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Research Paper

Small business owners: too busy to train?

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ABSTRACT

Purpose - The reasons often cited for the poor relationship between small businesses and their uptake of vocational education and training is because small business owner-managers claim they are too busy to engage in training or any type of learning activity and that most training is of little value to them. The aim of the research was to examine the relationship between these factors.

Design/ Methodology/ Approach – Using qualitative research methods the study collected data of the knowledge, attitudes and needs of small business owner-managers, both before and after participation in a training program.

Findings - This study has indicated that small business owners are interested in skills development and training opportunities, providing they are directly applicable to the current situation in their business, and as long as the delivery process is carefully structured in terms of location, time of day, and length of session.

Practical Implications – The success of a human resource management training program offers both an incentive for other educators to continue to pursue small business participation and useful guidelines for the implementation and the development of new programs for the small business sector.

Originality/Value – The approach taken in this research has offered important insights of the value of training and how it is evaluated by small business owner-
managers. This is important as owner managers are the primary decision makers about whether or not training takes place.

**Key Words** - small business, training, human resource management training, skills development, adult learning.

**Paper type** – Research paper

**INTRODUCTION**

Poor managerial competencies have often been linked to small business failure (Gaskill, Van Auken, and Manning, 1993; Jennings and Beaver, 1997; Perry, 2001). However small business is vital to all economies and within the Australian context, small business represents a significant employer of labour as well as providing employment for the owners of the business. Of the 1,179,300 small businesses in Australia, an estimated 1,591,500 people were business operators (ABS, 2004). Consequently, small enterprises represent a significant component of the private sector workforce in Australia.

It is also acknowledged that small business owner-managers, compared to owner-managers of larger businesses, have lower formal education levels and participate less in skills development and training activities (Bartram, 2005; Billet, 2001) and that there is a lack of emphasis on the relationship between successful business operation and management training (Billet, 2001; Westhead and Storey 1996; Wooden and Baker, 1995). An educated and skilled labour force is considered to be essential to the success and growth of small business and for businesses to gain some competitive advantage in the global economy (Cosh, Duncan, and Hughes, 1998; Huang, 2001).

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1 The Australian Bureau of Statistics define a small business as a business employing less than 20 people, independently owned, displays close owner/manager control, and where principle decision making is made by owner/managers (ABS, 2004).
The influence of the human resource capabilities of the small business owner-manager is therefore critical in this process.

Recently, Hiltrop (2005, p.122) has asserted that a number of studies have provided growing evidence that "indicate overwhelmingly that good management fosters organisational success, whereas less effective people management practices foster failure and distress." A key to gaining small business interest in training per se may be to establish sufficient evidence of the relationship between participating in training, increased people management skills and improved business performance. Hiltrop (2005) has suggested that the level of business performance achieved will be directly related to the extent that the owner-manager is able to implement the management practices required to manage people and their contribution to the success of the organisation. Therefore, the better skilled owner-managers are at human resource management, the better potential they will have to contribute to the success of their business.

Whereas it could be assumed that all small business owner-managers want their businesses to be successful and strive towards that goal on a daily basis, the reality is that many small business owner-managers are poorly equipped to deal with the continual and relentless issues that face business today. Indeed many small business owner-managers have few managerial competencies when they start their businesses and do not actively seek opportunities to further develop their managerial skills (Webster, Walker, and Turner, 2005).
To facilitate greater participation by owner-managers in training activities Ehrich and Billett (2004) have recommended the development of pedagogic principles that are suited to the changing skills development needs of small businesses. Of particular interest to the business owner-manager will be the impact that training will have on the business, not just in terms of the bottom-line, but also for its relevance and application to day-to-day operations. Storey (2004) and Westhead and Storey (1996) have also highlighted that there is not enough emphasis placed on the link between management training of small business owner-managers and business performance. This is despite owner-managers recognising the importance of developing and maintaining management skills (Loan-Clarke et al., 1999; Smith & Whittaker, 1996).

