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A CRITICAL REVIEW

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MANAGEMENT TRAINING AND SMALL FIRM PERFORMANCE: A CRITICAL REVIEW

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ABSTRACT

During 1993/94 the 'Enterprise' component of the expenditure by Training and Enterprise Councils was £33 million. Training expenditure from the Employment Department overall was £1.47 billion of which £520 million was on Youth Training and £762 million on Enterprise Training/Training for Work. Given this expenditure it might have been expected that evidence exists which shows that small and medium-sized enterprises (SMEs) which participated in management training would have demonstrably benefited in the sense of having their economic performance enhanced. For example, they might have been expected to show lower failure rates, higher growth rates, or higher profitability than they would have achieved without the training. This literature review was not able to point to such evidence.

This is because researchers appear to have been reluctant to investigate this matter partly because of its inherent difficulties. It was also because, where the matter was addressed, the research was methodologically flawed. Nevertheless, in the very few instances where the issue has been appropriately addressed, there appears to be little evidence that management training programmes clearly lead directly to better performance amongst participating SMEs. Possible reasons for this relationship are discussed. The evidence presented in this review suggests there is a strong case for Government to look closely at management training in small firms with a view to making changes which will lead to improved value for money.
INTRODUCTION

To improve the internal efficiency and business performance of small and medium sized enterprises (SMEs) a number of training initiatives have been introduced in the United Kingdom over the last decade. The provision of training to SMEs has been based upon the premise that,

"...training can, and should, be a powerful agent of change, facilitating and enabling a company to grow, expand and develop its capabilities thus enhancing profitability" (Jennings and Banfield, 1993, p.3).

Documents prepared by the Confederation of British Industry (1986, 1993), Midland Bank (1993) and the Small Business Bureau (1993) suggest such relationships exist. All four documents make virtually identical statements. 'Finance for Growth' produced by the Confederation of British Industry (1993) may be regarded as typical:

"In the SFC 1988 report it was recommended that lending should be made on more favourable terms to businesses whose managers had undertaken prescribed training. This carrot and stick approach is justified by figures from the DTI which showed that failure rates could fall from one in three in the first three years, to one in ten where training was undertaken".

Our efforts to locate the ultimate source of this information proved unsuccessful. The closest study results seem to be those referred to by the National Audit Office (1988) who say:

"A detailed follow up by the Training Commission of the first 200 trainees on the New Enterprise Programme found that 82% had started in business and of these only 2% failed after three years".

Whilst these figures do not precisely correspond to those being quoted in 1993, their orders of magnitude are broadly similar. Hence it is disconcerting that 'received wisdom' has to rely upon the New Enterprise Programme which dealt with people starting their businesses at the end of the 1970s as a justification for training policies in the 1990s.

This paper argues that it is currently difficult to isolate an impact which training has upon small business performance. Consequently, considerable doubts must exist over the effectiveness of small business training in contrast with 'received wisdom' in this area. Bearing in mind the size of the small firms enterprise training 'industry', it does seem curious that more careful scrutiny of small firm training budgets has apparently not taken place.
TRAINING IN SMALL FIRMS

The Need for Management Training

Management training is defined as:

"...the process by which managers acquire the knowledge and skills related to their work requirements by formal, structured or guided means" (Deloitte Haskins and Sells, 1989, p.3).

The acquisition of knowledge and skill acquisition can include informal-on-the-job training, formal-in-house-training and external training.

Hendry et al., (1991a) in their review of human resource development in SMEs suggest in most firms the primary drives that promote the desire for new learning come from factors associated with short-term performance - namely problems of production / service efficiency and quality. In addition, the need for training reflects the quality of the labour supply in the local labour market as well as the characteristics of the product / service produced and competition faced by the SME. Further, the ownership and organisational character of the firm (including the age of the business and its management) will affect the openness of SMEs to new practices and management training. The infrastructure for training, especially in the local area can also have an impact on the scope for investment in 'human capital' in SMEs.

Hendry et al., (1991b) suggest management development and training in growing firms should move beyond the rectification of immediate problems. Moreover, they appreciate (p.72),

"...we have to look to ways of incorporating longer-term development and learning within activities which equally satisfy the immediate requirements of economic and financial performance...[and]...a broader based management team is the means to more effective strategic action in the long-term".

