

Learning without lessons

Supporting learning
in small businesses

Lisa Doyle
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research
report

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Enterprise Development
Initiative

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Executive summary

This report presents the main findings, conclusions and recommendations from a study of informal and unstructured learning in small firms.

The project involved research reviews, expert seminars, company visits and a follow-up survey. Twenty-six people – a mixture of employees and owners – took part in structured interviews about their learning activities at work. The companies were small and medium-sized enterprises (SMEs) in a variety of occupational sectors.

The research found a wide range of formal and informal learning of different types taking place in the firms participating in the study. Many interviewees talked about the value of prior experience equipping them to do their jobs and the phrases 'trial and error' and 'learning by mistakes' were mentioned frequently. There was also a preference for individual coaching and mentoring, rather than for more structured learning leading to national qualifications.

The research considered the types of learning that take place in the workplace. It found that a range of methods of on-the-job learning were used and that a clear distinction between formal and informal learning is difficult to define and unhelpful. Many participants used a combination of formal and informal methods to learn how to do their job more effectively and typically built on initial formal learning.

Understanding the context in which small businesses operate emerged as a crucial factor in supporting better learning. Providers should also consider the essential characteristics of small firms when developing learning opportunities within them. Many companies had difficulties finding specialist training specifically related to the needs of their staff. To overcome this problem, businesses often bought in experience and expertise because it was a faster and more realistic option.

Informal learning is an important source of development for people in small companies. Better support for informal learning in SMEs may therefore be as important as exhortations to take-up more formal learning opportunities.

An important message from the research for colleges and training providers is that, because many SMEs now occupy increasingly specialised markets, there is a narrowing band of generic training needs. A broadening band of specific needs are not being catered for.

Introduction

This report presents the main findings, conclusions and recommendations from a study investigating informal and unstructured learning in small firms. The Learning and Skills Development Agency (LSDA) conducted this research in collaboration with the Small Firms Enterprise Development Initiative (SFEDI) between September 2002 and August 2003. The project investigated:

- informal methods of learning
- links between informal and formal learning
- whether informal learning could be structured, recorded and assessed without changing its essential nature
- the support needs of people providing learning within small firms.

Given the size of informal learning as a subject, the project was able only to scratch the surface of these issues. However, the findings may be of interest to policy makers and organisations providing learning and support for small businesses, and indicate areas for further, in-depth research.

Research method

The investigation involved:

- a review of related research into informal learning
- developing a checklist of the draft characteristics of informal learning
- company visits and interviews to identify how learning was taking place and who was learning/teaching/facilitating
- expert seminars to check the validity of emerging findings
- a follow-up survey
- analysis of what learning is taking place and how it can be supported and improved.

The research review helped identify the issues and questions to be considered by the project, the design of the research instruments and the analysis of findings. Both previous research and the expert seminars informed the draft checklist of the characteristics of in-company, informal learning. This list was an important precursor to designing the research instruments used to conduct the interviews as it helped clarify the project's focus on the small business context. Initial and ongoing findings were discussed with the expert group. The group included representatives from training providers, Business Link, Investors in People and the Department of Education and Skills. Its discussions clarified key implications of the project's findings and informed the direction of the investigation throughout.

Characteristics of small firms

The project built on previous FEDA/LSDA research into providing learning for small businesses and it looked particularly at the potential of the workplace itself as a source of learning opportunities. Hughes and Gray (1998) have identified both the issues faced by providers when delivering learning for small firms and the characteristics of small and medium-sized enterprises (SMEs). This work was subsequently refined in a project researching support for local small business development SMEs (FEDA Research Project, "Support for local small business development" RPM 194). This second project observed that SMEs are characterised by their size – in terms of numbers of staff and turnover – the competitive markets in which they trade, the lack of time they dedicate to planning, and very tight operating margins. In view of these findings, organisations encouraging SMEs to train and develop their workforce should take these characteristics into account when proposing learning opportunities.

Subsequent FEDA/ADAPT research (FEDA 2001a; 2001b) produced guidance for FE colleges on how to work with micro and small businesses. The guidance suggested that securing greater employer involvement in learning within small firms requires an emphasis on business support, rather than on learning itself. Far greater interaction between the various providers was found to be critical in delivering effective support for business development. Such collaboration is needed to make sure that information on the company's needs is shared, and that those with the appropriate capacity and expertise deliver specific types of support and business solutions.

Much of this earlier research focused on people in small companies acquiring skills and knowledge through formal training. A key message was the need for employers and their employees to see the benefit to themselves or to the company before they would commit to formal training. Unless the training on offer was seen to hold out potential for improvement for the organisation and for the member of staff to be trained, the business might not see the value of releasing staff or paying for training (FEDA 2001a).