LITERATURE REVIEW

While it has been found that small business owner-managers are reluctant to participate in formal training and development, they do acknowledge that human resource management is important to their businesses (Webster, Walker, and Brown, 2005). Unfortunately, there are few empirical studies on the relationship between small businesses and human resource management practices. One of the challenges facing small and medium enterprise (SME) researchers according to Mazzarol (2004, p.1) is that “the majority of small firms are led by owner-managers who are strategically myopic” and "lack the long term vision that is required for owner managers to identify the future direction of their business". It is therefore important to know why many small business owner-managers do not embrace lifelong learning for their business and personal development.
Current training practices of small businesses

The training needs of small businesses have been widely researched (Billett, 2001; Gibb, 1997; Matlay, 2000; Storey, 2004; Storey and Westhead, 1997; Webster, Walker, and Brown, 2005) but significant gaps in the knowledge still exist. For example, the literature shows that despite the importance of small businesses to the economy, little attention has been given to the effectiveness of training programs for these businesses (Huang, 2001) or to the study of other training and development practices (Chandler and McEvoy, 2000; Heneman, Tansky, and Camp, 2000; Koteey and Sheridan, 2004).

Small business training and development can be complex and resource intensive (Billett, 2001; Westhead and Storey, 1996). In fact, Billett (2001) has found that the real price of training is higher in small firms than large businesses. This is then compounded by the fact that most businesses, but especially small businesses, are time poor (Beresford and Saunders, 2005; Billett, 2001; Gibb, 1997; Webster, Walker, and Brown, 2005) which leads to the widespread misconception that small business is too busy to train.

In recent years, increased attention has been given to human resource management (HRM) practices in small businesses (de Kok and Uhlaner, 2001; Mazzaroll, 2004). Whilst this is a step in the right direction the reality is that small businesses are faced with many challenges in their attempt to develop and implement training and HRM practices and procedures. Challenges identified include: time and resources (Klass, McClendon, and Gainey, 2000); firm size (Heneman, Tansky, and Camp, 2000); and cost (Arthur, 1995). More significantly, according to Klass, McClendon and Gainey
(2000) small businesses may not recognise the complexity of human resource training and expertise, and therefore rely on what they have vicariously learnt from previous work experience.

*Small businesses, training and human resource management*

Although some owner-managers of small businesses consider their human resource practices and problems as a high priority (Hornsby and Kuratko, 1990) and acknowledge that they can play a significant role in developing competitive advantage, one of the biggest difficulties faced by them is “gaining competitive edge from the improved capability of people” (Ulrich and Lake, 1990, p.40). Reid and Adams (2001) support the concept that employees should be regarded as valuable assets and that there should be greater emphasis on commitment, adaptability and recognition of employees in small businesses.

One opportunity for small business to demonstrate these values is by providing employees with training that is of benefit to both the employer in the first instance but is of equal value to the employee as they will have acquired a new competency. In return, overall competitive advantage may be realised, however, before this can occur, the owner-manager may be presented with two additional challenges. First, more time and resources may need to be invested in order to implement what has been learned in the training. Second, and perhaps of more concern to small business, are the challenges associated with the retention of employees with increased skills and knowledge (Barrett and Mayson, 2004; Klass *et al.*, 2000; McElwee and Warren, 2000). This second issue can cancel out any gains for the employer and also the
possibility of increasing the expectation on the part of the employee of more training and training being seen as a right rather than at the benevolence of the employer.

*Decision making about training participation*

When owner-managers are confronted with the decision to take time off themselves or release another staff member to train, several issues are often considered including: training relevance, delivery method, small business sector focus, cost, timing, and the training environment. Each of these is important but arguably the delivery method will have the greatest impact on the final decision and the outcome of the training.

