

SMALL BUSINESS AND HUMAN CAPITAL

The Role of Adult Community Education **KRIS NEWTON** Visiting Research Fellow 2005

Small business and human capital: The role of ACE
2 ALA REPORT 2005

FOREWORD

I am most grateful to Adult Learning Australia for providing me with the opportunity to undertake this research on the current situation for small business learning in Australia; and especially to the Executive Director of ALA, Ron Anderson, for the support he has given this project.

The aim of this project was to assist Adult Community Education (ACE) providers to develop learning services that address the needs of small enterprises, and that fit within small business limitations.

The project aimed to consolidate previous research in the area of small business and training. Of particular interest were the results of the longitudinal action research associated with the Small Business Professional Development Program, which set such an effective benchmark for research in this area in Australia.

I am particularly grateful to the many small business representative organisations, and the small enterprises themselves, who took the time out to assist with the survey, and gave us the benefit of their (often passionate) views.

Kris Newton

Cervelle Consulting

ALA Visiting Research Fellow 2005

© Commonwealth of Australia, 2006

This report has been funded by the Commonwealth through the Department of Education, Science and Training (DEST). The opinions expressed in this report do not necessarily reflect the views of DEST.

Small business and human capital: The role of ACE
3 ALA REPORT 2005

CONTENTS

FOREWORD 2

CONTENTS 3

EXECUTIVE SUMMARY 4

BACKGROUND TO THE PROJECT 6

What is 'Small Business' in the Australian Context? 6

What is Adult Community Education (ACE)? 6

How ACE can contribute to human capital 7

The Human Capital Capability Scorecard	9
Learning brokerage	10
Australian research on learning and small business	11
The International Experience	14
Methodology: The Small Business Survey	16
Key issues explored in the survey	18
Limitations	19
RESEARCH FINDINGS & IMPLICATIONS FOR ACE	19
Build on ACE's flexible and innovative capacities	19
Key message 1: Provide genuine flexibility—assist small business clients to identify needs and then tailor delivery to match	19
Key message 2: Provide training of quality and relevance	20
Key message 3: Utilise the range of flexible learning materials available.	21
Key message 4: Use ACE's expertise in individualised training provision	22
Key message 5: Meet the expectations of learners for more innovative and flexible delivery.	23
Key message 6: Build on ACE's capacity to meet the individual needs of learners.	24
Key message 7: Nurture relationships with local businesses and promote ACE services to them	26
Key message 8: Build mutual understanding through business relationships	27
Key message 9: Actively promote ACE services to small business.	28
Bridge small enterprises to the formal training system	29
Key message 10: Bridge small business to the formal training system as a 'learning broker'	29
Key message 11: Help to link learning and business support systems	30
Key message 12: Assist in identifying and addressing training gaps through participation in local and regional networks.	31
Assist small enterprises to engage with the formal system	32
Key message 12: De-mystify training processes and eliminate jargon	32
Demonstrate return on investment in training to business	32
Key message 13: Demonstrate return on investment	32
Key message 14: Assist small enterprises to deal with increasing change.	33
References	34
Appendix	35
The Small Business Scorecard for ACE Providers	35

Small business and human capital: The role of ACE
4 ALA REPORT 2005

EXECUTIVE SUMMARY

The aim of this research project is to assist Adult Community Education (ACE) providers develop learning services that address small business needs and that fit within small business limitations.

The central focus of the project was to establish how the adult community education (ACE) sector can better meet the identified training and professional development needs of small business.

The main assumption was that ACE providers can put their flexibility and commitment

to adult learning to work for small business—to better assist small enterprises identify and meet their learning/training needs.

The project used a web-based national survey of small business intermediary or facilitating organisations to further explore the benchmark Australian research conducted by the Small Business Professional Development Program (SBPDP).

The survey confirmed many of the results of this research in the area of small business and training with some significant implications for ACE providers.

Invitations to complete a simple web-based survey were sent to a database of some 1,500 organisations from Adult Learning Australia (ALA). One hundred and seventy-two (172) respondents completed the survey. The questions focused on the currency and relevance of the key issues for small business training as identified by the SBPD reports, the recent work of Peter Kearns and the current directions of Commonwealth policy on VET as expressed in *Skilling Australia*.

The report summarises a range of key messages for the ACE sector emerging from the research that can serve as guidelines for ACE providers in dealing with small business and their learning or professional development needs.

These messages can be summed up in five guiding principles that should govern the ways ACE providers work with small enterprises. These are:

1. **Build on ACE providers' strengths by providing flexible, innovative, tailored, 'just-in-time', 'just-for-me' training.** Build on ACE's capacity to tailor learning experiences to meet the individual needs and styles of learners. Utilise ACE's acknowledged expertise in individualised training provision, and provide the informal atmosphere conducive to learning. Utilise the enormous range of flexible learning materials available through the Flexible Learning Framework and other 'open access' providers.
2. **Provide genuine flexibility; assist to identify needs and tailor delivery to match.** Provide quality, relevant training in 'bite-sized chunks' and recognition of learning, where possible, as a value-add.
3. **Build relationships with small workplaces in the local area.** Having 'a foot in the door', nurture and build on the relationship with the business. Actively promote ACE services to small business.
4. **Become the 'bridge' between small enterprises and the formal training system, working as a 'learning broker'.** Build networks by making linkages between learning and small business' support systems. Utilise local knowledge and expertise to assist in identifying and addressing training gaps as an integral part of local employment/training and regional development networks.

Small business and human capital: The role of ACE
5 ALA REPORT 2005

5. **Assist small enterprises to engage with the formal training system.** help to de-mystify processes and eliminate jargon by using plain English.
6. **Clearly demonstrate return on investment from training to small business owner-managers.** Work with the rapid pace of change as an opportunity for ACE to assist small enterprises to cushion themselves against future shock.

The current environment is characterised by the blurring of the traditional boundaries between the VET and ACE sectors, skills shortages, an ageing workforce, the increased demand for lifelong learning and the potential for utilisation of ICT in learning and communications.

All of these factors are presenting small business with learning challenges and the research findings clearly show how they are creating significant opportunities for ACE providers to assist in meeting these challenges.

The *Small Business Scorecard* was developed from the set of key messages as a checklist for ACE providers working with small business (see Appendix). It will serve as a ready reference as they develop learning services that both address the needs of small enterprises and fit with their operational limitations.

Small business and human capital: The role of ACE
6 ALA REPORT 2005

BACKGROUND TO THE PROJECT

The aim of this research project is to assist Adult Community Education (ACE) providers develop learning services that address small business needs and that

fit within small business limitations.

The primary purpose of this current research was to confirm findings of recent research into the connection (or otherwise) between small business and training; and identify and elaborate any valuable key messages for the Adult Community Education (ACE) sector.

The project set out to answer two key questions:

- How can the adult community education sector better meet the identified learning/training/professional development needs of small business?
- How can ACE providers utilise their flexibility, commitment to lifelong/adult learning, and ability to motivate learners to better assist small enterprises identify and meet their learning/training needs?

The project aimed to clarify how the ACE sector could enhance its role in the dialogue

with small business, other vocational providers, and business, enterprise and industry groups. It asked the question, how, as part of this dialogue, can ACE play a more active role in assisting small business to identify their learning, training or professional development needs? In particular, the research explored what modes of delivery might be the 'best match' for small business.

Using a modest web-based national survey of small business intermediary or facilitating

organisations, the project aimed to add to findings of previous research in the area of small business and training.

The survey strongly confirmed the results of previous Australian research in the area of small business and training with significant implications for ACE providers.

This report summarises the outcomes and elaborates any valuable messages for the ACE sector as a set of 'guidelines' for ACE providers in dealing with small business and their training/learning or professional development needs.

What is 'Small Business' in the Australian Context?

The definition of what actually constitutes 'small business' varies widely. Government agencies, for example (ABS, DEST, DFAT etc.), utilise a variety of definitions for small businesses— from a micro-business (employing one or two persons), to varying numbers of employees, ranging from less than 5, 10, 20 or even 100 persons.

This research utilises the SBPD programme definition of a business having five or fewer staff. It concludes that 'the average number of employees for all business in Australia is 3.4. The average number of employees for those small businesses which employ staff is 4.9. Generally, small businesses are labourintensive rather than capital-intensive. But the new technologies and the trend to brain-based productivity are blurring this distinction' (Kearney 1999).

What is Adult Community Education (ACE)?

