

**AN ANALYSIS OF SMALL BUSINESS TRAINING AND DEVELOPMENT  
IN THE UNITED STATES BY YEARS IN BUSINESS**

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## **Abstract**

### **AN ANALYSIS OF SMALL BUSINESS TRAINING AND DEVELOPMENT IN THE UNITED STATES BY YEARS IN BUSINESS**

The rise of a highly competitive, technology-based information society has caused a great need for skilled workers. A large proportion of jobs are shifting away from the manufacturing industries. As the service sector expands, proportionately more jobs are being created that demand higher skill levels and advanced training. Fifty eight percent of reporting companies have a shortage of skilled workers and 64 percent of manufacturers believe entry-level workers lack the necessary skills to positively impact their company.

According to the results of the study and a review of current literature, employees need training in a variety of areas and are not receiving adequate training in today's small business environment. The study provides data regarding the extent to which training is conducted, formally and informally, according to years in business, in a sample of small businesses.

## **Introduction**

The intensity of competition and pace with which knowledge becomes obsolete are heralding an era where leadership, structure and control systems must increasingly focus on the management of knowledge and skills. Such an environment requires management

to systematically design an infrastructure that is tailored to the needs of an increasingly mobile knowledge worker and supports organizational learning in areas of strategic concern (Cross & Funk, 1997).

Today's knowledge worker must exhibit judgment, creativity, technical expertise, and interpersonal skills that promote knowledge creation. These are intangibles that often cannot be forced like a labor standard on an assembly line (Nonaka & Takeuchi, 1995). Studies by the U.S. National Association of Business Economics and the U.S. National Association of Manufacturers show that fifty eight percent of reporting companies have a shortage of skilled workers and sixty four percent of manufacturers believe entry-level workers lack the necessary skills to positively impact their company (USA Today, 1989). Compounding the current state of the work force are projections that the supply of individuals with the necessary education and skill will not meet the demands of jobs in the U.S. economy (Carnevale, et al., 1990). According to *Winning the Race*, a report issued by the Council on Competitiveness, there is an acute skills shortage in every part of the country that threatens the foundation of American competitiveness. These acute skills include good work habits, people skills and cognitive skills specific to the workplace, as well as to technical knowledge. The acquisition of such skills is critical for today's workers if they expect to obtain and maintain jobs and excel in a work environment.

Traditionally, training and development was not viewed as an activity that could help companies create "value" and successfully deal with competitive challenges. Today that view has changed. Companies that use innovative training and development practices

are likely to report better financial performance than their competitors that do not. Training and development also helps a company to meet competitive challenges. As companies attempt to expand into foreign marketplaces, their success will be determined by employees' ability to work in a new culture (the global challenge) (Noe, 1998).

Researchers with an interest in human resource management have often limited their investigation to large firms (Storey, 1992). Observers, however, have recently called for more study examining human resource issues within small and medium-sized businesses (Purcell, 1993). While smaller employers may be interested in tracking developments in large organizations, it should not be assumed that practices used by large firms are necessarily beneficial or practical for smaller business (Wagar, 1998).

Researchers in the United States have noted the shortage of survey data documenting human resource management practices and their impact on firm performance (Becker and Gerhart, 1996). Furthermore, the absence of data on human resource practices is particularly acute with regard to small businesses (Rowden, 1995; Flanagan & Deshpande, 1996).

## **Literature Review**

### **Importance of Training and Development**

Organizations provide training for many reasons. They wish to orient new hires to the organization or teach them how to perform in their initial assignment. Some organizations also wish to improve the current performance of employees who may not be working as effectively as desired, or to prepare employees for future promotions, or

for upcoming changes in design, processes, or technology in their present jobs (Fisher, et al., 1999). Training can help an organization succeed in a number of ways.

Traditionally, training facilitates the implementation of strategy by providing employees with the skills and knowledge needed to perform their jobs.

Training also assists in solving immediate business problems, such as when a team of managers in an action learning program studies a real problem (e.g., "Why isn't the marketing campaign working as well as expected in Europe?") and recommends a solution. Finally, to keep ahead in a highly competitive and turbulent environment, it has been suggested that the training function must foster a continuous learning culture and stimulate managers to reinvent their corporation (Martocchio and Baldwin, 1997).

Recent changes in the environment of business have made the Human Resource Development function even more important in helping organizations maintain competitiveness and prepare for the future (Goldstein & Gilliam, 1990). Technological innovations require training, with employees often needing more sophisticated skills in troubleshooting and problem solving than they did previously. The pressure of global competition is also changing the way organizations operate and the skills that their employees need. For instance, organizations have been increasingly providing quality management and customer service training in an attempt to keep up with rising consumer expectations (Bellizzi & Piontkowski, 1990; Lee, 1991).

Approximately 70 percent of employers provide some formal training (Noe, 1998). The larger the company, the more likely its workers were to have been trained. In smaller companies, 75 percent of respondents in firms with fewer than 500 employees

received some training, compared with 82 percent in companies with more than 1,000 people (Schaaf, 1998). Smaller to midsize firms, employing 100 to 499 people, averaged 140,040 dollars per company for training; these companies make up about 78 percent of the Dun & Bradstreet data base of 146,837 U.S. organizations.

Those employing between 500 and 999 people, about 10 percent of the database, planned to spend about 237,600 dollars each. The largest companies, those with 10,000 or more employees (1 percent of the database), had training budgets that averaged well over 15 million dollars. Small companies (50-99 employees) spend about one-third as much as large employers (500+ employees) (Noe, 1998).