In a more recent report (Hughes *et al.*, 2002), LSDA investigated workforce development activity in small companies and concluded that employers and employees in SMEs learn from their everyday experiences in informal ways and that many may not want or need to adopt more formal approaches to learning. This report concluded that policy makers, planners and providers should recognise that much in-house training in SMEs is carried out by a variety of people, rather than HR specialists, using a range of methods. Learning is often informal and incidental, and facilitated by managers, supervisors and peers.

These conclusions accord with the view of Fuller and Unwin (2002: 100) that 'knowledge and skills are not only the preserve of some workers, but all workers, regardless of level and qualifications, have knowledge and skills they can potentially share'.

Implications for learning in small firms

These conclusions have far-reaching implications for how learning within SMEs might be supported across the whole business, and for all members of the company. They suggest that there is a need to target resources on better support for in-company learning. This may involve helping the wide range of managers and employees with some measure of responsibility for learning in their companies to become better at supporting learning.

People with a training role in SMEs need to learn how to cascade information and training across the business, how to coach, mentor and operate quality circles, and how to and give

demonstrations. However, some employers may not perceive that they have any business or human resource-related training needs and workers in very small companies may not perceive tangible learning needs relating to their job. This perception may stem from a view that learning is a legitimate activity only when done formally. However, while some jobs require little skills training, research suggests that all employees can benefit from generic vocational development, such as product awareness or customer care training.

LSDA's previous research found that some small firms have adopted formal systems and approaches to human resource development (HRD), often within the framework of Investors in People (IiP). In the present research, LSDA set out to identify in-company learning in SMEs, which although informal, is structured and purposeful, and to explore the incidence of such informal learning and how it can be supported better.

Key points

- The essential characteristics of small firms must be a key consideration when developing learning opportunities in small companies
- Attention to supporting better informal learning may be as important as exhortations to take-up more formal learning opportunities.

Researching informal learning in small businesses: methodological and definitional issues

A checklist of characteristics (Table 1) was developed which drew on the insights of the expert group and findings of earlier research into informal learning.

Table 1: Characteristics of informal learning

Definition	<ul style="list-style-type: none"> Related to business, rather than personal objectives Takes place in or near the workplace A deliberate (conscious) activity Outcomes other than qualifications
Rationale	<ul style="list-style-type: none"> To improve performance To develop new ideas To develop skills
Content	<ul style="list-style-type: none"> Specific, technical skills and/or knowledge Company-specific procedures Related to processes or functions in the firm Generic but transferable
Location	<ul style="list-style-type: none"> At or near the workplace (e.g. training room, 'on site', canteen, hallways, washrooms, car parks and so on) Web-based, especially if worker has access to a PC at work or at home Network meetings/groups
Duration and timing	<ul style="list-style-type: none"> Tends to be related to short-term needs Tends to be short in duration Often has a sense of immediacy
Learning method	<ul style="list-style-type: none"> Observation Demonstration Staff manual Trial and error Verbal instruction Talking to friends
Type of learning	<ul style="list-style-type: none"> Implicit Reactive Deliberative

Awareness of informal learning

Given that much learning and development in small businesses is informal and unstructured, the role of informal learning may be crucial to business success – whether success is defined in terms of competitiveness or in terms of the development of a multi-skilled workforce with high-value transferable skills. However, due to its inherent nature, much informal learning goes un-noted or is not perceived as being 'learning' by those doing it. It is therefore difficult to identify and estimate the quantity and value of informal learning taking place in an organisation. Lists of courses taken and qualifications achieved do not apply to informal learning. Lack of time, budgetary and personnel-related constraints also mean that people working in small companies

are much less likely than those in larger ones to take formal courses, thus increasing the importance of learning outside of the college/training provider contexts.

When considering how things are learnt in a workplace, it is necessary to look beyond what many view as more 'legitimate' methods:

The formalistic emphasis of education and training policy treats learning as a self-conscious, deliberate, goal-driven process which is planned and organised by 'providers' to yield outcomes that are easily described and measured... although a great deal of important learning is attributable to formal contexts and frameworks which fit these assumptions, this paradigm fails to capture much of the learning that occurs in the workplace.

Eraut *et al.*
(2000:232)

Identifying learning that has taken place outside of this paradigm requires a method that is sensitive to the subtleties of informal learning, and is informed by theories of what this implies in a workplace context. The project drew particularly on the work of Eraut *et al.* in this respect.

What constitutes informal learning?