There is, as yet, no nationally agreed definition of ACE. The general parameters accepted by Adult Learning Australia and the Commonwealth and State and Territory governments are contained in the Preamble to the Ministerial Declaration on Adult Community Education. The Preamble declared that: 'Australia's future depends on each citizen having the necessary knowledge, understanding, skills

Small business and human capital: The role of ACE
7 ALA REPORT 2005

and values for a productive and rewarding life in an educated and just society' and that '... boosting the skills, knowledge, capability and understanding of all people has become a goal for governments in all modern industrial democracies'.

Achieving this goal represents a significant challenge. The skills and knowledge required in a modern, complex society have changed profoundly

since most adults completed their initial education. Literacy in information and communication technology is now required for full participation in all

spheres of life and work. Communicating and relating effectively, reasoning, problem solving, and decision making – often in a variety of cultural contexts – are skills that we all will need if we are to enjoy productive and rewarding lives in an educated and just society. Our capacity to innovate and learn will drive our future economic and social progress. However, acquiring basic literacy and numeracy remains the foundation for further learning and for participation in a complex society.

The Preamble is rich in references to the qualities that community-based education and training can bring to meeting such challenges of 'the learning society' and suggests that the key features of ACE appear to be:

- A focus on adult learning
- Collaborative, partnership arrangements within the community and with governments; i.e. community-based and accessible
- Significant volunteer contribution
- Innovative and flexible in delivery of learning and resourcing, meeting the needs of individual learners, whatever their 'starting point';
- Empowerment of individuals and communities (including our Indigenous communities), sustaining and building community capacity and social capital;
- Lifelong learning 'for personal growth and development; to contribute in new ways to their communities; to support career decisions and aspirations; to work more productively; or simply for a love of learning'
- Addressing the pre-requisites to lifelong learning such as literacy and numeracy, and IT literacy.

How ACE can contribute to human capital

A recent report by Peter Kearns identifies as an 'economic imperative in strengthening our investment in human resources in the context of the knowledge economy' (Kearns 2005). In terms of developing the workplace as a key learning environment, Kearns says:

This is a key requirement of the global knowledge economy, as well as for strategic responses to all other drivers... such as demographic change and the ageing of the workforce... Employers will benefit from holistic strategies that build social and identity capital, and which contribute to a more motivated workforce with the values and attributes employers require. This in turn will contribute to the capacity of the workforce for innovation and enterprise. Employers are key stakeholders, and need to be active partners in building an embedded learning culture, and learning society.

Small business and human capital: The role of ACE
8 ALA REPORT 2005

In particular, Kearns cites a range of factors that are involved in making the connections between learning and workforce skills development:

- the role of learning strategies in maintaining the skills and employability of individuals throughout working life;
- the role of learning strategies in opening pathways to jobs for disadvantaged individuals and groups;
- the application of learning strategies in organisational learning approaches where the whole firm is developed as a learning organisation with learning and skill strategies integrated with human resource and business strategies;
- ways in which learning strategies can contribute to building a culture in the firm that supports innovation, enterprise, and adapting to change;
- the role of key generic skills (including the critical learning to learn competence) in enhancing the application of skill in the workplace; maintaining employability of staff, and contributing to the quality of workplace life;
- ways in which learning strategies can support individuals in work/life balance and transitions in the context of shifts in lifestyles including the emergence

of a 'portfolio lifestyle';

- the role of learning strategies throughout life in maintaining the motivation, skill levels, and employability of older workers.

It is ACE that will have a crucial role in achieving the high levels of human capital. This cannot be achieved by formal institutions alone. Rather, it will 'require mainstreaming the role of adult and community education (ACE) in holistic strategies which integrate social, capital, educational, and economic objectives'. This will, in turn, require policy makers to make a shift from the current concept of adult education to that of adult learning as adopted by the OECD.

Kearns' argument points to a 'blurring' of the traditional boundaries between the sectors on the continuum of education and training, and an enhanced role for ACE, particularly as a 'learning broker'. This is not a simple role, but one that has multiple stages of developing a brokerage process, according to UK research that Kearns cites. This involves moving from understanding the current situation; gaining entry and building trust; making learning meaningful; identifying the right learning opportunity; promoting learning success; and addressing organisational issues (p.110).

Kearns suggests that the 'blurring of boundaries' will create opportunities for ACE to take the role of intermediary and learning broker across community and workplace and provider contexts, as the focus shifts to the learner rather than the institution. These include:

- The learning brokerage role of ACE will become increasingly significant in building bridges between learners and providers.
- ACE will need to be innovative in developing its role in building virtual and place learning communities, as ICT transforms the way we learn.
- Substantial research and pedagogical innovation will be required with ACE at the frontier in developing pedagogies relevant to contexts such as the workplace, home, and community organisations.

Small business and human capital: The role of ACE

9 ALA REPORT 2005

- ACE will need to be flexible, develop new areas of expertise and partners; and build up a co-ordinated knowledge and research base.

The Human Capital Capability Scorecard

North American longitudinal research on the improved performance of companies investing in training synthesizes a growing body of rigorous research that points to human capital management as the most important driver of business results (Bassi et al 2004).

The Human Capital Capability ScorecardSM, developed by Bassi & Company, is designed to enable a better understanding of the strengths and weaknesses in an organization's work and learning environment. The unique feature of the Bassi approach is to focus not on inputs (eg training hours, or cost of training per employee per year), or even an attempt to evaluate the (short- or longterm) effects of training, but instead to focus on measurable outcomes of an organisation's overall performance.

These measures can of course be financial (eg profit margins, ROI, returns to stock-holders). However, Bassi also measures what they describe as 'human capital outcomes', which have consistently been identified in the research and best practice literature as the key drivers of future organizational performance. These include measures such as customer satisfaction, quality, productivity, and innovation (Bassi et al 2003).

Bassi defines what has become a fairly orthodox view of the differing values that can be ascribed to human capital by business — there are two 'human capital roads' to economic profitability:

□ **The low-road** where people are costs and investments in them are minimal. Competitive advantage is achieved through being the low-cost, lowmargin producer. This perpetuates low-wages, low-skills, and high turnover. For producers who are not located in the lowest-wage countries, this is a sustainable strategy only in markets that are impervious to foreign trade.

□ **The high road** where people are assets (as well as costs) and investments in them are a source of strategic competitive advantage. The business model focuses on creating high margins by producing more valuable products and services. Competitive advantage depends on superior human capital management, which creates a virtuous cycle of high wages, high skills, and innovation. This is a potentially sustainable strategy in an increasingly knowledge-intensive world (Bassi and McMurrer, forthcoming).

What constitutes 'superior human capital management' is summarised by Bassi from a synthesis of the research — five attributes distinguish highly effective organizations

from their competitors (Heskett et al 1994):

Leadership Practices: Managers' and leaders' communication, performance feedback, supervisory skills, demonstration of key organizational values, efforts and ability to instill confidence

Learning Capacity: The organization's overall ability to learn, change, innovate, and continually improve

Knowledge Accessibility: The extent of the organization's collaborativeness and its capacity for making knowledge and ideas widely available to employees.

Small business and human capital: The role of ACE
10 ALA REPORT 2005

Workforce Optimization: The organization's success in optimizing the performance of its workforce by establishing essential processes for getting work done, providing good working conditions, establishing accountability, and making good hiring choices.

Employee Engagement: The organization's capacity to engage, retain, and optimize the value of its employees hinges on how well jobs are designed, how employees' time is used, and the commitment that is shown to employees.

The Bassi research reports that other measurable outcomes of an organisation's performance as a result of investments in training include effects on employee retention and effects on shareholder return.

One of the most important predictors of whether an employee will stay with his/her current employer is the employee's satisfaction with the opportunities provided for learning and development.

A firm's ability to retain its key employees is, in turn, a fundamental determinant of a number of important outcomes, such as customer satisfaction, sales per employee, and market capitalization.

□ Employees have come to understand that their careers and earnings potential hinge on their "human capital";

□ Hence, investments in employee education and training that increase productivity have the additional advantage of being viewed as a "benefit" by employees;

□ The direct effect of investments in employee training is that employees have the skills and competencies they need to do their jobs;

□ The indirect—and perhaps more important effects—are that employees are less likely to leave (provided that leaders are effective and wages are competitive)

and they develop valuable relationships with customers.

Investment in human capital can also have an impact on shareholder returns. A series of portfolios of firms that made the largest investments in worker training subsequently returned 16.3% per year, compared with 10.7% for the S&P 500 index.

