

LEARNING TO THRIVE OR LEARNING TO SURVIVE?
A REPORT ON NZ SMEs
& WORKPLACE LEARNING

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Contents

Introduction	2
Lifecycles & Transitions	4
SMEs & the support infrastructure	4
Micro-enterprises & business excellence.....	4
SMEs & their 'Human Resource' practices	4
SMEs, banks & accountants	4
How the research was carried out.....	5
Planning the research.....	5
The participants	5
The interview	6
What the research revealed.....	7
Theme 1: Factors in the External Business Environment.....	7
Learning triggers.....	7
Learning resources	8
Theme 2: Factors in the Work Environment.....	8
Employee practices.....	8
Constraints on learning.....	9
Theme 3: Learning Potential of the Job.....	10
Theme 4: Learning Orientations of Employees	11
Conclusions.....	12

Preface

As university researchers our job is to uncover new knowledge – preferably the sort of new knowledge that other people will find useful. These ‘others’ may include researchers, (who can build upon our work and answer the questions that still puzzle us), or policy makers and analysts in government agencies (who might be able to use our findings to help them develop more appropriate policy frameworks).

In some instances, those who read and use our research may include those who are in business themselves. These individuals are not usually the target of research publications, although they are the implicit target of everything that researchers in our field do.

Not only are these individuals the centre of everything we do – they make it possible. On behalf of the whole team, I would like to express my sincere thanks to all of those who allowed us to visit them and to disrupt their day’s work. Their honest answers to our questions gave us an insight into growing a business in New Zealand and have provided us with the basis for what we hope will be a long-term project.

On behalf of the project team I would also like to thank Massey University which supported the project, and to Angela Yates and Tanya Jurado for their contribution to the successful completion of the research.



Claire Massey

Introduction

It is well known that New Zealand is a country in which small and medium sized enterprises (SMEs) dominate the business population. There are approximately 370,000 'economically significant enterprises' in New Zealand¹ (i.e. those that are registered for GST and/or employ 2 or more staff) and only around 700 of them are large private sector firms; the rest are either SMEs or they belong to the public sector such as hospitals and/or government departments.

In recent years the SME sector in New Zealand has attracted increasing attention from policymakers and researchers alike. The establishment of a Small Business unit within the Ministry of Economic Development and the appointment of a Minister for Small Business are both indications of this increasing interest and commitment. However, despite the attention being given to SMEs, (and the increasing amount of research being undertaken on small firms in New Zealand²), there is much that is unknown about the firms that make up the sector and the individuals who own and manage them.

One area that is receiving growing attention in world research is workplace learning, especially when considered as an important contributor to firm survival. The growing interest in workplaces as contexts for learning has come about because of the nature of today's business environment and the growing contribution of workplace learning to firm survival.³ To survive, firms must monitor their external environments and anticipate and adapt to continual change. From the owners/managers' point of view,

¹ This figure includes around 70,000 farms and 300,000 non agricultural enterprises as at February 2006.

² While it is beyond the scope of this report to mention all the research on New Zealand SMEs that now exists, some key publications can be identified: the statistical overviews (Statistics New Zealand; Massey, 2005), the research into 'world-class' NZ firms (Campbell-Hunt et al, 2000), the various studies into 'best business practice' (Knuckey et al, 2002), and the work undertaken on nascent entrepreneurship in NZ (Frederick & Chittock, 2006).

Massey, C. (2005). Entrepreneurship & small business management in New Zealand. Auckland, New Zealand: Pearson Education New Zealand Ltd.

Campbell-Hunt, C., Brocklesby, J., Chetty, S., Corbett, L., Davenport, S., Jones, D., & Walsh, P. (2000). World famous in New Zealand: How New Zealand's leading firms became world-class competitors. Auckland, New Zealand: Auckland University Press.

Knuckey, S., Johnston, H., (Eds), with Campbell-Hunt, C., Carlaw, K., Corbett, L., & Massey, C. (2002). Firm foundations: A study of business practices and performance in New Zealand. Wellington, New Zealand: Ministry of Economic Development.

Frederick, H., & Chittock, G. (2006). Global entrepreneurship monitor Aotearoa New Zealand 2005. Auckland, New Zealand: Unitec New Zealand's centre for innovation and entrepreneurship research.