Bolton (1971) identified the low quality of management as a major problem facing the survival and internal efficiency of small firms in the United Kingdom. The Bolton report identified eight areas for improvement: raising and using finance; costing and control information; organisation and delegation; marketing; information use and retrieval; personnel management; technological change; and production scheduling and purchase control. Also, the report introduced a set of principles for the provision of training and support services. First, services should be a response to market demand. Second, the services should neither be free nor subsidised.

However, a case for Government financial support can be made.

"While from a national viewpoint the small firms sector may exhibit a 'need' for managerial training and support, the need may not be recognized by the small firms concerned and, as consequence, may not be translated into effective demand. Likewise, those businesses recognizing the need for management development may not, by definition, be in a position to pay the full commercial costs involved. Similarly, the providers may
not be able to offer the service at a price which their potential clients are able/willing to pay” (Kirby, 1991, p.179).

The provision of training and support to SMEs has increased considerably since 1971, and in the 1990s it is a major ‘indirect’ small firms policy initiative. It is designed to improve the quality of management within small firms, either by provision of training of, generally, the owner-manager, or by the subsidised use of external expertise. The provision of training and support to SMEs has increased considerably involving national and local Government, the private sector and further and higher education. In addition, the responsibility for co-ordinating as well as providing training has moved from the Manpower Services Commission to the Training Agency. From October 1989, an even more fundamental change was the decentralisation of the Training Agency’s co-ordinating role through the creation of local Training and Enterprise Councils (TECs) in England and Wales and employer-led Local Enterprise Companies (LECs) in Scotland. Despite official efforts, the adoption of training by SMEs remains relatively low and the effectiveness of management training in terms of improving the internal efficiency is open to question (Kirby, 1990, 1991).

As far back as 1986 Hyde suggested the evolution of a training strategy for SMEs had evolved without an objective analysis of needs. Since then training schemes have continued to evolve in a piecemeal manner. Supporting this viewpoint Kirby (1991) showed there had been an extensive increase in the supply of management training and support services. The initial focus was to equip potential and existing entrepreneurs with the skills and knowledge required to launch and manage a growing business. In recent years, the focus of the training schemes has shifted toward the development of existing businesses. Kirby (1991) also argues that during the 1980s there was a considerable increase in the take-up of Government inspired or sponsored training by small firms and:

"...there is a core of small businesses that take full advantage of the various management and support services available” (p.188).

However, take-up rates of management training schemes appear to decline with decreasing firm size. Kirby (1991, p.180) suggested the low take-up rates may be because although:

"...extensive, the range of support has inevitably appeared confused and inconsistent, in part because of the variety of apparently different initiatives and in part because of their relative impermanence”.

The alternative explanation is that the low take-up rates reflect the lack of utility which small firms perceive in participating in management training.
From a theoretical perspective, Casson (1982) elaborated the skills and competencies needed for successful entrepreneurship. Casson sees the central skill of the entrepreneur as being forecasting and decision making under conditions of uncertainty - these conditions being highly context-specific in terms of changes over time, between sectors, etc. It might therefore be expected that these competencies can be formally taught to entrepreneurs and that those in receipt of this training would perform better in business than untrained individuals. Surprisingly, we are aware of only a small number of studies which have empirically tested the relationship between management training, once the business has started, and small firm growth. The remainder of this section reviews this evidence.

Enterprise Training for New Firm Founders
Since 1979 a variety of schemes have been introduced to encourage people to enter self-employment or start their own business. One such scheme was the Enterprise Allowance Scheme (EAS) and its successor the Business Start-Up Scheme (BSUS). Their objective is to provide financial assistance (and from 1987 onwards participants in EAS and BSUS were generally provided with a single day's training on, for example, how to develop a business plan) to help unemployed people create viable new businesses which would not otherwise exist. EAS and BSUS entrants have been tracked and the performance of the new businesses have been monitored over relatively short time periods. The most recent eighteen-month study of BSUS has been completed by Tremlett (1993) and the most recent three-year study of EAS is by Maung and Erens (1991). There appears little evidence to suggest that businesses where the founder received training perform better than those which had not. Indeed, the Tremlett (1993) study suggests that businesses founded by individuals who had participated in training had a (non-significantly) higher probability of closure than those who had not.

