Training and Development Innovators

I hereby with to **WITHDRAW** my consent to participate in the study described above and understand that such withdrawal **WILL NOT** jeopardise any treatment or my relationship with the University of Southern Queensland.

Signature …………………………… Date …………………

The section for Revocation of Consent should be forwarded to Associate Professor, Retha Wiesner Faculty of Business, University of Queensland, Toowoomba.

Akhtar, S, g, DZDin & GE, GL 2008, 'Strategic HRM practices and their impact on company performance in Chinese enterprises', *Human Resource Management*, vol. 47, no. 1, pp. 15-32

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