

# Analysis of Training Needs in European Small and Micro Enterprises

## Summary

Project Title: TrainSME  
Innovative Vocational Training Approaches in Small and Micro Enterprises

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Abstract: The project TrainSME addresses the problems of the SMEs by aiming to improve the vocational training system in small and micro enterprises by providing innovative and feasible tools for the assessment of training needs and raising awareness about the changes and challenges throughout training.

The analysis was made in order to give relevant background information for the needs of the subsequent stages of the project. It was based on previous studies and an inquiry targeted to the small and especially micro enterprises. The inquiry for the needs of this analysis was organized simultaneously in seven countries; Austria, Bulgaria, Czech Republic, Finland, Germany, Greece and Hungary. It was conducted in the period from January to May 2005. The total number of inquiries was 274.

Keyword List: Vocational Training, Small and Micro Enterprises, Labour Market, Regional Analyses, Questionnaire, Survey, Organisation, Education of Employees, Training Programmes



## Summary of the Analysis of the Training Needs in European Small and Micro Enterprises

The project TrainSME addresses the problems of the SMEs by aiming to improve the vocational training system in small and micro enterprises by providing innovative and feasible tools for the assessment of training needs and raising awareness about the changes and challenges throughout training. These models will be applied, tested and evaluated by serving as basis for pilot training actions in different countries. Selected tools will be elaborated as web based assessment application. All tools, models and guidelines will be compiled in a handbook. The target group of the TrainSME project are the small (less than 50 employees) and specifically the micro enterprises (less than 10 employees). The potential users of the project results are employees, people who are in charge for personnel development as well as managers.

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The small and micro enterprises form a very heterogeneous group. Differences can be seen based on e.g. size, location, line of business, use of modern technologies and stage of development. The following table describes the differences based on only their size.

Number of employees	Number of firms	Special features in each group of companies
4 or less	65	+ 55% do not use any training services (others 22%) + 20% tell they do not need any training (others 5%) + most often consider training is too general + very clearly oriented to domestic markets
5-8	39	+ more often than others in services sector + most often in traditional lines of business
9-16	46	+ most often expecting to grow rapidly (52,5%) + lots of domestic and foreign networks from this size up + lots of restructuring work done from this size up
17 or more	42	+ more use and production of high-tech + more often internationally orientated + almost all of them think competition is getting harder + usually do strategic planning unlike in smaller ones + costs of training are less often a problem + most often has received public funding for training

Small and micro enterprises form a very heterogeneous group. Most of them (70%) are working on traditional lines of business. On the other hand this means that 30% of them are not. The latter group is also remarkably large.

The smallest companies that employ less than 5 employees are usually far less interested in training or development of their organizations than the larger ones. Most of them work on traditional lines of business and most of them present heavy criticism on training organizations and training supply. Criticism is presented in all types of SMEs but the small firms have more often problems in finding anything positive about training.

The companies with 9 or more employees have far more positive attitudes towards training than the smaller ones. Another (and partly parallel) group with more positive thoughts about training are the companies that are “creating high technology innovations”. Most often these firms are the ones that are expecting to grow in the future and many of them have international connections. Planned organizational structures are more common in growing and innovative companies than in others. Strategic planning seems to lead to human resources development plans. In other words: companies with strategic plans have also planned implemented training of their employees.

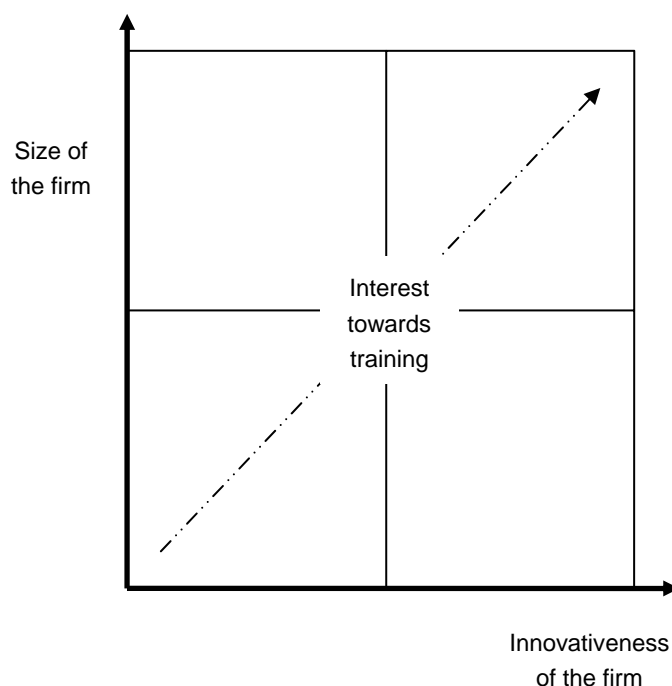
Vocational training is in most small and micro enterprises quite infrequent. Recent studies and the inquiry made during this project show that the reasons for this dilemma are complicated and can be outlined with the following statements:

- + The vocational training needs are investigated insufficiently in most of the addressed companies.
- + There are no or few resources for active human resources development in small and micro enterprises.
- + There is also a lack of medium and long term strategic and systematic planning for organizational and personnel development.
- + Detected training deficiencies are often neglected, because the enterprises can not afford the loss of time, production and flexibility resulting from an employee who is attending training courses during working time.
- + There is lack of resources for planning vocational training actions in small and micro businesses and also a lack of knowledge about funding possibilities.
- + To some extent people in small and micro companies are frustrated about the offered standard training packages which do not meet their needs.
- + The differences between the participating countries are remarkable. In general it seems that the German and the Austrian companies are more satisfied with the supply of training and development services than the companies in Bulgaria, Czech Republic, Finland, Greece and Hungary.

Based on the above mentioned facts the results of this study can be summarized into the following basic rules:

- A. The bigger the firm is, more likely it is going to spend resources on development processes and training.
- B. The more innovative the firm is, more likely it is going to spend resources on strategic planning and training.

The interest towards training depends on two key issues; on one hand the size and growth potential of the company and on the other hand the innovativeness and strategic planning capacity of the company.



It sounds logical that big companies are more probable customers of the training organizations than the small ones or that the innovative firms need more training than the less innovative firms. For example:

- + Small family restaurants (down-left in the figure) are for natural reasons uninterested in training as there is very little to gain for them; they have no need for organizational structures and there is very little need for development of their products. Customers are and will probably be the same anyway. Long-term training would be waste of time and money for them.
- + Large traditional SMEs (up-left) might have more need for updating their expertise since they have organization to take care of (leadership capabilities are required) and probably some machinery to be bought every now and then.
- + Very small innovative firms (down-right) have lots to learn in their core businesses but the size of the company allows almost any kind of organizational structures inside their business.
- + The companies that are both rapidly growing and innovative (up-right) need the development of their skills and expertise the most. Leading the organization requires expertise and so does the business itself. This kind of company needs expertise in strategic planning; management and leadership; research and development; and many more issues.

According to the data in this survey it seems that companies with more than 8 employees seem to be big enough to get interested towards training and development of the organization. As the smaller ones quite easily skip systematic organizational development, the bigger ones (or the growing ones) can no longer neglect it. And where the planning goes, also the human resources development and training seems to go.

Innovativeness is difficult to measure. Everyone is to some extent innovative but in evaluating innovativeness of a company is more difficult. Probably it could be measured by the share of “brainwork” (planning, R&D etc.) inside the company actions. In this survey they were not measured or asked. At all events it would have been difficult to see what exactly is innovative and what is not.

It seems that the SMEs can be categorized into four groups of companies:

1. The micro enterprises with less than 8 employees in very traditional lines of business. They are not very interested in training. Only short courses are for practical reasons possible.
2. SMEs with a larger number of employees in traditional businesses have usually limited interest towards modernization of their production processes. Some interest for training may be seen if it is directed towards its company specific needs.
3. Very small firms in innovative lines of business. The interest is directed to technical or innovation related issues, scarcely towards company development or equivalent.
4. Rapidly growing or no longer very small SMEs with innovative production and planning processes. Lots of needs for increased human capital and lots of problems in getting skilled labour. Many of them have had problems in finding high-quality training suitable for their needs.

These groups of companies need different kinds of approaches as their training needs are discussed. Some of them need very practical vocational training (#1 and #2), some of them need very specific training with high level of expertise (#3). The group #4 is smallest of all of these but it might also be the most interesting to the educational units since its needs are versatile. This kind of companies are in continuous changing process and need new expertise and know-how all the time for their present and future labour.

Regardless of the type the companies seem to have some common features in their needs. It is evident that they wish that the training should fill the following requirements:

1. Training should be tailor-made or include all or most needs of the company.
2. Training may not take too long; the companies need to have their employees in their positions.
3. Learning methods could be more variable and combine several types of learning and teaching as well as different learning environments.

There is one core requirement for companies which are planning training in the future. It seems that mainly companies with strategic plans for their future development have also plans or take actions related to training. Therefore it might be concluded that training should be planned as a part of systematic planning process of the company. In many small and micro enterprises the development of human resources should be started through improvement of the strategic planning processes. This kind of plans create relevant context for the whole development process.