Over recent years, several perspectives have been offered on what constitutes informal learning in the workplace. Some of these perspectives are very useful in investigating the role of this type of learning in small businesses. This is because, in order to make judgements about what support might be useful for people in small businesses, the types of learning currently taking place in terms of the knowledge and skills being acquired must be identified.

Eraut *et al.* (2000:323) distinguish between 'codified knowledge' (C knowledge) – knowledge which is more formalised and held in libraries, databases and so on, and is distinct from 'skills', and 'personal knowledge' (P knowledge), which is 'what people bring to practical situations that enables them to think and perform'. It is P knowledge that results from informal learning as it consists of formal knowledge supplemented with experience and reflection. Here skills are considered as part of knowledge. The authors note that these two types of knowledge are not mutually exclusive, as P knowledge features a lot of C knowledge in a personalised form.

To identify how people working in SMEs learn, it is necessary to understand of the types of things being learned and the skills that workers are acquiring. This goes beyond the functional tasks usually associated with learning how to do a new job (for example learning how to use new software, how to operate machinery and knowing what products the company has to offer). Eraut *et al.* (2000: 234) summarise 'what is being learned' under five headings (Table 2).

Table 2: What people learn

W1	<i>Understanding</i> Understanding of situations and systems Understanding of colleagues and work unit Understanding of own organisation Understanding of self Strategic understanding
W2	<i>Skills</i> Technical skills Learning skills Interpersonal skills Thinking skills
W3	<i>Propositional knowledge</i> General knowledge taught during initial training for occupation Specialised occupational knowledge Firm-specific knowledge (technical) Knowledge of systems and procedures
W4	<i>Knowledge resources and how to access them</i> People in the department/work group People elsewhere in the organisation Internally available materials; manuals records, databases, learning materials Networks of customers, competitors, suppliers Professional networks Higher Education institutions Local networks Previous employers
W5	<i>Judgement</i> Quality of work Evaluation Strategic decisions Staff issues Prioritising

Based on Eraut *et al.* (2000)

Diversity of learning

Not all of the items listed in Table 2 will be acquired in purely informal ways; not all the listed items will apply to everyone all of the time; and, as situations change, new learning will be required. Nonetheless, the list indicates the diversity of learning that can take place – some of which may not be perceived as learning. It is a useful starting point when trying to identify the types of knowledge and skill that people in the workplace need to acquire in order to do their jobs effectively.

Fuller and Unwin (2002: 96) argue that 'the very act of learning to do one's job in the workplace is worthy of close attention, and much of this learning occurs through explicit pockets of activity which make use of a range of pedagogical methods'. In other words, different types of learning process take place when people do their jobs. These processes will vary according to whether a person is doing things so regularly that they become 'second nature', or whether tasks are infrequent or new. Eraut *et al* (2000: 235) produced a useful typology of on-the-job learning: implicit, reactive and deliberative learning (Table 3).

Table 3: Types of on-the-job learning

Time of stimulus	Implicit learning	Reactive learning	Deliberative learning
Past episode(s)	Implicit linkage of past memories with current experience	Brief near-spontaneous <i>reflection</i> on past episodes, communications, events, experiences	<i>Review</i> of past actions, communications, events, experiences
Current experience	A selection from experience enters the memory	<i>Incidental</i> noting of facts, opinions, impressions, ideas. <i>Recognition</i> of learning opportunities	<i>Engagement</i> in decision making, problem solving, planned informal learning
Future behaviour	Unconscious effect of previous experiences	Being prepared for <i>emergent</i> learning opportunities	<i>Planned</i> learning goals. <i>Planned</i> learning opportunities

Based on Eraut *et al.* 2000

This typology illustrates usefully the different kinds of learning processes that may occur, depending upon the circumstances in which the learning takes place and the individual's previous experiences.

The context of learning

Size of firm

Context is a crucial consideration when determining what and how things are learned (Colley *et al.*, 2003: 31). An important contextual factor is the size of the organisation. For instance, companies with bigger workforces are more likely to invest in formal training for their employees than smaller ones. Yet much of the research to date into informal learning in the workplace has been carried out in larger companies. The greater reliance on informal development in small companies, and the low incidence of formal training, means that informal learning should be an important focus when researching how people learn in the workplace in small firms.

As larger companies will probably have much more in-house expertise across the workforce, the ways in which knowledge is acquired informally is also likely to differ between large and small firms. For example, coaching from a colleague on how to use a software package (typical of large companies) will probably take less time and be more effective than self-coaching from a manual (more typical of SMEs). It is also pertinent to note that the way knowledge is acquired will differ from person to person within the same organisation, as individuals learn at different speeds and have different learning styles, from observation of peers to direct instruction.