In 1987, it was claimed by Business in the Community (BIC) that the local network of advice and assistance provided by enterprise agencies (EAs) in England and Wales had contributed to a higher survival rate among businesses they had helped to start. In fact, BIC (1987) claimed, "the failure rate of EA assisted firms in the first three years after start-up is one of the order of 1 in 6 (16 per cent) compared with 1 in 3 (33 per cent) for all new firms, based on data drawn from the VAT register".

However, considerable doubt can be cast upon this statement. First, it is not valid to simply compare EA clients with VAT registered businesses in general since deregistration of the latter includes reasons such as take-over and change of legal status, in addition to closure. Second, Smallbone (1989) studied the survival of new firms who had received free businesses counselling from an EA in an outer London borough. During the 1980s Smallbone found that 42 per cent of new firms had ceased trading within 3 years of start-up and he concluded,
"...the presence of the EA cannot be said on this evidence to increase the chances of survival for clients who approach it".

Townroe and Mallalieu (1993) in their study of rural entrepreneurs in the United Kingdom noted that one-quarter of business owners had attended some sort of training course in connection with the setting up of their business. They found the probability of attending a business management course was higher both for younger entrepreneurs and for female entrepreneurs. Unfortunately, they did not examine whether the attendance at the training course was a factor which influenced business survival or growth.

Finally, based on data from a non-random postal survey of twenty-five firms in the Mezzogiorno region of southern Italy, Gray (1989) monitored the effectiveness of enterprise training. The study focused on measurable objective changes to business performance one year after the completion of the enterprise training course. Gray concluded the training course had been beneficial. Nearly three-quarters of firms reported an increase in sales turnover and 60 per cent reported they had increased their workforce. This favourable conclusion, however, needs to be treated with some caution on a number of counts. First, the sample size of the study was very small. Second, responses were not gathered from a random sample of firms attending the enterprise courses. Third, the performance of firms were not analysed in a multivariate framework. Fourth, the performance of firms attending the training course were not compared against a similar group of firms that had not attended a training course.

Management Training in New and Established Firms
When the nature of formal training provided is investigated within existing established small firms, the Cambridge Small Business Research Centre (1992) study makes it clear that it is the larger SMEs which are more likely to use some form of external training than smaller SMEs. For example, only 25 per cent of larger SMEs which provided formal workforce training relied exclusively upon insiders, compared with 51 per cent of micro-firms. However, Mangham and Silver (1986) found, in their 1985/86 study of management training in 2,500 firms in the United Kingdom, that over half of all United Kingdom companies appeared to make no formal provision of training to their managers. In marked contrast to the Cambridge study findings, they noted smaller firms made a greater use of external sources. Further, they also found an increase in the use of formal in-house training as business size increased. On-the-job training, however, was seen as being crucial irrespective of firm size.

Blackburn (1990) reports similar findings in a study of 106 small electrical and electronic engineering firms in Dorset. He found that, although only 3 per cent of the total workforce of the sample were engaged in formal training, these places were provided by about one-third of the firms in the sample. These firms were, on average, three times as large as the non-participants. Unlike
the Cambridge study, Blackburn noted that those small firms participating in non-formal training schemes were those which had experienced faster recent rates of employment growth than non-participants.

Abbott (1993) has recently explored the training strategies of 81 small service sector firms in three localities in England. He found the majority reported that employees had received some form of training, with a strong relationship between the type of training received and occupational status. Thus, professional and managerial employees were much more likely to have received formal training than other groups of workers. Informal training was the preferred method for skilled and unskilled respondents.

Curran et al., (1993) have also shown that some form of training was provided by virtually all small firms in their sample of service sector businesses. In fact, more than half of employees interviewed had received some training whilst with the firm. Much of this training was informal and was provided to a range of occupational groups. Curran et al., (1993) warn that the often referred to reluctance of small firms to train may as much reflect employees' attitudes as well employers'. The conventional view of training in the small firm sector is that the employer is reluctant to invest, on the grounds that the worker is likely to be 'poached away' by competitors. Curran et al., whilst not discounting this, found small firm employees were also reluctant to participate in training, on the grounds that they did not require more training to do their jobs better.