Adult learning, "the process of adults gaining knowledge and expertise" (Knowles, Holton, and Swanson, 2005, p.174), is central to the context of training and development for small businesses. This training method is compatible with the humanistic workplaces where individuals have control over their own learning and it also acknowledges the need for organisational performance. Knowles *et al.*, (2005) confirmed that adults have three key ‘need to know’ factors prior to learning which are; (a) how the learning will be conducted, (b) what will be learned and (c) why it will be valuable. It would thus appear that when training is offered that can provide appropriate responses to these questions, small business owner-managers would be more likely to respond positively as, not only will they be aware of what is in it for them but also, they would be able to use this knowledge to improve their business performance.
Strategic human resource management and small businesses

Strategic management is rare in most small businesses due to the ‘just-in-time’ nature of commerce today. Jennings and Beaver (1997, p. 63) suggest that "the root cause of either small business failure or poor performance is almost invariably a lack of management attention to strategic issues." Whether small business owner-managers respond to training needs in a strategic way is debateable and little is known about this area (Bartram, 2005). In addition, according to Marlow (2000) little is known about how, or whether, small business owners use their own, or their teams, management skills and experiences, as a strategic part of developing the business. In most cases, there is little evidence of businesses translating human resource awareness into action, and therefore human resource management strategies are not generated.

Barrett and Mayson (2004) have suggested that although the literature on strategic HRM is more commonly associated with large firms, it may be useful to extrapolate this in order to better understand the role of HRM training in small businesses. One of the most significant differences between large and small organisations is that in large firms, HRM applications tend to be based on formal management procedures whereas similar applications in small businesses tend to be informal (Barrett and Mayson, 2004; Hornsby and Kuratko, 1990; Kote and Slade, 2005; Marlow, 2000; Mazzarol, 2003). Thus, many small businesses trying to balance formal HRM policies and practices (used by larger firms), with the informal culture of smaller firms, can get into difficulties with this strategy, due to the resource constraints of small businesses (Cassell et al., 2002).
For example, small businesses are often hardest hit when there is competition for new staff and in retaining existing skilled staff. This is because of factors such as; larger businesses having the ability to pay more and offer financial and non financial incentives that are difficult for small businesses to match; uncertainty regarding continuous workflow; perceived difficulty of finding appropriate staff; ability to manage staff and not knowing how to terminate unsuitable staff (Barrett and Mayson, 2004; Klass et al., 2000; McElwee and Warren, 2000; Storey, 2004). All of these issues have the potential to be an additional burden on small business if the owner-manager is not skilled in human resource management. Because of these issues there is a the need for smaller firms to develop effective HRM practices (Audretsch and Thurik, 2001).

One of the most significant issues emerging from the current literature concerns the growth aspirations of the small business. According to Mazzarol (2003) and Fraza (1998) the faster the growth, the more likely the business is to experience human resource problems and one of the main problems is finding and retaining high quality employees. Mazzarol (2003) warns that as a firm grows and the number of employees increases, so the complexity of human resource management intensifies and therefore, developing formal human resource policies and practices becomes of greater importance to the long term success of the small enterprise. Further, research has shown that the informal nature of human resource management in small businesses contributes to difficulties in recruiting and retaining employees (Barrett and Mayson, 2004).
The literature is showing a clear need for small business to participate in human resource management training to assist with success and growth. Yet the literature is also suggesting that small businesses are reluctant to participate in formal training or learning activities. In addition, there is a lack of empirical research and evaluation of training specifically relating to human resource management for small businesses. The results presented here are an evaluation of the competencies learnt from a training program developed and delivered specifically for small businesses on the topic of human resource management.

**METHODOLOGY**

*Aim*
The aim of the research was to examine the relationship between small business owner-managers, their current knowledge of human resource management and the value they placed on the training they received. The study therefore measured, both before and after the training program, the knowledge, experiences, attitudes and needs of SMEs from the small business owner-manager perspective.