Learning and the nature of the business

The nature of the business is another key aspect of the context in which people learn. Firms occupying specialist or niche markets will need their staff to acquire very specific skills that are unlikely to have been developed through previous employment or formal education.

Key points

- A wide range of types of knowledge may be developed incidentally within the workplace.
- This knowledge may be acquired in a range of ways.
- Context appears to be important.
- Informal learning is an important source of development for people in small companies.

The company interviews

As the project aimed to explore informal learning in small firms in depth, detailed interviews were conducted with a small number of companies, in preference to targeting a large number of firms as part of a broader, more superficial investigation. In this first phase of the research, twenty-six people in fourteen different companies were interviewed about their learning activities at work. Between one and three members of staff, each occupying a different position in the firm, were interviewed in each company.

Three different interview schedules were developed – one for owner/managers; one for employees responsible for human resources; and one for all other employees¹. The people interviewed performed a wide range of roles and the schedules were refined to accommodate the particular activities that each type of respondent would be likely to undertake in the business. The number of interviews conducted within each company depended on the size of the firm and the availability of staff.

Questions about informal learning were focused on a ‘major change or challenge’ that the company or individual had faced. This approach found out about informal learning which would not necessarily have been identified if the respondents were asked directly about learning. This approach is consistent with Gibb (1997), who argues that ‘real learning is achieved when it becomes embodied in behaviour or intention to behave’. By helping respondents to identify changes in behaviour associated with changes and challenges in their everyday jobs, it was possible to discover where learning was occurring, both formal and informal, and uncovered rich material about learning and pedagogy in the study organisations.

Company profiles

The 14 businesses had varied profiles. The main differentiating factors were the sector in which they operated, their size and the age of the business. They were located in Bristol, Lancashire, South Yorkshire, Tyne and Wear and Wiltshire. A summary of some of the main characteristics of the firms is in Table 4.

The challenges identified by the interviewees focused on issues within the company as a whole and on changes to which the individuals had to adjust in their everyday working lives. Much of this was specific to each company or individual, but there were some common themes: IT-related changes, recruitment issues, problems with finding new business, marketing and company restructuring were mentioned by many respondents.

¹ The research instruments are available on request

Table 4: Summary profiles of the 14 SMEs surveyed

Type of company	No of employees	Year established	People interviewed
Painting/decorating	34	1992	Owner/manager HR/Training employee Employee
Music and media systems	35	1995	Managing director Head of marketing Operations director
Recording and sound services	3	2001	Director Studio manager
Recording and programming studio	9	1994	Director Studio manager
Marketing and communications	13	1997	Director
Marketing and design	15	1989	Managing director Business development & operations manager
Tele- and e-marketing	6	2002	Managing director
Private care home	48	1999	General manager
Specialist computer games	60	1987	Director Lead 3D artist
Manufacturing process	11	1991	Partner
Valve manufacturer	100+	1949	Training manager Employee
Shop front and screen walling manufacturer	26	1977	Production manager (and partner) Employee
Sheet metal working	45	1977	Works manager Employee
Tool manufacturer	11	1984	Owner/manager Employee

Learning from experience

In addressing the challenges that resulted from their work, many interviewees talked about the value of experience in equipping them to do their jobs. This experience was gained from a range of work and education/training contexts. However, respondents seldom elaborated to explain in what, precisely, their 'experience' consisted and 'trial and error' and 'learning by mistakes' were phrases that were commonly used.

'I couldn't have been a production manager 20 years ago. So somewhere along the line I must have developed skills. I think that just comes with experience and learning to be quite honest, rather than training'.

'I learnt the hard way – and made mistakes in the choice of staff'.

'I learnt through experience who I can and cannot trust and talk to'.

The experience of losing a major contract taught one company:

- Not to have all of their contracts with one client
- How to motivate people under pressure
- How to limit damage to company reputation
- The need to be more selective in staff appointed
- The need to continuously improve and extend the skill set of every employee
- The need to employ clever people.

Building on previous learning

Previous training and qualifications helped some SME managers to continue to learn without formal teaching. Previous learning gave confidence in abilities, and for many respondents had been useful even when unrelated to the current challenge.

One interviewee identified youth work undertaken outside of work time as being of use in his capacity as a training manager. Without this activity, he believed he would not be able to relate to the young apprentices as well as he does because he has a greater understanding of 'where they're coming from'.

A business development and operations manager reported having gained benefit from her work as a volunteer counsellor. This has taught her how to listen, be that to other employees, clients and the market.

After gaining a first degree in physics and biology, one of the interviewees was recruited on a fast track graduate scheme by an American company. He was given a thorough and extensive initial management training with them, and then found the actual job to be mundane. He left the company to join his brother as co-director of a small, high-tech company.