Johnson and Gubbins (1992) utilised a 'qualitative' approach in their study of training in independent firms with between 5 and 50 employees in North Yorkshire. They found that the processes by which SMEs seek to meet their skill requirements are extremely complex and variable and it was difficult,

"...to identify unambiguous indicators of training activity and/or of the 'training culture' of an individual business".

Despite their small size, many surveyed small firms were actively involved in the recruitment of new staff. There was a reliance on local labour markets and the extensive use of informal methods when recruiting new staff with only a minority seeing training as an integral component of the businesses development process. The vast majority of firms held a rather short-term and reactive view of training and business development. For those firms providing training it was generally informal, firm-specific and on-the-job. In addition, 17 out of the 39 firms which had received some form of training claimed they did not calculate the cost of the training provision. Most firms did not regard training as a cost but viewed it,

"...as an integral, and long term, aspect of the firm's growth and development" (Johnson and Gubbins, 1992, p.34).
Ram and Sparrow (1993) examined the provision of support for enterprise and training in a study of inner city Asian-owned SMEs. Utilising a qualitative methodology they noted that the demand for formal packages of training and education was minimal. Most managers indicated they would not recruit at a management level and preferred to develop their businesses within their own resources and community. Not surprisingly, three quarters of employers indicated they had neither used consultants nor engaged in any form of externally linked management training. Only 6 per cent had participated in any externally supported management training and only 22 per cent of firms had made use of consultants in the past. The reasons given were lack of relevance and expense. Further,

"Although some employers acknowledged that consultants and trainers had something to offer, the burden of these constraints far outweighed any perceived value they could bring to the owners’ business" (Ram and Sparrow, 1993, p.235).

Goss and Jones (1992) explored the relationship between the organisation structure and the type of training provision in 53 SMEs in south-east Hampshire. They suggest training providers must recognise the differing structural capacities of SMEs for training. These researchers identify a group of firms with 'polyarchic structures' (those with usually two, but possibly more, managerial levels beneath senior / owner-managers). Firms with 'polyarchic structures' had a greater tendency to have developed internal labour markets and a core of key workers at both technical and managerial levels. They suggest firms with this organisation structure view training as a key resource not only for keeping core workers but also providing a means for assessing internal movements. Consequently, a broad approach to training provision in SMEs may be inappropriate and inefficient without a consideration of the organisation structures of different firms. Unfortunately, the link between the performance of firms with different organisation structures and management development strategies was not explored.

At first sight there seems to be some empirical support for the hypothesis that management training can improve the performance of SMEs from the work of Birley and Westhead (1990). In their cross-sectional study of 249 small firms in the United Kingdom they found a significant positive association between management training and high levels of sales turnover in the last financial year and the total employment size of surveyed businesses at a univariate as well as at a multivariate level of analysis. Unfortunately, the causality of the statistical association between management training and business growth was not specifically explored in this study. It is assumed that the provision of management training should lead to improved firm performance but it may be that only successful firms can afford to provide training for their managers.

A recent univariate study of fast-growth firms in the Republic of Ireland and Northern Ireland by Kinsella et al., (1994) noted that 73 per cent of fast growth firms had received some form of management training compared with 40 per cent of 'match' firms. In the Irish context this is also likely to be associated with state financial support which is conditional upon participation in
training. It is, therefore, difficult to disentangle the effects of the financial assistance from the effects of the training.

The importance of training has also been explored by Hewitt (1993) in her comparative study of 70 small engineering firms in Northern Ireland and Massachusetts in the United States. Using a matched-pairs methodology to explore differences between the two areas she found small firms in Massachusetts spent more money on training their managers than comparable firms in Northern Ireland. In addition, managers in the Massachusetts sample attended more training courses. Interestingly, univariate analysis revealed that the Massachusetts firms were outpacing their Northern Ireland counterparts with respect to sales turnover levels as well as the penetration of much broader geographical markets in the distribution of their products. However, it would be unwise, without taking into account more factors to link these observations.

The performance of 38 small firms in Northern Ireland attending export marketing training programmes was monitored over the 1985 to 1990 period by Bell et al., (1992, p.43). They found almost 62 per cent of firms reported they had obtained export sales which could be directly attributed to programme participation. For example,

"...actual sales approaching £2 million ($4 million) as a direct result of programme participation were reported. Respondents also anticipated new business to the value of £3.5 million ($7 million)" (Bell et al., 1992, p.44).