Most training goes to managerial, supervisory, white-collar, salaried employees. Eighty percent of people at work today are hourly workers. Mincer (1997) also reported that people who in the past have received training are more apt to undergo further training in the future.

Of the nearly \$60 billion expended by organization employing one hundred or more employees, 42.1 billion dollars was spent for HRD staff salaries, and another 14.7 billion dollars was allocated for outside services (seminars, conferences, materials, etc.) (Blanchard & Thacker, 1998). The most recent reports estimate that employers spend around one percent of payroll on training. To keep up with the current trend, this amount is expected to increase to three percent by the year 2000 (Chance, 1998).

### *Small Business Training and Development Issues*

There are three prominent issues in today's small business training environment. The first issue questions where small business will find qualified employees in an economy where capable labor is going to be a relatively scarce good. The second issue concerns how small businesses are projected to use training to raise their productivity in order to compete in the marketplace (Lichtenstein, 1992). The third issue is that small businesses have created most of the new jobs in recent years and will need training if they are to survive and grow. Each issue will be discussed in turn.

A study conducted by the American Society for Training and Development addresses the first issue. The study shows that most American workers are not getting the training they need to keep their companies competitive. With such a lack of training, it is expected that by the year 2000, there are likely to be too few well-educated and well-trained workers to satisfy the nation's economic needs (USA Today, 1989). Other surveys illustrate the extent of the skills gap as perceived by American business: a recent Coopers and Lybrand business poll posed the question: "Is the lack of skilled workers hurting your revenue growth?" In 1993, twenty seven percent responded "Yes" to this question. The affirmative responses increased to over sixty six percent in 1998.

Other resources confirm this trend. Nation's Business conducted a recent Reader's poll in which fifty nine percent responded that it had been "very difficult" to find qualified workers in the past year (Chance, 1998). The age group of 16 to 24 years olds is diminishing in size, and a significant portion of the remaining group is poorly educated. As a result, small businesses will have to look for less qualified employees to fill new

positions (Lichtenstein, 1992), and will have to work harder to keep their existing workforce and increase their productivity (O'Connor, et al., 1996).

Small firms create ninety eight percent of all new positions, causing owners/managers to be concerned that they will be severely affected by the growing shortage of qualified entry-level employees (Feuer, 1988). The conclusion is that "business leaders are increasingly coming to realize that the work force necessary for fueling America's economy now, in the near future, and into the Twenty-First Century, is not one that they can simply buy or borrow. They must build it (American Society for Training and Development, 1989).

The second issue, training and development, is one that is often mentioned but rarely viewed as a potential source of competitive advantage (Fairfield-Sonn, 1987). Lack of investment in training is an often-cited reason why U.S. companies are losing market share to foreign competitors. For example, whereas sixty six percent of German workers are involved in apprenticeship training programs, only two-tenths of one percent of U.S. workers is involved in similar programs (Carnevale, et al., 1990).

On average, U.S. companies only spend about one-third as much as Japanese companies on training per year. Some statistics also suggest that only sixteen percent of U.S. employees have ever received any training from their employers! (Noe, 1998). Often, training and development may sometimes be viewed by management as a luxury or "necessary evil" (Athos and Pascale, 1983). Additionally, few members of senior management have the time to become personally involved in these labor-intensive

activities (Mintzberg, 1973), so they do not see the direct benefits that may be gained from these efforts.

Senior managers often fail to consider training and development as a serious means of attaining a competitive advantage (Bolt, 1985). There also may be a tendency on management's part, to overlook or avoid this area because they do not have a clear model to aid in making decisions regarding whether or not training and development activities will give them a competitive advantage (O'Neil & Duker, 1986). Interesting results were obtained from the study conducted by American Society for Training & Development. It concluded that managers in Europe were more likely to describe globalization as the most fundamental force driving their skill creation needs than were managers in the United States. U.S. managers were more likely to identify rapid technological change as the most significant force shaping their changing skill requirements (Training and Development, 1999).

An American Society for Training & Development report explains why, despite huge investments in information technology over the past five or six years, productivity gains in the United States are still rather modest of about one to one and one-half percent per year. The United States is not investing enough on the human side of the equation in the people who fix the technology, use and sell the technology, and envision its possibilities. Robert B. Reich, former U.S. Secretary of Labor, stated: "Without investing in people as a corollary to investing in technology, you simply have a lot of machinery. You cannot generate the capacity for productivity improvements when people are not

adequately trained in technological skills and people skills." (Training and Development, 1999)

Clearly, small businesses can raise productivity by training their employees. Training ensures that the right people learn the right things at the right time and in the right priority order (O'Connor, et al., 1996). As a result, training is one of the primary ways to bring less-qualified employees up to acceptable standards of performance, and to increase their productivity in a time of global competitiveness (Lichtenstein, 1992). In the long run, the only sustainable source of competitive advantage is an organization's ability to learn faster than its competition (Senge, 1994). Small businesses need to train employees in order to increase productivity and to gain a competitive advantage, but smaller firms are generally the ones that can least afford training (Feuer, 1988).