Naturally, as Bassi point out, training for its own sake is not necessarily cost effective. The challenges to be overcome in developing cost-effective training programs include time and space, cost and effectiveness.

Electronic forms of learning (such as e-learning and blended learning) can help ameliorate the constraints of time and space. They have high fixed (development) costs and low variable (per worker) costs

Dr Bassi suggests that another important method for reducing the cost, and improving

the effectiveness, of training is training collaboratives, organized through trade associations or government-subsidized consortium.

Learning brokerage

The learning broker role is something of a new concept in learning and skills development;

and research appears to be further advanced in the UK than in Australia to this point.

In work undertaken for the UK Learning & Skills Research Centre in 2004 the report, *Learning Brokerage: Building bridges between learners and providers*

Small business and human capital: The role of ACE
11 ALA REPORT 2005

defined the role of a learning broker as: "to mediate between learners and providers."

The report developed a framework to chart the key activities of learning brokerage, all of which (may) involve multiple networks. The six stages identified are:

- Understanding the current situation.*
- Gaining entry and building trust.*
- Making learning meaningful.*
- Identifying the right learning opportunity.*
- Promoting learning success.*
- Addressing organizational issues.*

These six stages have remarkable resonance with the key findings of this research, and it is clear that Australia has a unique opportunity to conduct applied research in this area, which would be a significant contribution to the international understanding of this approach.

Australian research on learning and small business

This current research is built upon strong research on small business and training in the Australian environment — particularly the findings of the Small Business Professional Development Programme (SBPD) published as *Big Pictures From the Small End of Town*, and *Size Matters: Small Business-Small Workplace*.

The SBPD project, undertaken by the Office of Vocational Education and Training (Tasmania) on behalf of DETYA, was a three-year national project which aimed to "find ways to help small business to take more control of its own training needs and solutions". It relied heavily on an action research strategy, involving some 2,214 small enterprise participants in 80 projects nationally from 1996 to 2000 (Kearney 1999).

Small business is critical to the success of our modern economy and the lives of those who depend upon it. Representing over 90% of all enterprises, small business employs over half the Australian workforce. Yet small business remains dramatically under-represented in formal training. Worldwide there is a trend towards smaller business units. With the increase

in 'contract culture', brain-based production and capacity of information systems, 'the global small business' is a reality. With this, small businesses are becoming increasingly important for employment and wealth generation.

The key conclusions the SBPDP final evaluation report draws are now discussed in turn. There were some seven key issues examined. These were—

1. Small business will not develop a training culture unless the training industry develops a business culture.

It suggested two fundamental reasons why the training industry needs a business culture if it is to help small business. Firstly, without a business outlook the training industry cannot understand small business needs, nor respond with appropriate solutions. Secondly, without a business approach the training industry cannot effectively market, price and deliver sustainable services to small businesses.

Small business and human capital: The role of ACE
12 ALA REPORT 2005

An example of this is the marketing difficulties that Project Sponsors faced in 1998. Most continued to sell training and skills development as the prime products, rather than selling training as a business tool, which produces bottom line business outcomes. Few realised that small business will pay for training if they are assured of bottom line outcomes and the risk is taken out of the buying of training by linking payment to results.

2. Business service organisations appear to be the most effective intermediaries in facilitating appropriate and sustainable training services for small businesses.

The report stated that: 'With some notable exceptions, the training intermediaries that have been involved in the SBPD Programme over the years have not been overly successful in delivering appropriate and sustainable training services to small business... Business service organisations, though lacking in training culture, seem keener and better placed to include training as part of their services to small businesses.

These organisations appear to have a real need to better demonstrate their relevance

to their members.... Being able to advise, broker and even deliver training visibly value-adds their service to members. In addition small businesses more readily turn to local business service organisations in times of need than to training service organisations.'

3. SBPDP participants expressed a preference for self-reliance in their choice of training model... There is an urgent need to develop in-house workplace training models for small business, and a non-systematic infrastructure to support these models, with links to the formal training system.

The report stated that: 'SBPD small business participants expressed a preference for self-reliance in their choice of training models. The in-house workplace training and assessment models nurtured by the early training reforms cannot be readily adopted by small businesses. These systems are biased toward organisations which have career structures, specialised personnel, a capacity to develop and maintain non-core infrastructures and flexible resources. Collaborative selfhelp models – clusters, networks, mentoring, diagnostic tools and workplace coaching – represent the best hope for developing mini-in-house systems for small workplaces.'

4. The language of training remains problematic and has special difficulties for the small business audience. The issue needs to be addressed if a dual system is not to evolve by default.

The report stated that: 'For example, the word 'training' has negative connotations for many small businesses. The SBPD programme and its Project Sponsors

have picked up on this and have pushed 'learning' and professional development as alternatives. Learning has been asserted because it is perceived to be more in sympathy with the informal, in-house, learn-as-you-go approach of small business... The language of the reformed training industry continues to be criticised for its complexity and jargon.

5. An explicit link must be made between business needs and human resource if small businesses/enterprises are to see training and learning as another valuable business tool.

The report stated that: 'More experienced sections of the training industry know that it is often more productive to start with the immediate business needs of the small enterprise, rather than strategic human resource needs. This approach acknowledges the daily realities of small business life and establishes improving

Small business and human capital: The role of ACE
13 ALA REPORT 2005

the business bottom line as the prime concern of training... Regardless of where facilitating agents of small business training start, either at the business needs or human resource needs end of continuum, an explicit link between the two must be made if small businesses are to see training as another valuable business tool.'

6. Training providers/facilitating agents seem to have more success, in the short term, when they accommodate small businesses' preference for less formal and structured approaches to training. Longer term success, however, appears to depend upon helping small businesses take advantage of more systematic aspects of structured approaches.

The *Size Matters* report stated that: 'Generally SBPD projects confirmed the proposition that small businesses prefer less formal and less structured approaches to training, particularly with their early experiences of training. It also, however, indicated that small businesses did not appreciate under-planned and under-structured approaches. The challenge, it seems, is to develop more planned and systematic approaches, which are not in conflict with the less formal ethos and the need for flexibility. This challenge relies on the training industry appreciating the value of both structured and unstructured approaches to small businesses, and not seeing them as either/or options.'

7. Small businesses' major concern is that training is relevant, flexible and affordable. As such, they do not have a primary preference for recognised or non-recognised training ... If it comes in better packages with greater recognition of outcomes then that is a bonus.

The report stated that: 'It is wrong ... to conclude that small business is not interested

in more systematic approaches with outcomes that have extrinsic value. The reality is that they mainly care that the training is relevant, flexible and affordable. If it comes in better packages with greater recognition of outcomes then that is a bonus. SBPD projects have demonstrated that small businesses are more likely to appreciate recognised outcomes when non-recognised outcomes are valued, and the two are not presented as an either/or option.'

This finding of the SBPD has recently been confirmed by research on the value employers give to qualifications. Research undertaken for ANTA by Ridoutt et. al. (2005, 6-7) found that:

Employers value qualifications mainly for higher-level occupations and for recruiting new employees ... The particular industry sector does not seem to influence the way in which employers value and use qualifications, although the size of the enterprise does... Employers of larger enterprises tend to support a more comprehensive approach to worker qualifications... Smaller enterprises tend to be more discriminating when assigning worth to qualifications and prefer a quick return on training investment.

Respondents made a strong distinction between qualifications and experience, the latter being more valued across a wider number and type of business circumstances. Often, the skills most valued are 'employability skills' such as attitude, language and literacy, communication abilities and team work.

Recent research by Peter Kearns (2005) also raised some critical questions about the barriers for small enterprise involvement in training and learning:

Small business and human capital: The role of ACE

14 ALA REPORT 2005

- Are the identified barriers to involvement of small enterprises in structured training (eg through promotion, products, services and strategies) being addressed?
- Are bridges being formed between the informal workplace and the structured training system?
- Have the 'self-help' strategies identified as being effective in small workplaces (mentoring, networks, action learning, etc) been mainstreamed under regular funding in VET? If small business receives external support for learning/training needs, where does this support come from?
- Has the enormous potential of e-learning and other flexible/blended learning modes yet been realised for small business (particularly if linked to ecommerce)? If so, in what way?