The benefits from the training were, however, not immediate, with several firms reporting growth in sales three years after receiving training. Surprisingly, the performance of firms attending the export training courses were not compared with otherwise similar firms who had not received any form of training, so as to obtain a true measure of 'additionality'.

Wingham and Kelmar (1992) reviewed thirty-six studies from the United States, Canada, Europe and Australia exploring the determinants of success strategies for SMEs. They failed to isolate management training as a key factor associated with business growth. Nevertheless, they concluded that,

"Firm competencies, which are represented by the 'substance and shadow' of the entrepreneur, are vital to the growth of the firm....It was also clearly shown that the ability of the entrepreneur was a strong factor in developing firm characteristics and firm competencies. This further confirms the notion that the owner/manager of a small enterprise is the major factor in its success and even survival".

In the United Kingdom a number of schemes to improve the quality of management within established small firms have been introduced. The Business Growth Training (BGT), Option 3, scheme was introduced in 1989 by the Training Agency. It was designed to overcome the perception that smaller firms were less likely to train their workers primarily because of scepticism on the part of owner-managers of the value of this training. To overcome this, BGT Option 3 provided smaller firms with up to half of the costs, to a maximum of £15,000, of employing a
consultant to train and develop their management staff. One objective was to persuade small firms of the benefit of such training so that, once the subsidy had been paid, firms would choose to continue to purchase training at full market rates. Another objective was to observe improvements in firm performance associated with the provision of training.

A careful assessment of BGT was conducted by Marshall et al., (1993, 1994) showing that the provision of the subsidy led to a significant one-off rise in the quantity of training undertaken by small firms. There also appears to have been some effect in encouraging firms, once the subsidy had been exhausted, to continue with a higher level of management training than had been the case prior to the provision of the subsidy. Yet, on the key area of whether training influenced firm performance, the researchers are much more equivocal. They say:

"We were less successful in demonstrating that human resource development thereby improves business performance.... and the lack of a clearly demonstrable link between training and firm performance is one of the reasons why many firms are reluctant to invest in human resources" (Marshall et al., 1993, p.346).

Additional case study evidence has revealed that if the conditions are not right management development projects will have a modest impact. Marshall et al., (1994, pp.25-26) concluded,

"Management training projects are less effective in the very smallest firms; they work best in firms that have the managerial capacity to make the necessary commitment and absorb both management and business development. The research also shows that firms carrying out narrowly defined management training projects, or those that have carried out significant amounts of management training before, and already have a staff and business plan, may not benefit as much as other SMEs from training and development projects in the future. In contrast, where managers in firms have limited experience of management training, and the firm has attendant problems such as a weak management structure, the research suggests it will not normally be possible, given the pressures of running a small business, to make real gains in much less than one year".

The failure of careful research such as that by Marshall et al., to isolate clearly an influence of training upon small firm performance parallels virtually all of the robust research findings in the United Kingdom on this topic.

Interest in BGT in SMEs with between 20 and 500 employees in the West Midlands of England has also explored by Marlow (1992). Questionnaire returns were gathered from 84 Asian entrepreneurs and 220 'white' entrepreneurs. The majority of respondents in both groups suggested they were, 'in principle' interested in BGT, particularly amongst Asian respondents in the textile sector. Firms which had already experienced some growth were most likely to express an interest than zero growth or decline firms. However, at the time of the survey, less than a third of Asian businesses had training schemes in operation, and when training was in progress it was primarily 'in-house'. Unfortunately, despite expressing interest in BGT very few firms ultimately participated in the scheme.
The development needs of 120 manufacturing and service firms located in three regions in England have been monitored over time by Stanworth et al., (1992). This longitudinal study of firms concluded that,

"The most profitable investment now on offer in the field of small business management training is, almost without doubt, that directed towards improving survival rates within the 5-50 workforce-size 'corridor' and accelerating movement through the corridor..." (p.3).