*Program Design*
The workshop series was designed to assist and support small business owner-managers who were seeking to develop better human resource management skills by increasing their general awareness of issues relating to: recruiting, selecting, retaining, training and managing employees. One of the critical success elements of the workshops was the interactive opportunities provided to the participants to engage with each other and be able to relate their own personal experiences in dealing with
human resource issues. This interaction in a non threatening environment is a key adult learning requirement.

The workshops were held in venues specifically selected, both in terms of location and character, as appropriate for small business training, in that they were *in situ* and utilised local facilities, as opposed to traditional educational establishments. This was arranged to heighten the focus of the training as being relevant to small business and to demonstrate that the deliverers of the training understood the needs of small businesses. The two locations were chosen because of their close proximity to the owners operating base to reduce travelling distances, which would take precious time away from the business. Marketing of the workshops also emphasised the small business focus and an adult learning interactive approach that would provide opportunities for networking and the sharing of experiences.

The time of day is also important to small business owner-managers who are often unwilling to participate in training during the busy periods in their day. Therefore two session times, a lunchtime and an evening session per location were made available for each workshop. This allowed the businesses to choose an appropriate time for each workshop and attend the later session if work commitments had meant they had to miss the earlier session.

For similar reasons the sessions were also conducted over a fortnightly period. This structure was designed to limit the amount of time the participants had to commit to training, and also provided important opportunities for participants to reflect and put the knowledge gained during each session into practice where possible. The overall
design was selected in order to facilitate expansion in the participant's businesses by delivering current and targeted human resource skills that would help them when they employed their first staff or when employing additional staff.

Research design

The research was conducted in three stages. Prior to the commencement of the program, each participant was interviewed by telephone. The aim of the first interview was to determine current human resource issues as identified by the owner-managers. In the second stage, participants attended six fortnightly human resource training workshops and were required to complete an evaluation after each session. The final stage involved a follow-up interview with all of the participants approximately 4 weeks after the completion of the program. The purpose of the follow-up interview was to give participants the opportunity to provide feedback on the workshop sessions, to determine their learning outcomes, and to identify future training needs.

Sample

The program was conducted with financial assistance from a federal government agency and a local government authority, which enabled the workshops to be conducted in one discrete geographical area in metropolitan Western Australia. This was the first time that such a program had been conducted in this area using this particular methodology for this specific topic so there was no way of knowing exactly how many small business owners would seek to do the training. Initial expressions of interest were solicited via local newspaper advertisements and through local chambers of commerce and business associations. All enquiries were screened using the broad
criteria of having been in business for more than 2 years and either having, or about to employ staff. This was to ensure that the participants had some common understanding of the general process of managing a small business.

In total 80 small business owners completed the 6 session program. The participants covered most industry categories and ranged in the size of their businesses from no employees (but looking to recruit within the following 3 months) to businesses employing over 20 staff, with the mean number of staff being 8. There were more women than men (65%; 35%) which possibly indicates that human resources is still seen as something of a ‘soft’ management skill.

RESULTS AND DISCUSSION

Before the program

The pre program interviews gained background information on the participants and assessed their current human resource competencies and their current HR situation in their business and ascertained why they wanted to participate in the workshops. Their current HR competencies were important to know in order to be able to structure the workshops to cater for their requirements. The interviews revealed that the majority of participants had little or no prior experience or skills in formal human resource management. Only one participant, who was studying human resource management at the time of the study, had any formal qualifications in human resource management or a related discipline.

For the majority of small business owner-managers, the main reason for participating in the workshops was to gain general skills in dealing with staff, due to having
experienced ‘staffing’ issues in the past. As had already been revealed in the literature, most small business do not operate in a strategic way and therefore the assumption was made that the information the participants would be seeking would be operational. It should also be noted here that many of the small business owner-managers regarded employees as ‘staff’ and the term ‘human resources’ was a phrase used by big business not small businesses. Most staffing concerns were the result of a reactive rather than a proactive issue.