As a result of this financial constraint, training tends to be dealt with on an "if-we-can-afford-it basis" in small firms (Feuer, 1988). Less than nineteen percent of small businesses include formal training programs for new hires, compared to forty four percent of large firms. This lack of formal training is due to the high costs of training, and may put smaller firms at a competitive disadvantage (Lichtenstein, 1992). Many companies just cannot justify the cost of creating a one-person training department or hiring consultants on a regular basis (Feuer, 1988). When training is afforded, though, it can take place on-the-job or off-site, depending on the small business' training needs.

The idea that training pays off is sometimes hard to support. However, some recent studies have shown that training does pay off. For example, a Garrett study

showed team building training done with their equipment maintenance employees decreased their response and completion times.

It was also shown to reduce the total downtime of equipment, as well as the estimated costs of repair (Pine & Tingley, 1993). Another example is the study of Federal Express van drivers who went through a training program soon after being hired. When compared to a control group in such categories as injuries, accidents, time-card errors, etc., they showed a 23.9 percent return on investment (Hasset, 1992). In addition, a major new study finds that those on the receiving end of company-sponsored training do, indeed, value it. It finds workers reporting that training makes a difference not only on the job, but also in the way they view their employer and how inclined they might be to jump to another company (Schaaf, 1998).

Most companies report they use both in-house and outside suppliers of training for all levels of employees. Only in-house staff does fifty percent of production worker training; twenty three percent of executive training is provided only by outside suppliers (Noe, 1998).

On-the-job training often involves learning through observation and imitation of others, feedback about how work is done, and through procedure manuals. Employees learn from experienced co-workers or supervisors while they are on the job (Kazanas & Rothwell, 1990). Other options available for in-house training include packaged programs, seminars, videos, and conferences. These are available from business and professional associations to provide generic training programs to small companies in a variety of industries (Feuer, 1988). Most small businesses, however, tend to use trade

associations, college seminars of less than five days, and in-house personnel as their most common sources of training (Banks, et al., 1987).

Off-site training utilizes a number of methods, such as slides, charts, written materials, and group exercises. Informative videos are also used as an effective way to communicate concepts. Video communicates a consistent message to employees, and enhances the quality of training programs and firms' support for training (Binder, 1990).

The third issue is that small businesses have created most of the new jobs in recent years and will need training if they are to survive and grow. As previously stated, it is estimated that organizations with fewer than twenty employees create ninety-eight of all net new jobs (Feuer, 1988). Although many small businesses will go out of business in the first year, many of the ones that survive will become larger companies (Kelly & Thompson, 1988). Traditionally, small businesses have been reluctant to invest in employee training, feeling that it is hard to see an immediate payoff for the cost of training classes and production time (Chance, 1998).

The reasons it is difficult to market training to small businesses are numerous, but the majority have fifty or fewer employees, with tremendous workloads, and a lack of clearly defined duties. Due to a lack of human resource professionals or training personnel, training is mostly on-the-job training. Also it is difficult for an employee to be absent, even for a day, for training. But the chances are good that these new jobs require ongoing training. That is why more small businesses are taking on the responsibility of training. Further, that is where the new jobs are. Of the 12 million new jobs created in the

nation between 1992 and 1996, small and micro size businesses added nine and one-half million, seventy nine percent of all new jobs.<sup>1</sup>

### Organization Lifecycle

Researchers have argued that organizations evolve in a consistent and predictable manner through various stages of development (Adizes, 1988; Churchill and Lewis, 1983; Greiner, 1972). Numerous scholars have written and empirically examined the concept that all organizations, including small and medium enterprises (SMEs), have developmental stages with predictable patterns that are similar to an individual's adult developmental stages (Adizes, 1988).

Adizes (1988) compares an organization's developmental stages to the lifecycles in human development. Scholars believe that, just like an individual, an organization has predictable patterns of sequential and progressive behavior that is associated with each stage of an organization's life. As the organization grows, management struggles between the polarity of organizational flexibility and controllability; just as an individual struggles with the polarity of his/her own needs and societal needs until a transformation takes place (Smelser and Erikson, 1980).

A healthy organization is one that can maintain a balance between growth and controllability. Even though researchers differ as to the number of organizational stages, common characteristics and developmental tasks associated with each stage of the

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<sup>1</sup> Note: "micro" businesses have less than 20 employees; "small" businesses have 20 to 99 employees.

organization's lifecycle exist (Hanks, et al., 1993). In summarizing the literature on lifecycle characteristics, Hanks et al (1993) developed a four-stage model that incorporated ten lifecycle models. The four stages of Hank's lifecycle model are start-up, growth, maturity, and diversification. In each lifecycle stage, Hanks examined variables such as managerial style, structure and the organizational size or complexity (1993).

Greiner (1972) found that an organization goes through various relatively stable evolutionary stages that are separated by periods of revolution or dramatic changes. Management builds the foundation for the organization's structure by making choices based on the tasks associated with each stage.

#### *Start-up or Entrepreneurial Stage*

Since a successful leader is concerned primarily with survival in the start-up phase, he/she will show a high concern for maximizing production and little regard for building relationships with his/her employees (Blake and Mouton, 1964). In a new business, entrepreneurs will typically be dealing with immature subordinates, so task, not relationship, is emphasized. The leader provides specific direction as to what, how and when things should be done (Hersey and Blanchard, 1972). In a new business, entrepreneurs will typically be dealing with immature subordinates, so task, not relationship, is emphasized. For the start-up phase, a strong leader is important to the survival of the business.

