

No 14 May 1984/I

# Small and medium-sized undertakings

## Editorial

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*N. Cacace*

Professional qualifications as a basis for economic growth in small and medium-sized enterprises  
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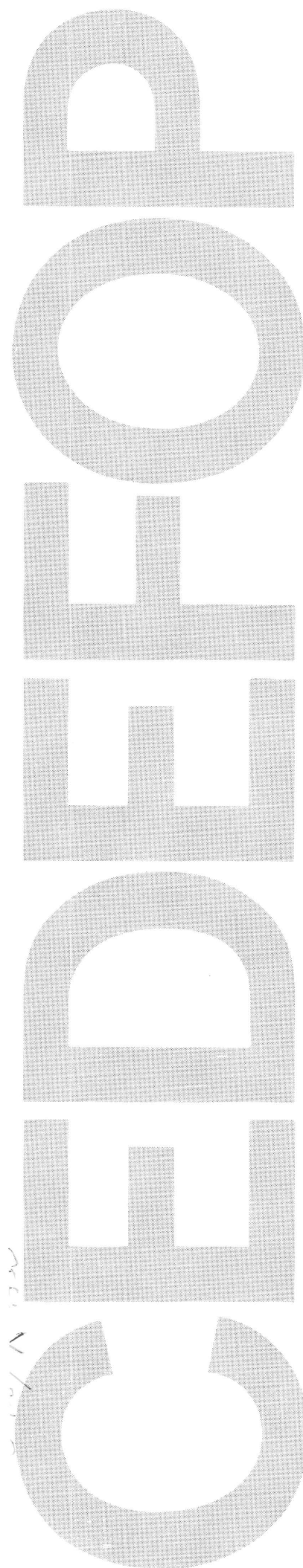
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Training: The key factor in the development of competitive SMEs  
*R. Faist*

Local employment initiatives  
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Towards Community financing of innovation in small and medium-sized undertakings  
*D. Guerra*

Vocational training





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In returning to this theme (small and medium-sized enterprises), which had already been taken up in a monographic issue of *Vocational Training*,\* we find that the issues at stake are still basically the same. We are still in a period of crisis, although the tendency is now towards a revival which the economists are cautiously calling a 'mini-upturn'. The growth of unemployment may have decelerated by comparison with 1981 but it is still spreading like a pool of oil from a leak, with the jobless numbering more than 12 million within the Community today. The scenario has also changed in two other respects:

- new technology is now invading even those production sectors that have traditionally been resistant to innovation, and the small and very small firms too have been caught up in the tide of innovation.

- there is a growing awareness on the part of the general public and public sector institutions of the propelling force being exerted by SMEs in the economy today.

With the ending of industrial expansion, a period when the basic tenets were the concentration of production and the rise of large companies, we are forced to admit that the main reason why the production fabric in Europe is still tightknit is the vitality of small firms. A key to understanding this factor is probably the thought expressed by Nicola Cacace, who links the overall development of small and medium-sized undertakings to the time in the 1970s when the process of the growth of production to mammoth proportions levelled off. It is also likely that small firms took advantage of being better placed to integrate at their local level than the large company. This has had certain consequences, more amply described in the specialist literature:

- SMEs have been more successful in defusing industrial strife, especially as the chosen battlefield for such conflict tends to be the large company;

- SMEs have successfully decentralized segments of production and, in extreme cases, have made use of the 'submerged' economy.

All this may explain the growth of the SME sector in terms of the number of jobs it provides and productivity (net output per employee), which is now no lower than in large concerns.

The process has taken place almost without the training systems being aware of it; if such systems have looked to the world of production at all, they have been more concerned with the large company.

Today SMEs are seen not only as vital and flexible production centres but also as an integral part of an overall system with a close network of supra- and inter-company structures – which undoubtedly include structures that meet vocational training needs.

Despite this, the supply of training is outstripped by demand, especially as that demand is often latent, ill defined or too closely linked with the management policy of individual firms.

This is particularly true of at least two *critical stages* in the life of a small firm: the first starts immediately after its birth, the second occurs during the introduction of technological change in its production. We know that the *mortality rate* of SMEs is particularly high in the first five years of their existence; one of the significant contributory factors is the absence or inadequacy of vocational training.

There is also no doubt that, at the time of innovation in processes or products, the small or medium-sized firm is primarily concerned with financing the effort of conquering new markets, often a risky and arduous task; the vocational training of its production workers, technicians and the managers themselves is seldom seen as an *investment*.

Small firms commonly make few demands on and little use of supra-company services offering information, advice and vocational training. The experience, both positive and negative, of other firms or supra-company organizations is often ignored, one reason being that it is characteristic of the small firm jealously to guard its privacy.

Even though we believe that the large company will continue to be the prime mover in innovation, it is important to give

the smaller firm the support it needs for the development of its innovatory potential. To do this we must combine at least three types of measure, each of equal importance:

- *research*, to give SMEs access to research structures providing reliable information as a basis for the launching of plans for technological change, prototype design and product innovation, the organization of management and work, the analysis of training needs and the devising of training strategies to meet those needs;

- the preferential *financing* of innovation;\*

- the *training* of managers and personnel.

What kind of training? How? It is hard to give a reply. It is hard to reply without resorting to the generic adjectives scattered over everything today, like salt and pepper: polyvalent, continuing, alternance, modular, etc. One thing is certain: training must be viewed more and more as a *continuous and on-going investment* in the occupational advancement of the workforce and in higher productivity. It is equally certain that if training is tailor-made strictly for one firm it will not really be of value to the community (which the firm tends to ignore); workers will find it harder to move from one job to another and the spectrum of their theoretical and practical knowledge will be restricted. On this subject, we feel that the description in this issue\*\* of supra-company training experience in the Federal Republic of Germany is of special interest.

As far as the locations of training and training structures are concerned, it is generally felt that there is no need to set up new structures in addition to those already in existence; on the other hand, there should be both national and Community pressure for greater coordination and cooperation between those structures.

This is the message of this issue of our Bulletin, which aims to open, not wind up, the debate.

\* See the article entitled 'Towards Community financing of Innovation . . .', in this issue.

\*\* See article by Professor M. Rick.

\* *Vocational Training*, No 7, 1982.



# Small business and redevelopment, restructuring and the move to service industries

Nicola Cacace

*Faced with rising world unemployment, economic policy-makers have been focusing on the two areas in which the challenge is being tackled with the greatest success: the service industries and small and medium-sized enterprises (SMEs), the only areas in which new jobs have been created over the past few years. What is the outlook for the 1980s and 1990s?*

■ *In the 1980-90s, SMEs will be making a relatively larger contribution in terms of both production and the industrial and service sector employment they provide;*

■ *The large enterprise will, however, continue to be the main channel for strategies on innovation and marketing at world level;*

■ *To an increasing degree, training must be 'continuing' and polyvalent (which does not imply that it should be vague or non-specialized);*

■ *If it can display more imagination in interpreting its programmes, the EEC can play a major role.*

NICOLA CACACE (born in Naples, 1930). Aeronautical engineer, expert in development problems, president of ISRI. Has worked with international organizations such as the EEC and OECD. Has represented Italy on the 'preparation for working life' committee of the Council of Europe. Was economic adviser to the Ministers for the Mezzogiorno and for Foreign Trade and has headed research projects for the Consiglio Nazionale delle Ricerche (CNR), Consiglio Nazionale dell'Economia e del Lavoro (CNEL) and other bodies. Has taught at the Universities of Bari, Trento and Rome and has published many essays on technological innovation, work and development.

## SMEs in the European context

Definitions of the relative size of SMEs vary considerably from country to country; even within a given country, they may differ depending on whether the SMEs are manufacturing or service companies. There is general agreement as to the qualitative features of SMEs: entrepreneurs are financially independent; ownership and management are combined.

Since at least minimal statistical analysis is desirable, it is helpful to adopt certain conventions as to the size of small, medium-sized and large enterprises. The following assumptions have therefore been made: very small enterprises are those with 1 to 9 employees in industry and 1 to 4 in the service sector; small enterprises are those employing 10 to 99 in industry, 5 to 49 in the service sector; medium-sized enterprises have 100 to 499 employees in industry, 50 to 249 in the service sector; and large enterprises have a workforce of over 500 in industry or over 250 in the service sector.

To categorize SMEs by size, however, is not very enlightening. It is not just that they differ between the two major economic sectors (the manufacturing and the service industries); more important, it is becoming harder to draw a dividing line between products and services, especially with the growth of products-cum-services, or *hardware/software* 'packages'.

## Is European industry becoming Italianized?

In the early 1960s, Italy's industrial structure

re set it apart from the rest of Europe in that its very small firms played a far greater role (those with a workforce of 10 or less accounted for 28 % of employment, compared with a maximum percentage of 16 % in other countries) and large enterprises were of far less significance (manufacturing concerns with a workforce of over 500 accounted for only 21 % of employment, compared with a minimum of 40 % in other European countries).

Of the three other major European countries – all of which had a fairly different structure from that in Italy – France seemed to be the 'least European' in that very small enterprises also accounted for a substantial portion of its economy and large enterprises were relatively less important. At the other extreme came Great Britain, where very small firms were relatively few and an overwhelming proportion of employment (two-thirds) was provided by large enterprises.

The process of growth to giant proportions continued in Europe during the 1960s, with large enterprises accounting for an ever greater share of the economy throughout Europe: from 21.5 % to 23.8 % in Italy from 38 % to 40 % in France and in Great Britain from 67 % to 68 %. Only in Germany was there a slight decline, from 52 % to 50 %.

A reversal of the trend became apparent for the first time in the 1970s: the sphere of large enterprises shrank somewhat and there was a clear-cut tendency towards an increase in output and employment attributable to SMEs. Even in Great Britain, the small firm started to come into its own.



*The process of growth to giant proportions continued in Europe during the 1960s.*

Italy, whose pattern of development seemed to (and did in fact) lag behind that of Europe, appears to have reacted better than other countries to the radical crisis affecting the old-style industrialized Europe. It was the only leading European nation in which employment in the manufacturing industries rose between 1971 and 1981; it also boosted its exports (from 7.1 % to 7.8 % of world exports of manufactured goods), even in the aftermath of the energy crisis. The only major industrialized nation with a better record was Japan.

How has Italy managed to achieve this sort of second economic miracle?

Paradoxically, what had seemed to be the strengths of Northern European industry proved to be handicaps when a more flexible industrial machine was needed.

In Italy, shrewd efforts to evolve and strengthen the industrial structure, mainly on the part of SMEs but also by large enterprises, helped to bring about these achievements. The need for greater flexibility encouraged large enterprises to 'decentralize production' sharply down to the level of small enterprises. The 'submerged' economy helped to make this decentralization possible, although there were signs that it was becoming rather more official (an 'emerged' economy) by the late 1970s.

In France, the quest for flexibility took the form of contracting out services, with wide

recourse to hiring lump labour and to term contracts.

In Great Britain, more extensive use of 'occasional' manpower seemed to be the method most popular with large enterprises trying to become more flexible and to cope with the crisis; at the same time, large enterprises accounted for a smaller share of the economy.

### **A boom in small business in Italy**

It is a fact that Italy did not collapse in the 'terrible' seventies. Domestic observers of the less discerning kind and/or who had axes to grind spoke at length of Italian industry as being chronically sick. The foreign press took up the same cliché and at best (where it acted in good faith) drew simplistic parallels between political and economic stability, between the crisis in FIAT (I refer to the second half of the 1970s) and the nationwide crisis, and so on in this vein.

The truth is quite different. The small and medium-sized segment of Italian industry has been growing ever more sturdy. Within that segment, small firms have been making exceptional progress in every respect.

Let us, however, look at the figures. Small enterprises (employing 10–100) form the segment where growth has been fastest, both in the number of firms (+ 38 % between 1971 and 1981) and in the

number of people employed (+ 23 % over the same decade).

In 1981, the average productivity of small enterprises (net output per employee) was no lower than that of large enterprises.

Small enterprises are just as export-minded as larger undertakings. They export 20 % of their turnover (compared with the national average of 23 %), a very high proportion bearing in mind that: (a) small firms receive far fewer direct and indirect export incentives than large enterprises; and (b) the percentage is in fact higher, since small enterprises often sell through wholesalers who export for them.

Gross return on capital (the degree of self-financing) decreases with the size of the undertaking, i.e. from 17 % in the case of small firms to 11 % in the case of large companies (according to a survey by Medio Credito Centrale).

The SME segment of Italian industry owes its international success to a happy combination of highly specialized individual firms and extensive cooperation among different firms.

An industrial structure has been created, in short, in which economies of scale are feasible within the overall system rather than within an individual undertaking. This is one of the most innovative features of Italian industry, and it merits far more

detailed investigation by European researchers.

There has also been an upsurge in the quality of management and technology. According to recent research reports, this is attributable to two factors:

- a higher calibre entrepreneurial class and an injection of fresh blood;

- a more outward-looking approach than the 'local' – some aspects of which are positive (synergy and cooperation) but which also has its negative side (cultural provincialism).

Starting in those years, many entrepreneurs 'brought their businesses out of the closet' in that they regularized their tax position and put them on a company footing. Looking, for example, at the changing pattern of business associations, we find a substantial increase in *società in nome collettivo* – partnerships – rather than firms with a more elementary legal status. Small operators, in other words, have opted for more capitalistic legal and organizational arrangements for their businesses; this is the case not just with established firms but even more so with ventures now being brought into being.

At the same time, a second-generation breed of entrepreneur has been growing up, as the patriarch founders of businesses retire to supervisory roles and hand the reins over to their heirs. Many young people are better educated and more aware of what is going on in the outside world than their parents. These young entrepreneurs in turn are more successful in structuring and inter-linking functions within the firm and may then delegate responsibility for some of the functions, perhaps to people outside the family.

The typical entrepreneur has also been moving towards the service sector – a very interesting tendency, found in other countries as well as Italy and one that merits further research – by retaining his control functions but contracting out production work. This is something that has occurred in many parts of Italy, especially in the Adriatic coastal area – a point we shall discuss later.

Such decentralization of production gives rise to other problems, which should not be underestimated. One important concern is safeguards for the workers affected. Others are marketing and technological innovation itself. Despite these problems, however, the survival of the SME segment of Italy's

industry and its restructuring and expansion at national and international level have undoubtedly been due to decentralization.

Another trend that sheds light on the new entrepreneurs who have arrived on the scene over the past few years is the spirit of 'group entrepreneurialism', taking many and various forms. Possibly the most notable and widespread movement is the setting up of consortia for the purpose of exporting or to provide credit guarantees. Between 1974 and 1981, the number of export consortia increased six and a half times, the number of credit guarantee consortia twofold. There has been an equally sizeable increase in the number of firms belonging to such consortia.

Taking one last look at the factors that have brought about the qualitative and quantitative boom in SMEs, especially small firms, in Italy, we should spare a thought for geographical factors.

Some people have advanced persuasive arguments to the effect that the economic structure of Italy is ceasing to be dualistic and is beginning to be pluralistic.

In a country that has been so unequivocally dualistic as Italy (with its industrial north and underdeveloped south), over the past few years investigations have revealed a situation lending itself to another interpretation. There are now, it is said, 'three Italies': the industrialized but 'mature' Italy of the industrial triangle whose points are Milan, Turin and Genoa, with its concentration of large enterprises; the less developed central and southern Italy where the two extremes – the very small firm and the

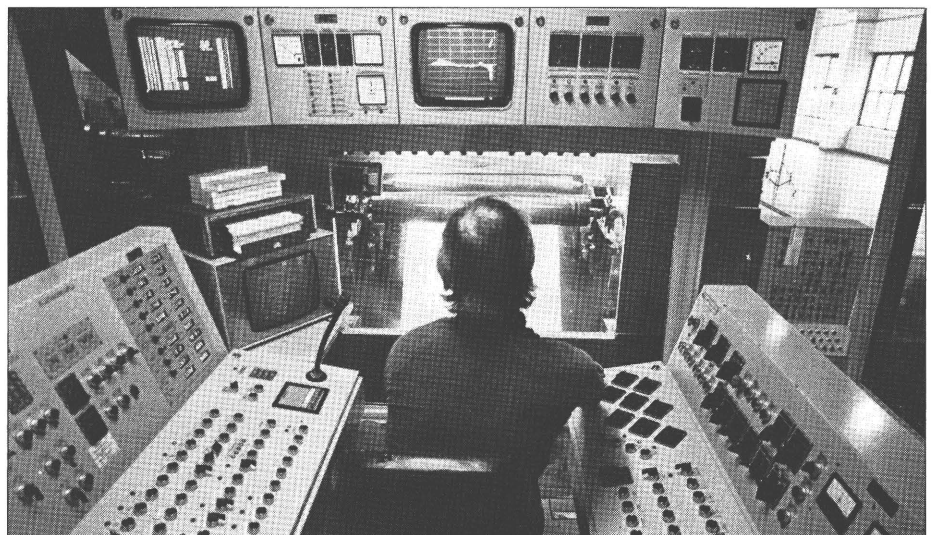
large enterprise – are to be found; and a third Italy, made up of the eastern regions running down from the north through the centre to the south. Dubbed the 'Adriatic belt', over the past ten years this area – where SMEs predominate – has become the most dynamic in Italy.

One indicator is the trend in *per capita* incomes in this 'third Italy', i.e. the regions along the coast: Veneto, Friuli Venezia Giulia, Emilia Romagna, the Marches, Abruzzi, Molise and Apulia. Compared with a 20% average rise in *per capita* income in Italy as a whole from 1971 to 1981 (in constant terms), income rose by 23% in the Veneto, 30% in Friuli Venezia Giulia, 36% in Emilia Romagna, 27% in the Marches, 36% in Abruzzi, 62% in Molise and 23.5% in Apulia.

It is these very areas – where good use has been made of the flexibility and advantages of local interdependence (the opportunities and economies that are feasible in certain local situations, backed by the more stable political organizations of other regions) – which have been most successful in increasing production and employment.

Are those areas not affected by the general crisis?

Of course; they too are faced with a measure of crisis. They have problems in coping with rapid technological advances and the demand for more direct marketing of their own products. There is a noticeable need among the SMEs in these areas for more complex information systems, for direct contact with their markets, especially export markets, for a firmer grip over the



The large enterprise is, of course, still the fulcrum of financial and commercial activity and, in some sectors, technological and innovatory activity as well.

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mobility of labour, management and capital within the local system, for diversification, for an overhaul of the local economic structure (which often lacks the important dimension, marketing).

What is needed, then, is a good hard look at levels of technology and industrial culture in the local area. The existing order of things must be changed from within, despite the fact that it has been that very order which has led to the achievements described.

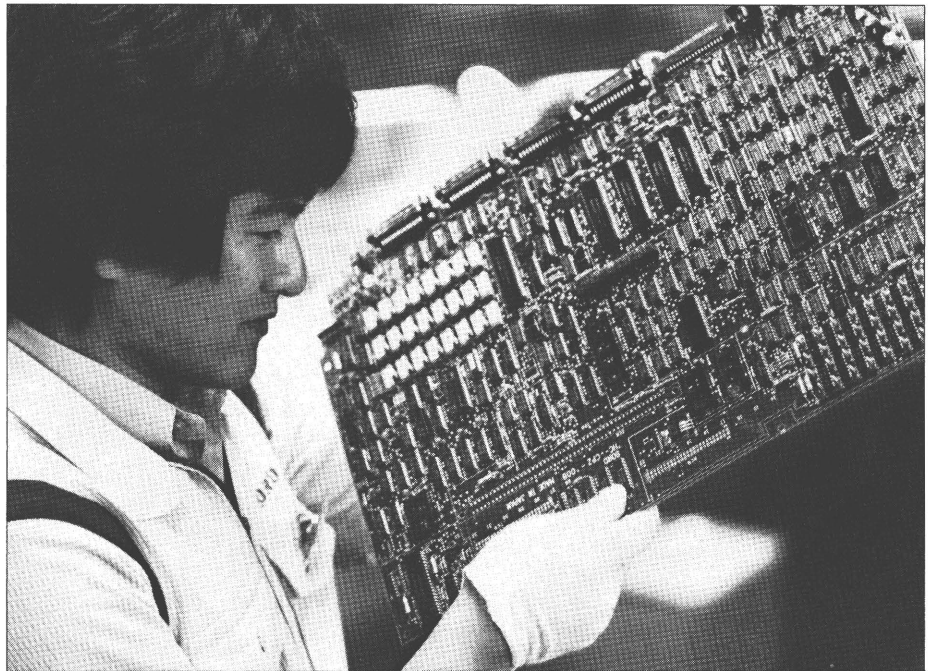
In conclusion, the small firm has been the most dynamic element in Italy's manufacturing and service industries, and there are many signs that countries in the rest of Europe are adopting the Italian pattern and restructuring by placing greater stress on SMEs.

I should like to point out here that the large enterprise is of course still the fulcrum of financial and commercial activity and, in some sectors, technological and innovatory activity as well. Although to an increasing extent the production of goods and services is being delegated to the smaller firm, the creation of more ambitious technological and commercial structures is still in the hands of large enterprise (Fiat, Olivetti, Pirelli, Docent).

## What is the role of vocational training and the EEC?

The dominating feature of the age in which we live is the speed of change. The shift towards the service sector in the economies of the industrialized nations and social mobility are the most evident effects of change, but they are also its causes in that the most service-oriented countries with greatest social mobility are also the countries, now and in the future, which grow richest, reorganize fastest and defend themselves most effectively against the overriding problem, unemployment.