In addition, there are other key issues emerging in the VET arena which may impact on small enterprises in what Peter Kearns call the 'white water environment', such as:

- Skills shortages in critical industries (including many traditional trades, as well as emerging and hi-tech industries – such as building, commercial cookery, hairdressing, automotive, manufacturing and electo-technology);
- Rapidly increasing pace of change in technology and innovation, impacting on the skill needs of new and existing workers;
- Re-skilling and up-skilling mature-aged workers in ways and styles appropriate to their learning needs;
- The expectations and demands of learners for more innovative and flexible delivery;
- The increasing rate of change in the organisation of the workplace (eg casualisation of the workforce – the rise of part-time workers, the microbusiness, out-sourced and contract workers; multiple career changes; the impact of technology on new forms of work organisation).

The issues raised above formed the basis of the survey for this research.

The International Experience

Australia's national training system may confer significant potential benefits. Recent international research has also raised many similar issues in relation to small business. The recent study on *Small Business Training and Competitiveness* for the European Commission (2001) focussed on exploring the relationship between learning and competitiveness, finding that—

- there is a strong link between innovation and competitiveness. Innovation at firm level can be seen as an important element in competitive advantage that requires strong learning skills.
- there is a link between competitiveness and organisational change; learning has been linked to the ability of organisations to change their structure, systems, and culture.
- learning has been related to superior skills in the interpretation of a fast growing environment. Taking advantage of environmental stimuli,

Small business and human capital: The role of ACE

15 ALA REPORT 2005

(whether opportunities or threats) has also been mentioned as an important competitive advantage.

The European Commission research reached a series of interesting conclusions in the context of our research:

- SMEs find training courses too broad in scope, failing to meet their specialised needs. This issue is especially important for new employees with a need for specific technical knowledge/skills.
- SMEs have low expertise in accessing training funds resulting in a lack of specialised training courses.
- Universities and training centres do not always meet the training needs for new skills and knowledge derived from innovative processes.
- Managers in some SMEs tend to work on many operational issues and do not plan their training needs—they 'work in the business, not on the business'.
- Training serves not only to acquire new skills/knowledge, but also as a means of widening their network of market specialists.
- There is an increasing need for multi-skilled employees.
- Many SMEs appreciate language and basic software training.
- Projects involving customers, companies and universities [what we would call 'skills ecosystem' partnerships] foster innovation in SMEs.
- Entrepreneurs with low technical skills use their network of colleagues and university faculty [training providers in the Australian context] to evaluate company risk.
- Some managers and entrepreneurs have stereotyped ideas about training courses. Lack of contextualisation, cost and time lag before results appear contribute to this stereotyping.
- The involvement of universities and research centres helps to create, store and disseminate knowledge, while SMEs bring flexibility, market orientation and creativity to foster innovation.....
- Some of the enterprises have had difficulty in accessing a skilled labour force....
- Trust in markets facilitates the development of knowledge, the relationship among organizations and individuals and the creation of networks that facilitate knowledge storage.

In regard to training institutions, the *Small Business Training and Competitiveness* report summarised findings of relevance to our research. They found that training providers could serve several functions— as 'learning triggers', sources of constraints and resources, imposers of institutional standards, and facilitators of communication and exchange (European Commission, 2001).

On institutions as 'learning triggers', for example, the 'perception of potential problems or opportunities triggered a search for either solutions or ways of taking advantage of newly identified opportunities.'

Small business and human capital: The role of ACE
16 ALA REPORT 2005

On institutions as providers of constraints and resources, institutions influence learning processes by affecting the attention span and resource allocation of organizations,

leading them to concentrate on certain parts of the environment at the expense of other parts.

On institutions and the imposition of institutional standards, for example, providers may 'emphasise explicit, formalized knowledge at the expense of tacit, informal knowledge. The effect could be described as a bureaucratization of learning'.

On institutions as facilitators of communication and exchange, 'institutions can

help create, develop and perpetuate common interpretive schemes enabling the transfer of tacit knowledge between companies. Creating a learning system which enabled organizations to benefit from the learning in other institutions while at the same time specialising in the type of learning that they themselves were best at'.

Recent research into Adult Learning and Small and Medium Enterprises (SMEs) in Switzerland, undertaken by André Schläfli for the Swiss Federation of Adult Learning (in cooperation with the University of Zurich), echoes many of the same themes.

He reports on the results of survey of some 8,000 Swiss enterprises, designed to 'map' the levels of cooperation between adult learning providers and SMEs, with a particular focus on learning at work. Schläfli makes the point that: "*The world of small and medium-sized enterprises (SMEs) is highly underestimated in adult learning*", despite small business being "*the so-called motor of the market economy... [and having] advantages of flexibility and a potential for innovations that are underestimated.*"

The survey found, for example, that the main reasons SMEs gave for investing in training were:

- "to train people in the vocational field which is relevant to the firm's activities (27%);
- to introduce new technologies (15%); and
- personal development in their own field (17%);
- less mentioned were development of social skills(6%).

[A large] majority of the SMEs think that lifelong learning should be a part of the culture and strategy of the enterprise, and that learning had to be implemented in the work life, because otherwise the firm would not remain competitive."

"The distinction between formal and informal learning is not important for the SME; rather, what is of major importance is the mastery of the changes and shifts described. In SMEs a variety of learning happens, but sometimes this is not reflected or not even seen as learning." The report recommended support for the diverse types of informal learning so important to SMEs. In terms of the adult learning 'cooperation partners', the research also highlighted "*the outstanding role of the professional associations*".

Methodology: The Small Business Survey

The survey was framed to substantiate the validity and currency of the issues raised by the Small Business Professional Development Program, and other recent Australian research.

The survey target group was that of the intermediary or facilitating organisations, because of the significant role they play in helping to identify and meet

Small business and human capital: The role of ACE
17 ALA REPORT 2005

the learning or professional development needs of small business. The intended respondents therefore included:

- chambers of commerce or business,
- Business Enterprise Centres,
- regional development organisations or forums,
- industry representative organisations or groups;
- plus other relevant organisations, such as: Industry Skills Councils; State/Territory small business incubators/networks/support services, and
- ACE providers, and other vocational training providers (including TAFE Institutes, Open Learning providers, etc.).

We were gratified, however, that so many of these organisations passed the invitation to participate in the survey on to the small businesses they represent, and we thus had such a significant 'voice' from small business people themselves.

The survey was designed as a quick, and simple to use, web-based survey, accessible to everyone with access to the internet. The questions focused on the currency and relevance of the key issues for small business training as identified by the SBPD reports, the recent work of Peter Kearns and the current directions of Commonwealth policy on VET as expressed in *Skilling Australia*. A database of some 1,500 organisations was developed for the project, and invitations to participate in the survey were either emailed or faxed to each organisation from Adult Learning Australia (ALA). One hundred and seventy-two (172) respondents completed the survey; with the smallest number of responses to any question (all were voluntary, except for demographics) being 98. The survey remained 'open' for one month, to allow for maximum 'capture' of respondents. Respondents represented a wide cross-section of the intended target groups, with the largest groups being small business and training providers (see below).

Small business and human capital: The role of ACE
18 ALA REPORT 2005

Key issues explored in the survey

The key issues canvassed by the survey were based on the SBPDP, and other recent, research and are summarised as follows:

- Small business will not develop a training culture unless the training industry develops a business culture.
- There is an urgent need to develop in-house workplace training models specifically for small business and a non-systematic infrastructure to support these models with links to the formal training system.
- The language of training remains problematic and has special difficulties for the small business audience.
- An explicit link must be made between business needs and human resource needs if small businesses/enterprises are to see training and learning as another valuable business tool.
- Training providers and facilitating agents seem to have more success in the short term when they accommodate small businesses' preference for less formal and structured approaches to training. Longer term success however appears to depend on helping small businesses take advantage of more systematic aspects of structured training.
- Small businesses' major concern is that training is relevant, flexible and affordable. As such they do not have a primary preference for recognised or non-recognised training ... If it comes in better packages with greater recognition of outcomes then that is a bonus.
- The identified barriers to involvement of small enterprises in structured training are being addressed (eg through promotion of products, services and strategies).
- Are bridges are being forged between informal workplace learning and the structured training system?
- To what extent have 'self-help' strategies identified as being effective in small workplaces have been mainstreamed under regular funding in VET?
- Where does small business receive external support for learning/training needs?
- Is the potential of e-learning being realised for small business?
- How is e-learning being utilised by small enterprises?
- Are there perceived skills shortages in critical industries?
- Is the re-skilling and up-skilling mature-aged workers in appropriate ways and styles an important issue for small enterprises?

- Are the expectations and demands of learners for more innovative and flexible delivery being met?
- Is the increasing rate of change in the organisation of the workplace an issue for small businesses?