³ Examples include:

Boud, D., & Middleton, H. (2003). Learning from others at work: Communities of practice and informal learning. Journal of Workplace Learning, 15(5), 194-202 and Schein, E. H. (1993). How can organizations learn faster? The challenge of entering the green room. Sloan Management Review, 34(2), 85-92.

Sugrue, B. (2004). Making the case for learning. Training & Development, 58(10), 75-77.

learning is important not only for firm survival, but also because it provides a sustainable source of competitive advantage.

From the employees' point of view learning at and through work is increasingly important to ensure their employability. Although firms can no longer provide employment security, the employees' ability and willingness to learn and adapt are the key determinants of their employability within the firm and elsewhere.

A number of New Zealand and overseas studies⁴ show that SME owners or managers prefer informal, on-the-job learning processes, such as learning by doing, learning through coaching and feedback from workmates and supervisors, learning by observing, and learning through analysis of work experiences. While this informal, on-the-job approach to learning may not always be the best one for employees, who have to consider their employability, it probably makes perfect sense from the point of view of small firm owners/managers. However, small firm owners/managers depend on and benefit from their employees' naturally occurring learning. Some owners/managers recognise this and seek to encourage and support employee learning in informal ways.

Unfortunately, there has not been a lot of research into the way that small and medium enterprises approach the issue of employee learning and development. The research team decided to undertake this study in order to address this gap in the collective understanding of how employee learning takes place. In order to do this, we decide to look at how New Zealand owners or managers of SMEs view employee learning by exploring:

- ◆ The owner/or manager's understanding of how employees learning and development takes place
- ◆ The owner/or manager's learning ad development experiences.
- ◆ The owner/ or manager's beliefs about the importance of learning a development

This study directly complements the findings of five other studies that have already been undertaken by researchers from the New Zealand Centre for SME Research as part of the Centre's research programme; **BusinessSMEasure**. This programme is made up of two related research components; a series of five sets of interviews with the owners of 50 firms each (i.e. 250 firms in total) and a survey (launched in 2006). All of the five sets of interviews are now complete:

⁴ Some examples of studies that looked at SMEs include:

Hill, R., & Stewart, J. (2000). Human resource development in small organizations. Journal of European Industrial Training, 24(2), 105-117.

Johnson, S. (2002). Lifelong learning and SMEs: Issues for research and policy. Journal of Small Business and Enterprise Development, 9(3), 285-295.

Massey, C. (2004). Employee practices in New Zealand SMEs. Employee Relations, 26(1), 94-105

Massey, C. (2004). Is the training train out of control? A case of evaluation failure from New Zealand. Journal of Small Business and Enterprise Development, 11(4), 458-466.

Storey, D. (2004). Exploring the link, among small firms, between management training and firm performance: A comparison between UK and other OECD countries. International Journal of Human Resource Management, 15(1), 112-130.

Lifecycles & Transitions

In 2003, the first set of 50 firms was selected and researchers visited the firms and interviewed the owners on the topic of the firm's 'lifecycle'⁵.

SMEs & the support infrastructure

In the first half of 2004, another set of 50 firms was selected and researchers visited these firms and interviewed the owners on the topic of the way in which they used the 'business support infrastructure' – i.e. their advisors and other individuals/organisations that provide input into the direction of the firms⁶.

Micro-enterprises & business excellence

In the second half of 2004, a team of researchers visited a different set of 50 firms with the objective of exploring the notions of 'best practice' and 'business excellence' in New Zealand micro-enterprises.⁷

SMEs & their 'Human Resource' practices

In the first half of 2005, a team of researchers visited another different set of 50 firms with the objective of exploring the way in which SMEs deal with the issues of employing staff⁸.

SMEs, banks & accountants

In the second half of 2005, a team of researchers visited the final set of 50 firms with the objective of exploring the relationships that SMEs have with their banks and accountants.⁹

Copies of the above reports are available from the Centre.

⁵ Massey, C., Cameron, A., Cheyne, J., Harris, C., Lewis, K., Tweed, D., Wallace, C. & Warriner, V. (2004). Speaking up: Stories of growth in small & medium enterprises in New Zealand. Wellington, New Zealand: NZ Centre for SME Research, Massey University.