In the 1980s and 1990s small firms will continue to play a greater role in production, job creation and production innovation in very many sectors and in helping to train up managers, whereas large enterprises will play an increasingly important part in bringing about major strategic changes in major sectors such as finance and banking and associated services, as well as advanced industrial sectors such as electronics, space and sophisticated technology.



*It is no coincidence that the United States (where employment rose by 26 million in the 1970s) and Japan (+ 5 million) have been the most dynamic economies up to this time.*

In this process of rapid change, entrepreneurial enterprise will become the most important factor, whatever the structure – capitalistic, socialist, private or public.

Those whose cultural background has ill-prepared them for change (government administration, mature economies) will be unable to adapt to the need to reorganize. It is no coincidence that the United States (where employment rose by 26 million in the 1970s) and Japan (+ 5 million) have been the most dynamic economies up to this time.

Sound reorganization is achieved through the disappearance of the old and the birth of new economic initiative; and when a new venture is born, it is small. The need, then, is a general policy designed to foster the new and encourage the entrepreneur who may be working at a lower level but is fully *au fait* with his task.

Managerial ability, however, is not all.

Vocational training will be just as important as before; indeed, its importance will grow with the processes of change and restructuring that we have briefly described.

Alternance training, polyvalent training and specialization seem, in the present circumstances, to be the three mainstays of the new style of training (for young people) and continuing training (for all).

A person is best trained by continuously working on a variety of activities in which he can deploy his main skills, both mental and physical, technical and emotional, operational and managerial. It is the trainer's task to bring order into the 'chaos' of all these activities to ensure that they are educational, but not to over-simplify them to patterns that no longer exist in the complex world of today and the 1980s. The aim is not to do away with specialization but rather to reverse the trend set in motion by the second industrial revolution, the trend to the rigid compartmentalization of production that reduces man to a single dimension.

If we are to reverse these undesirable trends, we need to allow specialist and general education and training to exist side by side in the schools and extra-academic training structures. People must be able both to perform an individual task and to work as members of a team. They must be able to operate at one specific point in an organizational structure but also help to improve the structure and proceed to the next stage over a period of time. All this can be achieved by working to acquire a 'specialist skill' while at the same time knowing how that skill relates to other activities around it in a complex and changing whole.

Specialization in a given trade or profession is still the main objective of any training system. I shall go further: although the prime causes of the current high levels of youth unemployment is the lower rate of economic growth and the 'marginalization' of a growing portion of the jobs market, an additional cause is the decline in the importance of the technical and vocational school system (schools at which trades are taught) in almost every industrialized nation. As is often the case in times of sweeping change, the intuitive idea was right – that there was a growing need for polyvalent skills – but the decisions to which it led were mistaken. The need was not to do away with the trades of the lathe-operator, welder or bricklayer, but to produce a lathe-operator who would be able to turn his hand to milling when necessary, an electric welder who could also tackle gas welding or even operate a robot welding machine, a bricklayer who could lay tiles or do installation work, a script-writer who knows about today's electronic technologies and so on.

No economic system can do without specialists – quite the reverse. The problem is how to produce specialists and skilled workers who are prepared to keep abreast of continuing changes in technology and patterns of work and are willing to take part in or initiate constant innovation in methods and techniques.

What areas should the Community take as its priority in influencing this complex acceleration and transformation of training?

One obvious priority is more searching investigation of the experience of other countries. If the learning of foreign languages is facilitated, it will be easier to transfer the benefit of the experiments of greatest significance from one country to another.

To quote a few examples, it may be of general interest to the rest of Europe to find out how small enterprises in Italy have made substantial economies of scale at group level, how they have managed the process of reconstruction and how they have achieved greater flexibility. German experience in the field of advanced chemistry and the combination of mechanical and electronic engineering is of universal interest, as is France's progress with electronics and aviation. Other countries can learn from Britain's expertise in the financial, banking and allied professions which has made it one of the world leaders in the field, if not the leader. There are many other examples.

The European Community has a major role to play in promoting job enrichment for young people in the Community through continuous innovation in the methods and content of training, with due regard for the more illuminating experiments that have been taking place elsewhere in the world – for instance, in the US and Japan.

As Europe is faced with a growing need to reorganize its economic structures, the number of people who will have to switch from one occupation to another once or several times in the course of their careers will increase accordingly. The worker, especially the young worker, must be prepared to cope with such changes and to discern all the potential benefits he may derive from them. A broad-based training, a training that is specific but planned with due regard for the interlinks between different sectors, trades and occupations gravitating closest to that specific training and one or more specialist skills, is the only real guarantee against unemployment and the only way of promoting a progressive career structure in the 1980–90s. This 'new style' of training

must not be ignored in European programmes.

There are those who will argue that this approach to training is Utopian and that such training would be hard to implement. In the light of direct experience, however, this can be said to be only partly true: 70% of what is suggested calls for nothing that is not already available; what are needed are the imagination and resolve to work as a team. Existing European resources, in terms of men and machines, can also be used at sophisticated levels providing we also have the courage and imagination to take up the challenges.

There is great potential in supranational training structures. Changes to training are being introduced in a shrinking world. The world is smaller not just because we can travel faster or because communications technology is removing the need for travel, nor because the rapid spread of English as the prevailing language is on the whole making it easier for ideas to circulate. It is smaller because provincialism is being overcome by means of innovation, research and the new style of training . . . although the harm being done by mass culture is another matter.

The needs associated with the new style of training are not of course cut and dried, and nor are the relationships between the school and vocational training, nor the most suitable curricula. One thing, however, is clear: we are entering an age in which we shall be closer to the ideal of the Renaissance 'whole man' – an ideal from which we had gradually been distanced by three centuries of industrial revolution and specialization, rendered enormously more complicated by the high rate of change and its complexity and novelty.





# Vocational training

as a basis for the economic growth of small and medium-sized firms

*Matthias Rick*

*Small and medium-sized firms are the great hope of economic and labour market policies at a time when regions dominated by large companies face growing difficulties. They are said to have a greater capacity for innovation and to be quicker to change to new products and services than large companies. If they are to maintain and improve their competitiveness, however, sufficient qualified manpower must be made available. The shortage of skilled workers is often a serious obstacle to the growth of small firms, resulting in appreciable losses of sales. The drift of trained young people to large companies, where working conditions are more attractive, is said to be a major problem. If the demand among small firms for skilled workers is to be satisfied, they must show greater willingness to train workers and a wider range of continuing training facilities must be provided. To this end, over 600 intercompany training centres have been set up with government assistance in the Federal Republic of Germany in recent years, and half of them are now run by the craft industry. Some 30 % of activities at these centres are devoted to continuing training. The Government has granted DM 1 600m towards the construction of intercompany training centres since 1973 and also meets a portion of their current expenses.*

Small and medium-sized firms are at present riding high in the political debate. References to the major role they have to play in economic growth and job creation are now part of the stock in trade of politicians with a special interest in the economy, labour market and education. This is not only true of the European Community countries: in the United States of America too, the importance of small and medium-sized firms was recognized with the publication of D. L. Birch's research findings. Birch showed in his study 'Who creates jobs?', for which he approached 80 % of all American companies,<sup>1</sup> that firms with up to 100 employees accounted for about 80 % of the net increase in jobs from 1969 to 1976 and firms with no more than 20 employees for over 60 % of this increase. A comparable study has not been undertaken in the Federal Republic of Germany.

However, a number of studies into specific aspects of the situation in the Federal Republic allow the conclusion that growth in employment is due less to large companies than to small and medium-sized firms. Thus a survey of 844 firms in the Federal Republic in 1976 and 1977 revealed that firms with up to 200 employees provide most of the stimulus for growth.<sup>2</sup> This is confirmed in a study by Derenbach and Wittmann.<sup>3</sup> They were able to show that from 1970 to 1977 job losses were extensive in regions of the Federal Republic where large companies dominated, while in regions with an abundance of small firms the number of jobs remained constant in this period. If conferences and congresses are any indication of the importance of a

subject, the economic and labour market policies of the other countries of the European Community are also placing their hopes in small and medium-sized firms: their role in growth and employment is increasingly being discussed at European level and in the Member States themselves. This trend and the broad consensus on the significance of small and medium-sized firms are surprising when compared with views being expressed and also largely accepted some fifteen years ago. In view of the economic and technological trend at that time, small and medium-sized firms were given no chance of surviving the competition. And today major importance is again being attached to these firms for economic and technological reasons. Scepticism about this complete change of mind does not seem out of place. It is easy to formulate expectations and hopes if their fulfilment can be left to others.

In the political and academic spheres two pointers to the outstanding importance of small and medium-sized firms are undisputed:

□ Large-scale industry depends on the manufacture and sale of products in large numbers. It tries to ease the pressure of costs by resorting to capital-intensive rationalization. It can do this because it is relatively well endowed with capital and is considered creditworthy by banks and investors. As a result, it is able to produce marketable goods at steadily decreasing costs, with an organizational structure which, though efficient, is not readily adaptable to changes in the market. As a rule, it will not seize new opportunities presented by the market unless fairly certain

MATTHIAS RICK, Deputy General Secretary of the Federal Institute for Vocational Training.

that long runs can be sold. In contrast, small and medium-sized firms depend for their very survival on their ability to detect even short-term opportunities in the market. Rapid adjustment to new products and services ensures the continued existence of these firms.

□ 'This productive pressure to develop in compliance with market trends and . . . to exploit the market is evident, for example, in the area of technological innovation, most of which, it is widely believed, originates from the research and development departments of large companies . . . [according to a study] by the Dresdener Bank, the research efforts of smaller firms [are more efficient than those of large companies]. Of the 61 most important inventions this century only twelve emerged from the laboratories of large companies.'<sup>4</sup> Small and medium-sized firms are also quicker than their large counterparts to put technical inventions to practical use. To quote

from a study published by the IFO Institute, for example, 'small firms exploit 70 % of all inventions after a mere two years, large companies only 33 %.'<sup>5</sup>

Impulses for growth and job creation emanating from small and medium-sized firms are thus due, on the one hand, to their flexibility in seizing opportunities in the market with traditional forms of work and, on the other, to their ability and willingness to use technical innovations to advantage in the market.

The above-mentioned scepticism about the importance of small and medium-sized firms does not extend to their willingness and ability to provide incentives for economic growth. There is room for scepticism about the one-sidedness of government assistance. Programmes for granting new firms financial assistance are being discussed, aids to the development and application of new technologies are being introduced by some Member States of the Euro-

pean Community and by the Community itself, but the *sine qua non*, the simultaneous development of a qualified labour force, is only mentioned in passing and, if included at all, figures at the bottom of the list.

And yet recent studies in the Federal Republic<sup>6</sup> reveal that over 70 % of 358 medium-sized industrial firms questioned cite the shortage of skilled labour as the most frequent obstacle to growth. Also worth noting is that it is the smaller firms in particular that most frequently complain of the lack of trained workers. As a result, 70 % of firms ascribe delays in the completion of work to a shortage of qualified personnel, and 60 % say that they lose an appreciable amount of business because their workforce is not sufficiently well trained.

The demand for skilled workers in small and medium-sized firms is bound to be extensive: without highly qualified person-



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*Almost 70 % of all young people trained by the 'dual system' receive their initial vocational training in craft occupations and in small and medium-sized industrial firms.*

nel they cannot react quickly to opportunities presented by the market by changing production methods and products. It can be proved that, compared with large companies, firms which largely depend on one-off jobs for their survival have a higher proportion of skilled workers and, as they themselves say, they need even more. At first sight, this trend seems inconsistent with the general situation in the Federal Republic of Germany, since almost 70 % of all young people trained by the 'dual system' receive their initial vocational training in craft occupations and in small and medium-sized industrial firms. But they fairly soon leave the firm in which they have been trained. For many skilled workers large companies are still more attractive than small and medium-sized firms. They often change to a large company even if the new job has nothing to do with their training, tempted by higher wages, higher social benefits and regular working hours. Attitudes also play a part: the satisfaction of being employed by a well-known large company and the belief that large companies offer greater job security since they are more likely than small and medium-sized firms to receive State subsidies if they get into financial difficulties. And finally, the individual worker finds a firmly established form of work organization, in which each em-

ployee's role and responsibilities are clearly defined, reassuring, clear-cut and predictable. Few small and medium-sized firms can offer this peace of mind. Their organizational structures have always been subject to frequent change, and the influence of modern technologies means that the changes are occurring more rapidly and more frequently.

Research findings show that even today the vigour which small and medium-sized firms can introduce into the economy is restricted by insufficient and inadequately trained personnel. Additional financial assistance and aids to new firms, specifically to encourage the use of modern technologies, will not be successful unless training programmes are also developed and assisted. Such programmes must, however, take account of the needs of small and medium-sized firms and their organizational circumstances.

In principle, there are two ways of meeting the demand for qualifications: small and medium-sized firms must show greater willingness to train workers, and suitable continuing training schemes must be developed for and offered to such firms. Neither method will, however, succeed without State aid. There are objective limits to the willingness and ability of small and

medium-sized firms to provide training. Their specialization in certain fields or products, the pressure of working against the clock to seize opportunities arising in the market, and rapid changes in production may be a serious obstacle to systematic initial training. Newly established firms with no experience of training are likely to encounter the usual teething troubles and so hardly want to be burdened with the training of young people.

Most firms fail to take advantage of continuing training schemes already available despite their close contact with the employment offices and industrial associations. On the one hand, this is due to their surprising unawareness of these schemes and to conditions in firms of this size: being short of qualified personnel, small and medium-sized firms cannot release a skilled worker for a lengthy period of continuing training. On the other, unawareness of the value of continuing training and of schemes unrelated to specific firms or regions result in such training being greeted with scepticism and resignation as a means of overcoming the shortage of qualified personnel.

Nonetheless, initial and continuing training must be regarded as the two most important instruments in the process of training work-

ers for small and medium-sized firms if the aims of State support for economic growth and employment are to be achieved. To ensure that initial and continuing training are available to such firms, an infrastructure of intercompany training centres has been established in the Federal Republic of Germany in the last few years. Over 600 of these training centres, with almost 71 000 workshop places, have been set up, and another 2 000 are still under construction. Over half of the centres are run by the craft industry. A study by the Federal Institute for Vocational Training yet to be published shows that 57 % of the places are used for intercompany training schemes. In 1982 33 500 courses attended by 430 000 trainees were held. Some 30 % of present capacities are used for continuing training, 13 % for preparatory vocational measures, examinations, vocational school instruction and rehabilitation schemes. The intercompany training centres are not a substitute for in-company, job-related training. They merely act as a complement by providing training in aspects which individual firms cannot cover. As the intercompany training centres are distributed throughout the Federal Republic, account can be taken of

regional peculiarities. At least, there is a facility which enables the present level of training to be maintained and possibly improved despite the specific nature of small and medium-sized firms' production methods. The supplementary courses largely concentrate on practical occupational skills and production-related knowledge. And this trend in teaching will gain in significance if the modern technologies, and microprocessor technology in particular, result in more substantial changes in the work processes of small and medium-sized firms than past innovations. These firms can only maintain their present level of technology transfers if the intercompany training centres teach the required knowledge and skills during, rather than isolated from, in-company initial training.

Reservations about continuing training courses frequently dwindle when they are held within the firm rather than outside. Participants in external continuing training schemes must themselves relate the knowledge they have acquired to everyday activities in the firm. They are either unwilling or unable to undertake this process. To avoid it, they criticize external continuing training

courses – without justification in some cases – for placing too much emphasis on theory and for not being sufficiently relevant to the task of meeting current work requirements. Unlike large companies, small and medium-sized firms do not have their own training departments manned by professionals. It is essential, however, for employees to acquire additional qualifications. If small and medium-sized firms are unable to run continuing training courses themselves and are not convinced of the purpose and value of external courses, new methods of imparting knowledge must be found. Here again, the intercompany training centres could be used. Their proximity to firms, their ability to take account of the peculiarities of firms in the area, their concentration on the teaching of occupational skills and the presence of experienced practical trainers can undoubtedly help to minimize reservations about continuing training.

The equipment, spread and staff of the intercompany training centres in the Federal Republic mean that they are theoretically in a position to make a major contribution by supplementing initial training and pro-



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viding continuing training for the employees of small and medium-sized firms that is related fairly closely to their jobs. The number of these centres must undoubtedly be increased, and they must become more acceptable to small and medium-sized firms if the latter are to go on providing growth impulses and creating jobs. The debate on the theoretical and pedagogical aspects of the intercompany training centres will have to be stepped up in the Federal Republic, since they are not training workshops or places for on-the-job training. But they can combine the advantages of both.

Since 1973 the Federal Government has provided DM 1 600 m for the construction of intercompany training centres. Until 31 August 1981 State grants could be obtained for up to 80 % of total expenditure, but the rate has since dropped to a maximum of 65 %. Applicants must contribute at least 10 % from their own capital. The remainder is usually provided by the Federal *Land* in

which the training centre is built and/or by the Federal Employment Institute. To help newly established intercompany training centres over any initial difficulties they may encounter and to ensure that they are extensively used, the Federal Government contributes towards current expenses. The assistance it provides is largely used to cover 50 % of the deficit in current overheads. Since it began granting assistance of this kind, the Government has made some DM 52 m available.

Despite the country's difficult financial position, the Federal Government must continue to contribute towards current expenses in the future, since small and medium-sized firms need the help of the intercompany training centres to obtain the trained personnel they require and the economic and labour market policies need small and medium-sized firms if there is to be economic growth and an increase in employment.

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# Vocational training and the creation of new forms of work

*Jacques Delcourt*

*There are various reasons why SMEs have been flourishing despite the recession and a difficult environment. They have coped because of their adaptability and flexibility and the mobility of their labour and capital. If, however, SMEs are to innovate and create jobs, not only should there be encouragement for the kind of research and development already planned by the Community but a 'training market' should also be created and regulated to promote the placement, retraining and mobility of existing and future labour, executives and managers – achievements that are all the more desirable in that a high rate of both success and failure is a characteristic feature of SMEs.*

*The Community and its Member States must play a part in organizing and encouraging the training market and in financing training ventures, for without such support SMEs cannot be the driving force for expansion.*

## The reasons for the revitalization of SMEs

Various technological, social and organizational trends are particularly propitious for the development of small and medium-sized enterprises and organizations.

JACQUES DELCOURT, Professor, Louvain Catholic University.

In the United States, many SMEs make use of sophisticated technology in their production and management work. They are creating more new services than new goods, even though their headway is proclaimed as being under the banner of 'reindustrialization'. SMEs are innovative and create new jobs because they number more success stories than bankruptcies and shutdowns. As pointed out by G. Gilder, they mark a revival in the spirit of enterprise. The future, he says depends less on the juggernauts and battles between Titans than on SMEs, who are in the forefront of progress because the large companies focus their energies on rationalizing and consolidating innovations introduced elsewhere.<sup>1</sup> It is not, however, a matter of having to choose between the Davids and the Goliaths, since all enterprises – large, medium-sized and small – are interdependent within an overall system.

In Europe, SMEs have not yet achieved as much, although structural trends have followed the same pattern. The ever widening range of new and specific technology, knowledge and expertise promotes their development and is helping to increase capital investment per production worker and the use of skilled and qualified personnel. The problem that arises as a result is one of continuing training; in its absence, human resources cannot be adapted to changes in products, markets, work, technology and organizational methods.

To cope with such changes, an enterprise needs production workers, executives and managers to be flexible enough to keep

abreast of developments in knowledge and tools and even initiate their own research and innovation.

### □ Evolution of science and technology

In the past, progress in the fields of science and technology tended to lead to mass production and larger companies. Today, as Gilder had described, discoveries by microbiologists, microelectronics experts and laser technicians can be marketed and put to profitable use by SMEs. Smaller firms, both new and traditional, are flourishing as a result of recent scientific breakthroughs that have provided them with new materials, products and services as well as the technologies that lend themselves to both horizontal and multi-sector application. The same process is taking place in the fields of robotics, numerically controlled machines, noise and pollution abatement, information and communications technology, office automation and the science and technique of management and decision-making.

Whether SMEs can adapt to change, however, depends to a great extent on the transfer of technology, knowledge and expertise from the centres of innovation; this in turn depends on the efficient organization of the market for the information and knowledge that is of strategic value in the development of innovation. Some SMEs have been set up specifically to exploit the by-products of research and innovation originating in centres or enterprises that make no use of them themselves and do not even arrange for their use by others.



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*The SMEs that have grown up in response to emerging or expanding needs include firms which have come into being in the wake of public interest in ecological issues by offering ways of economizing on energy and raw materials, preventing various forms of pollution.*

□ **Cultural and social evolution**

Various factors have combined to bring about a qualitative change in needs and modes of existence and, according to A. Toffler, they have contributed towards the move away from production on a mass scale.<sup>2</sup> In spite of rising levels of unemployment and underemployment, incomes have been climbing in our countries, with a corresponding increase in the disposable portion that can be spent on goods and services other than food and basics for the home. More leisure, higher standards of education and culture, insistence on the right to be different, the quest for well-being and a better life, the growing demand for artistic and aesthetic fulfilment and a taste for luxury: all these factors have promoted the diversification of products and the quality of goods and services.

SMEs can be more responsive to this market mobility than large companies, as they can adapt their products and services more easily and quickly – one reason for their numerical expansion and diversity. This has been the case, for example, with firms of designers and craftsmen producing on a more exclusive basis, personal and beauty care projects, designers and makers of clothing for individual sporting and leisure pursuits, home decorators or furnishers and specialists in landscaping or the creation of acoustic environments.