Lack of relevance in management training

Several respondents questioned the usefulness of particular types of formal management training. Some of those interviewed perceived management courses to be clichéd and costly, ‘a license to print money’, offering little use or value to managers in small firms. This was not the case for all respondents, some of whom noted that they often learnt important things from the other delegates on the course rather from the content of the learning material itself. In the engineering field, people reported that they had been promoted to supervisor/manager because they were good at the practical side of their job. This did not necessarily mean that they possessed the right organisational or people-skills to be able to manage effectively. They had to learn these skills through interacting on a daily basis with the staff they were managing, rather than being formally trained to develop them.

There was evidence from one interviewee that people with MBAs were easily able to describe how they analysed and set the strategy for their business. This suggests that studying management formally through higher education may equip people with conceptual tools that they can apply to tackle these aspects of business planning in practice. However this person had made the demanding MBA study commitment before starting a business. This was a common feature: most formal learning occurred prior to start-up for many of those interviewed. The research also indicated that while formal study may be beneficial, it is not essential: another business was successfully coping with a major reorientation of its services and was achieving this without its managing director having undertaken any formal management training.

The readiness among people in the sample to value both formal and informal development is consistent with the idea of SMEs drawing on what is now often called blended learning. (See also Harris *et al.* (2000) and Sullivan (2000)).

Support from other sources

Support in making decisions about the direction of the business was sometimes provided by other members of staff, who were not necessarily in a director/managerial level position.

One Director spoke of an older employee in the company who they ‘ran ideas by’ as he had a lot of experience within the company and the industry. He referred to this person as a wise old sage who was a ‘goldmine’ to the company.

Not all interviewees had the benefit of an employee such as this to help with the decision-making process, so they turned to people beyond the company to get advice.

Some firms may be able to call upon advice from other similar businesses that are not seeking the same customers. This is not the case for those in engineering and manufacturing, for instance, who gain little support from others in a similar market position and might mistrust the information passed on to them.

While formal learning often occurred prior to the business starting, much learning since then had been from colleagues, friends, other companies, books, trade magazines, events, conferences and so on. In one case, a business had a formal induction process for new staff but relied on informal development thereafter. Another manager described how a more organised process of support would have been an advantage.

' [We] would have benefited from having a local business angel type person to help in the first six months. Someone who creates a strategy, offers a lot of support at first but slowly gives less and less as the company progresses'.

Although formal learning may be beneficial for many small companies, it may be difficult to do it while running a business due to time or other constraints. This may help to explain why a lot of interviewees' formal learning predates starting or working for the business.

Buying in expertise

Many of the companies visited bought in experience/expertise through recruiting permanent staff with the required abilities, or by contracting with experts – such as accountants, solicitors and sales representatives – on a short-term basis to help them with specific tasks. This practice can be used as a substitute for training existing staff or recruiting new staff with the required expertise. But where specific skills are needed only occasionally, it may not indicate the lack of a disposition to train permanent staff.

One manager organises, delivers and takes part in a great deal of in-service training. This can range from briefings on new clinical procedures and changes in behaviour management to health and safety issues. The company retains experts on a consultancy basis, for example consultant psychologist, behaviour manager and speech therapists who provide the technical input and telephone advice and support as required.

One manufacturing company experienced the negative effects of the downturn in the economy and bought in expertise from outside the business which led to the diversification of their product and services. This person helped them to sell new products and identify new markets.

One company employed a consultant who advised them on issues such as how to win new business and how to conduct board meetings. This advice helped to improve their day-to-day business functions.

Another business met its skill needs through recruiting a non-executive director: 'We've taken a decision to bring in a non-exec director to provide us with experience and the sales element and he's going to be responsible for client services'.

Niche markets need niche training

Some of the companies visited occupied market niches. In these circumstances, specific training that relates to their needs is difficult to source. To cope with this, more in-house training was sometimes provided. One case required attendance at specialist seminars to obtain information and new ideas.

One of the managing directors interviewed has kept up-to-date by attending numerous seminars, many in the USA, looking at specialist information with experts in this field. This information was then cascaded to other members of staff in the company, who took considerable pains to look at how this new knowledge might improve their products.

The Director of a recording and sound service company noted how informal in-company learning was essential to those working within the creative arts as formal provision does not cater for particular needs.

External demands

In some cases, the requirements of health and safety legislation and external agencies are an impetus for training. The first example below is from a small manufacturing firm. The others are from a care home.

Our employees are engaged in skilled processes that use highly toxic chemicals. As such, a high level of compliance to effective health and safety procedures is required, and there are associated problems regarding waste disposal.