⁶ Lewis, K., Ashby, M., Coetzer, A., Harris, C., & Massey, C. (2005). Family, friends & government agencies: A report on SMEs & the support infrastructure project. Wellington, New Zealand: NZ Centre for SME Research, Massey University.

⁷ Massey, C., Auld, T., Lewis, K., Perry, M., Walker, R., & Warriner, V. (2005). Micro by name: medium by nature? A report on an investigation into business excellence & New Zealand micro-enterprises. Wellington, New Zealand: NZ Centre for SME Research, Massey University.

⁸ Massey, C., Lewis, K., Cameron, A., Coetzer, A., & Harris, C. (2006). It's the people that you know: A report on SMEs & their human resource practices. Wellington, New Zealand: NZ Centre for SME Research, Massey University.

⁹ Perry, M., Cardow, A., Massey, C., & Tweed, D. (2006). Telling tales: A report on New Zealand SMEs & their relationships with banks and accountants. Wellington, New Zealand: NZ Centre for SME Research, Massey University.

How the research was carried out

The study was carried out in 2007 by a team of five researchers from the New Zealand Centre for SME Research at Massey University: Alan Coetzer, Louise Lee, Kate Lewis, Claire Massey and Martin Perry. All five already had research experience with small and medium enterprises, and several of the researchers have published extensively on different facets of this sector.¹⁰

PLANNING THE RESEARCH

This project developed from one of the key themes that emerged from the previous set of interviews in the BusinessSMEasure project. As noted above, the team sought to explore the key factors influencing employee learning from the point of view of owner/managers. In order to devise the interview schedule and structure the research, the team also made use of the considerable international literature on this topic.¹¹

The planning of the research followed the protocol established for the other projects in the series and is outlined below. This approach ensured a uniform process for recruiting the firms, gathering data and analysing the findings.

THE PARTICIPANTS

Participants were recruited from a list of randomly selected firms employing up to 49 staff that we purchased from a commercial database supplier. 27 firms from this list were recruited by telephone. Based on our knowledge of existing New Zealand research, and taking into account the need to limit the number of sampling dimensions, we recruited firms from two broad industry sectors (manufacturing and service industries) rather than attempting to look at firms from all industries. Our aim was to identify a common core of factors influencing employee learning in the firms, rather than reveal major variations. Using these sampling approaches, data were collected from owners/managers of 27 well-established firms in urban and rural settings of the North and South Islands of New Zealand.

A total of 27 owner managers were interviewed of which 9 were women and 18 men. The average age of owner-managers at start-up was 35 years old. The number of owner-managers who had high school as the highest formal education was 17, with 4 having a bachelors or graduate degree. However, the participants did have considerable firm-specific experience. Only six had been with the firm for less than five years. On the other hand, 15 interviewees had been with their respective firms for 10 or more years. Thus, the participants were a potentially well-informed and rich source of data on employee learning in the sample firms.

The firms we visited also varied in terms of age (from a year old to 72 years old), and turnover (from \$200k to \$8m). Twenty-three of the 27 participating firms employed fewer than 20 full time equivalent staff (FTEs), and only one firm employed more than

¹⁰ For more details of these publications, see the Centre's website: <http://sme-centre.massey.ac.nz>

¹¹ A review of this literature has not been included in this report as its purpose is primarily to summarise the findings of the research.

30 FTEs. Finally, 16 were what could be described as family firms¹² and four were exporters.

THE INTERVIEW

Each firm was visited by a member of the research team and the owner (in a few cases the manager) was interviewed using a semi-structured schedule designed to help him or her:

- Identify the owner/managers' perception of what and how employees are expected to learn.
- Describe the characteristics of this type of workplace learning including sources of learning, learning barriers and learning triggers.
- Describe how learning is encouraged, its importance and impact
- Relate his or her own learning and development experiences.

Each interview was recorded (if permission was given by the interviewee) and the interview transcript was sent back to this individual for approval.

This approach followed the guidelines provided by the Massey University Human Ethics Committee which approved the way in which the team planned to select the interviewees and collect and store the data.

¹² For the purpose of this study a firm was described as a family firm if two or more members of the same family were working in the firm or were part owners.