The SMEs that have grown up in response to emerging or expanding needs include firms taking over the security of companies and institutions and the safety and movement of people, goods, data and money. Firms have come into being in the wake of public interest in ecological issues by offering ways of economizing on energy and raw materials, preventing various forms of pollution, treating and recycling waste and trying to improve living and working conditions for the community. These SMEs are responding to the needs of what has been christened the post-materialistic society. Small enterprise has also grown up around

the type of work in which women excel. The goods, care and services formerly provided by women in the home are being taken over by firms offering either products, such as pre-cooked meals and catering, or facilities, such as accommodation and health care establishments or help in the home and social services.

A good deal of the incentive for the growth of SMEs has been the arrival of a learning-oriented society whose focus is the production and dissemination of information, knowledge and expertise, a society of audio-visual communication with all the logistical services associated with the production and presentation of programmes, and a recreation and leisure society predominated by activities such as tourism, travel, catering and the hotel trade.

Finally, the unemployment and underemployment of a growing number of young people with diplomas and degrees may be fostering a new class of entrepreneurs and new forms of small enterprise.

Although all these factors work to the advantage of SMEs, their business is often precarious and highly vulnerable, since they operate in a world of shifting consumer habits and lifestyles. When assessing the rise of SMEs, as much thought should be given to the failures as to the successes, since the cost of the former to management and labour alike is far from negligible. The adaptability of the small firm is often achieved at the cost of stability of employment and life in general.

□ **Trends in different forms of enterprise**

Following the wave of takeovers, consolidations and mergers and the vogue for giant



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*When assessing the rise of SMEs, as much thought should be given to the failures as to the successes, since the cost of the former to management and labour alike is far from negligible.*

multinationals and agglomerates, we have now embarked on an age in which companies are being slimmed down, broken up, converted and restructured, with large undertakings being redeployed in SME form. Big companies now merely give orders, set up subsidiaries with separate legal status and call in outside firms on a sub-contracting or cost-plus-percentage basis. On occasions they may resort to outsiders for highly expert services such as searching for an appropriate product or technology, advising on organization or the introduction of computers or providing a legal, financial or advertising service, since one company, however large, can never have every form of specialist knowledge or specific expertise.

Sometimes this recourse to outside firms is associated with the production of accessories and components, assembly work or packaging; in other cases it may be for tasks that are not directly productive such as repairs, tooling, maintenance or transport; and in yet other cases it may be for secondary or auxiliary services such as the cleaning of premises, catering for staff or the supervision and custody of plant.

The proliferation of subsidiaries and externalization of a range of tasks have become possible because large companies have increased their potential for directing and supervising SMEs. They are also due to other factors: SMEs are better placed to obtain Government subsidies than large companies; at the same time differences in the status of workers can be maintained; and individual categories of worker can be isolated from each other.

## New SME activities and training needs

The purpose of vocational training in SMEs, apart from that offered as short-term work experience or to young people in the final stage of their school education, is to supplement basic training and adapt personnel to the tasks they are to be called on to perform. The period of adaptation varies depending on the SME. It is all the more necessary since there are limits to the extent that the school can broaden its range of education, training and qualifications to match the diversity of trades and occupations or the combination of skills and abilities required in industrial or service SMEs. Although a workplace cannot replace the classroom, it is the ideal

place for practical, realistic learning. Once people have been recruited to and integrated in a smaller firm, a sequence of training can be planned to refresh their knowledge and teach them alternative skills.

In-company training may be designed to promote integration<sup>3</sup> and be concerned with individual and group relationships and conflict, divisions and hierarchy; it may be purely job-related and for the purpose of adapting workers to new work stations, jobs and technologies; or it may be linked with promotion, introducing people to new responsibilities. This is a theoretical list and does not take into account the specific needs that arise in individual SMEs or those arising during periods of sweeping changes in their work.

In SMEs whose production is based on traditional, slowchanging technologies for which there is a stable, continuing demand, training courses will be designed to achieve such ends as lowering costs, reducing wastage of time and materials, adjusting working conditions, improving the procurement of supplies, adapting production work to seasonal variations in demand, mobilizing workers in the service of their company and finding out about the regulations and constraints which adversely affect the enterprise.

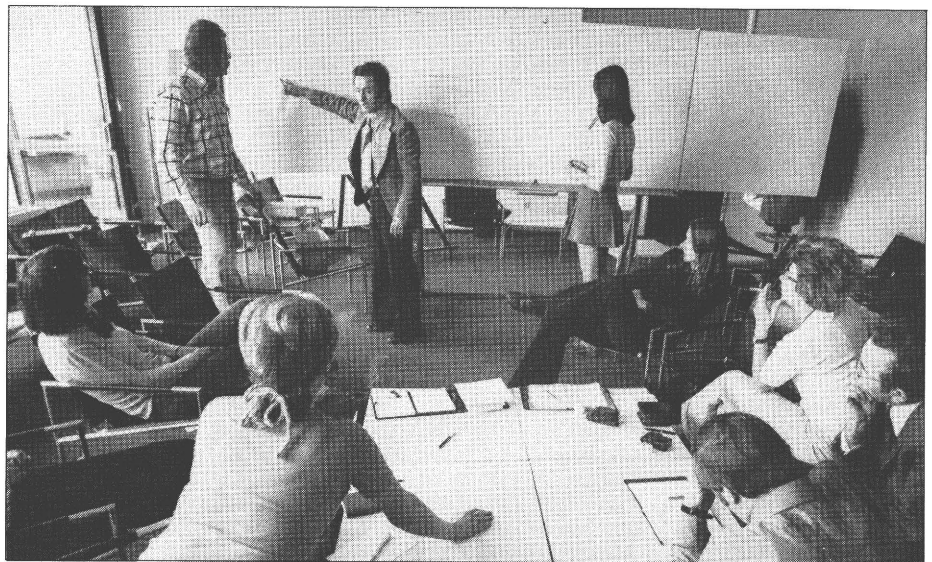
In other SMEs, survival depends on the ability to react to, sometimes even to anticipate, changing demands and to adapt to different customers and principals and their specifications. Success will then be determined by the ability to assimilate and develop knowledge and expertise, to com-

bine them effectively and creatively and to cope with the complexity of tasks. Other firms may have to meet the challenge of a turbulent environment, working to commission or providing one of a set of services coordinated by a main contractor. In other cases, tasks will vary over a period of time depending on raw materials or environmental conditions and variables. To this list of SMEs, characterized by the speed of change for which they must be prepared, can be added the firms whose business is design, creativity, innovation or research in the fields of technology, science, the arts and culture.

In such enterprises subject to the contingencies of the environment, markets and technologies, training will help in adapting products or services to customer demand. It will be given at the time of, or even before, changes to ensure that the enterprise remains competitive.

The performance of such SMEs depends to a great extent on the quality of their work force, its capacity to adapt to change and its willingness to be flexible. Forward-looking SMEs will be more ready to promote quality and will encourage their skilled workers to attend courses, pool experience or join in professional associations.

With all this diversity of needs and the differences in the level of knowledge of their workers, SMEs will have to arrange their own training or seek it on the permanent vocational training 'market'.<sup>4</sup> This assumes that they are well briefed on the authorities and individuals who produce and dispense knowledge and expertise.



*They will be more ready to promote quality and will encourage their skilled workers to attend courses.*

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## Promoting a market for continuing vocational training

All undertakings generate and disseminate knowledge and expertise. The know-how a company produces for itself may be kept for its own workforce or exported to other undertakings to recoup the cost. The larger the undertaking, the better it is at producing its own training for its own internal 'market', which consists of all the training places earmarked for its own workers, whose promotion structure it maps out and whose rotation it organizes. Recourse to external training may be justified when the need is to import new knowledge, for example the information required in launching a new product, introducing a new technology or raw material or entering a different market. The acceleration of change is the reason for the flourishing market in training and transactions whereby knowledge is transferred.<sup>5</sup>

On this market, or quasi-market, the supply side consists of all those individuals and bodies who dispense vocational training. The demand comes directly from the workers, executives and managers, companies and groups of companies in quest of new or complementary knowledge and expertise.

The transactions are vertical if the training is offered by the producer of the equipment or technology, the giver of a patent or production licence, the main contractor or principal for the benefit of sub-contractors, or a research institute or centre devising and offering training programmes, such as trade and professional bodies and associations, employers' federations and chambers of commerce.

Horizontal transactions include the pooling of experience and joint sessions for companies in the same sector or, if the competition between them is too fierce, from different sectors.

The growing number of schemes on the training and information market, the diversity of those who arrange and dispense training and the plurality of educational procedures indicate the scale of the problems faced by SMEs and also the need for agencies to act as intermediaries between supply and demand, helping employers to identify their training needs and establishing contact between the promoters and producers of new manufacturing or management techniques or know-how and potential users.

Various internal factors explain the tendency among SMEs to invest too little in training, even though – as O. Gelinier points out – outlay on training brings in a twofold return, for the workforce and the employer.<sup>6</sup> In our troubled environment and long-term economic crisis, SMEs need training more than ever before if they are to remain competitive and profitable, but in practice they often restrict it to adapting workers to immediate tasks within the workplace. Their reluctance to invest in human resources is due not only to the cost of the training effort but also to the time it takes to reap the benefits in terms of higher output and profits.

Although it is to the advantage of SMEs over the long term that their workforce should be adaptable and have polyvalent skills, they may be afraid that once the skills have been imparted their employees may move to other companies, which will be all the more willing to offer higher wages since they do not have to foot the training bill. A small firm, then, will train only if it can be sure that, once trained, personnel will stay on and help the firm to recoup the cost of the effort deployed.

In addition to these recurring difficulties, SMEs face the effects of what seems to be an endless recession, as well as the fact that they operate on evolving markets where it is hard to plan or budget because training needs and sequences are not easy to predict.

In view of these reasons for under-investment, the inference might be drawn that a 'training market' should be encouraged and organized to serve new and traditional SMEs.

This raises the fundamental issue of whether the training market should be left to its own devices or whether, on the contrary, the Government should step in and subsidize, regulate and coordinate ventures, or whether the two solutions should be combined.

In practice, it is as if such specialization already existed. On the one hand, the Government provides the resources for the vocational integration of young employed and unemployed people as well as for the retraining of adults and their job mobility. On the other, private agencies offer made-to-measure training courses, whether or not these are subsidized out of the public purse or paid for by competing or rival employers.



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*There is also the fundamental issue of whether the training market should be left to its own devices or whether, on the contrary, the Government should intervene.*

There is also some specialization according to the level of employment for which the training is designed. It is more likely that the cost of training SME managers or those about to set up small firms will be borne by the private sector, for instance banks or management training centres which, depending on their resources, can offer expert advice, modern management and communication tools, data banks and sources of documentation. The cost of workforce training that does not reflect the specific needs of SMEs is often borne by the Government, especially when it refuses to provide the company with the resources it needs for training.

Is this compartmentalization really desirable or effective? In the opinion of some people, among them O. Gelinier, the market solution is bound to prevail because experience has shown that over the long run private training bodies are more flexible than public schemes, which are more likely to be bogged down. According to Gelinier, students from private centres are more likely to find employment. Nevertheless, their courses are more expensive and admission is more selective than in open centres set up or financed by the authorities in colleges or workplaces – although more

often than not public and private adult training courses are established outside schools and colleges, which does not encourage those colleges to adapt quickly to change.

Although some people think that a free training market is the right solution, others feel that the Government should not shirk its responsibilities for the coordination or encouragement of private initiative or for the organization of continuing vocational training for the benefit of SMEs. SMEs have to contend with changing consumer habits. They operate in an environment that requires people and companies to be flexible and above all demands mobility of labour and capital as a result of the high rate of failure among companies: it is a feature of the SME sector not only that many new firms are set up but also that many go bankrupt and close down. This being so, the fundamental problem of continuing vocational training – a problem for both employers and the workforce – may lie in

the difficulty of matching it with a succession of changing demands that reflect the shifting pattern of consumer behaviour.

## Conclusion

Although market constraints are useful in that they prevent training establishments from losing sight of the requirements of SME employees and employers, it is clear that the reasons that have induced the Community and national governments to support SME research and development are also good reasons for their intervention in the training of shopfloor workers, executives and managers, both existing and potential. Without such support, SMEs will be unable to contribute fully towards renewed growth.

In this respect, the role of the Community and Member States should be to encourage and complement the training market.

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# Training and educating the small firm manager: new approaches

*Gabrielle Haskins*

*The success of small and medium enterprises depends largely on management standards.*

*This article describes experience gained from a number of initiatives in various Member States of the Community designed to maintain and improve the professional capacity of managers in small and medium enterprises.*

'Getting small businessmen to management training courses is reminiscent of selling refrigerators to the Eskimos, or shoes to the Africans.' So wrote a respondent to a recent questionnaire survey of small business management training activities among member institutions of the European Foundation for Management Development (EFMD).

This is, of course, not altogether surprising. Many small businessmen have had comparatively little formal education. And indeed, what education they have had may well – viewed in retrospect – seem imprac-

tical, uninspiring and totally irrelevant to running a small firm. Understandably, therefore, they tend to attach far more importance to on-the-job training than to courses. Moreover, if they have attended some management courses, these may well have appeared too 'big business' in focus, too academic and theoretical in the teaching methods used, too orientated towards producing bureaucratic and risk-averse attitudes rather than towards nurturing entrepreneurship and creativity.

Despite these challenges and implicit criticisms, a number of management training programmes geared specifically to the needs of small firms have and are being developed. Furthermore, research has shown that such specially designed assistance can be an important tool in aiding small firm managers to explore their firm's potential for development more fully, to recognize their own strengths and weaknesses and to overcome a number of actual and/or potential business problems.<sup>1</sup> The following paragraphs will describe some recent and seemingly innovative initiatives together with some of the more well tried and tested programmes and approaches, included because of their possible adaptability from one country to another. Apologies are made for a relative lack of inclusion of examples from chambers of commerce and crafts and for a concentration on the activities of business schools, particularly those in the UK. This is because the major source of information has been a survey of the membership of the European Foundation for Management Development.

## Educating the existing manager

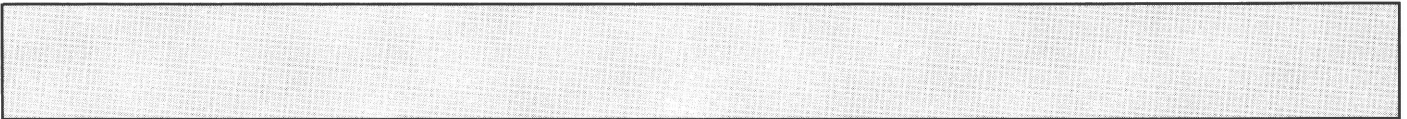
Given the difficulties mentioned above, what is required for programmes for existing small firm managers to be successful?

### *Key to success*

Key ingredients would appear to include: *practicality*, a focus on practical examples, particularly the specific problems and opportunities of the course participants; *participation*, the creation of an atmosphere that encourages the participants to get to know each other and to be willing to share their ideas and problems – thus course numbers should not be too high; *accessibility* courses should be held locally or at easily accessible regional locations and at times convenient to the buy manager; *modular organization*, in short discrete blocks to permit testing and implementation of the acquired knowledge; *integration* – where possible an integration of course training with information, advice and counselling services (particularly in the interim periods between course modules); *low cost*, probably subsidized, programmes (although there is not unanimity of opinion on this point); and, *carefully selected faculty* – of particular importance is the need for teaching staff to communicate with the small firm manager, build up relations of trust and listen, not just lecture.

Examples of courses adhering closely to these criteria are various programmes in Norway, Sweden and Denmark based on

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Key to success.

the Swedish Employers' Federation's well-known manual, *Look After Your Firm*, which enables the user to pinpoint the strengths and weaknesses of his business and himself. The Danish Employers' Confederation's School of Small Business, for instance, offers a one and a half day programme spread over a three-week period at a subsidized fee of DKR 650 (UKL 45). The same school also organizes a *basic management course*, locally run one afternoon per week over a five-week period for a maximum of 16 participants at a subsidized fee of DKR 1 050 (UKL 70). Practical and down-to-earth in approach, this course deals with the following questions:

- What does the company base its activities on? Is the basis, the idea behind it, strong enough to bear it?
- Should it be selling other products or services – or should it be marketing its products in a different way?
- Is the financial side under control – is it making money, and where do the profits go?
- What are the functions of management and what style do the various types of managers use? How do you motivate employees for the benefit of both parties?<sup>2</sup>

More expensive (LIT 1 500 000 – UKL 630), but attracting some 30 participants on the first two occasions offered to date, is the *Corso di Sviluppo Imprenditoriale* at Bocconi University in Milan. Both the course content and the case materials used are based on interviews with entrepreneurs in

the nearby region. In line with their demands, its three modules cover:

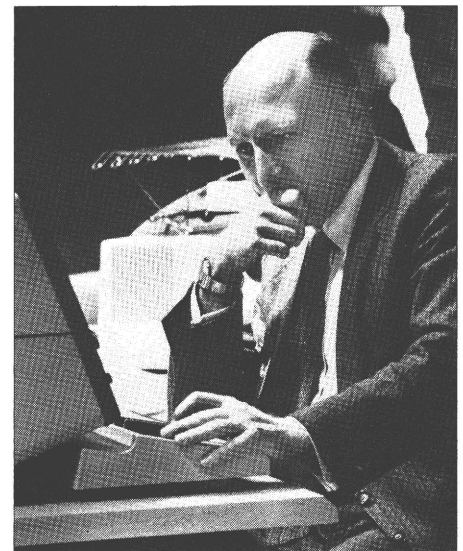
- causes and signs of success and failure;
- improving short/medium-term results;
- medium/long-term performance and how to improve it.

### Business development

Increasing attention is being paid to the need to encourage small firm managers to take a somewhat systematic approach to business development. The Irish Management Institute's *Business Development Programme* (BDP), for instance, is now in its fourth session. This carefully planned 18-month programme stresses the need not so much for skill development as for a change in *attitudes*. Attitude change requires time and, as a result, the BDP is of 18 months' duration. The format is a two-day residential workshop each month, emphasizing experience-sharing and the use of participant company models. A primary aim is to get the entrepreneur to draw up a development plan for his/her company. The residential aspect is seen as very important in getting the participants to know each other well and therefore to be willing to share information. Also important is the appointment of counsellors to work with the participating entrepreneur one day each month in his/her company: 'not acting as a management consultant but rather as a *catalyst* to listen to the entrepreneur and to bounce ideas around'.<sup>3</sup>

Not surprisingly this course is very costly, requiring sponsorship (above the course fee of UKL 1 800) to the tune of some IRL 100 000 (± UKL 80 000) each time it is run. However, demand for places on the course has consistently outstripped the number available. In addition, a notable development is that past participants are now beginning to sponsor future courses, albeit in a modest way. Also significant is the fact that the programme is now being franchised elsewhere in Europe, specifically in Austria.

Small business management training centres in the UK are also paying increasing



Small business management training centres in the UK are also paying increasing attention to the business development area.

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attention to the business development area. Staff of the Durham University Business School (DUBS) have recently developed a *Be Your Own Boss Growth Kit* as an accompaniment to a TV series run by the National Extension College on the same topic. In addition, the UK Manpower Services Commission is sponsoring a number of subsidized *Growth Programmes*. At DUBS, this programme starts with six two-day sessions each fortnight over a 12-week period followed up by counselling and occasional workshops for peer group exchange over the following year. Its objectives are to help participants to clarify

- where they are;
- where they are going (their ideas for growth); and
- how to get there.

To increase the programme's effectiveness, DUBS is linking it to another MSC subsidized programme, the Management Extension Programme (MEP). Run in several UK management training centres as well as DUBS, the MEP is directed at unemployed managers from large companies and involves training them as counsellors for small firms – in the DUBS case, efforts are made to link these counselling assignments to the needs of the owner managers who have or are participating in the Growth Programme.<sup>4</sup>

## Counselling

Counselling, it has been suggested, is an important component of the training of the small firm manager. If this is the case, what form should it take? By and large, most small firm counsellors would seem to be in agreement with the statement above on the Irish BDP that the counsellor should be a catalyst rather than a consultant; a listener helping to stimulate self-reliance and independence; helping to assist the small firm manager in appraising his own situation: 'help for self help', as the Germans say.

## Exports

Export development is another topic on which a number of programmes have and are being developed specifically for small firms. Ulster Polytechnic, for instance, runs (over a 12-month period) a *Small Business Export Development Programme* designed to enable local firms to develop export markets. In Portugal, pending the country's forthcoming entry into the European Community, COPRAI (the productivity department of the Associação Industrial Portu-



*Counselling, it has been suggested, is an important component of the training of the small firm manager.*

guesa) is running courses on penetrating EEC markets.

In several of the Scandinavian countries, where exports have always been critically important given the relatively small local markets, government-sponsored *Export Manager for Hire* programmes are offered. Typically, these offer small firms the opportunity to use (at a subsidized rate) the services of an export specialist as a consultant/counsellor for up to 60 working days to analyse potential markets and develop export plans.

## Education for start-ups

With unemployment at unprecedented heights, increasing attention is being paid to programmes and advisory services to assist the potential entrepreneur, to help small firms start-up.

To these ends, several manuals have been developed over the past two years: the Dutch workbook *Een Eigen Bedrijf Beginnen* (published through a group of banks, ministries and specialist small-business organizations); the West German Bundesministerium der Wirtschaft's *Start Hilfe*; and the UK's *Be Your Own Boss Start-Up Kit*, published by the National Extension College and the forerunner of the Growth Kit mentioned above.