All new staff members undergo an intensive in-house induction. They are supported by a mentor and also have the support of the senior staff members for guidance and training. A probationary report is prepared, and a training plan is then produced. This is updated in subsequent appraisal meetings.

Each member of staff participates in mandatory training, such as, food hygiene, first aid, health and safety. Staff also progress to NVQ levels 2 and 3. The... assessor's qualification is also available for any staff member who may wish to participate, in addition to external training and development.

The staff are learning all the time, through experience, but may not perceive that they are learning. They need 'hands-on learning', which is an effective learning method, but they also need the time and opportunity to reflect on the process. Appraisal and supervisor sessions for NVQ training are opportunities for this reflection to take place.

Care homes receive one announced and one un-announced visit from the National Care Standards Commission every six months. The Inspection teams are very influential, and a plan is agreed following each inspection. Health and Safety is an ongoing concern, and people need to understand why procedures are important if they are to comply. There is also changing practice in dealing with specific conditions.

The examples above stem from the legislative requirements to which some sectors are subject. Other businesses in the sample chose to be subject to scrutiny from external agencies as a statement of the standards they wish to reach.

One company reported how going through the process to gain the Investors in People award helped to improve their systems and raise awareness among staff about the reasons for particular documentation and systems.

The works manager at the sheet metal working firm described how the process involved in gaining a British Standard resulted in a vast improvement in their paperwork which now assists them in being able to trace whether jobs are on track.

Key points from the interviews

- Generic learning outside of the business context is important.
- People working in SMEs benefit from a range of informal support.
- There appears to be a need for relationships to be developed with people in similar areas of work.
- External demands, such as health and safety and other legislative requirements, necessitate the development of in-house training.

The follow-up survey

The findings from the first round of interviews were analysed in order to identify common themes, similarities and differences in the learning experiences described. Some months after the first phase of interviews, the companies were contacted again and asked to take part in a follow-up survey. Respondents were also asked to comment on any anticipated future learning needs and how these might be met. They were given the choice of a second visit or telephone interview if they preferred to give their views in that way². The purpose of the follow-up was to find out whether the types of learning activity identified in the first round of interviews had resonance with the interviewees and, if so, in what circumstances the activities are most appropriately employed. The follow-up survey also enquired about the availability of adequate resources and support for learning.

Six forms were returned and three interviews undertaken with people previously consulted (a third of the original sample). Although fewer companies participated in the second survey, those that did respond were keen to describe new learning activity that had taken place in the company.

One respondent described a video and web-based learning programme that had been developed by the company to up-skill one employee who now needed to move onto a new manufacturing process. The company's difficulty in sourcing expertise to train in this process had required one of the partners to seek out a training video from the USA, which had subsequently been modified and supplemented with video clips produced in-house, to demonstrate the new procedure.

Respondents were encouraged to comment on the project findings with reference to their particular circumstances and to elaborate on any of the points they thought were particularly pertinent. All were in general agreement with findings from the first phase. While not all of the issues were relevant to all of the businesses, respondents elaborated on how some issues applied to their circumstances and how they might affect the way their business operates.

An owner-manager got support from his cousin who used to be an accountant. This had both good and bad consequences. On the positive side, the company's books are now organised in a way that conforms to accounting protocol. However, this change has resulted in some parts of the accounting process becoming more complicated than they were before. This means that staff have got to learn how the new system works and operate at a higher level than previously.

² The research instruments are available on request

Emerging issues

Discussion with the project's expert group identified a number of issues emerging from the company visits/interviews and the follow-up survey.

Access to information

A key issue in small companies is getting access to useful and relevant information. Often this can be done quite simply through trade journals and other traditional media. SMEs are also using websites as tools for learning, but not always effectively, and some websites are poor. Finding and using information is a key skill for operating effectively in a small company. This has messages for the preparatory stage of learning. It also highlights the need for access to user-friendly, accurate and useful information in a variety of forms that is easily accessed in the manner preferred by the end-user.

The importance of context

The increasingly specific nature of the work of many small companies has implications for the type of support which is offered, particularly support funded from the public purse. Many managers need to be shown how to put theories into practice. This may be a time-consuming process, and does not lend itself to mass delivery of generic management principles. Meeting low-volume needs is inherently more expensive. In the best of cases, this can result in a direct payback to the firm in increased effectiveness or profitability: the cost of customisation may therefore need to be borne by the company rather than government.

Paying for customised support may not be a contentious issue in all small companies. Many firms already spend sizeable amounts of money on training and on consultancy, mainly purchased from the private sector. Support may be needed to ensure that this money is used wisely, especially in ensuring that best use is made of experts, so that the value of their experience is fully exploited.