Small business and human capital: The role of ACE
19 ALA REPORT 2005

- Are gender differences in small business in learning needs and styles an issue in small workplaces?

Limitations

The decision was taken to retain the original wording of the SBPDP outcomes/ findings, as the intended target group for the survey was organisations which in some way represented or interacted with small businesses. In light of the proportion of respondents who were themselves involved in small business, however, and the number of comments regarding the 'impenetrability' of the language, this may have caused confusion or some lack of response to some questions.

The responses to the final question regarding differential learning preferences according to gender gave a somewhat ambiguous return – it is possible that a question on respondent gender (as part of the demographic information) may have made these responses clearer.

Apart from minor editing for readability, the informal comments from respondents were so valuable, as an insight into how they see the issues and their thinking, that the majority of comments have been retained *verbatim*. A full record of the responses can be found in the Part 2 report.

RESEARCH FINDINGS & IMPLICATIONS FOR ACE

The full survey responses for all questions from all 172 respondents can be found in Part 2. This section summarises the key messages for ACE providers together with typical responses to each of the questions.

- Build on ACE providers' strengths by providing flexible, innovative, tailored, 'just-in-time', 'just-for-me' training.
- Build on ACE's capacity to tailor learning experiences to meet the individual needs and styles of learners. Utilise ACE's acknowledged expertise in individualised training provision, and provide the informal atmosphere conducive to learning. Utilise the enormous range of flexible learning materials available through the Flexible Learning Framework and other 'open access' providers.
- Provide genuine flexibility; assist to identify needs and tailor delivery to match. Provide quality, relevant training in 'bite-sized chunks' (and recognition where possible, as a value-add).

BUILD ON ACE'S FLEXIBLE AND INNOVATIVE CAPACITIES

Key message 1: Provide genuine flexibility—assist small business clients to identify needs and then tailor delivery to match

SBPDP participants expressed a preference for self-reliance in their choice of training model. Almost all survey respondents rated this issue as either 'important' or 'very important'.

There is an urgent need to develop in-house workplace training models for small business, and a non-systematic infrastructure to support these models, with links to the formal training system.

Some typical responses were:

Small business and human capital: The role of ACE
20 ALA REPORT 2005

Indeed. This is a key issue. The current courseware offered by many training providers is not flexible enough and not sufficiently tailored to the owner-managers work environment. However, there is a major problem here of cost. A high quality, fully flexible and personalised management

education program is likely to be very expensive and most small business owners are reluctant to pay even a modest amount for their professional education and training needs.

The responsibility for participating in training programs must rest with the small business. It therefore follows that if they take up that choice then they should also be able to have a say in what they think is the most appropriate training model that fits their situation. The issue of 'no time' impacts on many small business and so a 'loose' but 'accessible' network that supports training efforts of small business is needed. Links to formal training system are necessary to validate the skills and knowledge being formed in the workplace.

The issue is going to be motivation of small business to undertake any sort of training. Most (90%+) believe that they do not require an academic to stand up and tell them, they much prefer a coaching style of education that can relate back to real life 'today' issues that they are struggling with. Flexibility of the learning process is necessary to accommodate the requirements of small business with regards to timing of learning and learning resources.

There is a range of important issues here. These include: the need for quality Training Packages having competency units and qualifications specifications designed to meet the needs of small (and larger) enterprises, responsive flexible delivery arrangements and genuine learning partnerships provided by/through training providers, support from the Federal & State training systems for such provision, etc.

Flexible hours, and the capacity to work 1:1 and with small groups have been very successful in providing entry-level training ... to local businesses. We also provide local learning support to online courses provided through partnerships with several registered training providers. Flexibility, local access to content and learning support seem to be keys to successful training outcomes.

Key message 2: Provide training of quality and relevance

Small businesses' major concern is that training is relevant, flexible and affordable. As such, they do not have a primary preference for recognised or nonrecognised training, but if it comes in better packages with greater recognition of outcomes then that is a bonus. This was also perceived as a critical area, with almost all survey respondents rating this issue as either 'very important' or 'important'.

Because of its diverse nature and local/state/national coverage, the ACE sector has a great capacity to offer custom-made programs for its clients, drawing on its years of experience in individualising training. This can be one-to-one, small groups or enterprise-specific. ACE providers should also build on their well-deserved reputation for being able to motivate learners in non-threatening and less formal training settings.

Small business and human capital: The role of ACE
21 ALA REPORT 2005

ACE is not locked in to the formal VET system, though it has the linkages to cross-over both the accredited and non-accredited training spectrum. ACE can build on existing relationships with other VET providers to allow clients to 'tap into' more formal recognition of training/qualifications, without being in a position to have to 'push' clients into purchasing something they can see no value in. Utilise other linkages and networks, to assist with appropriate targeted seminars or workshops (eg State/Territory governments have small business incubation/facilitation functions, which generally run ongoing workshops and short courses), coaching, mentoring, etc to keep cost down for small workplaces, but provide individualized support.

Some typical responses were:

Many Small Business employers do not care about accreditation or recognition of training, just that the training delivers results in attitude and productivity.

Relevance and flexibility in delivery is the key to acceptance.

Costs are less so.

What is important is the Cost against the Benefit. If there is not a defined stated benefit, that provides a defined stated gain, there will be few takers from small business... Most cannot see the 'Wood for the Trees' and fear that giving up a day, at some high cost will not give them the skills to reduce the time they work, and increase their wage. Most need to be shown how, and encouraged to make changes, and followed up to make sure they remain on track.

The personalised, contextualised training required by small business is far more important. Often this is required in small chunks, as needed, rather than as a longer drawn-out formal process.

The majority of small business owners (and I have worked with hundreds) want courses that can be of immediate relevance to their business and the problems that they are facing now. Flexible, affordable and applied courses are of prime importance in the early stages when they have less confidence and need to get the business moving in the right direction. More formal or theoretical courses can follow. Most don't really care about a certificate or degree to hang on the wall, they want profit or performance figures from the business to show.

The implications from these responses are that ACE needs to address immediate business needs in 'bite-sized chunks' of learning in training which is affordable. It should demonstrate a commitment to assist the sustainability of their business and ensure that training is flexible in its delivery and meets the time, cost and staffing constraints of the enterprise. The aim should be to gain confidence and trust and build an ongoing relationship.

In the longer-term, ACE providers can work with the enterprise to develop a more strategic business plan which incorporates building the capacity and capability for the business to meet its targets and goals. Where linkages with the more formal VET system, and recognition become important, ACE providers can offer these as a bonus, a value-added component to the relationship.

Key message 3: Utilise the range of flexible learning materials available.

The survey aimed to determine if the potential of e-learning and other flexible or blended learning modes is being realised for small business. If e-learning is being utilised by small enterprises in what way is this happening?

Small business and human capital: The role of ACE

22 ALA REPORT 2005

Obviously, e-learning needs to be but one component of a thoughtfully structured learning environment. Not everyone feels comfortable with computers; some complain that they already spend all day 'slaving over' one; many do not have easy access to computers, or sufficient speed, to make this viable.

Nevertheless,

e-learning can be a valuable adjunct, especially for those small business people who find taking time off the job (for themselves or their staff) an additional disincentive to undertaking learning or professional development activities.

While some survey respondents agreed with the proposition that training providers are effectively exploiting the potential of e-learning and other flexible/blended learning modes, the majority disagreed.

Some typical responses were:

I don't believe it has had an impact at this stage. Much of the problem lies not with the learning programs or the institutions offering them but in the fact that many small (trade-based) businesses lack the infrastructure and

workplace culture needed for successful implementation.

It is not feasible in a practical trade-based business. Where is the time to do this? Time is money and money is time. If you're not being productive (i.e. making money for the organization) you are not needed. Employers need to be educated on the value of training via whatever form or method. E-learning is used in those geographical regions which have access to the internet with reasonable band rates. However, outside these areas, paper based resources and the telephone are the main delivery modes.

E-learning opportunities are slowly being developed to meet the 'just for me', 'just in time' market to gain knowledge. Some training organisations are offering e-learning opportunities as a support mechanism to broaden the accessibility of self-directed learning opportunities that already exist. Experience indicates that people who are already in smaller businesses (as distinct from 'intenders') prefer face-to-face environments. Transition to blended delivery is possible but requires significant investment in informed product development and in increasing the technology confidence levels of potential clients.