## The UK experience

In the area of start-up training programmes, those in the United Kingdom would appear to be the most tested and well developed. For some years now, a number of start-up courses have been offered through the UK national government's Manpower Services Commission at business schools and management centres throughout the country. Included among these are:

- **The New Enterprise Programme (NEP):** for people wanting to start up their own business. Each programme lasts 16 weeks and involves 16 unemployed participants. (Participants receive standard training grants and help with expenses incurred in the training.) During this period, every participant undertakes a feasibility study of a new business idea and begins, if appropriate to implement it on a commercial basis.
- **Small Business Courses:** for those wishing to start smaller scale businesses than in the NEP, perhaps employing the family only. These are generally between six and ten-week, full-time courses: for instance four weeks of lectures and six weeks' project work. Student numbers range from about 12 to 16.

■ **Cooperative Enterprise Programmes:** typically of four months' duration and through which potential founders of producer cooperatives may examine the feasibility of their ideas, acquire basic management expertise and begin trading. As with the NEP, there are typically 16 participants in all with each cooperative represented by two participants.

■ **Skill into Business:** a 10-day programme for skilled or semi-skilled unemployed workers who wish to explore the possibility of using their skill to work for themselves.

Several of these programmes boast good success records. For instance:

■ At the Scottish Business School, 'The NEP has completed five programmes and is currently in its sixth. Fifty-eight people have completed the programme, and started 38 companies, employing approximately 200 people at the last count'.<sup>5</sup>

Upon what does this success depend? What areas should small business start-up courses emphasize? Among those that have run these courses in the UK, it seems broadly agreed that emphasis should be placed upon the skills needed to develop an idea into a business including: idea-finding and validation; market identification, approach and entry; proposal development; costing and finance identification; and the basic systems, contracts and statutory requirements necessary to start and survive in business.

Similar courses have been developed elsewhere in Europe, e.g. in Denmark, Finland, Holland and Sweden.

Two other recently developed start-up courses in the UK also merit mention. The first, a one-day course (fee UKL 25) developed by the Polytechnic of Central London, centres on the critical need to *Find the Right Business Idea*. When offered for the first time in May 1983, the course apparently met with a spectacular demand.

The second course, recognizing the inherent, but often overlooked potential of women as entrepreneurs, is called *Women in Management*. With the assistance of the Manpower Services Commission, it is being piloted at the University of Aston's Management Centre and aims to develop a practical understanding of the kinds of work managers do, build up skills in these areas of work and assist course members to develop new business ideas and to put them into practice.

## Other initiatives

While the UK would appear (at least at first glance) to have had the most experience in start-up courses, a number of initiatives are under way elsewhere in Europe.

Three particularly interesting approaches would seem to be:

■ The *Entrepreneurs' School*, developed by the Swedish Management Group (a subsidiary of the Swedish Employers' Confederation). Through this initiative, new ideas and entrepreneurs are systematically sought out in large firms and then trained and helped in the start-up process.

■ A new course for would-be *High Technology Entrepreneurs*, recently designed by the Shannon Development Corporation in Ireland in cooperation with the National Institute for Higher Education. Run two evenings weekly over a six-month period, the course is aimed at middle and senior managers with the object of getting some of them to start firms in the high technology area.<sup>6</sup>

■ The seemingly sophisticated *Création d'Entreprise* programme offered both at Centre d'Enseignement Supérieur des Affaires (CESA) in France. Some 12 programmes have been organized over the last six years leading to the creation of 105 enterprises and 1 000 employees. The high success rate is thought to derive particularly from the candidate selection process which requires candidates to prepare written descriptions of their projects (including information on their own personal background, product/market and financing proposals and information on progress to date) and, if this is approved, to attend a lengthy two to three hour interview.<sup>7</sup>

## Basic education

Several of the start-up programmes mentioned above would appear to indicate that 'education for entrepreneurship' is indeed possible or, at least, that well-designed educational programmes can enhance and develop inherent entrepreneurial qualities. If this is the case, and if small firms can indeed play an important role in economic rejuvenation, should not 'education for entrepreneurship' start early? Should it not be integrated to primary and elementary schools curricula? Are not our basic educational systems far too frequently geared

towards bureaucratic desk jobs and too infrequently towards the practical and creative.

One interesting initiative designed to overcome these criticisms is presently under way at the Durham University Business School in the United Kingdom. Sponsored by a large company, British Steel Industries Ltd, the aim is to produce 'enterprise' materials for use in schools and youth vocational training colleges. As its title 'Education for Enterprise' suggests, the object is not to produce another 'small business' course, but rather to use the simulation of a business to systematically develop 'enterprise' abilities including creativity, imagination, independence, achievement orientation and analytical approaches.

The stimulation of these types of abilities – of entrepreneurial *attitudes* – is particularly important. Traditional training approaches focusing on subject areas (accounting, finance, marketing, selling, etc.) are insufficient if the climate, culture and entrepreneurial spirit so necessary to a successful small business sector is to be developed.

As this brief article has tried to show, a good deal is going on. But if training can indeed benefit existing and potential entrepreneurs, more is needed. From an early age, children need to be taught to view a career as a small businessman as being every bit as worthwhile as that of a doctor, lawyer or teacher. Undergraduate and postgraduate business degree courses (the MBA, for instance) need to be reassessed: by and large, the training provided is still very much oriented towards employment in a large company. As yet, no European university offers a business degree specializing in entrepreneurship.

More is also needed to assist the development of small high-technology firms. Generally, management trainers are still insufficiently informed and up to date with technological development: more 'training for trainers' is required if they are to be able to advise, train and counsel effectively in this area. More well-promoted growth programmes are also required: programmes aimed at combating the high death rates of small firms, particularly after one to three years of operation.

And perhaps much more thought needs to be given to the methods used for getting small business training to the small businessmen. Conventionally organized courses are one approach: however, increasing

attention is and should be given to other mechanisms – small business clubs, radio shows, phone-ins, TV programmes, distance learning, video and so on. Only a very small percentage of the market (in some countries probably less than 1% is being reached at present: a whole variety of innovative and creative promotional tools and teaching methods needs to be developed.

There is perhaps no better time than today's challenging economic climate to do this: to build upon the many interesting initiatives that have already begun, to augment and

improve existing counselling and training programmes, and to develop, and continuously monitor the new training skills, approaches and programmes required.

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- <sup>2</sup> OLSEN, OLE M.: How to Help Running Small Businesses, conference paper, EFMD European Small Business Seminar, Lille, 1982.

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<sup>5</sup> BAKER, MICHAEL: New Programmes at the Scottish Business School, EFMD Journal *International Management Development* (IMD), spring 1983.

<sup>6</sup> CURTIN, TOM: Now You Can Learn How to Be a High-Tech Entrepreneur, in *Management* (Journal of the Irish Management Institute), July/August 1983.

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## Experiments

Vocational training undoubtedly has a significant part to play in promoting the creation and supporting the development of small and medium-sized enterprises. In October 1983, CEDEFOP and the Commission of the European Communities held a seminar in Luxembourg on the *problems of vocational training in small and medium-sized enterprises*.\*

Commissioner Ivor Richard, opening the seminar, stressed the importance of SMEs in the economic context of the Community today. One of the main problems is how to give them every possible support to facilitate their creation and growth. Mr Richard referred to the experimental actions that have been launched within the Community

in an attempt to promote a European infrastructure for innovation.\*\*

Professor Burkardt Lutz, the Director of the Munich Institute of Social Research, introduced the working group session with a technical report in which he outlined the backdrop against which the issues of vocational training implementing policies of support for SMEs should be viewed.

The working groups concentrated on the following themes:

- initial training in SMEs;
- continuing training in SMEs;
- continuing training of SME executives and managers;

the role of training in the setting up of SMEs.

The debate on these subjects was introduced by a report on certain *experiments* by agencies and institutions operating in Member States.

For fuller information on the seminar, the reader is referred to the *proceedings* to be published by CEDEFOP, but we feel that it may be of interest to publish some of the papers describing the experiments presented in the seminar.

\* Leader of the seminar, representing CEDEFOP: Mr Georges Dupont.

\*\* See article on the 'financing of innovation' in this issue.



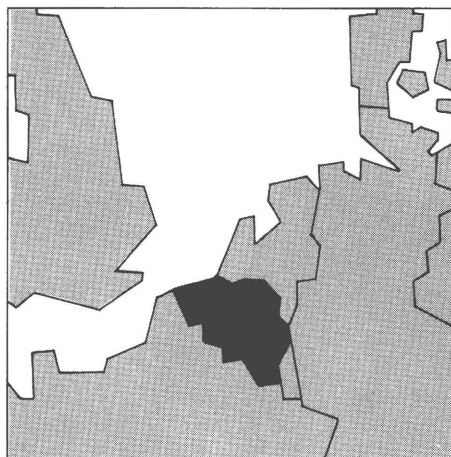
Seminar on 'Vocational Training in Small and Medium Enterprises' Luxembourg, October 1983.



## In Belgium

### New manpower for SMEs

*Pol Debatty*



The year that has just ended was the year of small and medium-sized enterprises. It was also the year of alternance in the field of vocational training for young people and adults, although the event spilled over the year. The alternation of learning in the school and workplace is a response to the concern of teachers to ease the transition between school and working life and the desire of employers to make the move as brief as possible and obtain an immediate return from their investment in newly recruited personnel.

This is a particularly acute problem for the heads of small and medium-sized enterprises, the SMEs, and their staff, whose internal training resources are limited by the lack of technical and teaching expertise.

It is a problem that arises in all industrial countries, although some have fewer winning cards than others. Belgium is one of the countries at a disadvantage, for many reasons:

□ The minimum school leaving age was raised to 15 in 1983 and is being stepped up to 16 in 1984 and 17 in 1985. As a result, about 40 000 young people will be kept in the classroom who are reluctant to be there. The authorities in Belgium intend to make the workplace a location for training and to use alternance between school and workplace as a training system for the 15 – 18 age group.

□ Leaving aside the 2.25% of Belgian companies with a work force of more than 100, almost all Belgian enterprises are small or medium-sized and are incapable of providing vocational training out of their own

resources; they have to call on outside facilities set up by the Government, local authorities and trade associations.

□ Since 1977, companies with a workforce of 50 or more have been under an obligation to take in a number of young trainees, equivalent to 3% of their workforce, for six months to a year. There are now 36 000 such full-time or part-time trainees. To swell this group, there will be the 40 000 pupils in their period of alternance training and a very large number of students in their last year of secondary education and final year of higher education for whom a period of work experience is essential in qualifying for the diplomas certifying their skills. This population of nearly 100 000 will be equivalent to almost 5% of the total workforce of enterprises employing more than 50 production and non-production workers, and their integration and the management of their instruction create a major problem. It was only natural, then, that the authorities should have looked to the SMEs, of whom there are so many, for help in broadening training efforts. At the same time, the authorities hope to back those efforts by action to promote employment.

□ Finally, it is now generally held that the only sector in which there will be a steady growth in employment will be in the SMEs, although the view is not always borne out in practice. This idea is still used as the starting point for many official measures designed to extend the action launched in larger companies to small businesses, often through the issue of regulations and allocation of relatively substantial funds.

The colloquium organized jointly by CEDEFOP (European Centre for the Development of Vocational Training) and

the European Economic Community in Luxembourg last October afforded an opportunity to present two such schemes in Belgium. One was introduced by the adult vocational training agency, Formation Professionnelle des Adultes (FPA), the other by the national employment board, Office National de l'Emploi (ONEm). Let us outline these schemes.

### Training of SME managers

A twofold observation provided the impetus for the scheme: the small firm is reluctant to use the services of staff with a higher level of education and training; and a person with higher education looking for employment is not prepared to work in a small firm or even a medium-sized company.

How can these two worlds be brought together and their interests merged? How can the small firm be persuaded to employ a new kind of person who would bring fresh and invigorating blood into the enterprise? How can someone embarking on a career or seeking a new job be attracted towards the management of a small or medium-sized concern?

The courses started up in 1978. On the French-speaking side, they took place in Brussels, Liège, Charleroi and Mons. On the Flemish-speaking side, they were held in Brussels, Ghent, Antwerp and Hasselt (Belgian Limburg). Tables 1 and 2 give a breakdown of the 361 SMEs and the 373 jobseekers covered by the French-speaking part of the scheme as of this time. It will be noted that 80% of the firms employ fewer than 50 people and come within the defini-

# Dossier

tion of small industrial or commercial enterprises.

Three-quarters of the trainees had no working experience in SMEs. Their ages varied considerably: the intake ranged from young people fresh from school or university to engineers and economists (the largest group) and mature job applicants, mainly former executives in large enterprises who had been made redundant.

The method of training was alternance. The theory was taught in specialist regional centres and applied in SMEs. The procedure was as follows:

■ Consultants operating at regional level and in close contact with SMEs working on interesting projects (new products, reorganization, an export drive, the introduction of information technology to production or management work, etc.) sought out SMEs that might take on a trainee.

■ ONEm departments, in liaison with the consultants, briefed and selected job applicants (engineers, economists, graduates in informatics and redundant executives, etc.) whose profile matched that of the staff needed to implement the projects being developed by the SMEs.

■ The jobseekers first attended a course preparing them for the planning and implementation of the projects (four weeks' theoretical instruction in commercial, financial and personnel management, informatics, etc.).

■ Each trainee went to a firm to work on a project for four days a week over a ten week period.

■ On the fifth day of each of the ten weeks, trainees returned to the training centre for a joint review of their projects and any additional training that experience had shown was needed.

■ At the end of the practical period, the trainees, trainers and heads of SMEs met for a joint assessment of the results of the courses and progress with the projects.

The main focus of this assessment was the outcome of the training process itself, which was very much tailor-made and designed with due allowance for the trainee's vocational profile. In the case of some trainees, it provided them with an opportunity to make good use of the knowledge and expertise they had acquired at university or in previous job experience. For others, for example the engineers, it provided their first contact with, or an opportunity to



*Once the period of computer euphoria – amounting in some cases to a craze – subsided, SMEs realized that it was not enough to buy hardware; they also needed to invest in new staff who could put the information technology to optimum use.*

discover more about, company management.

For the ONEm officials, the placement of trainees was equally important, and the results of the courses were often summarized by statistics on placements and jobs created in the host SMEs or in other SMEs with which the trainees had been in contact during the scheme (62% of cases).

## Programmers/analysts for SMEs

The scheme developed in host SMEs is often linked with, if not explained by, the introduction of new technology, essentially informatics, to production, administration and company management.

Once the period of computer euphoria – amounting in some cases to a craze – subsided, SMEs realized that it was not enough to buy hardware; they also needed to invest in new staff who could put the information technology to optimum use through software applications at every level, including management level.

Computer manufacturers themselves sounded the alarm, warning their SME customers against rushing in and buying sophisticated hardware without the staff to realize its potential and make it earn its keep.

ONEm took advantage of the situation and helped these manufacturers and their cus-

tomers in the quest for computer programmers and analysts with the specific training to support SMEs in the computerization of their day-to-day work.

Since it was in the interests of all the parties concerned, a strategy similar to the SME managers scheme we have already described was developed in conjunction with the computer manufacturers, which placed their training centres and specialist trainers (plus their customer files) at ONEm's disposal free of charge.

The operation was also launched in 1978 and is still going on very successfully in various regions of Belgium, with the training base in Brussels.

We have been unable to give a breakdown of the SMEs involved by size and nature of their business, as we have done in the case of SME managers (Table 1). This is because the normal practice is for trainees to be seconded to various firms during the practical period or perhaps to work as a team under the leadership of an established analyst. Furthermore, the practical course in such cases takes longer, in some cases lasting up to five or six months.

The restriction regarding the vocational profile of trainees in the course for SME managers was less relevant here, since the training provided in this course assumed no prior knowledge of the subject, although the trainees themselves had a higher standard of education. The course was designed

to teach them an entirely new skill. These jobseekers had already been employed as engineers, economists or teachers of many subjects, but they wanted to embark on a new career in a working environment for which they had not been trained.

Three-quarters of the trainees were under 30 (Table 3) and had no experience of working in SMEs. Their theoretical instruction, then, was basic training rather than refresher training or retraining. Nevertheless, with trainees of this calibre who had also undergone very rigorous screening by the computer manufacturers themselves, the results could hardly fail to be excellent in every respect, including placement.

Right from the start of the projects, apart from an occasional failure due to personal problems, all the trainees of this type acquired a training and found jobs for themselves.

Here again, alternance between the training centre and companies proved to be an effective method of basic and more advanced vocational training.

## Rounding off the training in SMEs

One factor common to the two cases described is the nature of the target population of jobseekers. They are people who already have a high standard of education and training, acquired either at school or through working experience. For SMEs, then, this new staff is a special investment, if only because of the status they bring with them.

Similar trials have been conducted under different circumstances with a more traditional type of staff for the secretarial, administrative and bookkeeping work of companies.

The jobseekers are halfway through or nearing the end of a conventional vocational training course organized by the ONEM agency, Formation Professionnelle des Adultes. They tend to have left school at the end of their secondary education with or without a school-leaving diploma and to have trained for secretarial work (as secretaries, shorthand typists, coding clerks, etc.) or accounting (mainly as bookkeepers).

Once these trainees have acquired a measure of theoretical skill, they can apply that skill

on the job, often in a smaller company where they can be put to work on a greater variety of work to perform rather than the same routine tasks. This supplementary or final training may last up to four weeks in one SME, and it is not unusual for a trainee to be then taken on by the host company, although the main objective of the operation is to provide an opportunity for putting theoretical knowledge to practical use.

In Liège, for example, in 1983 more than 10% of such trainees stayed on with the SME in which they spent their work experience period and almost as many found employment as a result of being recom-

mended to a colleague by the head of their SME. This system of alternance between training centre and SMEs is to be extended in 1984, at least to all trainees without work experience.

Under the third of the three schemes, the *financial investment* in training is small, since it consists of no more than an allowance paid to the trainee, one benefit being that training centres can offer facilities to a larger number of applicants. With the two other schemes we have described, the problem is somewhat different.

It costs BFR 101 500 (DM 5 078) to train an SME manager. This outlay is for theoretical

**Distribution of SMEs and trainees in French-speaking region (SME management)**

**Table 1 – Small and medium-sized enterprises (361)**

Sector	Workforce				%
	0–10	11–50	51–100	> 100	
Industrial	8	122	33	26	52
Commercial	30	42	6	3	22
Service	32	37	6	1	21
Other	3	13	—	—	5
%	20	59	12	9	100

**Table 2 – Trainees (373)**

Experience	Age				%
	< 25	25–30	30–40	> 40	
No experience	52	22	—	—	20
No SME experience	14	94	43	50	54
With SME experience	4	10	35	49	26
%	19	34	21	26	100

**Table 3 – Distribution of 'programmer/analyst' trainees in French-speaking region (364)**

Experience	Age				%
	< 25	25–30	30–40	> 40	
No experience	28	51	3	—	28
No SME experience	25	88	75	11	51
From teaching profession	11	36	12	—	15
With SME experience	4	15	5	—	6
%	25	48	24	3	100

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instruction, sub-contracted to specialist regional centres (24%), *per diem* allowances paid to trainees (59%) and fees to consultants for seeking out SMEs, defining the scheme and monitoring trainees' progress (17%). The cost of training a programmer/analyst for work in SMEs ranges from BFR 112 000 to BFR 167 000 (DM 5 600 – 8 350) depending on the duration of the practical part of the course. This consists solely of the allowances paid to trainees, since the computer manufacturers do not charge for the services of their trainers.

In assessing the results of the schemes, a distinction must be made between the training objective and the placement objective.

Some SMEs are valuable training grounds in that they offer scope for interesting

research but cannot offer any job opportunities, while others may be more conventional in terms of the training projects that are feasible (the introduction of information technology) but can provide employment.

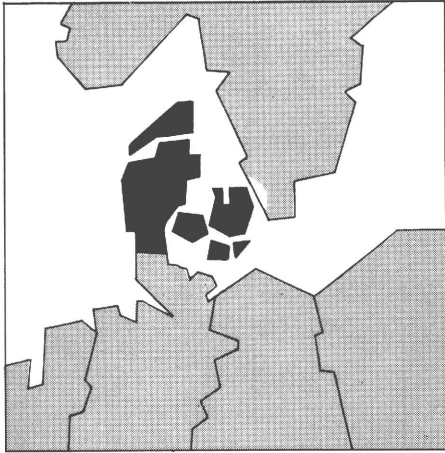
This is the reason for the high success rate in placing programmers/analysts (95% to 100%) and the more modest success in placing managers in PME's (60% to 70%, depending on the region and year).

The fact remains that this combination of training and placement objectives, together with the obligation of finding work quickly for as many people as possible, sometimes makes it difficult to choose between SMEs, a growing number of which would like to take part in the schemes.

It is a matter of regret that so few women apply for this kind of training. Only 18% of the programmer/analysts and 12% of SME managers are women, even though women outnumber men two to one in the group of job applicants with a higher standard of education and training.

One final comment: the authorities are displaying great interest in the arrangement. New regulations are now being brought out to extend the use of SMEs as training grounds and as areas of job creation. These regulations are embodied in what is to be Royal Decree 123, which the Ministry of Employment has just completed.

It may be assumed, then, that the arrangement that has been developed will now be broadened and come into even wider use.