The proliferation of niche operations has implications for the transferability of learning through dissemination and networking – the challenge being that what works in one place may not work in another without modification. Some people appear to be able to extract general principles from specific examples, and then apply these in their own company's context. Others may need help in doing this, or require very specific examples that have direct relevance to them.

The skills and knowledge mix

Different types of skills are needed to be an effective manager or employee in a small firm. For example, some people may have technical skills, but have no idea how to undertake market research. It would be useful if the process of identifying development needs could explore this wider range of knowledge and skills, and express the results in language that is understood both by the company and the learning provider. This would ensure that the process of converting information from the needs analysis into learning activities is less complex and more exact.

People abilities (such as effective management styles and business cultures and the ability to handle the human and emotional aspects of business) and strategic analysis (including coping with change and making decision in the midst of uncertainty) were particularly important for SME managers.

Developing these different abilities may require varying approaches. There was evidence that managers relied more heavily on experiential learning to develop their people abilities. However, it is not certain whether this was a reflection of the way these capacities have to be developed, or was due to a shortage of appropriate formal provision or to lack of awareness of such provision.

Understanding the business environment

In a global market, even major companies are unlikely to be able to control external events which impact on their business. This is likely to be even more the case for small firms. However, understanding the external environment, and developing strategies to cope with downturns in the economy, are essential skills for small firms. The development of economic awareness and business acumen could be better supported if it were included in the regular curriculum in schools and colleges.

The dangers of formalising an informal process

Members of the expert group cautioned against formalising what is essentially an informal process of learning in small companies, a caution also sounded in Colley *et al* (2003:49) in an assessment of the formalisation of mentoring programmes:

Despite the benign intentions of formalised mentoring programmes, intended positive consequences can fail to materialise, while unintended negative consequences may arise.

Some group members saw parallels between this and the increasing emphasis on formal qualifications as the primary outcome of workforce development. This has (at least) two potentially negative implications:

- it leads to a 'dependency culture' where employers expect a discount or free service from publicly funded providers
- it leads to a potential mismatch between the learning needs of the business (or individual) and the learning needs of the qualification.

A re-think of support for small firms

It appears that a re-think is needed of the learning and development support offered to small companies. Such support should encompass the development of in-house capacity to facilitate learning, and the expansion of registered mentors and advisers with specific and specialised expertise to work on in-company problem solving and development.

Key issues

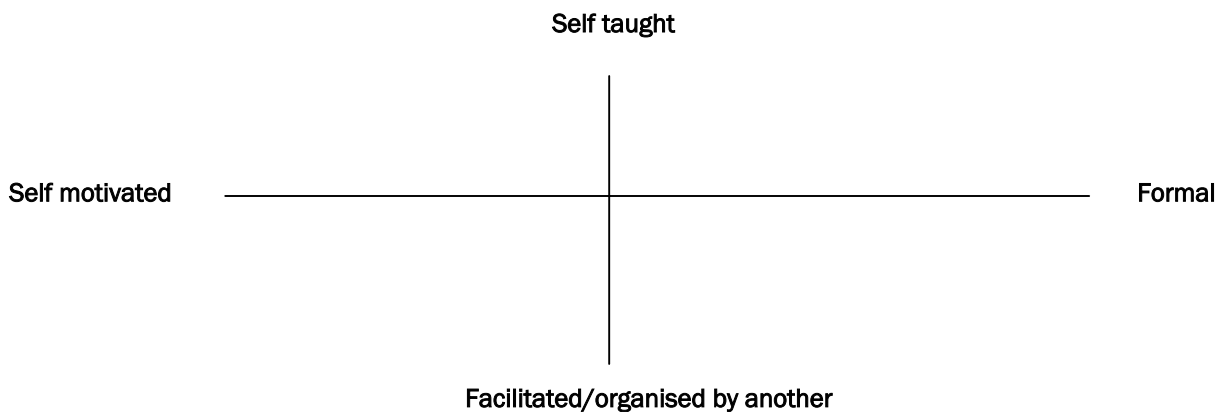
- SMEs have a variety of needs and expectations in terms of the types of knowledge/skills that they need and how these can best be provided.

- Market specialisation in some small companies appears to be increasing. As a result, there is a narrowing band of generic needs and a broadening band of specific needs. The latter are not catered for in learning opportunities available from publicly subsidized provision.
- Providers of support need to fine-tune provision to suit the needs of SMEs, particularly those located in niche markets.
- While it may be possible for some people working in small firms to extract particular knowledge from general principles, there appears to be some potential for distortion to occur in the transfer from the general to particular, especially in management training.
- Attempts to formalise what is essentially an organic learning process may reduce the company's ownership of the development process. It could also lead to a mismatch between the learning requires and that which is provided.