It confirmed the diversity among owner-managers with regard to the value of training. Whilst, a number of respondents suggested training was an investment, a sizeable proportion suggested it was risky. Awareness of Government-backed initiatives was higher amongst larger firms with 20 to 49 employees than amongst smaller firms. Take-up of BGT was also highest amongst the 20 to 49 employee group. Overall, there was general uniformity amongst respondents in the view that training was important.

"Here, approximately three-quarters said they regarded training as 'very important' with over half the remaining balance claiming it to be 'quite important'. These attitudinal responses were, however, completely at variance with observed and monitored behaviour patterns. It appeared that 'training' was viewed in something of a 'motherhood and applepie' vein, rather like the desirability of taking regular physical exercise and maintaining a controlled diet - few would challenge their desirability but health statistics deny their widespread adoption in practice. Training, like exercise, can often be viewed as a long-term investment and relegated to a secondary level of priority in the face of frantic day-to-day business pressures and constraints" (Stanworth et al., 1992, p.4).

The performance of surveyed firms over a three year period prior to the project (1986 to 1989) was ascertained by Stanworth et al,. Additionally, data was collected surrounding the performance of firms after attending the Business Development Workshops (over the 1989 to 1991 period). The performance of firms after attending the workshops was found to be very similar to that recorded prior to attending the workshops. Consequently this longitudinal study did not identify a clear positive relationship between training (for example, attendance at the Business Development Workshops) and subsequent business growth. It is also disappointing to note that the subsequent performance of firms attending the workshops were not compared with non-attendees.

Similarly, Wynarczyk et al., (1993) in their study of fast-growth SMEs in the United Kingdom were unable to find a link, once a variety of variables were held constant, between firm performance and the provision of training. They were also unable to find a link between salaries paid to managers in small firms and whether those managers have undergone training. The Cambridge Small Business Research Centre (1992) survey was also unable to demonstrate a clear link between firm growth and whether or not training is undertaken. Indeed this study reported 49% of firms to be not satisfied with the quality of government-sponsored agency training, and only 4.5% to be very satisfied. In addition, Storey (1994, p.127) has recently reviewed a further two studies which tested the relationship between business management training and business
growth. Both studies (Woo et al., 1989; Jones, 1991) found no identifiable relationship between training and business growth.

Finally, based on returns from a large postal and telephone survey of 1,480 growing SMEs (defined as those businesses that had grown in employment, sales and assets between 1984 and 1988) in five regions and ten industries in Canada, Baldwin et al., (1994) found business success was not associated with training alone. In fact, they concluded that labour issues played a minor role in discriminating between more-successful (with regard to growth in profitability) and less-successful groups of firms. Their univariate empirical analysis revealed that both the proportion of employees and the expenditure per employees on training were negatively correlated with business profitability. Also, they did detect that the most-successful businesses tended to train fewer workers than a less-successful group of firms. In addition, the more-successful firms were more likely to provide formal training and less likely to undertake informal training. With regard to Government programmes to encourage training in SMEs the results for procurement were found to be interesting. Baldwin et al., (1994, p.78) concluded,

"The more-successful group of firms are not characterized by greater training intensity and, therefore, this group does not place a higher value on government training programs. The results for training might disappoint the advocates of the importance of training. This should not be so. The results do not mean that training is counter-productive. They only indicate that the more-successful do no more training than the less-successful firms".

CRITIQUEING PREVIOUS RESEARCH ON MANAGEMENT TRAINING IN SMES

The above review has highlighted a number of problems with research on management training in SMEs. Previous research can be criticised on the following grounds:

1. A number of studies do not clearly define 'training'. Consequently, comparative research is very difficult in this area.

2. Not all studies distinguish between training of the workforce, training of the management, and training of the owner / founder (Abbott, 1993).

3. Statistical information on training in SMEs is limited and the research base consists mainly of a series of small-scale and fragmented studies (Deloitte Haskins and Sells, 1989; Marshall et al., 1993).

4. The limited number of studies that have attempted to evaluate the effectiveness of training have been somewhat piecemeal and, frequently, programme-specific (Atkin and Gibb, 1984; Brown, 1990, 1992; Kirby, 1984, 1990).
Much of the available literature surrounding the importance and effectiveness of management training has been authored by those providing management training. The objectivity of such research must be open to question.