Some specific skills were also mentioned such as a better understanding of the recruitment processes and the legal requirements that are necessary for human resource management and dismissal procedures. Other participants expressed an interest in skills related to retaining good employees, and motivating employees on a daily basis.

*Dealing with current staff problems*

Although the majority of participants had few current staffing problems there continued to be concern about the issues outlined above. The participants stated these were persistent and recurring themes for small business staff management. Generally the participants did not know how to deal with these recurring problems.

While verbal one-on-one communication appeared to be the most commonly used method for dealing with these ingrained problems and issues in the workplace, a tendency to 'put up' with the problems and hope they 'go away’ was also used as a strategy by some small business owner-managers. Obtaining assistance from external sources was not mentioned as an option for dealing with these issues. The use of these strategies and the continuing problems with these issues demonstrate both the practice
of informal human resource methods by small business and the strong dependence on the relationship between the employer and the employee to resolve issues in the workplace.

Another example of the informal methods used in small business was that, aside from a general ‘welcome’ package in some instances being provided to new employees, no formal staff policies relating to the HR issues were provided to employees.

Advantages of doing the program
Participants saw the following advantages in participation: (a) gaining a better understanding of human resource management, training, and related issues, (b) gaining skills so that they could recruit, interview, manage, and retain staff confidently, and, when needed, dismiss employees using correct procedures and (c) networking and talking to other people about their small business and human resource management related experiences.

After program completion
At the completion of the program, participants were interviewed again by telephone. The purpose of this ‘post’ interview was to determine the effectiveness of the training program and to identify the need for future training opportunities. Overall all participants acknowledged that they were now more informed and confident about human resource issues and the daily management of human resource operations of their small business. For example, one participant noted that,
This program was a whole lot of value. It was a valuable experience, it was facilitated well, and it really opened up my eyes to the world of staffing.

The increased confidence and knowledge was demonstrated in the way the participants openly discussed many of the aspects of the workshops and could see how important it was to start at the beginning of the HRM process, that is, by recruiting the right person in the first instance. Many participants expressed similar views as the business owner below:

I now know how to identify suitable candidates for my business. I feel confident that I will be able to find the best person for the job, whereas before it was a bit hit and miss and I was always rushing the process as being a retail business there was always the issue of having to have someone, anyone really, to be in the shop.

What was of initial interest to most participants was the difficult issue of terminating staff. During the post interviews many expressed a much greater sense of understanding and therefore control over the situation having worked through scenarios in the workshops. As one participant stated:

I’ve been a boss for 15 years and having to sack someone is the worst feeling, even when you know that they have done something wrong. I now feel I know how to put some strategies into place, like addressing issues when they first come up and not let things drift, and putting things in writing so that giving someone the flick is the last resort.
Another important issue raised by the participants was that the structure and time format of the course allowed the majority of the participants the opportunity both to reflect on their learning between sessions and to put the knowledge they had gained into the everyday practice of their business. For example, following the first session on the value of employees, several participants stated they now recognised the importance of developing a values statement by reflecting on what they had learnt and then constructing their own. In a similar manner, following the second session on appropriate recruitment and selection, several participants had implemented their learning by starting to write job descriptions and to develop job advertisements. A further workshop was on retaining and motivating staff and one participant acknowledged that:

> With this new information I've been given, I can now sit down with my employees and re-write our procedures and policies, whereas before I did it the way I thought things should be done, without consulting the people actually doing the jobs. I guess I didn’t place much value on their potential contribution.

In this context, transferring new knowledge into practice was encouraged by the fortnightly format and the two hour time limit of the training sessions. Participants also had the opportunity to ask questions the following week and it was acknowledged that this ‘follow through’ approach was beneficial and suitable for their training needs. For example, one participant stated:
The information we received was concise and well structured. The format was suitable because I didn’t want this important information all crammed into one or two days. I needed time to reflect. Also my business is constant, there are lots of things I would like to do but the reality is there are also things that I have to do, so the structure gave me some time to process the information.