Conclusions

A clear division between formal and informal learning is hard to define. From this small-scale project, it seems that in-company learning in small firms includes a mix of different types of learning. It may be more helpful to conceptualise such learning as being located at points within a quadrant, with a horizontal axis extending from 'self-motivated' to 'formal' learning, and a vertical axis which runs from 'self-taught' to 'facilitated/organised by another'. (Table 6)

Table 6: The learning mix in small firms



It may then be possible to place specific learning episodes at an approximate point on this matrix, indicating the distance between informal and formal learning. However, such measurement is not an exact science and it may be of limited value in terms of improving the quality of in-company learning:

Boundaries between formal, non-formal and informal learning can only be meaningfully drawn in relation to particular contexts, and for particular purposes. Both with regard to specific situations and more generally, it is often more helpful to examine dimensions of formality and informality, and ways in which they inter-relate with each other"

(Colley, Hodkinson and Malcolm, 2002: 6)

Distinctions between formal and informal learning may be less important than acknowledging that informal learning takes place and contributes to performance in small firms. Critical decisions then follow about where to put support and resources to nurture this learning.

The emergence of a relationship between apparently un-related prior formal learning and the ability to learn from everyday activities and experiences in the workplace is a finding that merits further attention. This relationship may have implications for the compulsory education phase in better preparing people for learning in later life.

The nature of the learning activity appears to influence the effectiveness and forms of learning. Differences in preferred ways of learning came out strongly in the interviews with managers and staff. Some appeared to learn more easily through observation – a member of the expert group

used the phrase 'learning through osmosis' to describe this activity. Others needed to 'learn by doing' and some would have benefited from a taught course.

There has been considerable attention paid to learning styles, and some controversy about their relevance. The observations drawn from this particular project imply that people facilitating learning need to have some understanding of theories of learning in order to adapt learning activities to fit the preferred method of learning, or to help staff to use whichever learning methods may be most efficient or appropriate in the specific context. The learning environment itself may also be crucial. For example, if an individual has an aversion to formal learning environments they may be disinclined to participate. This means that on-site provision (whether the learning is informal or formal) can be better for the individual and more cost-effective to the employer.

For those with a managerial role in SMEs, it appears that there are two sorts of needs – **people ability** and **strategic analysis**. This is consistent with the findings from research commissioned by the Council for Excellence in Management and Leadership (Perren and Grant, 2001), which found that 'entrepreneurs emphasised the importance of people abilities and strategic / analytical thinking abilities' rather than specific task abilities, such as financial skills. Management training for SMEs may thus require both different methods of learning *and* adapted knowledge content, depending on whether it is people ability or strategic analysis which is being addressed.

This difference in the needs of SME managers may not always be reflected in 'off-the shelf' management training courses. Some people may have very straightforward needs that are easily met, and/or have the ability to filter out content which is not appropriate to their particular circumstances. However, even then, a measure of customisation may be needed to meet particular needs.

Increasingly, as specialisation of process or product becomes more common in small firms, learning activities may need to be packaged from a variety of sources, or designed to match the particular context of the company. Solving unique problems requires higher-level (possibly technical) skills and good communications skills.

Mentorship and consultancy appear to be highly valued by people managing small firms, but an effective link to the particular context of the individual business appears to be paramount. Two responses to this seem to be required:

- developing a greater number of 'specialist' advisers, to match the vast range of circumstances and contexts that may require support
- developing the capacity of advisers to relate general principles to specific contexts and the ability of the receiver of support to put generic principles into context.

Recommendations

- Support for learning in small firms needs to expand to include attention to developing better informal and in-company learning.
- More research is needed to clarify the pedagogical and environmental issues which characterise informal learning in the workplace.
- Given that many people in the workforce of the future are likely to be working in or managing small firms, it would seem sensible to ensure that the school curriculum develops both business acumen and the capacity to learn independently.
- The importance of context in small-company learning cannot be overemphasised. Ways of expanding the availability of specialist expertise – that is both affordable and effective – need to be investigated. For example, more flexible provision, such as short courses and coaching in areas of IT software, accounting and basic business skills, could be made available at different levels and be made capable of being applied to specific business contexts.
- The use of mentoring and the development of a national network of mentors would be beneficial.

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This report presents the main findings, conclusions and recommendations from a study investigating informal and unstructured learning in small firms. The Learning and Skills Development Agency conducted this research in collaboration with the Small Firms Enterprise Development Initiative.

The project discovered that :

- the essential characteristics of small firms must be a key consideration when developing learning opportunities in small companies
- attention to supporting better informal learning may be as important as exhortations to take-up more formal learning opportunities.

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