There has been little objective research on the content and structure of small business courses. Further, "The relationship between course content and teaching/learning strategies, on the one hand, and eventual performance as owner-manager of a small business, on the other hand, is even less researched" (Curran and Stanworth, 1989, p.14).

The processes and methodologies used by owner-managers/managers which shape and determine their perception of management education seems to have been a neglected area of research (Tait, 1988).

There appears to be little original research on the management development and training needs of established businesses. The majority of studies have focused on the needs of potential or actual new firm founders.

There is a lack of evaluation of management education by both suppliers and their customers.

The most frequently utilised criterion to evaluate the effectiveness of a training scheme has been the 'satisfaction' of the client with the course rather than business performance. Even where the latter are used they are rarely placed in the context of isolating the 'additionality' of training for SMEs.

The majority of studies are technically primitive and have only measured the impact of management training within a univariate framework. Only a small number of studies have measured the importance of management training within a multivariate framework.

Very little qualitative research has been undertaken to ascertain subtle changes in internal performance and organisation structure which may be ignored by quantitative research methodologies (Johnson and Gubbins, 1992, p.29).

The methodological approach of previous research on training and small firms has tended to discuss training in small firms in general (Jones and Goss, 1991; Vickerstaff, 1992). Consequently, the training needs of small firms, regardless of sector, are perceived to be similar (Abbott, 1993). Recent research has, however, shown the service sector has a
number of distinctive features (Curran and Blackburn, 1994). The type of training (informal or formal), the extent of training, and how much it is valued within the organisation is likely to vary from one sector to another.

The success of a business or a product in the service sector hinges very much on employees and how they interact with customers. Consequently, individual performance and the impact of training is more problematic and difficult to monitor in service firms (Abbott, 1993).

It is generally assumed that the vast majority of training in small firms is predominantly informal and hence inferior to training in large firms. Abbott (1993, p.71) suggests that, "Often such discussions are full of perjorative overtones. For example, 'high training', which embraces a strategic and planned approach to training (Jones and Goss, 1991: 25), is perceived to be better than 'low training', which includes a fragmented and ad hoc approach to training and is often responsive". Only careful research could determine whether 'low training' can be appropriate and hence more effective for SMEs, in some circumstances than 'high training'.

Research has overwhelmingly focused on the following issues: reasons for the low level of training in small firms (for example, training is regarded as a cost rather than an investment and external training is seen as a risk) (Finegold and Soskice, 1988; Kirby, 1990; Jones and Goss, 1991; Johnson and Gubbins, 1992; Vickerstaff, 1992), owner-managers having mental barriers against management training and past training may not have lived up to expectations (Kirby, 1990; Vickerstaff, 1992), some firms fail to recognise their own managerial deficiencies (O'Farrell and Hitchens, 1988), firms are less aware of the benefits of training (Advisory Council of Science and Technology (ACOST), 1990), perceived shortage of time to train employees (Richardson et al., 1992), financial costs inhibiting training (Vickerstaff, 1992), problems of key employee absence when on a training course (Blackburn and Hankinson, 1989), how and by whom are decisions made about training and related personnel issues (Johnson and Gubbins, 1992; Goss and Jones, 1992), low awareness of current training courses (Fuller et al., 1991), the choice of an appropriate course on offer and matching those available to the needs of small firms (Kirby, 1990; Vickerstaff, 1992), methods of training provision (Kirby, 1990; Cambridge Small Business Research Centre, 1992), the type of external provider of training (Kirby, 1990; Johnson and Gubbins, 1992), the formalisation of a training plan and the monitoring of training expenditure (Fuller et al., 1991; Burns, 1992; Goss and Jones, 1992; Johnson and Gubbins, 1992; Marshall et al., 1993) and evaluations by firms of the training schemes on offer and whether they address important sector specific issues (ACOST, 1990; Kirby,
1990; Fuller et al., 1991). Unfortunately, there has been very little debate surrounding the impact of management training on business performance. Most studies have focused upon problems surrounding the take-up, nature and scale of training within small firms and very few have monitored the benefits from training (Kirby, 1990; Marshall et al., 1993). There appears to be an implicit assumption that if the 'problems' could be overcome then the benefits of training would be realised.

Many of the Government's training initiatives have been launched, changed and replaced, nationally, without real evaluation (Jennings et al., 1992).