What the research revealed

The individuals that we visited as part of this study gave us an insight into the way owners and/or managers of New Zealand small and medium enterprises view and interact with workplace learning.

The interview schedule was structured in four broad areas. The first section collected general demographic information about the owner/manager and the firm in question. The second section looked at the owner/manager's understanding of how employee learning and development takes place. This section explored what employees learn, how they learn, any ongoing learning that takes place, sources of employee learning, learning triggers, learning barriers and how learning is encouraged in the firm in question. The third section looked at the interviewee's own learning and development experiences including learning content, learning process, knowledge dissemination and non-work related learning. The final section examined what the owner/managers interviewed thought about the importance and impact of learning and development.

Four main themes emerged from these interviews, namely the impact of the external business environment; factors in the work environment; the learning potential of the job itself; and the learning orientations of employees. These four themes are summarised below.

THEME 1: FACTORS IN THE EXTERNAL BUSINESS ENVIRONMENT

For the owners/managers we interviewed the two factors in the external environment that had important influences on employee learning in the sample firms were learning triggers (or stimuli) and learning resources.

Learning triggers

Learning triggers from the external business environment identified by our interviewees included regulation, advances in technology, customer requirements and expectations, and competitive pressures. Each of these external learning triggers is illustrated below.

Regulation

The ability of the firms of this study to comply with government regulations translated into the need to learn and thoroughly understand the various industry laws and proceedings relating to their industry.

"We're selling liquor. You've just got to follow the rules. You've got to learn everything. That is our license on the line, if we lose our license that is our business. It's very important that they follow all the procedures and learn them very well, because you just don't get a second chance with a license." (Owner 24)

Advances in technology

Another important trigger we found was the fast pace of technological change in today's business world.

"For our trade it is a must, you can't not carry on learning because the technology is changing. So if you left the trade now and came back in ... if you wanted to work on reasonably late model vehicles, you just couldn't, without doing a serious amount of training to be up with the play. The technology is just phenomenal, it is changing so fast." (Owner 21)

Customer satisfaction

Customer satisfaction was another trigger of learning. In order to keep up with customer requirements and expectations, ongoing learning was necessary.

“Customers come in with different jobs. Every job is different. Essentially, all we’re doing is selling our skills.” (Owner 4)

“Customers. We listen to what they say, and if things aren’t done right, that is where you’re learning faster, because you need to come up to speed to keep them happy.” (Owner 7)

Competition

We also found that owner/managers in this study viewed learning as a way of staying competitive.

“You have got to do things right, you get one chance with people. So I think learning is very important. You are not just competing against other car dealers, you are competing against travel agents, and you are chasing that dollar against a lot of other people. It is about retaining customers.” (Owner 21)

Learning resources

Learning resources available to the owners/managers interviewed in this study from the external business environment were predominantly from low cost sources, such as suppliers, trade associations and small business resource centres within banks.

In particular, the learning experiences provided by trade associations and suppliers were perceived as being very relevant to the learning needs of small firms.

Trade associations

These organisations were seen as an accessible source of learning and support, especially in the early stages of a business. Training offered covered a variety of topics from industry specific to generic management skills.

“I came in here not knowing much about hospitality. So without Hospitality Association of New Zealand help I don’t know how I would’ve got through. Regarding employment issues, dealing with trying to terminate staff, they helped me right through that.” (Owner 24)

Suppliers

Reliance on suppliers to provide relevant training for the operation of new equipment was also common amongst the interviewees.

“We quite regularly upgrade or update machinery. If we buy a brand-new machine, the supplier will come in and do the learning session.” (Owner 26)

THEME 2: FACTORS IN THE WORK ENVIRONMENT

For the owners/managers interviewed there were also two broad factors in the internal organisational environments that influenced employee learning. These were employee practices and resource scarcity.

Employee practices

Some owners/managers expressed a strong preference towards employee practices aimed at recruiting, selecting and retaining skilled and experienced staff. One of the reasons that encouraged the use of these practices was the possibility of reducing the extent of learning needed by new staff. Owners/managers could also rely on current experienced employees to impart firm-specific knowledge to newcomers.