## In Denmark

### Business start-up courses in Århus County\*

*Niels Ravn*

Purpose of the project: To provide those starting up in business with a better basis for their new activities. The target group for the project is people who are thinking of starting their own manufacturing or craft business in Århus County.

#### Project-description

There is no specific training for new businessmen in Denmark; nor are any special requirements imposed regarding special training for new businessmen – except for certain chartered professions. This is perhaps the reason why the failure rate among new businesses is very high. However, the failure rate can be reduced by ensuring that those who are starting up in business for the first time are better prepared to run their own business. The failure rate can be reduced also by making a selection from amongst the new businessmen, weeding out the worst.

Many authorities and organizations have become active in the business start-up sphere in recent years; but their efforts are often uncoordinated with other measures, making it difficult for the new businessman to get his bearings. The work has been much better coordinated in Århus County than in the rest of Denmark, thanks to the active role played by the county-borough authority.

\* The project is financed by Århus county-borough authority and by the Technology Council.

NIELS RAVN, Iværksættercentret, Jutland Institute of Technology, Århus.

In 1979 cooperation began between the authority and the Jutland Institute of Technology, in conducting a business start-up course, and since then 25 courses have been held in different places in the county, the number of participants in which has passed the 500-mark. The county-borough authority set up, in 1981, a special business start-up group of four persons who have been coordinating new-business activity in the county in close cooperation with the Jutland Institute of Technology.

Business start-up courses are held over a week-end and on four single evenings with a one-week interval between them. The courses have to be held outside normal working hours, because the majority, by far, of the participants have a job to attend to during the day. However, the county has held special daytime business start-up courses for people not in gainful employment.

The courses are held in the larger towns in the county, as local involvement has proved to be most effective. The participants are required to meet a local group of trainers on whom they can draw when their new businesses are actually being established.

The courses are announced informally in the local weekly newspapers and they also get editorial mention in local dailies where possible. The different courses are usually heavily over-subscribed and we therefore have to make a selection on the basis of the information contained in the enrolment forms. It is considered important to include people who have a craft or manufacturing business and we also take into account age, experience, trade or branch of industry and the financial situation of the business-starters. Participants must not previously have

had a business of their own; but it does not matter if the business is being run on a spare-time basis.

Not many women enrol on the courses and most of those who do are wives helping in their husband's business. If several people are starting a business together, we like to have all of them on the course.

When the selection has been made, those who have been weeded out are informed of their rejection in writing; but this notification is always accompanied by an offer of individual advice from the county's business start-up group.

The Jutland Institute of Technology undertakes to lead the different courses, instruct teaching staff and deal with any practical problems. The local teaching staff who are to take part consists of a lawyer, an accountant, a salesman, a local bank representative and a successful, local business-starter.

The 15-20 participants on the course meet the trainers for an overnight stay at an hotel, from 6 p.m. on the Friday evening until after breakfast on the Saturday. This stay gets participants and trainers together and 'breaks the ice', so to speak, producing a very open and trusting atmosphere during the remainder of the course and enabling the instruction to take its starting-point from the special problems of the individual participants.

A start is made with lunch, followed by a film on business-starters, prepared with the support of the Technology Council. The successful, local business-starter is then in the 'hot seat' and talks about his own problems in starting and running a new business; then, after a round of questions,

# Dossier

the trainers introduce themselves and the evening ends with a light meal and an informal get-together.

On the Saturday morning, the participants are interviewed thoroughly concerning their plans. A relaxed atmosphere is created at this time, so that the individual participants are not afraid to talk about their financial and personal circumstances. The purpose of the interviews is to ensure that the trainers are able to take individual considerations into account in their instruction later on; but they also enable us to select two of the projects to work on outside the course-situations (more about this later). After breakfast, the participants go home, taking with them special instructional material, which has likewise been prepared with the support of the Technology Council. The material is written in down-to-earth language and is interspersed with a number of informal illustrations. It is divided into sections corresponding to the respective areas of instruction given by the different trainers.

When a good week has elapsed, participants and trainers meet again, from 6 p.m. to 10 p.m. The main subject is law and the lawyer discusses forms of legal liability and types of businesses, etc. The following week, the accountant and the bank representative are in the 'hot seat' for questions, etc., the most important topics being those such as budgets and credit-worthiness. The third evening is devoted to marketing – one of the most difficult areas for a new business – and the final evening is for discussion of assistance-schemes for business-starters, but the main item is the two previously-selected projects, which have been prepared outside the course by the accountant, with the necessary support from the lawyer and the salesman. Specifications and descriptions, sales plans and budgets will have been drawn up and the two projects are now submitted to the banks representative, while all of the participants watch and listen to the discussion – which otherwise takes place in private. Of course, the intention is that the bank shall approve the two projects – and this is what has happened so far, fortunately. Thus, two new businesses are produced from each business start-up course, at any rate.

On the final evening, the course-participants submit a written evaluation of the course and to round things off there is a little festivity – to celebrate the two new businesses, among other reasons. The course is now over; but the participants are

offered various forms of follow-up assistance, partly from Århus county authority and partly from the Jutland Institute of Technology.

Business start-up courses in Århus County are free of charge. The county authority has carried out several surveys of the effect of the courses. The last survey covered 16 courses held in the years 1979-82, on which there were upwards of 300 participants, who completed a questionnaire sent out to them.

The 300 or so participants started a total of 122 new businesses, with 429 new jobs. 36 of the businesses, with 106 employees, were started before or during the courses. The county-borough authority is rightly proud of these results at a time of high unemployment. However, the business-starters themselves think well of the courses, too; the following replies are typical:

■ I came to believe that I could start on my own.

■ The course was a good addition to my own education and training. It was good and down-to-earth, easy to grasp and not too theoretical.

■ It was very beneficial to talk with others in the same situation.

■ Without the help which the trainers gave us – and are still giving us – we would not have got so far as we have today.

21 participants (7 %) replied that the course had made it clear that they should not start and we believe that these saved themselves many problems by not starting up in business. The following are a few of the comments made by the 21 who abandoned the idea:

■ I could not fully grasp all of the problems that starting up would involve.

■ A market survey showed that I did not have enough of a basis to work with.

■ The course showed me that I do not have the necessary interest and commitment to start.

The survey showed also that the remaining participants who did not start on their own and have not abandoned the idea have by no means lost heart. Many of them are improving their projects or waiting for better times, so several of them will certainly start a business at some time in the future.

The typical business-starter from the course is male, 25-40 years old, skilled in a trade, has had two or three different jobs in the

trade or industry in which he started later – and his credit-worthiness is not very good! The business-starter sets up in very traditional businesses and is weak in marketing and administration. He is optimistic and looks forward to getting his 'feet under his own table', anticipating not so much problems as tasks that have to be done.

The follow-up assistance offered by Århus County to course-participants is concentrated upon those who are starting their own business. They are invited to attend a follow-up course which is held once a year. The starting-point is the problems of the new business, in a course which extends over four evenings, with one-week intervals. At the end of the course we try to set up special ERFA-groups (for exchanging experiences), in which the participants meet at regular intervals to discuss common problems – often with a guest from outside to introduce the discussion. These activities (course and ERFA-groups) are organized and held by the county's business start-up group in collaboration with the Jutland Institute of Technology. In addition, the county group is able to offer individual guidance to both those who are starting a business and those who have not yet started. All of this assistance is free for the business-starters. The county group also issues an information leaflet on starting-problems.

The Jutland Institute of Technology has a new business start-up centre which enables it to give special assistance to people who are starting a particular manufacturing business. Thanks to financial assistance from the Technology Council, advice is given at a greatly reduced price. The assistance is given to the *Etableringstjeneste* (Business start-up service), as it is called, which exists at both the Institute of Technology in Copenhagen and at the business start-up centre at the Jutland Institute of Technology.

The Technology Council has also provided support for the preparation of three start-up guides for specific trades or industries, and a number of other activities will probably be assisted in 1984.

It must be mentioned that people starting up in business in Denmark have facilities for borrowing on particularly favourable terms from a public lending institution. Several finance houses and banks have in recent years established funds with high-risk capital for new and expanding small businesses,

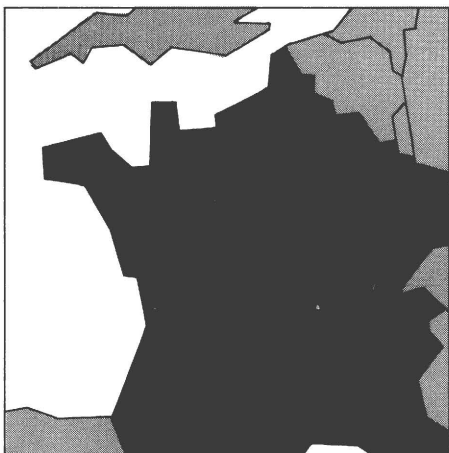
enabling the great majority of good ideas to be financed without any major problems. Assistance-schemes on favourable terms exist also for product development.

Several borough and county authorities are expected to become very active in the business start-up sphere in the future, and trades councils, financial institutions, local associations and advisers are also interested in this sphere. As already mentioned, it may be

difficult, therefore, for business-starters to get their bearings and it will be necessary to get all of these activities coordinated and appraised, so that those starting in business – the most important ‘raw material’ there is – are really helped in the best possible way.

The situation for business-starters in Denmark is not unique; but our experience with courses and other assistance-measures can

certainly be used in the other countries of the Community. Conversely, we can gain further inspiration from the activities in progress in the other Member States. There is a need for a survey to be made of these activities, to enable ideas to be passed on and adapted to suit the start-up situation in other places. We will gladly cooperate in a survey of this kind and exchange of experience in the business start-up sphere within the EC.



## In France

### A pilot scheme – vocational integration in SMEs

*Jean Brunet Lecomte*

Capital of the Gauls, the site of international trade fairs, the cradle of leading manufacturing and service industry groups: the region of Lyons has lived through times in which its influence has been far-reaching. The principal city of the region is Lyons. Over the past ten years, the region's strategy of growth has helped to develop new strengths, all of them high technology-oriented (nuclear engineering, fine chemicals and pharmaceuticals, electronics), adding to its already substantial potential for the provision of services to business and industry. This economic transformation is being backed by the recent or current creation of new infrastructure, for example an airport and exhibition ground. A point to note is that 97.3% of companies there have fewer than 49 employees, providing jobs for 46% of all those employed in the region and accounting for 11.2% of national employment. The local rate of unemployment is 6.5%, with young people making up 36% of the unemployed.

Right in the heart of this region, the Lyons Chamber of Commerce and Industry is a public sector institution whose driving force is its Assembly. The members of this selected body, as well as its president, are drawn from the heads of undertakings in the area. The Chamber of Commerce makes its voice heard on any subject associated with the economy of the Lyons region.

The Lyons Chamber of Commerce also has a team of technical advisers supporting

JEAN BRUNET LECOMTE, Head of Delegation  
Lyons Chamber of Commerce and Industry  
Délégation à la Formation Continue et à l'Emploi.

employers by the provision of expertise. The team helps to create, promote and administer numerous facilities. In the educational and training field, it makes a major contribution towards continuing training and vocational integration by proposing many schemes to local companies and above all – in the domain of training – by running a business college. It also encourages research on management through the international research centre of Ecully.

To foster basic and continuing vocational training, especially in SMEs, the Lyons Chamber of Commerce has set up the 'Délégation à la Formation Continue et à l'Emploi', whose terms of reference are to provide technical support in the fields of continuing education and training to SMEs, few of which are in a position to set up their own specialist training departments. The Delegation is entirely independent of training centres. Its mission is not to 'sell' training schemes but to:

- listen carefully to employers' needs;
- analyse those needs in the light of an overall diagnosis of the company in question;
- determine, together with the employer, the most appropriate training solutions.

When it has completed this procedure, the Delegation suggests services that would help SMEs to implement training for their employees and recruit new manpower.

In the course of its regular contacts, the Delegation has built up a very detailed knowledge of SMEs, especially those employing fewer than 200 people. We feel that a profile of their salient features would be helpful as it throws light on the context for our efforts.

Normally SMEs are identified by two indicators: turnover and work force. In practice, however, these variables cannot be used as absolute criteria. One company may employ the same number of people as another but its turnover may place it in an entirely different category, depending on its line of business. Turnover, then, is not a logical basis for identification, as there appears to be no causal relationship between this element and SME status. Size is an indicator in more common use. At international level, the minimum and maximum work forces qualifying a company as coming under the SME heading are 10 and 500. Here again, however, the variable signifies only a stage of growth and is a result of being an SME rather than the essential element.

The starting point must be the factor on which an enterprise in a market economy is founded: capital. It is characteristic of SME capital that it is owned by an individual or family. In all likelihood, the largest amount of own capital that a single person can control is about 8 million francs. Rather than using the term 'SME', it might be more helpful to define such a firm as an independent enterprise in whose capital the principal has a majority holding.

As an extension of this preliminary approach, our knowledge of SMEs has led us to take three determining factors into account in looking at their performance in the management of human resources:

- *their capacity to innovate;*
- *their internal organization;*
- *their concern for independence.*



*Innovation* is not always the strong point of such an enterprise. Its ability to innovate is strongly influenced by the nature of its business and organizational resources, in particular its potential technical expertise. The original input of know-how comes from the entrepreneur, and it tends to determine the limitations of the enterprise and make it harder to acquire or incorporate fresh expertise.

Looking at the internal *organization* of such undertakings, management structure is usually centralized, using members of the family in a manner that achieves the aim of independence. The style of management is also highly personal. It is a type of organization that holds few attractions for competent outsiders and their integration is always difficult.

Finally, such undertakings are very concerned to retain their *independence* – to such a point that they rank it higher than growth. All heads of SMEs are afraid of losing control of their business, an apprehension that places a considerable limitation on the acquisition of outside financial resources and the integration of new staff who might well be ambitious to take over responsibility.

If a simplification is acceptable, it is the quality of 'independence and centralization' that best characterizes the 'average' behaviour of heads of SMEs. This quality has two aspects of concern to us: it means that they have little motivation for continu-

ing training for staff and that they display extreme caution in taking on new personnel who might bring in complementary skills.

## Vocational integration

Of the many schemes set up by the Lyons Chamber of Commerce, we shall describe its work in vocational integration as a practical illustration of the way an SME can evolve by training and integrating new staff. This type of scheme can be defined as a method of gradually incorporating the personnel a small company needs for its development. Using this method, it can add to its human potential, and therefore its ability to innovate and adapt, while helping to satisfy the local need for jobs, especially among young people. While respecting the specific nature of such SMEs, the schemes were designed in the light of five guidelines:

- Firms confronted with a similar problem in a specific field are brought together. The problem may be the introduction of computers, the development of marketing capacity, technological innovation, etc. In short, the SMEs and their heads have come to a threshold which they must cross.

- The problem is defined with due regard to the pattern of growth in each enterprise. The situation is diagnosed, the objectives being pursued are defined and the specific resources needed to achieve those objectives are clarified, and the selected solution is then tested.

- The undertaking is involved in the training so that it is committed towards an evolution which will be based on the acquisition of expertise and a process of learning how to change.

- Jobseekers are gradually trained or retrained for integration by alternance; the theory is taught at a training centre and is then put to immediate practical use in the

- Financial support is channelled to the scheme to overcome the hurdles created by cash flow difficulties, at least during the period of integration.

These five key ideas are the basis for the introduction of new manpower and for gently guiding the undertaking forward.

Another good illustration of this type of action is a recent *technical/marketing scheme*. The target companies were 30 'centralizing and independent' type of SMEs employing a maximum of 100 people; 50% were industrial concerns, 40% operated in the wholesaling trade and 10% were in the service sector. Faced with growing competition, they wanted to expand their marketing and find new market outlets.

The aim of the scheme was to set up a project for the training and integration of technical salesmen in the firms concerned. Bearing in mind the structure of the target firms and their objectives, the role of the Delegation was to act in an advisory capacity, in the following three stages:

- The conduct of a full diagnosis of each firm's marketing to highlight the strengths and weaknesses of its sales organization so that plans could be drawn up to support recruitment and structure its marketing efforts.

- Definition of jobs and job profiles for more effective recruitment.

- Monitoring progress with the integration of young recruits by regular discussions within the firm and by implementing support plans, with special help in the definition of marketing management methods, objectives and strategy, organizing sales teams and setting up the sales structure and management.

Under this operation, young people received alternance training, a symbiosis of theory and general learning on the one hand and practical learning on the other. They spent 250 hours in the training centre and 250 hours in the workplace.



All heads of SMEs are afraid of losing control of their business.

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The course had four main themes: course; the salesman's environment and marketing principles; sales methods; the main management tools; and how best to organize one's own work.

There were 32 young job applicants benefiting from this operation. Right from the start of the project, they were attached to the company under a special type of contract: a 'contract of employment and training' which states a specific period of training and the grant payable to the employer out of public funds. The educational requirement was the baccalaureate and the age range of the young people was 22 to 26.

The financial arrangement is that employers bear 40% of the cost and 60% is contributed by the State and the Chamber of Commerce. The training itself accounts for 45% of the cost of the project, advisory services 25% and the wages paid to trainees during the period of training 30%. In this case, 75% of the trainees have found permanent work in the company in which they trained and 95% of them are still working in the same career today.

*In the course of a two-year programme along these lines, 160 jobseekers have been placed in SMEs through training schemes for 'computer management assistants', 'assistants to SME managers', 'retail sales staff', 'cooks' and 'programmers'.*

During all these efforts, we have identified four main problem areas:

□ *The collective nature of these operations is an incentive for creating and pooling resources and helps to economize, but it also creates difficulties for the agency involved in that companies not merely with similar problems but also with the same specific approach to those problems have to be brought together at the same time. For the individual companies, this places a constraint on progress with their plans and on training.*

□ *The search for job applicants for the careers offered is complicated by the young people's lack of knowledge about the companies and work involved. Preliminary briefing and even career guidance are often needed. An additional factor that relates essentially to young people is that they seem to be better motivated to train than to work, something that affects their integration in the company.*

□ *Alternance methods are based on the assumption that the company can provide high quality instruction that will place the trainee on a good footing. Although SMEs have always provided training, it should be borne in mind that the projects on which they are embarking are in new fields for them. It is often vital to help the employer by providing a short, purpose-made training course, not just as a support in its training role but also to help the company itself make progress. The learning process also calls for a degree of consultation to which neither trainers nor employers are*

accustomed, especially as employers are often self-taught.

□ *Finally, there must be a firm resolve and adequate management capacity on the employer's side if young people are to find permanent employment in the company and if the company is to expand. Once again, it seems that support is the decisive factor.*

Because of the problem of youth unemployment and the fact that young people's initial training may be inadequate in the light of the real needs of the economy, vocational integration is of growing importance and is a continuing and long-term project. The economic and social potential of SMEs singles them out as one of the best targets for such integration.

In the light of an analysis of the effectiveness of integration efforts, we suggest schemes based on the principle of *alternance*, involvement of the companies in the process and a contract of employment for the young people who have been trained.

In the case of SMEs, a specific environment which lacks specialist facilities, advisory support should be planned to help set up such schemes and to assist companies in overcoming the problems raised by the introduction of a skill – often a new skill – by integrating young people.

Whether this type of project can be transferred to other situations and can be developed depends, we feel, to a great extent on the adoption of such an approach and the existence of resources to back it up.

## In Ireland

### Computer-based training: The use of technology as a training method for small businesses

*John Butler*



In Ireland we have very good reason to concentrate our training efforts in the area of small firms. Not only is Ireland a small country, it is also a small enterprise country.

96 % of all firms in Ireland employ 50 people or less. So we are essentially a nation of small businesses.

I believe that new technology, and specifically computer technology has a large role to play in training for small businesses. I intend in this article to give my reasons for that assertion and to use one specific piece of computerized training as an example of this approach.

In 1982 AnCO decided to carry out a survey of small businesses throughout Ireland. The idea was to establish the main problem areas they experienced and their perception of how well we helped.

Interestingly enough we did not just interview people in the small businesses themselves, we also interviewed the banks, the trade associations and the relevant government agencies. We wanted to end up with more than a subjective perception by small business people of their own problems. By interviewing the others involved we felt we could get closer to the objective truth.

As it turned out, there was a greater consensus between both groups.

The results in relation to the main problem areas are enlightening. 88 % of responses specified marketing as a major problem area for the small enterprise:

83% said finance was a big problem;  
68% indicated the area of product development;  
50% said planning was a major problem;  
and  
57% highlighted the area of dealing with State agencies.

These results represented the feelings of the small business sector. The problems didn't surprise us. But the extent of the problems was surprising. Approximately 48 000 firms with 300 000 employees are involved here. For well over three-quarters of them, marketing and finance were the major problems. They then had to be the priority areas for AnCO help.

In relation to our own services to them, the survey told us we simply were not visible enough on the small firm's horizon. They did not know enough about what we already had to offer them. You remember over 50%, over half of the responses, mentioned major difficulties in dealing with State bodies. We were perhaps suffering from being seen as one more state entity. Too big to be relevant to them.

So here was one area to improve immediately. We could actually improve our own visibility and work on the major problem areas at the same time. The logic was simple. Rather than waiting to grant aid to formal courses, we could help on a day-to-day basis in three ways.

One was to increase the activity of training advisers within small companies. We assign an adviser to a company where he spends one day a month, over six to eight months. This can give the necessary impetus to solve the marketing and financial problems. Apart from offering effective assistance and advice, the very act of visiting and

meeting on a monthly basis can be a big help. Because an outsider is coming in regularly, planning becomes more important. There is a natural tendency to structure information and reports in a clearer way if someone from outside the company is going to sit down and go through them with you.