In regard to the two hour session, all participants agreed that this was ‘long enough’ and did not take too much time away from their business. The time period also facilitated enough time to gain an understanding of each topic, without being too ‘overloaded’ with information.

All participants acknowledged that they had gained an overall understanding of the human resource issues that affect and influence their day to day operations. Participants also acknowledged that discussing the issues in peer groups and recognising that everyone has similar problems was a key learning point. The legal aspects of business, in particular employee termination were keys issues that many participants stated they were keen to participate in further training in. Other participants said that they would like to attend refresher courses on similar material, thus supporting the argument that small business is not too busy to train.

The results have demonstrated that small business owner-managers who recognise and act on their need for further training, and in this instance the topic was human resource management, are able to make significant gains in both their knowledge and confidence to deal with operational issues in their business. In achieving these
outcomes the research has highlighted the need for small business owners to recognise and act upon their needs for management training in general and to have a broader understanding of their importance.

**CONCLUSION**

The key finding of the research was that given certain conditions and business requirements, small business owner-managers are not too busy to train. Two factors appear to influence the small business owner-managers’ attitudes toward training and development, which are the relevance of the training and the delivery process. Small business owner-managers will participate in training opportunities if they are directly applicable to current situations in their business, and if the delivery process is carefully structured in terms of location, time of day, and length of session. This confirms the work by Loan-Clarke et al., (1999, p.306) who after surveying 551 UK small businesses and found that "small businesses not only recognise the potential benefits of MTD [management training and development] but are prepared to support their belief with cash".

If there is a down side to this particular type of skills development training for small businesses, it is that the process was found to be most often an operational rather than a strategic decision by the owner-managers to become involved. This confirms existing research that small business by nature does not have long term strategic plans in place to manage their resources.

To enhance participation in training by small business it is suggested that the location of the training venue needs to be in close proximity to the businesses operating base,
as travelling long distances inevitably takes precious time away from the business. In
addition, the time of day is also important. Business owner-managers are unwilling to
participate in training if it removes them from their business during the busy periods
in their day. This recognition was a factor in structuring the sessions over a fortnightly
period. This structure was designed to limit the amount of time the owner-managers
were required to commit to participate in the training, and also provided important
opportunities for participants to put the knowledge gained during each session into
practice. They were then able to come to the following session with any questions or
feedback. This structure was integral to the quality of the learning process, especially
for adult learners and when providing for the many small businesses who are resource
poor.

It is acknowledged that this particular delivery method is neither new nor
revolutionary and is in fact what advocates of just-in-time training for small business
have been arguing for. However, the Vocational Educational and Training sector in
Australia has been slow to pick up on this and therefore it is hoped that this piece of
research adds more evidence to the just-in-time delivery argument. The fact that 80
small businesses completed this program, demonstrates that there is willingness on the
part of small business owner-managers to learn and to implement new ways of
managing business, so long as certain conditions exist.

In relation to the actual content of this particular program, the initial findings were
that these small business owner-managers had recognised that they had little
knowledge of human resource issues prior to the training. They initially expressed a
strong need to learn more about recruiting, retaining and dismissing staff using correct
procedures. However, following the workshops, all participants acknowledged that they felt more competent and informed about human resource issues, particularly in recruitment and selection, retaining good staff, legal requirements and procedures, job advertisements, motivating employees and developing vision statements for their small business. These results highlight the need for small business owners and their staff to recognise their human resource training needs, and to have a broader understanding of the importance of their training and development needs.

This paper provides much needed evidence of the capacity of appropriate training to provide positive outcomes for small business, in this instance in relation to human resource management. The next stage, currently being undertaken, is a longitudinal study on this particular cohort, to determine whether any longer term behavioural changes on the part of owner-managers who participate in human resource training occur and whether or not this type of training is able to assist small businesses in regard to operational performance.
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