#### *Growth or Expansion Stage*

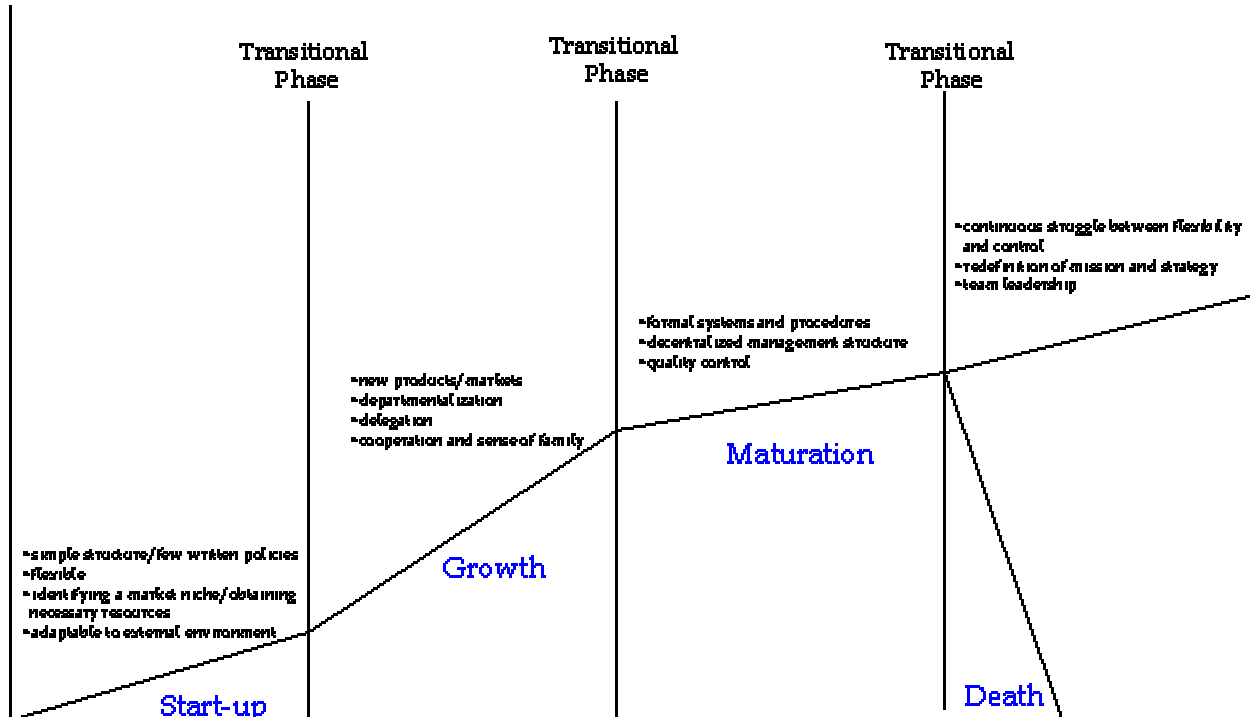
As an organization grows and changes, a leader must be able to empower others by giving them authority and accountability to lead their departments (Jaques and

Clement, 1991). The transitional periods require a leader to use reflective thinking to accurately assess the task required for the organization's transformation to a new level (Quinn, 1988; Quinn and Cameron, 1983). As the business grows, the leader must build relationships with his/her employees and needs to rely on them more. Based on Hersey and Blanchard's (1972) model, the leadership behavior should change from telling or directing to selling or coaching.

Although the founder is in control, he/she must begin to rely on a few key employees as the organization experiences rapid changes (Gupta and Chin, 1994). Therefore, it is necessary to develop a sense of family and cooperation with the organization's members to increase the importance of human relationships and personalized leadership (Quinn, 1988). The organization's structural changes are necessary for the next organizational stage. An organization's subsequent developmental stage will be affected when management has failed to accomplish the task from a previous stage (Adizes, 1988). The founder's task is to departmentalize by developing a complex functional structure with limited delegation (Hanks et al., 1993). If the organization does not begin an administration system during the growth stage, the transition to the maturity stage may be impossible (Adizes, 1988).

Model 1 summarizes the various researchers' conceptual views regarding the organizational lifecycle stages.

# Model 1 Organizational Lifecycle



## Consolidation and Maturity

The transitional stage to organizational maturity is a painful and prolonged process. Management must have developed formal systems and procedures to increase the profitability by monitoring expenses (Adizes, 1988). Developing quality products and establishing rules and procedures to increase the business' stability and continuity is more important than growth. Management should develop a framework to support the organization's transition from a centralized to a decentralized management structure. Due to

the increase in the organization's complexity, a leader must empower others to have accountability and authority for their departments.

If the implementation of controls does not allow for a balance of flexibility and control, an organization can become too rigid and ironbound in tradition (Adizes, 1988). If an organization is unable to adapt to the competing needs that are prevalent in its fourth stage of development, the organization can suffer from stagnation. The leader's behavior should become participative to balance the organization's need for flexibility and controllability.

#### *Death, Revitalization*

The last stage of organizational development is a time of continuous struggle between flexibility and control. Organizational maturation can lead to a rigid structure that inhibits the business' adaptability to changes in the market (Adizes, 1988). Formalization reduces innovativeness and flexibility. Gupta and Chin (1994) believe that when an organization is in the maturity stage, management is less apt to react to the environment and develop a proactive strategic plan. Revitalizing and redefining the business' mission and strategy during the diversification stage will prevent the decline and death of the business (Adizes, 1988). The implementation of decentralization and team leadership will create a more flexible environment.