The second development was the introduction of a small company training hot-line. We advertise widely the availability of immediate training help at the end of a phone. Small companies hate bureaucracy as our survey showed. The hot-line was our way of proving that we aren't too tied up in red tape.

Thirdly, we reckoned that many marketing and finance problems could be helped by the wisdom of people experienced in responsibility.

This is particularly true where an enterprise is strong on enthusiasm, yet weak with regard to the managing of a business. We encouraged experienced managers to come out of retirement to help train developing enterprises. It is a part-time job for the ex-executive which is usually enjoyable. For the company, the voice of cool experience is close at hand, not simply as a problem-solver but as someone who leaves their experience with the company in the form of training.

That too has proved a highly acceptable response to the situation of small firms.

The contact is informal enough not to be too daunting for either party.

These three approaches, the AnCO training adviser, the hot-line and the retired executive trainer are all designed to suit the demands of the small firm situation. They

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have a lot in common, which gives them their strength.

*Firstly*, they put the emphasis on informality of communication.

*Secondly*, the emphasis is on specific problem-solving rather than the teaching of wide principles which the learner must then adopt to his or her own situation. I suppose this aspect simply reflects the tendency for small business people to be more interested in solving specific problems rather than academic debate. The training is related to a clear company problem. So its relevance is never in question. Also its success or failure can be quickly assessed.

*Thirdly*, all three approaches give help in a secure atmosphere. I recognize a certain lack of willingness to share in many Irish small business people. They do not want to share their level of ignorance with a big group. They would sometimes continue to suffer a problem in preference to admitting it before a group of their peers.

It is another real problem for formal courses which gather people together from different companies. The real specific problems may never come up because of misplaced pride or a fear of embarrassment.

Sometimes too there is an over-developed sense of the need for confidentiality. This may be a particular Irish trait – but I doubt it. So our three approaches help here too. They keep the training problem between a couple of people and therefore there is not a great possibility of a loss of face.

*Fourthly* and lastly, the other common element in these approaches is that the training physically comes to the firm and not vice versa.

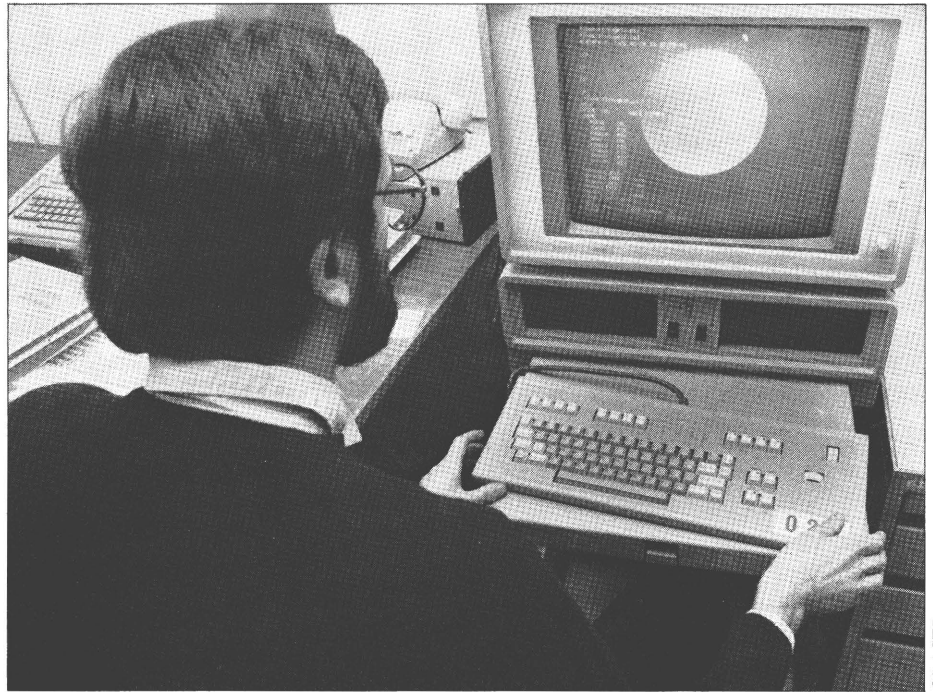
It is these same four factors:

*Informality;*  
*Specific problem solving;*  
*Privacy;*  
*Proximity.*

They are the factors which influenced us to invest in the development of a computer-based training course. By using the computer as a trainer we felt trainees could train at their own pace and in their own time. They could do so in total privacy, once they could cope with the hardware. And the hardware could come to them.

## **First let us describe computer-based training:**

Computer-based training is really a way of presenting information to a trainee and



GLASER

*Computer-based training is really a way of presenting information.*

enabling the trainee to respond to prompts or instructions displayed on the computer screen as the trainee progresses through the course. The computer analyses the answers and gives immediate feedback.

Some advantages of computer based training are as follows:

- There is a high training motivation;
- The individual interacts with the computer and the instruction is self-paced and individualized;
- Learning times are reduced;
- The approach is cost competitive for topics with a large audience.

However, there were two major challenges to this approach for small companies. Would a computer be acceptable as a training tool for the small business person, or would they find it even more daunting than the large formal course? Secondly, would a computer-based course be specific enough to be seen as a direct way of helping a learner with his/her specific problem situation?

We dealt with the second challenge by picking for our first pilot project a course area that was highly factual and a widely-perceived problem area – the area of company finance.

The first challenge was the fear of the equipment itself. We really could only wait and see. But we did recognize the problem

by including, as stage one of the course, an introduction to the use of the computer keyboard. So, we began a pilot course on company finance, designed by AnCO, in conjunction with Digital Equipment Corporation. The target audience were managers and owners of small businesses who wanted to understand and appreciate financial information related to their own businesses.

It begins with an introduction to the keyboard. In this module the objective is not for the learner to get to know every button, every facility on the keyboard. It is simply to familiarize him with the buttons relevant to this programme.

After a short introduction to business finance the course then is divided into the two main sections, namely records and final accounts. Under these headings the main body of the course is divided into six modules.

The record section is divided into documents, books of accounts and double entry bookkeeping. The course explains the various documents and books of accounts and the trainee is required to do a number of exercises in bookkeeping.

We then move into the final accounts section which covers the trading account, profit and loss account and balance sheet. The course is menu driven which means that the trainee is regularly presented with a

number of choices and he/she makes their own selection. The pace of the course is controlled by the trainee and is approximately 12 hours in duration. The initial menu asks which module the trainee requires. One may start at the beginning or middle. One can take the post test at the end of each module to see if one should take the module.

The programme makes use of graphics to emphasize different points, for example:

- The difference between manual systems and computers;
- The different record systems, books, cards, computers;
- To demonstrate the method of calculating closing stock – e.g. opening stock plus purchases, minus sales.

In developing computer-based training the following is required:

- Professional team (design/development experts and subject matter experts);
- 150 hours of development time for each hour of training time;
- High front-end investment.

The development of authoring languages provides the possibility for non computer programmers (e.g. trainers) to develop and input their own lesson material into the computer without any expert assistance.

Another advantage of authoring languages is that they increase courses' development productivity. Because of their English (like commands and simple operating rules) it is possible to achieve results which if programmed in a conventional language such as Basic or Pascal, would take many times longer. A more recent development in this area, which has the objective of making computer-based training available to an even wider body of trainers and further increasing development productivity, is the emergence of 'authoring systems'. These require no programming at all, but rather by asking questions of the author, determine what type of lesson he wants to construct and do it automatically for him. All the author has to do is supply the subject matter material.

I believe that the area of computer-based training will be of great benefit to the small/medium enterprises and indeed large firms in the future and will add a new dimension both for management training and the training of all employees.

In addition to the finance course mentioned above AnCO is presently developing courses in the following areas:

- Introduction to robotics;
- Costing and budgeting;
- Hydraulics and pneumatics;
- Welding technology;

## ■ Problem-solving and decision-making.

The computer is just one tool in the use of technology to make training more accessible and more attractive. We are presently developing training packages on the subjects of marketing and quality control again oriented to small firms. For these subjects we are using audio tapes, video tapes and work books, a different open-learning technique.

Really, what we are learning is that it is not enough to have good books available from a library, or to have good group training courses. For small companies we need to bridge the gap between the knowledge and the trainee in new ways. We need to give people access to information on their premises, in a planned way, to enable them to fit their table in an unthreatening atmosphere. Computers are becoming an integral part of business at every level, so it seems logical to get the best from them for training applications.

For this reason I would recommend the establishment of a liaison group representative of the training organizations of all the Community countries who would meet regularly and exchange information on the subject of technology as a training method for small businesses.



## In the United Kingdom

### Highland Craftpoint

David Pirnie

The crafts industry in Scotland is an important source of employment and economic activity, particularly in rural areas such as the Highlands and Islands where employment opportunities are limited and new forms of viable commercial activity – especially manufacturing – are difficult to sustain. There are over 1 300 businesses known to be operating in the industry with an estimated annual turnover in excess of UKL 33 million; the main contributors to sales and employment are in the categories of ceramics, knitwear, jewellery and woven textiles. Although total employment is estimated at between 9 000 and 11 000, most individual businesses are small: 40% employ only one person and over 80% employ fewer than 10 people. The industry is dominated by businesses that are operated on a 'sole trader' or 'partnership' basis and only 12% are 'limited companies'. There are also cooperatives, some with an exclusive manufacturing concern – most commonly in knitwear – while others include crafts manufacture within their wider cooperative functions.

The economic significance of the industry lies in the relationship between employment in crafts and the distribution of Scotland's population. While 80% of Scotland's population is concentrated within the central belt, the incidence of crafts employment is significantly high in rural areas. The Highlands and Islands for instance has only 5% of Scotland's total employment, yet over 40% of the country's crafts employment. The reasons for this bias include personal

choice, historical accident and local tradition, as well as conscious government development policy at local and national level, particularly during the latter half of the 1960s and throughout the 1970s, during which the industry was formed, expanded and flourished.

Many problems surround the creation of *alternative forms of employment in rural areas*, and the consequences of imposing an alien type or scale of commercial enterprise on an area or community that is ill-equipped to support it are well known. Yet, its overall performance over almost 20 years tends to support the view of the crafts industry as such an alternative. On a practical level the range of activities known as 'crafts' have certain advantages: normally, only modest levels of capital investment are required and running costs can be low; the activity can be conducted from virtually any kind of geographical location provided a satisfactory means of conveying the finished product to market can be found; the nature of the activity enables it to be integrated into virtually any type or size of community where it can provide equal employment opportunities for men and women, irrespective of age. While certainly less dramatic than the potential of the micro-electronics industry in Scotland, crafts have a tenacious capacity for survival and have demonstrated their ability to make a genuine social and economic contribution.

The generally encouraging view of the crafts industry tends however to disguise the fragile foundation of many individual businesses, the extent of which became apparent in 1979 when, following 10 years of steady growth in a tolerant trading environment, the crafts industry was exposed to the

consequences of a national and international economic recession. Many businesses had difficulty in knowing how to respond to the changed and less forgiving commercial environment.

Fundamental management weaknesses were exposed and many admitted to a lack of experience and understanding of business planning. Uncoordinated responses to declining sales revealed widespread uncertainty about how to deal with unknown markets outside of the local area and Scotland, upon which so many had previously relied for the major part of their sales. The function of design as an element of a business and marketing plan, and not simply a shape, pattern or object-making activity, was widely misunderstood: this reduced the ability of many businesses to relate their new product ideas to market demand, as distinct from personal preference, as well as to their own technical and financial capability. Surprisingly, standards of skill were often low and knowledge of alternative and new methods was limited; the technical capacity for innovation was restricted and quality control was often poor. With few exceptions the owners of businesses demonstrated little appreciation of the need to invest in training and motivating their employees beyond the minimum level required to perform their duties. Wages were generally low and career prospects, especially for young people, were poor.

It was into this atmosphere of uncertainty that Highland Craftpoint was introduced in 1979 with the objective of introducing methods that would help to stimulate, guide and improve the industry's overall position, and contribute to its commercial development. The overall method chosen to achieve



*Many problems surround the creation of alternative forms of employment in rural areas.*

this objective was the creation of a fully integrated package of professional services including training, development, marketing and information, funded by government, managed by a single organization with autonomy in the direction of its own affairs, small in scale but extensive in resource, single-minded in objective commercial development, administered from a central location yet with a high level of commitment to fieldwork.

As Highland Craftpoint's primary function is to assist businesses that are conducted on a proper economic basis, with a realistic profit motive, the majority of its clients already run their own businesses on a full or significantly part-time basis. The company also provides guidance and practical support to people with new enterprise ideas, including graduates of Scottish colleges of art and textiles who plan to set up their own small businesses.

There are no preconditions regarding a prospective client's formal educational

qualifications or professional experience, but it is expected that a client will be able to demonstrate a genuine commitment to the development of his business. For this reason, Highland Craftpoint devotes considerable time and care during the initial stages of client contact to ensure that the potential and conditions for development exist, and also that the client fully understands and accepts the commitment that is likely to be involved in respect of time, effort and finance.

The nature and diversity of the crafts industry is such that the range of clients and types of business with which Highland Craftpoint works is extremely wide: from one-person businesses involved with handloom weaving, woodturning or leatherwork, to small scale production units employing 10 or 20 people, located in purpose-built and well equipped factories; larger businesses employing up to 300 people and single or multipurpose cooperatives that may have between 50 and 200 mem-

bers. The types of product similarly vary from the unique and highly priced, requiring high levels of individual skill, to domestic and functional products and giftware, requiring no more than sound operative skills at the production stage.

The richness and variety of the industry and its products reflect the diverse backgrounds and ambitions of those working within it: the art college graduate, normally with a high level of personal creative ability but often with neither appreciation nor liking for business discipline and production; the entrepreneur, often with proven experience in another field, who by applying sound business methods to the production and marketing of a narrow range of products, stands a good chance of success in the short or medium term; the former industrially-based producer who for personal reasons decides to live in the countryside and applies his accumulated trade experience to the running of a small independent business; the local person who turns to craftwork

# Dossier

initially to provide a supplement to the family income and may convert this, if successful, to a more or less full-time occupation; the amateur hobbyist with the time and personal financial resources to indulge his interest in a minor commercial form, often directed towards tourism.

Formed as a company limited by guarantee, Highland Craftpoint was established in mid-1979, but since 1981 has operated from purpose-built headquarters near Inverness, in the north of Scotland. The company's physical resources include specialist workshops for technical training, research and product development; a specialist crafts and business library and information centre; an auditorium for seminars and conferences; extensive exhibition facilities including a separate product display centre in Inverness; interview rooms and administrative offices. The complex is open to professional producers and representatives of the retail and wholesale trade, as well as members of the general public, for exhibitions.

The company's policies are controlled by a seven-member Council of Management which represents the interests of the two funding development bodies, as well as the Crafts Consultative Committee, the Scottish Colleges of Art and Textiles, and the crafts industry itself. A permanent staff of 22 under a director is divided into four departments: development, training, marketing and administration; the staff resource is supplemented by the engagement of consultants, specialist instructors, companies and other institutions on short contracts throughout the year. The company contributes a limited amount of earned income resulting from course fees, admissions to some exhibitions and charges for commissioned product development work. Normally clients are not charged directly for services received.

Most of the company's services are available throughout Scotland, some, however, exclusively for businesses in the Highlands and Islands area. The three main service areas of the company are development, training and marketing. Development services provide a comprehensive range of business and technical aid, often on a client's own premises, ranging from the assessment of business plans to detailed advice and practical assistance with production methods, equipment selection and maintenance, workshop layout and materials. It undertakes technical assessments of applications for financial assistance made

to the Highlands and Islands Development Board, administers research and development grants, monitors regional trends, provides an information service and undertakes commissioned and speculative product development. Training services supervises six categories of training: short courses, normally on technical subjects, held annually between January and April; preparation of special training programmes for individual businesses which are carried out at the most appropriate location within the United Kingdom; provision of training assistance on a business's own premises; operation of an apprentice training scheme of three to four years' duration; special training programmes for graduates of colleges of art and design who plan to set up their own businesses; a product development scheme, run in association with the Royal College of Art in London. Marketing services undertake three main types of work: market research; advisory work with individual clients; marketing and promotion on behalf of the industry as a whole, or sectors of it. Market research is conducted both by staff and by commissioned agencies with the results either published and made generally available, or provided exclusively to an individual client. Advisory work covers assistance with individual marketing problems (such as advertising, pricing, packaging) to the preparation and monitoring of a client's marketing plan. Promotion and sales on behalf of the industry include the organization and management of a major Scottish trade fair, held annually in October, and the representation of Scottish products at trade fairs in the UK and overseas as well as the management of two display centres and the production of promotional publications.

Although each separate aspect of the company's services can be identified and described, this may convey a misleading impression of the actual manner in which they are carried out. In practice, assistance in any one of the company's main service fields is provided only after assessment of the client's business as a whole: most crafts businesses – even those employing 10 or 20 people – are simply too small for a separate view to be taken of their training or marketing needs without reference to their production methods or financial position. It is essential that this point is grasped, to appreciate the importance of the concept of integration that lies behind both the structure of the company's services and its objective.

In a typical example a client might approach the company for marketing advice to explain the reasons for the decline in sales of a previously successful product. Investigating the market and the cost structure of production reveals that the wholesale unit price is too high; yet the client claims that he cannot reduce his manufacturing costs. Development investigation reveals uneconomic production methods, recommends alternative methods and equipment and aids the preparation of an application for financial assistance to the client's bank and a government development body; aid with the re-planning of the workshop (if required) and production can also be given. Training assists with the preparation of a suitable training programme for the new equipment and methods, possibly involving sending employees to another centre. Development assists with the commissioning of the equipment. Marketing advises on the relaunch of the product and may help with promotional literature and financially assist the producer's attendance at a trade fair.

While clearly this degree of involvement does not occur in every case, the principle of integration that this example illustrates is fundamental to the operation of the company's services as a whole. It is not coincidental that Highland Craftpoint as both a concept and an organization was designed to resemble the elements and structure of an 'ideal' small business; in its working methods it attempts to reproduce the kind of communication and practical integration of planning and action that should occur in the day-to-day business activities of its clients.

Evaluation of the project can be made on three points. First, to what extent has the industry made use of the service and is there evidence of continuing demand? Second, is there evidence of commercial development resulting from the company's intervention? Third, how well has the concept of integration worked in practice?

Over 50% of the total number of businesses in the industry have used one or more of the company's services, and the incidence of second and third requests is increasing. Every type and scale of business and product category is represented among the company's clients, with an encouraging level of representation of major employers. Demand has progressively shifted from single topics to involvement in larger, more complex projects, with longer timescales.

In respect of commercial development, many clients have achieved tangible im-



improvements in working practices, products and quality. Attitudes toward marketing and the use of more effective marketing methods have noticeably improved: new markets have been explored within the UK and overseas and sales and profits have improved. Overall, the most rewarding achievement has been evidence of a general improvement in commercial thinking, with an increasing number of businesses accepting the need to be market led rather than production led.

While there have been gains, there have also been failures. No significant employment growth has been achieved, and in certain respects it has declined where improved management and working methods have increased profitability, and led to businesses reducing their staff. Highland Craftpoint has had to balance very carefully the undoubted social pressures to become involved in employment creation programmes against its economic instinct to reject projects that appear to lack any realistic prospect of continuity of employment. This is certainly not a popular attitude, but it is none the less consistent with

the company's antipathy towards enterprises for which no sound economic reasons appear to exist. The credibility of the crafts industry as a whole continues to be prejudiced by the activities of ill-conceived enterprises, particularly those that are established and survive largely on the basis of subsidy, without evidence of market demand for their product.

The concept of integration which forms the basis of the company's services and structure has proved appropriate and generally successful, despite being difficult to explain: its purpose tends to emerge through example, rather than being instantly understood. Sustaining it, in practice, has not been easy, nor has it been continuously successful. It is a demanding concept and periodically, pressure of work and individual staff priorities have provided powerful arguments for abandoning principle in favour of expediency. Overall, personal commitment by staff as well as modifications in management structure have sustained it and refinements that have been introduced have improved on the initial concept rather than weakening it. The

theme of integration remains very much at the core of the company's policy and practice.

Whatever the logic and intrinsic merits of Highland Craftpoint's concept, structure and methods, there is no doubt that its creation and continued support is due to the prevailing view of crafts in Scotland which currently favours an economic view. Without such a climate of support it is doubtful that such an organization could function, and this factor would have to be most carefully considered in relation to other potential locations for the project.

Successful transfer would also depend upon a firm commitment to the concept of integration, and without the central goal of commercial development it might be difficult to argue that the kind of integration implied between training, development, marketing and information, is necessary. A further and important factor is the quality of staff: unless staff can be found that have both the required type and level of professional skills and a commitment to the integrated principle, it is difficult to believe that such a project could succeed.

## Bibliography

### Artigianato e sistema formativo

Michele Colasanto  
*Professionalità* pp. 3–8 (IT)

This article on the craft industry and the training system by Michele Colasanto, who is well known to our readers (see his articles in issues 9/1982 and 12/1983), discusses the three points of reference for training policies aimed at small-scale industry: the importance of that sector economically and in terms of employment (point 1); emerging trends in the demand for training (point 2); and recognition of the craft industry as a partner in the training system (point 3). In discussing the last point, the author once again stresses the need to focus on the craft industry, generally acknowledged as being the most flexible, innovative and dynamic part of the entire production system, both in Italy and in Europe as a whole. Colasanto invariably backs up his observations by clear facts and figures (statistics published by ISTAT, CENSIS and ISFOL, etc.), describing the overall picture and suggesting courses of action, mainly in the sphere of the sociology of work and training methodology. This short article is a lucid encapsulation of the subject, a stimulus for practical action in the field of legal regulations and experiments in vocational training for the benefit of the craft industry. Two of the points made by the author are the pressing need for a solution to the 'hoary question of grades of skill' and the desirability of institutionalizing the 'craftsman's workshop and the master craftsman.