A survey of our industry training suggests that only 1-2% of learners opt for e-learning. E-learning has been favoured by small business employers as a means of providing training without the need for staff to leave the premises. E-learning has limited application and in the minds of most employers, does not satisfy the kind of interaction required for real learning experiences that can be gained from contact training.

Key message 4: Use ACE's expertise in individualised training provision

The re-skilling and up-skilling mature-aged workers in ways and styles appropriate to their learning needs was another central issue which almost all respondents rated this issue as either 'very important' or 'important'.

Some typical responses were:

There is a cultural change needed, in both the individual and the small business manager, to recognise the value of re-skilling for mature-aged

Small business and human capital: The role of ACE
23 ALA REPORT 2005

staff. There is a nervousness amongst the staff and a cost issue for the manager.

Mature-aged workers can be at a disadvantage due to the redundancy of many outdated work practices. The IT revolution has left many others behind.

It is extremely important to provide support and training to equip

Staff at all levels and ages with knowledge of current technology.

Mature-aged workers are reliable workers... They bring commitment and lifelong learning with them.

Many mature-aged people are keen to learn. They have different learning needs to that of youth and this must be recognised if we don't want them to fail. Consideration must also be taken in the way of what it is they can and can't do.

Increasingly, the pool of willing workers prepared to re-train come from a more mature-aged group. It is very important that provision is made to accommodate these people. In addition, the ageing of the Australian population makes it more crucial for this group to keep working and off social benefits for as long as practicable.

Such strategies do enlarge to skill pools. Mature-aged learners, in general, do respond to this training if they perceive they are self-directed in this choice.

Key message 5: Meet the expectations of learners for more innovative and flexible delivery.

Almost all respondents rated this issue of providing flexible and innovative training that is tailored, 'just-in-time', 'just-for-me' as either 'very important' or 'important'.

Some typical responses were:

The most successful learning method has got to be 'One on One'. However, this is expensive and time consuming. Self Study, E-learning and Distance Learning can be successful given the appropriate software tools with which to deliver the information, the availability of a 'Coach', and given follow up, encouragement and training on how to learn.

People are busy and it is important to be able to give them the goods and services they want when, where and how they want them ... If we take the attitude 'here we are come and get it' we will find that most will simply look elsewhere to satisfy their needs.

Small business can often only find short periods to attend study; therefore a modular learning system would be a far more attractive solution over a traditional course system.

Small business owners want relevant courses, at a time and place that suits their needs and at a cost that they find affordable. Particularly in small business, practical learning must be available to suit available hours. There has to be a balance between expectation and delivery. Learning to use Microsoft Excel will never be fun, but may be necessary. Millinery will

Small business and human capital: The role of ACE
24 ALA REPORT 2005

rarely be a career path, but may be fun. Many people start training with unrealistic expectations.

While this is important, usually the learners want something that meets their needs that challenges them to go the next step which they can use immediately to improve their performance. Any learning not used straight away is a waste of time.

Key message 6: Build on ACE's capacity to meet the individual needs of learners.

The issue of re-skilling and up-skilling workers in ways and styles appropriate to their learning needs was rated by almost all respondents as either 'Very Important' or 'Important'.

Typical comments included:

Very important; particularly in terms of IT

In-house for some would be excellent, but not for all

This is perhaps the most important factor for any training initiative.

Course structure and delivery are important.

I feel that many older workers are given inappropriate training which can often have negative effects.

The expectations and demands of learners for more innovative and flexible delivery was another central issue; almost all respondents rated this issue as either 'Very Important' or 'Important'.

Some typical responses were:

In our community 83% still prefer hands-on learning.

Small business and human capital: The role of ACE

There is a high and growing demand for this in our sector.

Blended learning will become more the norm for many people in the future, because of it's flexibility and ability to be innovative.

Particularly in small business, practical learning must be available to suit available hours.

People are busy and therefore want options.

Small business can often only find short periods to attend study; therefore a modular learning system would be a far more attractive solution over a traditional course system.

Even though we offer a range of training delivery options (namely contact training, traditional distance education and on-line learning) approximately 55% of students opt for contact, 43% for distance and 2% for on-line. A proportion of those who undertake distance state they are doing it purely for convenience but their preference is for (face-to-face) contact delivery.

Particularly in small business, practical learning must be available to suit available hours.

The issue of the expectations and demands of learners for more innovative and flexible delivery was again rated by almost all respondents as either 'Very Important' or 'Important'. Some typical responses were:

The most successful learning method has got to be 'One on One'. However, this is expensive and time consuming. Self Study, E-learning and Distance Learning can be successful given the appropriate software tools with which to deliver the information, the availability of a 'Coach', and given follow up, encouragement and training on how to learn.

People are busy and it is important to be able to give them the goods and services they want when, where and how they want them (marketing line ...). If we take the attitude 'here we are come and get it' we will find that most will simply look elsewhere to satisfy their needs.

In our community 83% still prefer hands-on learning.

There is a high and growing demand for this in our sector.

Small business can often only find short periods to attend study; therefore a modular learning system would be a far more attractive solution over a traditional course system.

Small business owners want relevant courses, at a time and place that suits their needs and at a cost that they find affordable.

Blended learning will become more the norm for many people in the future, because of it's flexibility and ability to be innovative.

Particularly in small business, practical learning must be available to suit available hours.

There has to be a balance between expectation and delivery. Learning to use Microsoft Excel will never be fun, but may be necessary. Millinery will rarely be a career path, but may be fun. Many people start training with unrealistic expectations.

While this is important, usually the learners want something that meets their needs that challenges them to go the next step which they can use immediately to improve their performance. Any learning not used straight away is a waste of

time.

The topic of gender differences in small business —whether women and men have different learning needs and styles – was viewed variously by respondents. Some saw this issue as either important or very important, some perceived it to be not important or even (in a few cases) irrelevant, possibly reflecting gender differences in responses. Some typical responses were:

The principal difference between men and women in training is that women are more likely to take the emotional risk of going to training in the first place. The risk involved is the risk of admitting that you don't know how to do something, and may be unable to grasp it.

Gender is not necessarily a factor. Individuals across the spectrum have different learning needs and style and these need to be addressed in all training.

We all have varying learning styles regardless of gender. The important thing is to offer different styles to cater for all.

Perhaps not so much recognition of gender differences but recognition of differing learning styles of the wider demographics in the marketplace.

Women are increasingly running their own firms and we need more female-oriented learning environments. The small business management environment remains very male-dominated.

Women are less likely to take up e-learning in the same way as men because they prefer the social interaction of face-to-face.

Gender difference is important, but I think it is less important than being flexible and providing different learning environments and making access to the learning flexible.

Key message 7: Nurture relationships with local businesses and promote ACE services to them

Training providers/facilitating agents seem to have more success, in the short term, when they accommodate small business preferences for less formal and structured approaches to training. Longer term success, however, appears to depend upon on helping small businesses take advantage of more systematic aspects of structured approaches. Again, almost all respondents rated this issue as either 'important' or 'very important'.

Some typical responses were:

Small business and human capital: The role of ACE
27 ALA REPORT 2005

Most small businesses are driven by short term needs but would benefit by taking a structured approach to meet future needs where possible.

My experience (as a lecturer in small business education with existing and potential business operators) is that many do not want a qualification.

They are more interested in filling knowledge gaps to get their business up and running or to refine a particular problem area that they are experiencing.

In general, many small business operators are only interested in attending short session workshops that will give them some useful tools that they can immediately apply to their business activity. There are those that will take up study in selected units but again mainly for the purpose of addressing skills or knowledge gaps. There is also a segment [of small business] who look to a qualification, but they are comparatively in the minority.

I think that some reasons for this include: lack of time (real & imagined), lack of cash, business-centric to the detriment of all else, perceived needs, practicalities of individual situations.

Yes. The most important thing is to teach the owner-manager how to learn. Education should be viewed as a life-long or career-long activity. Just as the professional (e.g. Accountant, Lawyer, Doctor) today, and most of their colleagues in big-firm management view continuous professional education as a priority, so too must small business owners. We need to

develop a culture of treating small business management as a professional area and getting owner-managers to continuously develop their skills and knowledge. It starts out informally (e.g. pre-school) and moves toward university level courses.

Key message 8: Build mutual understanding through business relationships

Small business will not develop a training culture unless the training industry develops a business culture. This was seen as a central issue; almost all respondents rated this issue as either 'very important' or 'important'.