## **Methodology**

In order to better understand the areas in which small business employees need the most training, what methods small organizations are using to train, and what problems are most often encountered in the training process, by years in business, a survey was developed and distributed to small business owner/managers in the Small Business Development Centers (SBDCs) throughout the United States. The sample population was taken from the client addresses of the SBDCs.

Approximately, two thousand (2,000) mail surveys were distributed by a stratified random sample through out the United States. Four hundred and fifty two (452) or twenty three percent (23%) responded to the survey. The questionnaire consisted of twenty-five questions, beginning with the respondent's age, gender, and education level. The owner/managers were then asked to provide the number of employees (both full and part-time) employed by their company during the last three years, and the type of business or industry (Retail, Construction, Professional, Manufacturing, Wholesale, R & D, Service or General Service) in which they are involved.

Also, respondents were asked how long their business has existed, if they started or purchased the business, and if it was a family business. Finally, the twenty-five-question survey provided a wide range of information pertaining to the areas in which the small business managers and their employees need the most training, what methods organizations currently use to train, and the problems that are most often encountered in the training process.

#### **Data Analysis**

In order to conduct meaningful data analysis regarding the needs of the small business/entrepreneurial firm, data were cross tabulated by how long the business existed – organizational life cycle stages - against a number of training and development variables affecting the success or survival of the small business and/or its entrepreneur.

Table 1 provides the responses to the survey question regarding which areas of training the entrepreneurs and their employees believed they need for the success and survival of the small business, cross-tabulated by how long the business has existed. As shown in Table 1, in the early years, from initial start-up to year 4, the respondents selected Marketing as the area of training in highest demand (35.6%), followed closely by Finance (34.3%) and Accounting (31.7%). In the early growth years, businesses in existence between 5-10 years, the areas of training the respondents selected were Accounting (30.3%) followed closely by Finance (28.3%) and Marketing (28.3%). In the mature growth stage, businesses in existence between 11-20 years, the same three areas were selected as being the most desirable and all were equally in demand (Finance 13.9%, Accounting 13.8% and Marketing 13.3%). Finally, in the mature stage, businesses in existence greater than 20 years, Accounting was highest in demand (24.1%) followed closely by Marketing (22.8%) and Finance (22.5%).

The data displayed in Table 1 shows that as the businesses moved from their initial start-up, organizational life cycle stage (0-4 years) to their mature stage (20 years or older), the entrepreneurs and the employees perceived less need for training. In fact, the trend shows that during the first three organizational life cycle stages, the demand for training consistently dropped. In the final stage (greater than 20 years in existence), however, demand for training increased by approximately seventy-five percent (75%).

The results shown in Table 1 seem to indicate that the perceived value of training by entrepreneurs and their employees, regardless of topical area, declines as the business moves from its initial start-up phase through its mature growth stage but then dramatically increases in the mature stage. This may be the result of various internal and external factors, some of which may be that the business is about to reform or launch new products and services or perceives a threat to its share of the market and must recast itself to grow and prosper.