The benefits of training need to be set alongside those of alternative methods of increasing the internal efficiency of small firms.

Whilst the very smallest firms combine ownership and management within the same individual(s), this is generally not the case once the firm grows beyond a very small scale. At some point, probably in the range of ten to twenty employees in many industrial sectors (and obviously varying from one sector to another), individuals have to be appointed whose task is, at least partly, to be responsible for the management of others. Since these individuals are often not owners of the firm the concurrence of ownership with management as envisaged by Bolton begins to disappear (Storey, 1991; Wynarczyk et al., 1993). In the last few years there has, however, been a greater concern with faster growing small firms where non-owning managers are of greater importance (Wynarczyk et al., 1993). The relevance of training for this key group of managers needs more investigation since such individuals can be the 'engine room' for growth in an SME.

The training needs of 'special' groups such as ethnic-minority owned SMEs is a relatively neglected area of research (Marlow, 1992; Ram and Sparrow, 1993).

The performance of firms receiving management training have too infrequently been compared with firms which have not obtained any management training (Marshall et al., 1993 is an exception)

Results from studies are very difficult to compare. The majority of studies are based on small sample sizes, different industries and different time periods of study. Some studies have ignored the training needs of firms with fewer than ten employees (Training Agency, 1989; Marlow and Patton, 1993), whilst other have solely focused on firms between twenty and fifty employees.
There is a notable absence of longitudinal research (Stanworth et al., 1992 is an exception) and the small proportion of studies which have monitored firms over time have done so over very short periods. Management training and human resource management research is generally associated with empirical results from snap-shot studies of firms in limited geographic areas (also associated with small samples and low response rates to postal questionnaires - Fuller et al., 1991; Jones and Goss, 1991; Marlow and Patton, 1993) which have not measured the full impacts of management training over long periods of time.

The conclusions of the National Audit Office's (NAO) review of the Government's efforts to promote training for small firms still have some applicability. In 1988, the NAO found there was little information on either the quality of training or the competence of potential providers and there exists a need for, "research to assess the training needs of established small firms, the effectiveness of...training and the economic benefits likely to result from such training".

Finally, the focus of research has been on how SMEs serve the labour market. It is also equally important to ask the question how well are small businesses served by the labour market with regard to managerial labour. The clear evidence from the research by Atkinson and Meager (1994) is that firms in the 20 to 100 employee range are experiencing more problems in dealing with the labour market than any other size of firm. The inference is that the current provision of 'assistance', of which management training is one part, is not adequate.

CONCLUSIONS

Over the last decade there has been a huge growth in the 'training industry', much of it supported from the public purse. Research suggests those firms which participated in training schemes generally felt they derived some benefit from this participation. However, there is little careful empirical research which clearly demonstrates the provision of training either by, or for, a small firm clearly leads to the better performance of that firm.

The central point of the paper is that it is clearly unreasonable to treat all forms of management training as identical. Some training may focus upon developing particular functional skills, others may focus upon SMEs at particular stages in the development - start up, growth businesses, etc. Some training may be provided by public organisations such as universities and colleges whereas for others it is provided by private sector training consultants. Some courses are for one-day or less whereas others are in a distance learning format or taken over a long period of time.
Our highly subjective impression is that some types of training may be effective in improving firm performance whilst others are not. However, our review is unable to consistently document methodologically well conducted research evidence which shows that the provision of management training for SMEs clearly leads to improved performance on the part of that firm. This may either be because of a lack of impact or because of the difficulties of attributing cause and effect.

The reasons for an absence of impact may be the poor quality of the training provided, the fact that it is often over too short a period to exert an influence upon the firm, that perhaps some forms of training are more effective than others and that the poorer providers dominate the rest. In its defence the 'training industry' can claim that the scale, variety and quality of management training in small firms has yet to be adequately monitored and evaluated. First, the majority of evaluations have tracked firms which have received management training over relatively short time periods. As a result 'snap shot' studies may fail to fully capture the long-term benefits of management training schemes. Second, most studies have concentrated on highly 'quantitative' outcomes. Only a small number of studies have related management training to 'qualitative' improvements in SME performance. Finally, more studies need to be conducted which compare the performance of firms which have received management training with similar 'matched' firms which have not received any assistance.

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REFERENCES