Appraising staff performance is another employee practice that has the potential to influence employee learning. Formal staff appraisal is uncommon in small firms and in this study, a fairly formal appraisal system that also seemed to have a development focus was found in a very small minority of firms.

One way of influencing employee learning in the workplace was to seek to minimise it by ensuring that the recruitment process resulted in qualified staff. As one interviewee put it:

“If I employ skilled, qualified trades people, I would expect them to be setting the standard already. If the interview process has gone correctly, I’ve done the correct check and I’ve got the right person, they’ll have the correct skill level before they even start here.” (Owner 16)

The time involved in training a new employee was also a consideration when it came to recruitment:

“Ideally we would recruit someone who is a tradesman, with a trade certificate. Therefore in the first year, they would only have to learn our operating procedures and safety.” (Owner 10)

Another factor of the work environment that influenced employee learning is the ability to retain experienced staff who could then oversee any new staff:

“The backbone of my staff has been with us for 15, 16, 17 or 18 years. So it is less of a problem introducing a new worker into the workforce. All we do is put them next to one guy, and then they move on to another guy. There is nothing formal.” (Owner 6)

Few firms in this study had a formal system of performance appraisal. One owner/manager interviewed used this as a platform to understand his or her employees' career development:

“When you have their appraisals, you ask them what their interests are, what they would like to do, where they can see themselves developing extra skills.” (Owner 23)

Resource scarcity

According to respondents, limited resources were the main factor constraining employee learning in their firms. The three key resource constraints on employee learning were: the costs of training, (especially when considered in relation to perceived low levels of transfer of learning back to the workplace); the opportunity costs of employees' time while they attended training; and lack of time for learning because of work pressures.

Immediate cost constraints were an important factor in limiting the extent of employee learning:

“The cost, it’s very high. If I send Jared to one of the Employers and Manufacturers Association programmes, it takes me down by almost five or six hundred dollars. That’s a bit on the high side in the sense that it’s to go mingle, and to find out what’s happening. So the cost is preventative.” (Owner 18)

The opportunity cost of an employee being taken off the job in order to attend training was also considered by most of the owners/managers we interviewed to be too high:

“If you take a mechanic off the floor for a week, that’s a lot of downtime that you can’t charge out. That costs you a lot of money. You have to be lean and mean in small to medium businesses. It is the time away that really hurts.” (Owner 21)

Finally, time constraints and the pressures of deadlines were also factors in the work environment that affected the extent of employee learning.

“If they have been shown how to do it two or three times and it is not sinking in and the job has to be done by a certain time, they will get taken off the job and someone else will do the job. Later on, when there is not much to do, you’ll probably go back to them and say, ‘this is what you were doing wrong then, we could not let you finish the job because the customer wanted it, but have a practice now.’ Quite often they do it much better when there is no real pressure on.” (Owner 10)

THEME 3: LEARNING POTENTIAL OF THE JOB

The third theme that emerged from the interviews we did centred around the ability of employees to learn ‘on the job’. This ability varied markedly among the 27 workplaces we visited. Although work assignments presented opportunities for growth and learning in some of the workplaces in the sample, this was by no means always the case. Opportunities given by workplaces varied from offering high to low learning potential, as well as different degrees of task variety.

High learning potential

In some instances the nature of the service provided to customers added considerably to the importance of employee learning, as appropriate training was required in order to undertake the job.

“It’s one of the most skilled jobs in the world, jobbing work. You’ve got to be quick on your feet. You’ve got to know what to do on each job and you’ve got to be able to do it in the time which is going to be competitive. You’ve got to be able to balance speed and quality of the job.” (Owner 4)

Low learning potential

On the other hand, in workplaces where the nature of the job meant that tasks were generally low-skill and work practices did not seem to change often, the potential for employee learning was limited.

“It is not highly skilled, it is just welding fire boxes and becoming familiar with different heaters. Once they become familiar with the heaters, it is repetitious and there is not a huge amount of difference between one heater and another. So we don’t send them on any courses. Two or three have been away on forklift training and some have been away on safety courses, but that is all.” (Owner 6)

High task variety

For other owners/managers aspects of the job that influenced workplace learning roles were the provision of high task variety and access to a wide range of workplace activities. Giving employee access to a wide range of workplace activities was seen as likely to have a positive influence on their learning.