Table 1

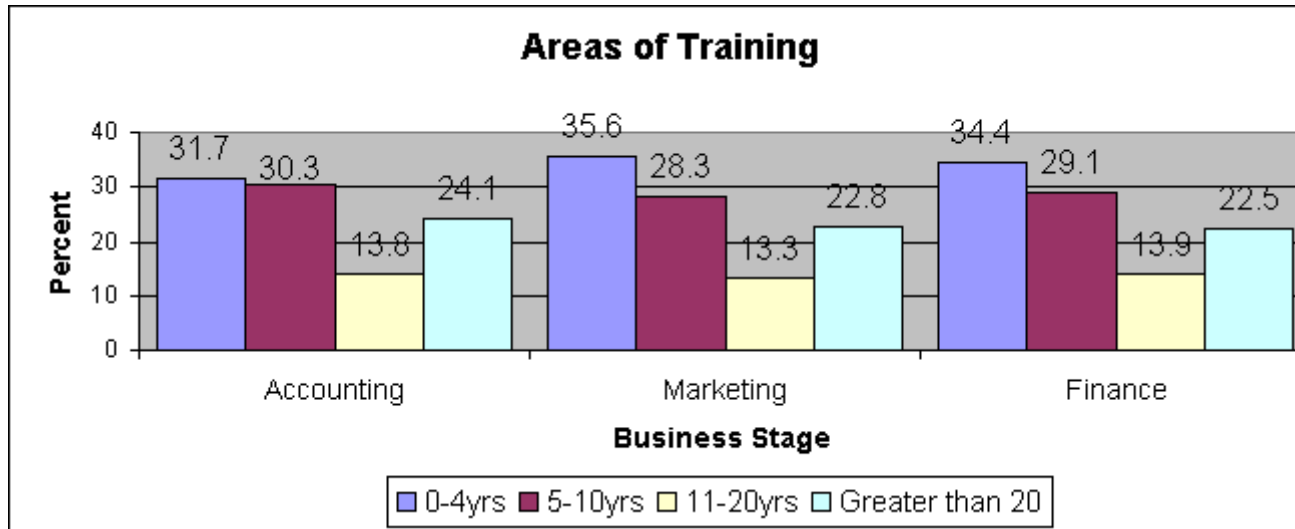
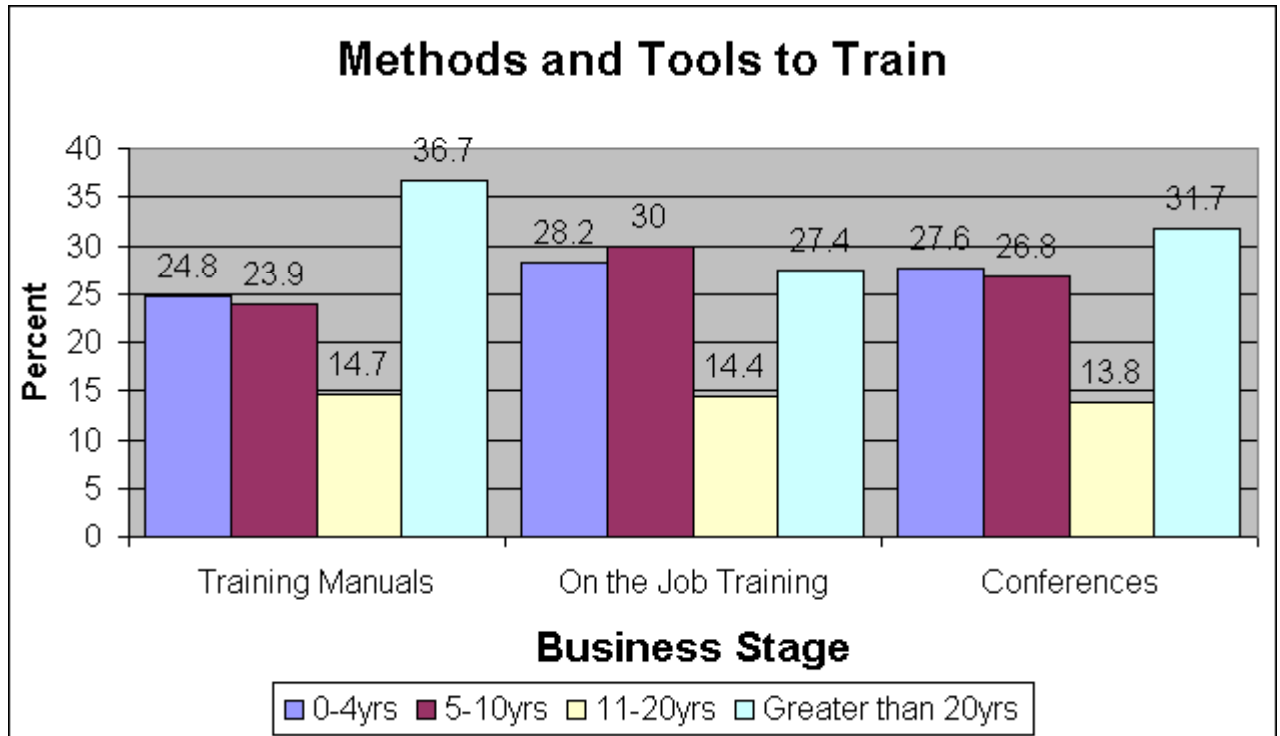


Table 2 provides the responses to the survey question regarding which methods and tools available to train the entrepreneurs and their employees were believed essential for the success and survival of the small business, cross-tabulated by how long the business had existed.

As shown in Table 2, in the early years, from initial start-up to year 4, the methods and tools the entrepreneurs and employees selected most were: On-the-Job Training (28.2%), Conferences (27.6%) and Training Manuals (24.8%). In the early growth years, businesses in existence between 5-10 years, the methods and tools the entrepreneurs and employees selected most were: On-the-job Training (30%), Conferences (26.8%) and Training Manuals (23.9%). In the mature growth stage, businesses in existence between 11-20 years, the methods and tools entrepreneurs and employees selected most were similar in perceived usefulness, i.e., On-the-job Training (14.4%), Conferences (13.8%) and Training Manuals (14.7%). Finally, in the mature stage, businesses in existence greater than 20 years, the methods and tools entrepreneurs and employees selected most were: Training Manuals (36.7%), Conferences (31.7%) and On-the-job Training (27.4%).

The data as displayed in Table 2 shows that as the businesses moved from their initial start-up, organizational life cycle stage (0-4 years) to their mature stage (20 years or older), the entrepreneurs and the employees are less interested in various training methods and tools. In fact the trend shows that during the first three organizational life cycle stages, the demand for training methods and tools consistently dropped but in the final stage (greater than 20 years), demand for training methods and tools increased by over one hundred percent (100%).



The results of Table 2 seem to indicate that the perceived usefulness by entrepreneurs and their employees of various of training methods and tools declines as the business moves from its initial start-up phase through its mature growth stage, but then dramatically increases in the mature stage. This again may be due to various reasons, internal and external business factors.

Table 2

Table 3 provides the responses to the survey question regarding which training delivery options, available to train the entrepreneurs and their employees, were believed essential for the success and survival of the small business, cross-tabulated by how long the business had existed.

As shown in Table 3, in the early years, from initial start-up to year 4, the preferred training delivery options available to train the entrepreneurs and employees were: One on-One (25.6%), Mentoring (25.2%) and Group Training (18.9%). In the early growth years, businesses in existence between 5-10 years, the preferred delivery options of the entrepreneurs and employees were: One on-One (32.8%), Mentoring (25.2%) and Group Training (21.6%). In the mature growth stage, businesses in existence between 11-20 years, the preferred delivery options of the entrepreneurs and employees were: Group Training (19.8%), One on-One (13.6%) and Mentoring (12.9%).