### SME research institutes in the European Communities

Edited by the *Dutch National Committee for 1983 – European Year of Small and Medium-sized Enterprises*, pub. Tilburg University, 1983, V + 326 pp. (EN)

This book not only lists the name and address of every SME research institute but also provides basic particulars as to the

This section has been produced with the cooperation of  
Giuliano Staccioli

structure of each one, its specific fields of research, the languages in which its publications appear, etc. The ten EEC Member States as well as Portugal and Spain are covered, in alphabetical order. At the end of the chapter on each country there is an address list of other establishments (public and private, university and commercial) whose activities at least touch on SMEs. The *Index* (pp. 300–318) is in the form of summary tables showing, in percentage form, the fields of research in which individual institutes – grouped by country – are working. The figures were furnished by the institutes themselves, to which an *ad hoc* questionnaire had been forwarded (reproduced on pp. 322–326).

### A new approach to an educational policy for managers in small and medium-sized enterprises

Extract, in English, published by the *Danish Federation of Crafts and Smaller Industries*, pub. Handvaerksradets Forlag, Amaliegade 15, 1256 Copenhagen, Denmark, 1983, 26 pp.

SMEs are not usually in a position to employ experts to deal with the various activities involved in a business, and it is often the entrepreneur himself who has to tackle the many problems that arise in running his firm, especially in management and control. However many years' experience a person may have acquired, he will obviously never be able to cope with every aspect. Notwithstanding this handicap, however, it has been found that many entrepreneurs fail to take advantage of the training programmes set up for them by public and private institutes.

In this report, the Danish Federation sets out the findings from a broad-based survey in the course of which 700 SME managers were interviewed as well as experts in training in the crafts and smaller industries. In suggesting a new approach to training, account is taken of the wishes expressed by the entrepreneurs themselves.

The book makes a useful contribution to the debate on educational policy, suggesting technical solutions to certain problems that arise in other countries, not just in Denmark.

### The dynamics and vocational training implications of low-capital co-operative enterprises

Report (typescript) published by *AnCO* and the *Economic and Social Research Institute* (ESRI), Dublin 1980, 41 pp. (EN).

This report is based on studies and pilot schemes conducted by AnCO and ESRI of Dublin between 1977 and 1980.

Part one contains a summary of a study commissioned from two staff members of ESRI, Robert O'Connor and Philip Kelly, by AnCO, as well as a publication by Philip Kelly. It considers the features of some worker-run co-operatives, their advantages and disadvantages and their current and potential output.

The second part summarizes AnCO research on the need for training and management development in co-operatives in Irish-speaking parts of the country, while part three is an outline of training under two pilot schemes for small co-operatives in certain farming areas in Ireland.

The report closes with a set of recommendations related to the future training needs of co-operatives in Ireland.

### The small business challenge to management education

Allan A. Gibb

Vol. 7, No 5, *Journal of European Industrial Training*, MCB University Press, Bradford (England), 1983, 41 pp. (EN)

Allan Gibb's monograph is an attempt to provide an overview of the needs of the small entrepreneur/manager in terms of his own training and the expansion of his business. He also offers useful pointers to the best solutions to the problems he discusses, with suggestions as to courses that might be organized for such entrepreneurs. In the field of marketing, the courses might cover the problems that arise when starting up a small business. The publication stresses once again the need for help in the form of specialist training and advisory support from institutions and financial aid for small businesses from the Government.

A quick list of practical 'do's' and 'don'ts', aimed at politicians, educational establishments and teachers and trainers, is set out in an appendix (pp. 40–1).

## D'handwierk

Monthly journal of the Grand Duchy of Luxembourg Chamber of Trade and Federation of Craftsmen.

Editorial staff and secretariat: 41 Rue Gle-sener, Luxembourg.

(DE, FR)

Since the theme of this issue of *Vocational Training* is the Small and Medium-sized Enterprise, this is a good opportunity to mention Nicolas Estgen's lucid account of the 'role of SMEs in the Common Market' that appeared in issue 3/1981 of *d'Hand-wierk* (pp. 59–64). This paper, read to the Third Congress of the *Chambres des Métiers* in the Luxembourg-Sarre-Lorraine region, is of special interest because of the clarity of its analysis and the suggestions its author advances, which are just as relevant today as when they were made.

Estgen's observations (especially those set out in points I and III), reveal the great competence and belief in the European ideal of the person who is now vice president of the European Parliament. They should be read (or reread) and mulled over by everyone truly concerned with the status and future of SMEs in the Community.

Closer attention to the needs of SMEs and effective support that does not detract from their independence are as vital today as ever before.

Apart from contributions of the type described, each issue of this monthly journal obviously contains articles specifically on the life and problems of the Luxembourg crafts industry and trade.

## L'insertion dans la vie active après la scolarité obligatoire

Pub. by CEREQ (Centre d'Etudes et de Recherches sur les Qualifications, director Paul-Pierre Valli), n° 11, *Cahiers de l'observatoire national des entrées dans la vie active*, printed by *La Documentation Française*, Paris, 1983 (March), 109 pp. (FR)

The productiveness and calibre of the series of studies brought out by CEREQ are already familiar to readers of *Vocational Training*. As pointed out by Valli in his foreword, the purpose of this particular study is to take a closer look at the links between the education received in compulsory school and the choice of career, with particular emphasis on the placement of young people. By M. C. Combes, F. Amat and J. Biret, it is intended to be a working document for the authorities and social partners; its aim is to shed light on variables in the behaviour of young people so that more effective action can be taken at the legislative level and in the provision of training. In its field, the report supplements the information already contained in issues 2 (1978) and 5–6 (1981) of the series. It gives a detailed picture of the position of young people who have reached school-leaving age and are about to enter the labour market without the benefit of a school-leaving certificate – who account for about two-thirds of their age group in France. The first part of the report sets out the facts on 'placement and unemployment', while the second describes the 'jobs being done by young untrained people'. Part three, an 'interregional study', provides an interesting overview of the situation at national level (83–103). Scientific research of this type is, we feel, a vital prerequisite for truly forward-looking employment policies.

## (Bibliographie sur les) petites et moyennes entreprises dans la communauté européenne

Commission of the *European Communities*, Brussels/Luxembourg, 1983, 88 pp. (FR)

This new publication on Small and Medium-sized Enterprises in the European Community has been published by the Commission as one of its series of 'Bibliographies' (B publications) and is updated to 31 August 1983.

It is in three parts: on existing measures, Commission proposals and action taken by the institutions of the Community; on EEC publications; and on books and selected articles from national publications and the publications of international organizations. Each part is sub-divided into separate fields of interest, giving keywords and essential bibliographical particulars on each entry.

The bibliography is particularly useful in that it lists recent – some very recent – laws, studies and articles. The names and addresses of the national and international organizations concerned with SMEs and the crafts industry within the ten countries are conveniently listed in an *annex*.

## New entrepreneurship and the smaller firm

G. P. Sweeney

Pub. by *Institute for Industrial Research and Standards*, Dublin, 1981, 97 pp. (EN)

This report has been published under the *six-nation programme* on aspects of Government policies on technological innovation in industry, launched in 1975. The original six countries (Canada, France, Ireland, the Netherlands, the United Kingdom and the Federal Republic of Germany) were subsequently joined by Belgium and Sweden.

The idea of the publication was launched at a working meeting in Limerick (Ireland) in June 1980, whose theme is reflected in the title chosen by the author.

Smaller firms are playing an increasingly important part in innovative entrepreneurial enterprise. Up to a few years ago, SMEs were a healthy, self-sufficient and expanding sector of the economy. A spirit of initiative grew up in smaller firms and new jobs were created. The report shows, however, that for some time now this sector has been facing a crisis like the rest of the economy. The number of SMEs is declining steadily and they have fewer and fewer defences against the dominance of a few large enterprises over the labour market and production. Management philosophy geared to mass production has exerted a strong influence over Government policies and infrastructure, making it far harder for the small firm to survive. It is vital that there should be a change in those policies so that something can finally be done to meet the needs of the smaller company.

Such a change, which would be compatible with technological innovation, is also urged by Albert Shaper, a professor at Ohio State University, in the foreword to this report (pp. 1–3). Sweeney sets out his own opinions in the final chapter, entitled *What to do?*, together with suggestions as to courses of action that merit general thought. The bibliography at the end is not

systematic but it lists 68 publications on the subject, all of them in English.

## Il sistema formativo italiano

edited by *Francesco Schino*

*Istituto dell'enciclopedia italiana* (Fondazione Treccani) Rome, 1981, 386 pp. (IT)

This publication, edited by Francesco Schino (who is also head of the Italian educational documentation unit, EUREDIT, which is linked with EURYDICE, the European Community data network), is a compilation of a series of studies and research reports on the Italian training system. The contributors are politicians, teachers, educational theorists, researchers and experts in vocational training. From the list of their outstanding contributions, virtually monographs in their own right, we have picked out one in particular for the obvious reason that it reflects the theme of our Bulletin:

'La formazione professionale oggi in Italia' (vocational training in Italy today - pp. 95-121) by Cesare Vaciano and Daniela Pescarollo, respectively the former director of and an expert with the Istituto per lo Sviluppo della Formazione Professionale dei Lavoratori (ISFOL). We feel that this essential and exhaustive review deserves to be translated into other EEC languages so that it can be brought to the notice of a wider European readership.

The book is in five sections: general aspects; formal structures; research and experimentation; didactics; and institutions and documentation. There follows a useful *bibliography*, plus an *appendix* giving the addresses of educational research and training centres in Italy as well as information on EURIDIT's terms of reference and activities. It is undoubtedly the best (and the most up-to-date) work of reference on Italy's complex training system, of which it gives a global but precise and detailed view.

## Bisogni di professionalità ed assistenza tecnica della piccola impresa

*Istituto di Ricerche Educative e Formative (IREF)*, Director *Manuel Gutierrez*, Rome 1984 (IT)

This research report on the *professional services and technical aid needed by small firms* was commissioned from IREF by the Italian Union of Chambers of Commerce.

It analyzes the whole range and variety of needs in two sample areas of Italy. The first was Bologna, in the region of Emilia-Romagna in the North, while the second was Bari, in the region of Apulia in Southern Italy. A survey to identify the services and aid already available was conducted by Roberto Ariotti (a research worker at the Institute), whereas the reconnaissance on the cooperative ventures was carried out by another IREF researcher, Walter Williams. The work group set up for the project was coordinated by Manuel Gutierrez and Alberto Valentini, the director and secretary general of IREF respectively.

The very sound methodological approach to the investigations and a clear-cut breakdown of tasks ensured that the findings on this complex subject would be highly significant. This comprehensive 'map' of the situation is very easy for the reader to consult, thus achieving in full the aims of the research as described in the introduction.

## 1983 - The European year of small and medium-sized enterprises

*Proceedings of the inaugural Conference* (20-21 January 1983), sponsored jointly by the *European Parliament*, the *Commission* and the *Economic and Social Committee*. Published by ESC, Brussels, 1983, 469 pp. (FR)

The start of 1983 saw an occasion on which - we believe for the first time - the European Parliament, the Commission and the European Social Committee joined forces to sponsor a conference. The conference in Brussels inaugurating the 'European Year of SMEs' was attended by 300 representatives and observers from Community and national organizations, the President of the European Parliament (Mr. Dankert), ministers and politicians from Member States and King Baudouin of Belgium.

Lengthy preparations had been made for the event (see ESC Opinion, 26 May 1982). It aroused a good deal of interest among both the general public and the experts, who look to SMEs for a practical response to the aspirations of renewed economic growth, job creation and new working methods. All the documents and papers presented in the course of the Conference have been collected together in these Proceedings, which

are introduced by a memorandum setting out the 'objectives' and describing the 'programme', as well as a list of all those attending. Chapter II contains the opening speeches, Chapter III the contributions from representatives of European organizations, while Chapter V describes the symposia in three separate sections. Chapter V is an outline of national activities by the representatives of national committees. Chapter VI is devoted to the action programme for a Community policy on small and medium-sized enterprises (presented by Mr. Deleau). The closing speeches are included in Chapter VII. These were by the German Federal Minister for Economic Affairs, Otto Graf Lambsdorff, and the Vice President of the Commission of the European Communities, Viscount Davignon.

Because of the specific nature of the very many contributions included in the Proceedings, the publication is an essential work of reference, promoting a better understanding of action and initiatives - planned or already introduced - at both national and European levels.

## From a submerged to a post-industrial economy

*Evoluzione delle piccole e medie imprese industriali negli anni settanta*

*Pub. by CENSIS (Centro Studi Investimenti Sociali)*, Rome, 1983, 206 pp. (IT)

*In this publication on the evolution of small and medium-sized industrial firms in the seventies* CENSIS (whose director is Fabio Taiti) covers a subject on which Community organizations and research and planning institutes and centres, both public and private, in every Member State, are rightly focusing in this 'European Year of the SMEs'.

The authoritative and comprehensive nature of the research it embodies on the situation in Italy is evident from the themes tackled in its six chapters. The first five chapters, which are very well documented, are on: SMEs and innovatory trends; the entrepreneur; sectorial or territorial aspects; trends in certain characteristic indicators in Italian industry; and economies of scale and the size of enterprises. The final chapter, on policy for the advancement and support of SMEs, is a condensation of the results already achieved and proposals for the future. These proposals should encour-

rage politicians, decision-makers and experts to press on with research over the current decade and to develop pragmatic and effective programmes of intervention and support. This clear, heartfelt message is conveyed from the opening pages by the Introduction (pp. 1-8) which pertinently stresses the value of and pressing need for technological innovation in the structure and production machinery of SMEs and the craft industry, a sector that has always played such a vital role in the country's economy.

## The promotion of small and medium-sized enterprises

*Own-initiative opinion of the economic and social committee (ESC)*

Published by the Secretariat of the ESC of the European Communities, Brussels, June 1982. 81 pp. (EN). (In DA, DE, GR, EN, FR, IT, NL)

This opinion was drafted by the 'Industry, Trade, Crafts and Services' section, the fruits of its work being incorporated into the report by Heinrich Kolbenschlag (the rapporteur), in consultation with Mr. Schwindt (expert). In this Opinion, the Committee proposed an authentic Community policy for the effective and incisive promotion of SMEs that would help to make up for certain deficiencies of the past.

The Opinion was presented by the rapporteur, Mr. Kolbenschlag, at the plenary session of the ECS in Brussels on 27 May 1982. This initiative was followed up by a firm commitment on the part of Community organizations and institutions in 1983, which was declared the 'European Year of Small and Medium-sized Enterprises'.

## Las PME en el contexto industrial Portugues

Istituto de Apoio às Pequenas e Médias Empresas Industriais

For some time now the Portuguese Institute for support for SMEs in industry has been cooperating usefully with the Commission of the European Communities.

SMEs play a fundamental role in the Portuguese economy; one of their most valuable functions is absorbing the manpower for which large-scale industry is no longer able to provide employment. Small firms are less involved in mass production and still tend to produce semi-manufactured goods, usually quality products. Furthermore, SMEs account for 48 % of the gross product of manufacturing industries in Portugal.

For those interested in finding out more about the structure of SMEs in Portugal, financial incentives and vocational training, we would mention the following documents:

- Política portuguesa de apoio a las PME industriales – Portuguese policy on support for SMEs in industry;
- las PME industriales portuguesas y la integración europea – SMEs in Portuguese industry and European integration;
- las programmes de formación – vocational training programmes;
- innovacao industrial – industrial innovation.

The Institute is at Rua Rodrigo de Fonseca 73, Lisbon.

## Piccole e medie imprese e formazione

Bibliography of small and medium-sized enterprises and training, compiled by Istituto dell'enciclopedia italiana, Rome 26 January 1984

This brief bibliography is a helpful guide to some of the most topical and pertinent publications produced on the subject in Italy.

The bibliography lists publications by subject area as follows:

- general
- local situations
- production sectors
- training of managers
- training experiments in small firms
- textbooks
- proceedings, congresses and documents.

# Open space

*We are printing a letter received from the Secretary General to the International Movement for the Fourth World.*

*In order not to quote out of context, we have not omitted his kind comments on our Bulletin, for which we thank our reader.*

*We are sure that this letter will draw our readers' attention to the work of the International Movement, well known for the human and social values it embodies and the lofty ideals by which it is inspired.*

May I send my best wishes for 1984 to yourself, your editorial staff and the contributors to *Vocational training*.

I should like to take this opportunity to express my gratitude for your Bulletin, which has kept us constantly abreast of new developments in the field of vocational training.

Vocational training will be of capital importance to the disadvantaged populations in the countries our Movement represents. Since 95% of the young people and adults in these groups leave school without any training for work – many among them not even knowing how to read or write – they then encounter insurmountable obstacles in their efforts to gain recognition as members of the working world, not merely because of their extreme poverty but also because they have no education.

With due regard to their aspirations, in November 1977 our Movement launched a challenge: 'in ten years' time, let everyone be able to read and write, let everyone have learned a trade, let those who know teach

those who know not!'. Since it was launched, that challenge has galvanized many people within the European Community to work on literacy projects in the People's University of the Fourth World and in vocational workshops.

We have also established a working relationship with the European Commission Directorate of Education.

Our most recent achievement to date is the report on 'literacy in Europe: a Community reads the future', to be published under the auspices of the Commission. We should be very happy if your Bulletin reported on our work in the field of education and vocational training.

In *Vocational Training* again and again we find evidence of this concern for the lot of those workers who have the least formal education. We are, then, very interested in receiving it and shall benefit from it greatly in our own work.

**Joseph Wresinski**  
Secretary General

*We are pleased to publish a letter we have received containing information on the Limburg Advisory Centre on Further Training.*

*It will be recalled that in the 'Open Space' section we include short articles, letters and requests for information from readers.*

With reference to *Vocational Training Bulletin* No 9 (September 1983) – 'Where is

adult education going?' – we enclose the following information on the Limburg Advisory Centre on Further Training (Limburgs Adviescentrum voor Bijscholing), which is so far the only organization of its type in Belgium.

■ The handbook 'A Signpost to Your Future' – the result of an earlier Special Temporary Framework (Bijzonder Tijdelijk Kader, BTK) project – listed all the facilities for further and additional training in the province of Limburg. The Advisory Centre updates the information annually and in May 1983 a second edition appeared. The handbook is available, free of charge, on request.

■ The Advisory Centre's first year of operation was completed at the end of June 1983 with the publication of the report 'From further training to continuing education' (the sixth report of the multilateral Provincial Educational Council for Limburg), which we are also pleased to send for your inspection.

The Advisory Centre started its second year of operation at the beginning of September 1983, and intensive negotiations are currently underway in connection with the establishment of similar centres in other Dutch-speaking provinces. Alongside the social need for such advice and information centres on the one hand and the employment opportunities offered on the other, in our view their importance in the framework of the guidelines of the Flemish Minister of Culture, Mr K. Poma, ('The Coordination and Improvement of Adult Education') should be emphasized.



## Training: the key factor in the development of competitive SMEs

*Roger Faist*

Every diagnosis points in the same direction. The prospects of new job creation in large enterprises in the manufacturing and service industries are only limited. It is true that industrial activity is likely to expand but, in a context of market stagnation, the investment in productivity that is so essential in many sectors of industry will do away with many jobs.

We can, however, expect new jobs to be created through the expansion of a network of competitive and innovatory small and medium-sized enterprises, together with craft firms and various forms of association and cooperatives that meet the needs of regional and local life or are set up to take advantage of the opportunities offered by tourism.

The question now is how to create the conditions in which the full scope for creativity and initiative can be exploited. Nothing is simple, as we all know. A good deal has been said on the subject, particularly over the past twelve months within the Community and Member States during the 'year of the SMEs'. All this wealth of thought, all these meetings and all the contacts that have been forged must not be allowed to go to waste.

What is needed, then, is to go further and to define the aims, pinpoint the obstacles and map out a course of action to overcome those obstacles.

The aims may be expressed by three keywords: *dependability, innovation and magnetization.*

Large numbers of SMEs are born every year, but large numbers also *die*. Their infant mortality rate in the first few years of their existence is particularly high. To secure their future and achieve dependability, they must be put on a sound financial footing, but there is also an obvious need to teach managers to cope with all the difficulties that arise.

If a small firm is to continue to be innovative and capable of responding appropriately to its changing environment, it is not enough for the 'boss' to know his business. Every member of his staff is involved. The small firm needs highly qualified personnel with flexible skills.

How can any firm obtain the competent and committed young staff it needs unless at the same time it fulfils their aspirations to be consulted and given responsibility? Efforts must be made to move away from the old authoritarian or paternalistic style of management that is still all too common. The SME must be a magnet of attraction, especially to young people.

For all these reasons, training should be better understood than it is today. It should be seen as an important instrument, an integral part of the company's own policy and the policy of support for SMEs, for in this as in other fields SMEs cannot take all the necessary steps on their own. They will succeed only if they can count on help from their economic and social environment.

What they need is to be supported, not to delegate their responsibilities altogether.