Utilise the ACE sector's ability to customise training, providing 'bite-sizes chunks' of learning which meet immediate business needs and priorities as a 'thin edge of the wedge' to begin the process of culture change. Attitudes to learning and training can be deeply-rooted, and ACE providers are in a prime position to change any out-of-date notions or prejudices—though small business is not looking for 'missionaries'.

Learning can be perceived as another critical business tool for small business. ACE providers need to make themselves available for advice and support. They should act in the manner of an independent 'learning broker' as a link to the wider network of support and facilitating or representative agencies for small business and become indispensable to the small enterprise's owner/manager, providing critical support for the enterprise. The ACE provider will then become one of their first ports of call in any major business decision.

ACE providers can act as the facilitating link in arranging more formal training or recognition of current competencies or RPL and foster relationships with other recognised VET providers. They can assist small enterprises to 'navigate the maze' and where appropriate encourage them to pursue formal qualifications.

The following respondent comments sum up these directions:

Small business and human capital: The role of ACE

28 ALA REPORT 2005

It requires mutual understanding to develop the relationships needed for an effective training partnership.

It is extremely important that training is designed in collaboration with small business to ensure it is relevant, meets existing and future needs, and that immediate and foreseeable benefits to business are clear/transparent.

A professional approach by training providers produces professional results.

Businesses ... expect professional training which meets the needs of the organisation. It is not only value for money that is important, but also value for time.

Training providers need to be seen to 'walk the talk'. Their own industry should mirror the business and training culture that it purports to provide to business.

ACE providers are advised to invest in their organisation's own future by learning as much as possible about current and potential clients, getting involved in local or regional business or development forums and meeting them in informal ways at industry associations or business breakfasts. It is essential to take the time to find out what the issues are facing local small businesses and in different industries or sectors.

It is important to ask what small workplaces want and not assume that an off-the-shelf course will fit the bill. ACE providers should treat their concerns seriously (eg time off the job means loss of productivity) and use their flexibility to deliver customized programs to meet client needs. By following their signals, it is generally possible to start small scale, to build confidence in what you can offer in a modest way.

Key message 9: Actively promote ACE services to small business.

Most respondents disagreed with the proposition that providers are addressing

identified barriers to small enterprises' involvement in structured training (eg through promotion of products, services and strategies) though some agreed that this was happening.

Some typical responses were:

The marketing of training to Small Business is still quite haphazard in many instances.

I think a lot of small business does not know what is available and don't have the time to search around.

Accredited, structured training is still being promoted and funded far more than informal training. TAFE and other RTOs are put forward far more than Adult Education, for example, where a huge range of business, professional development and computer courses are offered at competitive prices, in relaxed non-threatening environments and designed to be short, sharp and to the point.

It is true that there are many efforts being made to involve small business in training but I doubt that the barriers to involvement are being resolved. If it were the case, why isn't the take-up rate of structured training by small

business and human capital: The role of ACE

29 ALA REPORT 2005

ing by small business increasing? Why is there still a preference for short sharp shiny workshops?

It is up to the provider to address these barriers and offer solutions to the businesses they can offer training to.

I don't believe that all of the barriers have been identified and of those that have, I am not sure that they are well understood by all parties.

This involves a strategic approach to building the client base and planning a marketing campaign for the long-term. It may be wise to first offer free first sessions or 'your money back if not satisfied' guarantees. ACE providers are advised to build on the relationships you have developed with small enterprises and actively utilise satisfied customers as 'champions' to recruit other small workplaces.

By joining local or regional networks, ACE providers will become an accepted part of the business landscape and more able to promote what ACE can offer using the local 'networks that work' to make contact with a broader small business client base. These organisations include: local chambers of commerce and business; industry-specific representative organisations; group training organisations or industry training advisory groups; regional development organisations and forums; local councils; small business advisory or facilitation organisations and business coaching or mentoring networks.

BRIDGE SMALL ENTERPRISES TO THE FORMAL TRAINING SYSTEM

This key area suggests that ACE can effectively operate as a 'learning broker' and build networks of enterprises and training providers. It can value-add by making the linkages to learning and business support systems for small business. As an integral part of local employment/training and regional development networks, ACE can assist in identifying and addressing training gaps by utilising local knowledge and expertise.

Key message 10: Bridge small business to the formal training system as a 'learning broker'

The proposition that 'bridges are being formed between the informal workplace and the structured training system' was one of the few issues where the survey respondents were divided in their opinions.

Some typical responses were:

They are only being forged by those that are interested, take the time to investigate, and put the resources to it. Most small businesses, the bottom line is all they consider.

Small Business would disagree with this, and only some progressive industries have driven this to date. Small Employers can no longer wait on others to do it for them!

Accredited, structured training is still being promoted and funded far more than informal training. TAFE and other RTOs are put forward far more than Adult Education, for example, where a huge range of business, professional development and computer courses are offered at competitive prices, in relaxed non-threatening environments and designed to be short, sharp and to the point.

Small business and human capital: The role of ACE
30 ALA REPORT 2005

Efforts by VET organisations and Regional Development Boards over the last 12 months (in my experience) support this statement. Offerings to business operators on a more regular and relevant basis are being made and strengthening that link.

Sorry to sound cynical, but as an under resourced organisation providing grass-roots informal workplace learning for small business, I don't experience too many structured training providers providing a bridge to make our task easier. I often feel that structured system providers see us - the informal providers - as an unnecessary competition.

Key message 11: Help to link learning and business support systems

Given the 'blurring' occurring between the traditional roles of ACE and VET, ACE has a unique opportunity here to exploit new opportunities across the boundaries. It is likely that small workplaces will increasingly become more interested in the structured training system. ACE providers have the opportunity to offer a pathway from the 'known and trusted' base, to the potentially confusing larger world of formal recognised training. Carefully nurtured relationships can pay dividends

for small enterprises and ACE providers alike.

A significant majority of respondents disagreed with the proposition that selfhelp strategies identified as being effective in small workplaces (such as mentoring, networks, action learning) have been mainstreamed under regular funding in VET.

Asked where small business receives external support for learning/training needs, respondents identified industry-specific representative organizations, government agencies and networks as the most significant, followed by the formal training system.

Some typical responses were:

[External support comes from] who they know or what others are doing, usually industry-driven first rather than from a formal learning body.

Return on investment of time to pursue support is not worth it. The gap is too great between enterprise or small business, and the bureaucratic academic world. Get back to grass-roots.

They also get support from the formal training system and networks of other local businesses.

I think the answer can actually be a number of the options. Many small businesses are turning towards TAFE, but also get assistance through Economic Development, mentors and network groups developed. All are equally important.

The majority is still through formal systems because they are the best known and have the widest coverage.

There are many schemes in the market today with 'Mentoring' or 'networking' or 'action learning' tags and claims. Many are funded by state or federal grants. In general the quality of such programs is patchy and questionable.

There is insufficient funding to offer really high quality mentoring education

programs and a lack of accepted standards for any of this.

Small business and human capital: The role of ACE
31 ALA REPORT 2005

Mentoring has a high level of success, with regards to Business Development Training, but a huge problem to contend with is quality. How do you maintain a high standard of consistent quality training, from a wide range of tutors, with wide back-grounds, where most have no academic qualification, but base advice and education upon years of experience, on what works and what does not? The issue with formal education is usually the reverse. Lectures from academics who have little or no real life experiences, who cannot pass on advice that will change the small business profit-making ability, tomorrow.

Key message 12: Assist in identifying and addressing training gaps through participation in local and regional networks.

Small enterprises frequently lack the knowledge, time or capacity to find support networks for their business or professional development needs. ACE providers are often in the position of being able to make the linkages to external mentoring or coaching networks to enhance small enterprises' experience of learning. Where possible, coaching or mentoring should be a value-added component to any training.

Survey respondents overwhelmingly rated 'skills shortages in critical industries' as a central issue, with many citing additional examples from their own industries.

Some typical responses were:

This is especially important in regional areas, where the incentives to relocate are not there. Young people who relocate to the city to train, often then cannot see any reason to return, especially if they can gain good jobs in the city.

The issue of training apprentices and the associated costs of doing so is a significant cost factor for many small businesses. The traditional role of training trades-based people has usually fallen on big industry and government. The fall-off of this over the last 15 years has had a devastating affect on skills availability.

There is a downturn in manual skilled labour availability. Less and less companies are prepared to take on apprentices. More and more school leavers are looking for 'suit and tie' jobs rather than follow a career path in the trades. This is now beginning to show as a glut of IT personnel and a shortage of skilled trade labour.

It is often more localised than is commented on. It is not assisted by the drive to keep all learners at school until 18; and the work environment is often confused by the apprentice/trainee mix.

