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**The Small Firm in the Training Market: Illustrating the Social
Construction of Market Behaviour**

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Editor's Foreword

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Abstract

Current vocational education and training (VET) policy in the UK is predicated on the assumption that participation in formal, externally-provided training by individuals and organisations is based primarily on an explicit and objective calculation of economic costs and returns. This assumption is in turn founded on models derived from rational choice and human capital theories. A growing body of evidence suggests, however, that the ways in which actors behave within the training market are profoundly affected by *social and subjective* factors, such as the previous educational experiences of individuals and interactions with institutional environments. In addressing such issues, the paper focuses specifically upon participation in formal training among small businesses in the South Wales area. It provides empirical evidence to support the argument that participation in VET, among and within small firms, is embedded in a complex web of social relations and subjective orientations.

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Introduction

Small firms¹ are a profoundly important part of the British economy. More than 99% of all private enterprises in the UK are small, and these small enterprises employ almost 47% of the British workforce (SBS, 2005). As such, the fate of these firms and those employed within them is a matter of considerable importance.

It is therefore of no surprise that the quantity and quality of vocational training that occurs in these small companies has been the subject of some attention. On the face of it, the picture emerging from current and recent research seems less than entirely encouraging; most accounts of training in SMEs, particularly those using formal measures of training, paint a fairly bleak picture. In 2002 for example, only 57% of small firms provided any formal, off-the-job training for employees, compared to 93% of firms employing 500 or more. Similarly, only 50% of small firms had existing links with external organisations for training purposes, compared to 95% of those employing 500+ (DfES, 2003).

Whether or not this relative lack of engagement with the training market represents a significant problem is a matter of debate. Some have argued that the apparent paucity of formal training among small firms is indeed a cause for alarm. For example, Marlow (1998) observes that the lack of formal, accredited training in the small business sector is problematic due to the importance of the sector to the UK economy. Others have echoed this view, claiming that low levels of participation in formal training are representative of “low skill requirements” and declining business fortunes (Jameson, 2000: 45).

Conversely, others have claimed that the relatively low level of formal training in small businesses does not represent a serious problem, given that such firms rely more on *informal* modes of learning. Informal learning, it is argued, is more resonant with the context of the small firm, more suited to its needs and potentially more supportive of high

¹ For the purposes of this study, firms are described as ‘small’ if they employ fewer than 50 people. This is also the definition conventionally employed by the Department for Trade and Industry (DTI), although many different definitions are currently in use. For example, since the Bolton Report (CISF, 1971), some writers have chosen to include measures of financial turnover when distinguishing between small, medium and large firms.

performance (see, for example, Doyle and Hughes, 2004; Ashton *et al.*, 2005). Ram (1994) and Johnson (1999) respond by positing that the informal learning that does take place in small firms tends to be of a fairly low-level, task-specific sort, often simply taking the form of a probationary period. Moreover, the infrequency of externally-accredited training (Ram, 1994: 78) can place employees of small firms at a disadvantage in the labour market.

These debates are ongoing (see Kitching and Blackburn, 2002 for a comprehensive coverage of the main themes). However, they lie outside the particular focus of this paper. The following discussion works on the premise that “not all SMEs can or in fact need to provide formal training... But there are also SMEs who do not train but would benefit from it.” (CBI, 2003: 3). As such, the paper proceeds on the principle that formal training does have an important role to play in the small firm sector. There is hence a need to achieve a deeper understanding of how small firms perceive and participate (or not) in formal training, and how they engage with the training market and VET providers.