Finally, in the mature stage, businesses in existence greater than 20 years, the preferred training delivery options of the entrepreneurs and employees were: Group Training (39.6%), Mentoring (36.7%) and One on-One (28%).

The data as displayed in Table 3 shows that as the businesses moved from their initial start-up organizational life cycle stage (0-4 years) to their mature stage (20 years or older), the entrepreneurs and the employees tend to use less training delivery options. In fact the trend shows that during the first three organizational life cycle stages, the use of the various training delivery options consistently dropped but that in the final stage (greater than 20 years), use of the various training delivery options and tools increased by from one hundred to three hundred percent.

The results of Table 3 seem to indicate that the perceived usefulness by entrepreneurs and their employees of various of training methods and tools declines as the business moves from its initial start-up phase through its mature growth stage, but then dramatically increases in the mature stage. This may be because the business is about to reform or launch new products and services or perceives a threat to its share of the market and must recast itself to grow and prosper. Also, as the business matures, the use of group training increases as employees and entrepreneurs possess the necessary knowledge and skill to impart that knowledge to others in the business.

**Table 3**

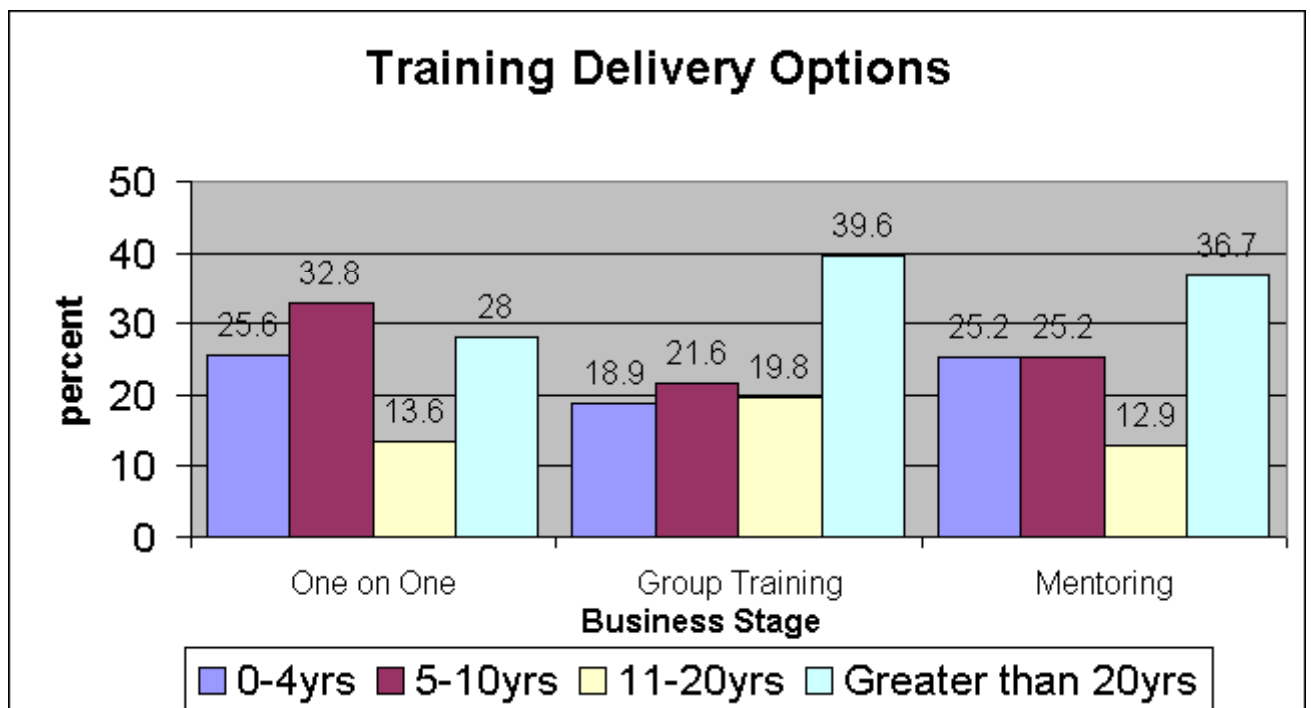


Table 4 provides the responses to the survey question regarding which areas the entrepreneurs and their employees believed that additional training was needed in order