“We’re shop fitters, cabinet makers, we’re in the wood-working trade. So we do anything from traditional furniture right through to a little bit of carpentry as well. Because of the game that we’re in, there’s quite a wide scope of jobs to do.” (Owner 19)

The learning potential of the different jobs performed by employees also varied *within* each small firm, according to the nature of the job. For example, in a rest home the owner/manager noted that the nursing staff required regular technical up-dating on a wide range of subjects, such as medication management, infection control and dementia. In contrast, the scope for learning was limited for the kitchen, laundry and cleaning staff.

THEME 4: LEARNING ORIENTATIONS OF EMPLOYEES

The fourth theme that emerged from our interviews was that of the motivation and inclination of employees to undertake learning.

The owners/managers interviewed felt that while some employees lacked interest in learning, others proactively sought access to learning opportunities and needed little motivating and encouragement.

“We have two staff here who take more interest than the rest of them. The others just cruise along. They are just happy to come in and do their job and get their pay at the end of the week and they have got no ambition. That is just how they are and you are never going to change that. Even with this small staff, there are two distinct groups, the ‘want to haves’, and the ‘don’t cares’. It doesn’t make the ones that don’t want to learn any worse employees, but that is all they are ever going to do. The others might move on to management or owning their own business.” (Owner 15)

In addition to lack of interest in ongoing learning of some employees, owners/managers also identified lack of career motivation and poor work ethic as factors limiting learning.

“It is hard getting guys out of secondary school that are willing to listen and learn properly. They’re taught by teachers that manual labour isn’t a good career path. And they come in here with that sort of attitude.” (Owner 26)

“There is another thing which is family related, people just don’t have a work ethic. Their parents don’t have it so they can’t bring it in to the workshop and I end up becoming a teacher and trying to train them into a work ethic. But then they go home and they haven’t got the work ethic at home, so it falls down.” (Owner 4)

Conclusions

The overall purpose of the research being undertaken by the New Zealand Centre for SME Research is to contribute to understanding more about the dynamics affecting the growth of small and medium enterprises in New Zealand. In particular, the aim of the study described in this report was to examine different issues that SME owners and/or managers have in their learning environment.

The research team found that:

1. Many important influences upon employee learning come from factors outside the small business. These factors which included changes in technology, regulation and competition in the market place acted as incentives to learn. However, all firms are not equally affected by these factors. To meet their learning needs, owners/managers and employees frequently rely on low-cost learning resources that are relevant to their firm's problems, priorities and work practices. In this context, organisations such as trade associations and suppliers are often important parts of the small firm's learning networks.
2. Pressure to learn also came from within the firms. For example, the recruitment of new staff (particularly young people) and novel work problems prompted learning. Two factors in the internal environment of the small business were highlighted by owners/managers as having important influences upon employee learning. The 'bundle' of people practices that the firm used, such as employee recruitment, selection, reward, and performance appraisal practices, was one important factor. The other important factor was resource constraints. Somewhat surprisingly, owners/managers seldom mentioned their own vital role in fostering employee learning, through providing incentives for learning and demonstrating a personal commitment to learning for example.
3. The job itself was considered a key source of employee learning. The learning potential of jobs varied markedly within and among firms. In some firms employees had broadly defined work roles and could take on a wide range of tasks. Getting access to a variety of tasks should have a positive influence on employee work-related learning.
4. For the owners/managers interviewed, differences in learning orientations of employees were a key factor influencing employee involvement in ongoing learning. This finding has important implications for employee recruitment and selection practices in firms that wish to create a culture of learning.

IMPLICATIONS

Findings of this study clearly demonstrate that currently SME owners/managers display a limited responsibility in terms of employee learning and development. These findings could aid in raising owners'/managers' awareness of the key factors influencing employee learning, especially in the context of small firms.

This is an initial effort to identify factors that influence employee learning. Although the study is limited in breadth and depth, it provides a useful starting point for developing a comprehensive framework. The factors identified need to be supplemented by further research. Given the special nature of SMEs, and in particular the pivotal role played by the owner or manager, there is a need for more research on his or her attitude toward learning and understanding of employee learning processes.