Conventional Analyses of Participation in Training

Typically, participation in formal training has been understood from the perspective of rational choice models (e.g. Homans, 1958, 1964) and, more specifically, human capital theory (e.g. Schultz, 1961, and Becker, 1993). Such approaches view (non-) participation in training – for individuals and organisations alike – as being a rational investment; the outcome of a systematic calculation of the quantifiable costs of participation set against projected returns. Consequently, the focus in explaining (small) firms’ apparent lack of involvement in the training market has fallen upon objective, economic barriers such as restricted resources of time, personnel and money. Stevens (1999), for example, observes that levels of employer-funded training in the UK are significantly lower than conditions of increasing global competition would appear to demand. She attributes this to ‘imperfections’ in capital and labour markets (e.g. ‘unacceptable’ financial risks associated with investment in training), as well as problems in disseminating information about training to employers. Her suggestions for increasing investment in VET include public loans to ease financial constraints and a consistent, high quality and well-

publicised national qualifications framework (Stevens, 1999: 31). She claims that such measures would enable the realisation of (potentially) high levels of demand for learning, and would thus result in increased participation in training.

The effects of such a human capital approach to VET policy in the UK are evident from an examination of discourses emerging from policy circles over the last twenty years or so. The Dearing Report on Higher Education (NCIHE, 1997) is an archetypal example of such an approach to education and training policy. This is demonstrated fairly explicitly its statement that:

“[t]he future demand for those with higher education qualifications will be shaped by the changing structure of the national economy and the labour market, which in turn will be responding to changes in the world economy and the associated competitive challenges. These forces will find their response in the choices made by individuals about participation in higher education and in employer demand for lifelong learning opportunities on behalf of their employees.” (NCIHE, 1997: 87).

Such an attitude is also evident in the recent White Paper on skills (DfES, 2005):

“Employers have signalled through wages that they need more graduates. Students have responded to these signals by demanding places in HE... [I]t remains important that we continue to increase participation in HE to give us a major competitive advantage in creating a knowledge-based economy.” (2005: 19)

Such claims indicate the trust placed in market forces, rising levels of competition and rational economic choice as combined progenitors of increased participation in education and training. They also denote a general reluctance to countenance the effects of *social and subjective* factors upon such participation. The individual person, or organisation (e.g. the small firm), tends to be seen as an isolated unit, contemplating market forces, weighing up the options, and planning the most profitable course of action, all in a social vacuum.

This vision of participation in education and training as a mechanical process driven by objective and explicit calculations of economic costs and returns remains a pillar of government policy. In line with such an outlook, recent policy initiatives have, to a large extent, sought to increase small firms' participation in training mainly by offering financial incentives such as bank loans subsidised by government funding². However, these initiatives have met with very limited success; the Small Firms Training Loans scheme was, for example, withdrawn in 2003 due to a lack of interest. In response to the apparent shortcomings of such human capital-based VET policies, some writers have turned to a more sociological explanation of participation in training at both individual and organisational levels.

A Sociological Perspective on Participation in Training

Many writers have criticised the narrowly economic rational choice / human capital view of human action for promoting an impoverished understanding of market behaviour. For example, advocates of the 'new economic sociology', such as Block (1990), Granovetter (1985, 1992), White (2002) and Fevre (2003) have argued that all such behaviour is fundamentally embedded in historical contexts, ongoing social relations and subjective conditions. Market behaviour cannot, they claim, be divorced or treated separately from these social and subjective factors. Other writers have applied this critique more specifically to investigations of how the small firm behaves as an actor in the market for education and training. For example, a number of studies (e.g. Kerr and McDougall, 1999; Lange *et al.*, 2000; Kitching and Blackburn, 2002) have investigated the role of *social and subjective* factors in the determination of the small firm's approach to training. It is these influences that form the focus of this paper and the project on which it reports³.

² It should be acknowledged that some of the more recent policy initiatives directed at the small firm sector (e.g. the Small Firms Development Account, operated by DFES) seem to indicate that there may be an increasing willingness to tackle some of the more social and subjective barriers to training. It remains to be seen however whether such initiatives represent a sea change in government VET policy.

³ This is not to deny the significance of 'objective' factors such as financial constraints or statutory regulation in determining participation in training, merely to shed some light on the more social and subjective influences that have often been neglected.