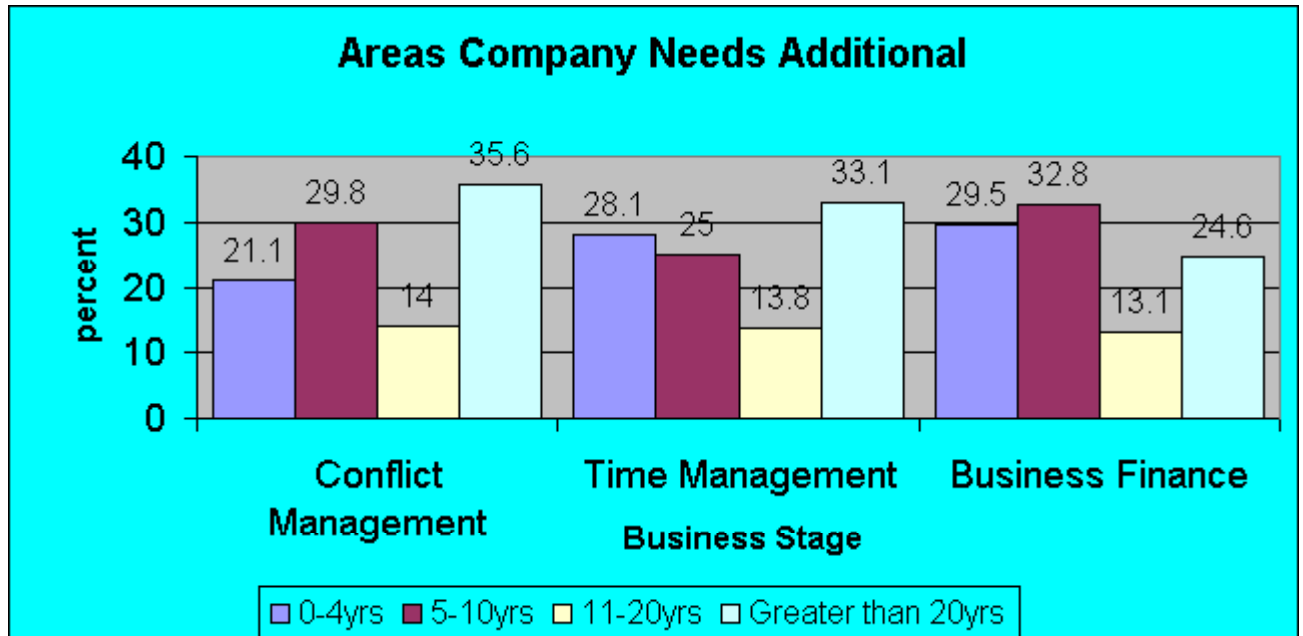
for the business to succeed and survive, cross-tabulated by how long the business had existed.

As shown in Table 4, in the early years, from initial start-up to year 4, the three areas of training most selected were: Business Finance (29.5%), Time Management (28.1%) and Conflict Management (21.2%). In the early growth years, businesses in existence between 5-10 years, the three most selected areas were: Business Finance (32.8%), Conflict Management (29.8%) and Time Management (25%). In the mature growth stage, businesses in existence between 11-20 years, the three most selected areas were: Conflict Management (14 %), Time Management (13.8%) and Business Finance (13.1 %). As can be seen from the results, there was not a great deal of variance among the three most selected areas in which the company needed additional training. These results are similar to Tables 1 and 2.

Finally, in the mature stage, businesses in existence greater than 20 years, the three most selected areas of training were: Conflict Management (35.6 %), Time Management (33.1%) and Business Finance (24.6%). The data displayed in Table 4 reveals that as the businesses moved from their initial start-up organizational life cycle stage (0-4 years) to their mature stage (20 years or older), the entrepreneurs and the employees perceive less need for additional training. In fact the trend shows that during the first three organizational life cycle stages, the need for additional training consistently dropped in the final stage (greater than 20 years), however, the need for additional training options and tools increased from one hundred to two hundred percent.

The results of Table 4 seem to indicate that the perceived need by entrepreneurs and their employees for additional training declines as the business moves from its initial start-up phase through its mature growth stage, but then dramatically increases in the mature stage. As stated previously, relative to the areas they believed additional training was required for their businesses to survive, this may be because the business is about to reform or launch new products and services or they perceive a threat to its share of the market and must recast the business's to grow and prosper. Also, as the business matures, the need for time management declines while the need for additional training in conflict management increases. At the same time, the need for business finance training initially increases then decreases as the business grows. Perhaps, as the business grows, business finance issues are handled by outsourcing.

#### **Table 4**



## CONCLUSION

A survey was developed to better understand the training and development issues confronting small business owner/managers in the United States as their businesses evolved from start-up phase through the maturity stage of the business's organizational life cycle. Among the training and development issues examined were: what areas they and their employees believed were needed to start, manage and grow their businesses to remain competitive, what methods their businesses used to train, what delivery options

are most often encountered in the training process and what additional training areas they believed were needed to stay competitive.

The literature indicates that today's small and medium enterprises are not getting the training they need to keep their companies competitive. The survey results indicate that employees need training in a number of areas to better compete in today's market. It is clear that the entrepreneurs in the study believe that training is particularly critical in the areas of accounting, finance, and marketing. The entrepreneurs also believe that they need additional training in the areas of time management, conflict management and basic business and financial skills in order to help their organizations better compete in the marketplace.

Another major issue affecting the success and viability of small businesses to grow and compete is the methods which are commonly used to train the entrepreneurs and their employees. The survey results indicate that entrepreneurs and their employees believe that the training methods most useful are: On-the-job training, training conferences and training manuals. Finally, training was usually delivered on a one-to-one basis, or through mentoring and attending conferences.

The last issue that the literature has not really addressed and that this study revealed was that as the business evolved, the need for training declined, regardless of the medium and training approach used. After the mature growth stage (11-20 years), however, the entrepreneur and their employees involved in the business again realized and requested training on a variety of issues. Possible explanations were that these

businesses were about to be recast, recapture their market share, venture out onto new markets and new product lines, and needed to retool their human resources.

The results of this study will help researchers and small business owner/managers to better understand the areas in which both owner/managers and their employees need the most training, what methods are used successfully to train, and what problems are encountered in the training process, as the business evolves through its organizational life cycle. The results of this study may also be of benefit to small business entrepreneurs as they create training programs capable of meeting the needs of the business, while examining how small businesses can increase employee productivity, and allow them to better compete in today's market.

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