Skills shortages may also be a response to low unemployment. People have a choice of options for a career and are taking high-paid, less demanding, positions.

It is not assisted by the drive to keep all learners at school until 18; and the work environment is often confused by the apprentice/trainee mix.

Small business and human capital: The role of ACE
32 ALA REPORT 2005

Skills shortages may also be a response to low unemployment. People have a choice of options for a career and are taking high-paid, less demanding, positions.

ASSIST SMALL ENTERPRISES TO ENGAGE WITH THE FORMAL SYSTEM

Key message 12: De-mystify training processes and eliminate jargon

The language of training, particularly in the formal training system, is still problematic

and has special difficulties for the small business audience, including the use of 'training' versus 'learning' or 'professional development'. Again, almost all

respondents rated this issue as either 'important' or 'very important'.

Some typical responses were:

Simplification of messages about training/learning and national training arrangements is important. The challenge is to provide clear simple information and guidance tailored for the audience's needs within their particular setting.

This depends very much on the small business. Trainers need to use the language of the industry they are training in.

The education and training sector has its own 'language' that is foreign to the outside community. The problem we seem to have is that we do not translate the education language into 'street talk' very well. That creates barriers and confusion for the layperson.

The term training seems to mostly refer to formal training. Learning or professional development in informal settings is far more attractive to small business as it indicates smaller chunks of learning time, often lunchtimes, evenings, before work, imparting to-the-point information, which is far more accessible to small businesses.

ACE providers need to eliminate and, when necessary, clearly explain jargon, and avoid acronyms as much as possible. They are not advised to 'dumb down', but they need not 'confuse with science'. Where terms from the formal training system are necessary, intersperse them with 'Plain English' often enough to make the terms familiar and comfortable. Learners from small workplaces may commence with issues about being involved in any kind of training, and may also need to learn a new language.

Wherever possible, dialogue should start with the terms 'learning' and 'professional development', gradually interspersing with 'training' as more or less interchangeable terms, and using the same methodology with 'small business/workplace/enterprise'.

DEMONSTRATE RETURN ON INVESTMENT IN TRAINING TO BUSINESS

Key message 13: Demonstrate return on investment

An explicit link must be made between business needs and human resource if small businesses/enterprises are to see training and learning as another valuable business tool. Almost all respondents rated this issue as either 'Very Important' or 'Important'.

Some typical responses were:

Small business and human capital: The role of ACE

33 ALA REPORT 2005

Training organisations have failed to provide evidence of the HR benefits of training in increased productivity/ multi-tasking of employees and in issues such as retention.

These two are tied together tightly in the small business environment. If the link is not made small business will see no long-term benefit for continued training and learning.

How will this development improve individual or team performance? How will I be able to measure this improvement? What will I need to do to follow up on the learning program to make it a valuable tool to my business?

Business must see and have demonstrated to them that investment in HR has a return on their bottom -line.

It is important for ACE providers to demonstrate their appreciation that small enterprises will want to see a clear connection between their professional development or learning and the long-term productivity and sustainability of their business.

ACE providers are advised to be familiar with the literature about demonstrated return on investment (ROI) from training and learning and to have the arguments

and evidence at the finger-tips. They need to develop the tools/understanding to build a business case for each client on the short- and long-term benefits to their business from their investment in learning. It is useful to develop some 'before and after' measures, for example, of their profitability, reduction in staff turn-over or absenteeism or accidents, improvements in customer complaint statistics, better customer recognition, and to keep these over a long enough period to be of value.

Ask their permission to use their aggregated data (anonymously) to put the case for training as an investment, not a cost, to other potential clients.

Key message 14: Assist small enterprises to deal with increasing change.

Again, respondents overwhelmingly rated as a critical issue the increasing rate of change in the organisation of the workplace and its effects - such as the rise of part-time workers, the micro-business, out-sourced and contract workers; multiple career changes; the impact of technology on new forms of work organisation).

Some typical responses were:

With an increase of casuals, contractors and more transient workers, it can be debilitating for small business to lose trained Staff. Contingency plans such as multi-skilled and trained Staff, a sound support base and easy access to training should be at the forefront of every small business manager's thoughts.

Workplace change is on an upward spiral. We are expected to be multiskilled, to work smarter not harder, cope with job-sharing or being parttime (with the same workload often), embrace new technology and be able to take on new careers every 5 to 7 years.

Small business and human capital: The role of ACE

34 ALA REPORT 2005

REFERENCES

Bassi, L. & McGraw, K., *Predictive Metrics for Optimised Performance: Overview of the HCC Scorecard*, Bassi & Company, December 2003

Bassi, L. & McMurrer, P. (forthcoming). *What to Do When People Are Your Most Important Asset*, 'Handbook of Business Strategy'

Bassi, L., Harrison, P., Ludwig, J., & McMurrer, D., Paper prepared for the US Federal Reserve Board, *The Impact of US Firms' Investment in Human Capital on Stock Prices*, June 2004

European Commission, *Small Business Training and Competitiveness: Building Case Studies in Different European Cultural Contexts*, 'New Perspectives in Learning - Briefing Paper 26', 2001

Heskett, J., Jones, T., Loveman, G., Sasser, W. Earl, and Schelesinger, L., *Putting the Service-Profit Chain to Work*, 'Harvard Business Review' (March-April 1994)

Kearney, P., *Big Pictures From the Small End of Town*, Small Business Professional Development Programme Evaluation Report for the Office of Vocational Education and Training, Department of Education, Tasmania, on behalf of the Department of Education, Training and Youth Affairs, Canberra, 1999

Kearney, P., *Size Matters: Small Business – Small Workplace*, Small Business National Summative Evaluation Report for the Small Business Professional Development

Programme 1996-2000, the Office of Vocational Education and Training, Department of Education, Tasmania, on behalf of the Department of Education, Training and Youth Affairs, Canberra, 2000

Kearns, P., *Achieving Australia as an Inclusive Learning Society: A Report on Future Directions for Lifelong Learning in Australia*, Adult Learning Australia, Canberra,

2005

Kearns, P., *Are Two Worlds Colliding?*, Adult Learning Australia, Canberra, 2005

Ministerial Declaration on Adult Community Education, Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA), Canberra, 2002

Ridoutt, L., Smith, C.S., Hummel, K., & Cheang, C., *What Value Do Employers Give Qualifications?*, NCVER, Adelaide, 2005

Schläfli, André, *Adult Learning in Swiss Small and Medium-sized Enterprises (SMEs)*, Keynote Paper presented at Adult Learning Australia Annual Conference, Canberra, November 2005

Thomas, L., Quinn, J., Slack, K., Vigurs, K., & Flynn, N., *Learning Brokerage: Building bridges between learners and providers*, Institute for Access Studies, Staffordshire University, for the Learning & Skills Research Centre, London, 2004

Small business and human capital: The role of ACE
35 ALA REPORT 2005

APPENDIX

The Small Business Scorecard for ACE Providers

Action

We implement this:

Consistently

Occasionally

Infrequently

Not Yet

1 2 3 4

✓ **We play to our strengths by providing flexible, innovative, tailored, 'just in time', 'just for me' training.**

We tailor learning experiences to meet the individual needs and styles of learners

We utilise our expertise in individualised training provision, and provide the informal atmosphere conducive to learning

We utilise the enormous range of flexible learning materials available through the Flexible Learning Framework and other 'open access' providers

We provide genuine flexibility; and assist to identify needs and tailor delivery to match

We provide quality, relevant training in 'bite-sized chunks' (and recognition where relevant, as a value-add).

✓ **We build relationships with small workplaces in the local area.**

We have 'a foot in the door' with our local small enterprises

We nurture and build on the relationship with business

We actively promote ACE services to small business.

✓ **We act as the 'bridge' between small enterprises and the formal training system.**

We operate as a 'learning broker'

We build networks

We value-add; and provide the linkages to learning and business support systems for small business

As an integral part of local employment/training and regional development networks, we utilise local knowledge and expertise to assist in identifying and addressing training gaps.

✓ **We assist small enterprises to engage with the formal training system.**

We eliminate jargon – we use Plain English to foster engagement

We assist small enterprises to de-mystify the formal training system.

✓ **We clearly demonstrate Return on Investment from training and learning to small business owners/managers.**

We use the pace of change as an opportunity to assist small enterprises to 'cushion' against Future Shock.

Small business and human capital: The role of ACE

36 ALA REPORT 2005

\