Two simple ideas may be adopted at this first stage of analysis, before a closer look is taken at the different facets of the training question:

- training, like help with the diagnosis of a company's training needs, is meaningful only if it is offered as one of a range of services;

- the best chance of success lies in the approach whereby a firm is helped to decide on its own solutions and then given support with the implementation of those solutions.

### **What form should help to SMEs take? The role of local authorities and technical agencies for coordination and development**

In the light of observations of a number of interesting experiments, there seems to be no need to devise new institutions to enlarge or enrich the fabric of SMEs in a region. The really important and pressing need is to persuade agencies, institutions and authorities more accustomed to operating in isolation that they should work together on clearly defined tasks.

A lightweight agency responsible for promoting synergy and coordinating the efforts of different bodies has an important role to play in this respect. The mobilization of all

the talent and goodwill available is a key factor if a forward-looking development programme is to take root in the local soil.

One important point associated with the life of institutions should be stressed. We all know from experience how difficult it is to decompartmentalize institutions and agencies. Even the authorities are unused to cooperating on the local level. But here the need is to work with them to mobilize the resources of teaching establishments, the vocational training system, universities, social partners, chambers of commerce, local representatives of savings bank networks, etc.

Elected bodies at regional and local level have a unique part to play in ensuring the success of such an operation. Are they sufficiently aware of the issues at stake?

## Help with the setting up of enterprises

In EEC Member States, the small firm is ignored by the educational system. Inexpensive measures would be enough to broaden their horizons. To cite a few examples, they might include: visits to local firms; debates in schools or colleges with the managers and staff of small firms, whatever their legal status; and periods of work experience for young people prolonging their general or technical education.

Such measures, centred around information resources and financial incentives, will help to encourage new vocations.

The next step is to offer appropriate training. The experience acquired in various countries through the implementation of ad hoc training programmes set up both for skilled production and office staff and for jobseekers (who are often qualified as well) in preparation for self-employment should lend itself to cautious imitation so that it can be transferred on a far wider scale. Imitation must be cautious, for the most useful approach to training is along the lines of guided self-training. There is a wide variety of specific needs. What should be offered are 'à la carte' responses or help, although backed up by diversified tools and skills.

For all this to work, there must be communication and cooperation at grass roots between teaching establishments, vocational schools and businesses. Practical steps should be taken to encourage teachers to spend periods of work experience in local

firms and to arrange sessions on 'how to teach' for specialists and technicians working in local firms who are prepared to give their help in specific sequences of training for those about to set up new enterprise.

## Supporting enterprises during the period of growth

Several tasks should be performed at this level:

- close contact should be maintained during the starting up phase to consolidate the skills of the management team;

- SMEs should be helped to analyze their own needs and given the facilities to satisfy those needs, for example in the fields of management techniques, product and market development, the introduction of new technology and the administration of human resources (we shall return to these last two points later).

Three difficulties must be taken into account:

- the time constraints for the managers and staff of SMEs;

- the reluctance of SMEs to open out to the world around them as it would expose them to outside scrutiny;

- their scepticism of the over-academic approach to their problems.

Here again, there is a need to vitalize the teams of trainers and participants, encouraging people from enterprises themselves to play an active role within them. Success will not be achieved in a day: coherent, long-term action is needed. This can be achieved by devising flexible consultative arrangements at local level to help build up a climate of mutual confidence.

## Improving the supply of skills: responsibility for the educational system

It has to be admitted that continuing vocational training does not play as great a part in SMEs as is needed to promote their development.

The training does not adequately cover the problems faced by SME managers and is virtually non-existent as far as SME staff are concerned. The constraints affecting the activities of SMEs must of course be taken

into account, but there is a more serious problem. Training is all too often still seen as an imposition rather than as an investment.

This is in contradiction with the aims of development, and progress to a solution must be made under the long-term efforts described above.

Two other levels of action should, however, be taken into consideration. On the one hand, the educational system is involved. The number of people who have failed at school must be reduced, so that they can take advantage of vocational training facilities and become qualified young adults, where possible trained for the kind of work that will foster the hoped-for economic growth of the local and regional employment catchment area.

It is also essential to open out new horizons for jobseekers, including young people who have found school education difficult. Here again, progress will be made only by means of complex combined arrangements calling on the cooperation of separate agencies.

Let us illustrate this by a simple example. The local authorities responsible for urban development have a duty to implement plans for the construction of low-cost housing, the provision of social amenities and the renovation of run-down districts. The need for energy savings may provide an opportunity to encourage local SMEs to make structural changes to their premises to pave the way for technological improvements, which will then help them to become more competitive and expand their markets.

The urban authorities can liaise with employment departments and channel a number of young jobseekers towards the trades employed on such schemes; they could be taken on either as apprentices or for periods of work experience with the same SMEs.

## Enriching management training

The training of SME managers and executives has severe shortcomings in two areas: the management of human resources and the introduction of technological innovation.

It will no doubt be argued that these are not the only areas in which training is deficient, but they are those that deserve discussion and are discussed least.



The maximization of human resources is one condition governing success. The desired results will not be achieved by improvising or merely relying on common sense or, even worse, received ideas. An organized process of critical reflection as to their own experience by comparison with that of other entrepreneurs should help a greater number of people in responsible positions to take a step forward and to cope better with essential but psychologically demanding problems.

In the case of technological innovation, is there any employer who would knowingly relinquish control over decisions relating to industrial investment or the installation of new plant?

Nevertheless, when equipment is being acquired that embodies the latest technological advances – and people are not always aware that such equipment may incorporate logic that will determine their organizational methods – who really makes the choice? The customer or the supplier?

Nobody would argue that SME staff should become as expert as the specialist in computer technology, but the decision-maker in the customer firm must have acquired at least a minimum amount of technical knowledge to enable him to negotiate plans for the acquisition of equipment with the supplier. Here again, SMEs should be supported by their environment.

## Innovation

Universities and colleges of higher education have a leading role to play in regional development.

The position in Europe should be compared with, for example, that in the United States to give some idea of how far we still have to go.

Universities, the world of research and commercial and industrial enterprise know nothing about each other and are suspicious of each other. There is an urgent need to devise centres of inter-communication. Here again, local bodies and the social partners may play an active role.

## Drawing on Community capital

In essence these thoughts are inspired by the coming together of many agencies which spurred on preparations for the colloquium held in October 1983 in Luxembourg, sponsored jointly by the Commission, CEDEFOP and the Grand Duchy, as well as the outcome of that colloquium. In the light of the information that has been gathered, it

is encouraging to note the existence of so many ventures, even though we must be realistic and admit that they are in the minority. In other words, a good deal is still to be done.

The colloquium revealed the immense demand for the pooling and comparison of experience. Two months later, there are signs that several of the case histories described at the conference have already 'travelled' through several Member States.

Experience has taught us that rather than paper it is people who should travel through Europe to convey their thoughts and the benefit of their experience.

*It should be CEDEFOP's role to help institutions that operate close enough to grass roots to act as linking points and enrich the fabric of SMEs by working closer together.*

It is not suggested that any one model should just be imitated elsewhere but, as in agricultural biology, that hybrids should be allowed to grow. Sturdy stock, well rooted in its own soil, should be improved through judicious pollenization by 'foreign' species.

## Local employment initiatives (LEIs)

Gerda Löwen

### A growing phenomenon: the creation of small firms as a response to unemployment and wider social concerns

The Commission of the European Communities submitted to the Council of Ministers on 21 November 1983 a communication entitled 'Community action to combat unemployment – the contribution of local employment initiatives'.\*

As background information to this communication, this article highlights some of the main findings of a series of 22 local consultations, held by the Commission in EC member countries between May 1982 and July 1983.\*\*

New local initiatives for employment creation are found in urban and rural settings, in large-scale housing settlements and estates as well as in run-down inner city areas. Most of them are small-sized enterprises comprising less than 10 to 15 people and often fewer than 5. They take a great variety of legal and organizational forms, and further new forms may still emerge. Nevertheless some commonly found characteristics can be easily described.

### Common motivations of initiatives

Throughout the Community, these new initiatives come into existence as a localized response to unemployment. Besides the prime objective of employment creation, these initiatives may pursue other goals such as overall local revitalization, environmen-

\* Document COM(83) 662 final.

\*\* For policy conclusions see Doc. COM(83) 662 final. The final overview report on these consultations by the Centre for Employment Initiatives (London) as main coordinators will be made available shortly by the EC Commission (Division V/A/1). GERDA LÖWEN, Commission of the European Communities.

tal improvements, 'alternative' forms of work organization and patterns of working life (in a few cases, even new forms of group life and society). Typical work groups in consultations in several countries covered the following areas of interest: local revitalization, enterprise creation by unemployed, worker cooperatives and other collective enterprises, women's initiatives, social insertion and reinsertion through employment, innovatory technology, and, in rural areas, agriculture.

In most cases, local employment initiatives are taken by, or on behalf of, those groups among the working population which take a greater share of the burden of unemployment than others: the young, women, the unskilled, older workers, the disabled, migrant workers (both those unemployed in the host country or those returning to their home country).

Fundamental to the idea of LEIs is that they arise out of some combination of local needs, opportunities and capacities, and that they combine economic as well as social objectives. In particular in the case of community-controlled enterprises and cooperatives, as they have developed in the UK (and as for community cooperatives, also in Ireland), economic development via new enterprises is often seen as part of a broader strategy of community development in which raising local morale and building organizational skills are important aspects.

### Common fundamental problems: those involved are new to entrepreneurship and have no capital

One consequence of these self-help initiatives is that many of the individuals

involved do not conform to the historical and traditional type of entrepreneur and private businessman. They usually have not had any management training, but they may have good occupational or professional skills to invest in the new enterprise.

There is a tendency for small groups, sometimes made up of people with a common background or of people who were fellow workers before they lost their jobs, to band together to form a new initiative. Hence in countries where cooperative legislation is favourable (notably Italy, France, the Netherlands and the UK) a rapid growth of new small workers' cooperatives has been achieved. Even though in some cases the founder members have received a redundancy compensation or severance pay, a characteristic of most new initiatives is their lack of capital.

### Initiatives occur at enterprise and intermediate level – the 'prime movers'

Local employment initiatives can be seen to be occurring at two levels:

*First*, there are initiatives at the level of individual new enterprises. These responses have taken, as mentioned before, a variety of legal forms: conventional companies, cooperatives (whether worker, neighbourhood or community controlled), community companies.

*Second*, there are new initiatives at intermediate level that take the form of agencies or frameworks to encourage, promote and support the individual enterprises. These include new employment promotion/small business promotion agencies developed from grassroots level and geared to the specific needs of local employment initiatives such as the network of some 40

'Boutiques de gestion' (literal translation: management shops) in France.

Important new intermediate structures in the UK are local enterprise trusts and agencies, some 140 of which have developed recently. Of these, some have been inspired by one or more large companies (besides domestic firms, a number of British subsidiaries of multinational companies have become active in this field), others from local authority and voluntary sector initiative. There also exist now some 80 local and regional cooperative development agencies (CDAs) in the UK. Of the 78 local/regional CDAs known at end-March 1983, some 33 were funded (in the main by local authorities, often in conjunction with central funds from the Urban Programme on Manpower Services Commission special programmes), employing some 90 full-time workers. The remaining 45 local groups operate on a voluntary basis for the moment. Typical developments in the UK are also new enterprise workshops and local holding companies.

In general, voluntary sector initiatives have evolved in most EC member countries. Alternative self-help networks have developed in the Federal Republic of Germany, small alternative banking systems have been set up in northern Italy and the Netherlands.

Trade unions have become involved in cooperative support structures in Belgium (Fondation André Oleffe), Italy and the UK (Wales TUC Cooperative Development and Training Centre). In Italy, there are joint organizations between the cooperative movement and trade unions: Cooperazione e Lavoro (Cooperlavoro), set up by the Confederazione and CISL (both Christian-Democrat orientated), and Coopsind, a joint structure between the LEGA and CGIL (both Socialist/Communist orientated).

The development of new support structures can be traced to 'prime mover' groups involved in local employment initiatives, as indicated in the Commission's communication: 'firms reducing their workforces but willing to help ex-employees find alternative jobs, trade unions, local government agencies concerned with employment and local economic and social development, action groups such as women's groups, educational and cultural organizations and charitable, welfare and church organizations, who have turned to employment creation as an additional and more positive way of tackling social problems'.

## Activities of LEIs: service-orientated

Because of capital shortage, local employment initiatives tend to appear more in the service sector than in manufacturing. Especially for 'alternative' groups and others motivated by ideological considerations, activities linked to energy conservation and the recycling of materials (paper, plastic, etc.) are often chosen as well as the refurbishing of a wide range of domestic goods (furniture, electrical and other domestic equipment, television and radio, bicycles). Such activity is most often aimed at a very local market and seeks to produce low-cost articles within the means of the local people who, since they are living in an area of high unemployment, have limited spending power. A few initiatives have however found gaps in the market for high cost or luxury goods both for the national market and for export. There are also examples of local initiatives which have found openings in the new technology market, especially in information technology.

The new initiatives have also provided opportunities for new cooperatives and other enterprises to provide them with the services they require, such as market research, accounting, transfer and development of technology and new inventions.

## Economic viability, possible displacement effects

A number of initiatives have proved successful by conventional economic standards in terms of profitability. Most other employment initiatives also aim to operate by commercial criteria and to be economically viable, but their personal income aspirations are more modest. In the case of local employment initiatives which adopt 'social burdens' (e.g. training and employing poorly-qualified workers or the handicapped, social insertion or reinsertion of marginalized people, such as young offenders and former drug addicts) these objectives need to be set against the more conventional imperative to make a profit and survive in a competitive world.

On the other hand, the question is often asked about the displacement effect of local employment initiatives, in particular when they receive public support. No evidence of such displacement effects came to light

during the Commission's consultations, though the issue of possible distortions of competition was a point of discussion in some areas.

Almost certainly, though growing rapidly, the overall number of local employment initiatives is still too small, and public aid to them too limited to make any such impact. Also, local employment initiatives tend to seek market gaps and new target groups (example: in paper recycling and health food supply 'alternative economy' groups have often been the market pioneers).

It may be expected that within the OECD cooperative action programme on local initiatives for employment creation, in which the Commission is actively participating, the question of displacement effects will be considered as part of an overall economic evaluation.

## Prospects of survival

Since most of the new initiatives in response to the spread of unemployment are of comparatively recent date — they have come into being since 1980 — it is too early, in early 1984, to determine what might be regarded as a normal expectation of life or what can fairly be adjudged as typical progress. Taking into account the fact that many local employment initiatives take the form of worker cooperatives, their recent performance may be encouraging: over the five years the number of worker cooperatives in the Community has grown from 6 500 to 13 900 and is continuing to rise rapidly; over the same period the number of people working in worker cooperatives has increased in net terms from 298 000 to 540 000.

However, it has to be borne in mind that in those countries with considerable cooperative growth (Italy, France, UK) more specialized support and assistance often including training is provided by local cooperative development agencies or regional and national federations of workers' cooperatives which can help ensure growth and survival.

## Conclusions

### The key role of specialist agencies and managerial support

The consultations have revealed the key role played by the intermediate structures, in

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particular the new specialist agencies, in providing systematic stimulation, advice and support.

In some countries, existing SMEs, representative bodies of chambers of commerce and trade, or chambers of artisan production have initially been reluctant to help, and even hostile, to local employment initiatives which do not fit into the existing conventions and categories. In view of their specific objectives, local employment initiatives tend to ask for specialist agencies adopted to their needs.

There are however unusual partnerships. A positive feature has been the development of support to local initiatives from large-scale industrial and commercial corporations in the private sector, especially in the form of personnel on secondment for as much as two years full-time, during which their full salaries are paid by their original employers. This type of support system has been started in the USA and the UK, but seems now to be spreading also in France and the Netherlands.

## **A crucial problem: access to finance**

Local employment initiatives have even more difficulty than conventional small firms in obtaining financing. This difficulty exists at all stages of their history: pre-start-up exploration, feasibility studies, start-up, development, consolidation and expansion. Many initiatives are under-capitalized from the start.

The amounts of money needed by local employment initiatives are very small, but to be effective this money has to be accessible with the minimum administrative complication and delivered with the minimum delay. Existing financial measures and institutions rarely measure up to such requirements. Many of the persons starting local employment initiatives have little savings or because of being unemployed for some time have exhausted what savings they may have had. They are often in receipt of social security or other forms of payment from the State which they receive because of being unemployed. The regulations covering these payments often make it extremely difficult to make the transition to new and sometimes unconventional forms of employment and self-employment.

## **Training needs**

There is a need and a demand from those engaged in new initiatives for flexible training arrangements of a kind which will enhance their chances of success. Many who have lost jobs in traditional industrial and commercial employment, often in businesses managed by specialists operating on a large scale, lack the knowledge and skills required for the functioning of a business enterprise. There is a particular need to learn how to budget accurately and to control financial operations (e.g. cash-flow, stock, credit, etc.) in order to avoid failure.

Specific training needs have been expressed by members of worker cooperatives. Linked to these training needs are new skill requirements of trainers based on experiences of recent initiatives.

## **Need for supportive environment**

Lastly, it has been found that the extent of regional and local government support is decisive for the overall growth of local initiatives. With an increasing awareness of the devastating social and health care implications of unemployment, many local authorities are turning to consider new programmes of local economic development in an attempt to tackle these problems, in some countries with a particular emphasis on local initiatives.

Since local employment initiatives, which are the subject of this article, are but a part of total employment creation activity, it may be useful to refer finally to a statement made in the Commission's communication regarding the relationship between local employment initiatives and other SMEs.

'LEIs resemble in many respects other SMEs. There are, however, important differences in emphasis. They tend to differ from traditional SMEs in terms of their reasons for being created, the background of their members and the types of activity on which they concentrate . . . As they grow and mature, LEIs may become more integrated into the small firms sector as a whole, while at the same time changing its average complexion.'

## Towards Community financing of innovation in small and medium-sized undertakings

Duccio Guerra

*The Commission of the European Communities*, performing its basic function of the drafting and submission to the Council of proposals on the implementation of EEC policies within its spheres of competence, has recently forwarded a communication and a proposal\* on *Community financing of innovation in small and medium-sized businesses*.

As we write these words, the Commission proposal is on the agenda of a Council meeting. We feel, however, that we should draw the attention of readers to the *communication* because of its obvious links with the theme of this issue of *Vocational Training* and its cultural and political implications.

Even in 1981, political bodies in the Community were arguing that incentives for small and medium-sized businesses should be given priority in intervention measures, a view supported by the European Council, European Parliament and Economic and Social Committee. This is the background to the Commission communication and proposal.

### Innovatory investment

The communication focuses on the role that Community instruments might play in financing designed to encourage and support innovative investment by SMEs. *Innovation* is seen as the introduction to the market of new goods or services, new production processes or new marketing and

management techniques. There are three characteristic features of investment in innovation: a higher level of *risk*, *deferred profitability* by comparison with an ordinary investment and *scale*, or the connection between the overall profitability of the investment and the rapid acquisition of a share of the market.

Small and medium-sized firms are not well equipped to innovate, especially because of the large outlay of ready capital needed in introducing a new product to the market.

### The role of the Community

Under its basic mission of *promoting the harmonious development of economic activities*, the Community has an important part to play in encouraging investment, although this is obviously also covered by national policies in Member States. Innovation is the intermediate link in a chain of events, coming after research and before the profitable use of the resulting product. It is the intermediate stage which, by its very nature, raises specific problems and calls for maximum support.

Innovative SMEs make a valuable contribution, especially in the sectors of new information technology, energy technology, biotechnology and the manufacture of new products. It goes without saying that Community action to encourage the private sector capital market in Member States to finance innovation more actively would pave the way for growth and have valuable side effects in that it would create new jobs.

### A plan of action for the Community

There are only limited ways in which the Community can support innovation financially. Subsidies do not seem to be the most appropriate method of financing, partly because of the low volume of subsidies which the Community is in a position to grant. Its budget is also too tight for it to make loans out of its own funds. Of the various arrangements, certain options might be taken into consideration:

- current criteria for the granting of loans might be amended, with priority being given to investment in innovation and allowing the use of existing financial instruments to finance certain assets which do not come within the category of fixed investment);
- a 'performance guarantee' might be offered to enable the Community to embark on the transaction without committing its own credit;
- various measures such as ordinary loans, guarantees and subsidies might be combined.

It would be desirable to offer innovatory SMEs an arrangement that could have a significant effect on the financial level. Through financial intermediaries, the Community might offer a *European Innovation Loan* which would:

- make it possible to finance not only traditional investment but also capital assets (prototypes, working capital, etc.) essential to the development of innovatory enterprise;
- be backed by a guarantee;

\* COM(83) 241 final, 7 June 1983.

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- relieve the burden of interest, which would become payable only after the project reaches the threshold of profitability;

- be granted on condition that the intermediary also makes a loan of the same type and at the same time, at its own risk.

A further step would be the creation of a *European financing company* with its own capital empowered to grant European Innovation Loans. The advantage of such a company would be its flexibility in dealing

with the needs of SMEs and the development of 'major innovative projects'.

## Proposal to the Council

This is the premise on which the Commission proposal to the Council is based. In the proposal, the 'European Innovation Loan' is defined as finance:

- normally for a term of ten years;

- for which no security is required from the borrower;

- of which the interest during the first years is borne by the general budget of the European Communities;

- which can only be granted to a business if the financial intermediary also grants to the business, at the same time and at the intermediary's risk, an equivalent amount with characteristics close to those of the European Innovation Loan.

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