Sociological analyses of learning behaviour have recognised the importance of processes of social construction in shaping (non-) participation in VET for both individuals and organisations. The evidence presented by such accounts offers a more complex picture of learning behaviour than that offered by conventional human capital approaches, and on close inspection seems to indicate that an organisation's (non-) participation in the training market is inextricably bound up in a complicated web of social relations and subjective orientations. For example, Weil (1986), Rees *et al.* (1997) and Gorard (2000) refer to 'learner identities', or deeply ingrained attitudes towards education and training that are based on the individual's previous social and educational experiences, and which have a profound effect upon their future learning behaviour. At an *organisational* level, Ram (1994) illustrates how processes of informal social negotiation within the firm can have a considerable impact upon organisational outcomes (outcomes such as the approach that the firm adopts towards training), while others (e.g. Stuart, 1997; Schein, 2004; Bates and Khasawneh, 2005) refer to the implications that organisational cultures can have for participation in learning. At the *inter-organisational* level, other writers (e.g. Dalley and Hamilton, 2000; Taylor, 2000) have presented findings that indicate the impact that external relations can have upon the small firm's approach to training, while others (e.g. Coleman, 1997; Maskell and Malmberg, 1999) have cited the role of 'social capital' in the development of skills.

Using such evidence as a starting point, the main research question behind this project was posed: *In what ways is the participation of small firms in training socially – as opposed to just economically – constructed?*

The Methods: a Qualitative Approach

The methods used in any research project must necessarily be tailored according to the primary research aim(s) and question(s). With the main aim of the research being to explore and explain small firms' approaches to and perceptions of formal training and education, it was felt that a predominantly qualitative approach was required. In taking this approach, the main research tool was the semi-structured interview, accompanied where possible by workplace observation and analysis of organisational documentation.

Qualitative semi-structured interviews were carried out with two main groups of respondents within small firms: proprietors or other senior managers; and employees at junior management level or below. In all, 25 firms were visited. Selected from an internet directory of businesses in the South Wales area, these firms were chosen to represent a variety of sectors and types (see appendix 1 for a breakdown of the sample). At each of these firms, a senior member of management, usually the proprietor, was interviewed with the aim of gaining information about his or her experiences of VET, the firm's general approach to training, the rationale (if any) behind that approach, and the firm's relationships with other organisations. Where a dedicated training officer was present within the firm (as occurred in 3 cases), they were also approached for interview. Any relevant organisational documentation (e.g. marketing materials, development plans, training records) was retained, with the permission of management, for analysis.

Of these 25 firms, 9 agreed further access for the purposes of interviewing 2 or 3 employees at more junior levels within the organisation. For these interviews, the object was to explore the employees' perspectives on training within the firm, and to gain a greater understanding of the processes of interaction and negotiation that led to participation in training within that particular organisation (e.g. how training needs are assessed if at all, and how potential training providers are identified). Additionally, in most instances, employees were *observed* in the process of actually doing their jobs, so that a more complete picture of their skills bases and requirements could be obtained.

Training in Context: The Small Firm Environment

Before examining the specific processes by which training is socially constructed in the small firm, it is first necessary to outline the nature of the organisational context, the specific social environment, within which that construction takes place. It is, after all, the nature of this environment that shapes (and facilitates) the construction process. While there is insufficient space here to provide a full account of that environment, some of its

most salient features (in terms of shaping the firm's approach to training) are outlined below (for more detail see Bishop, 2004).

Firstly, general planning and decision making processes within the small firms visited, as well as interactions with external agents (buyers, suppliers, government agencies, ET providers *etc.*) tended towards informality, with explicit, strategic, formal cost / utility calculations, as assumed under the conventional models of organisational rationality, being the exception rather than the norm. Senior managers and MDs would normally approach decisions in a more intuitive way, as one managing director revealed;

DB: What about things like doing the VAT returns, and the financial side of things?
How do you cope with that?

Nick: Well, I've got a bookkeeper who does that... I just keep all the invoices and things and she comes in once a week and does that all for me. I haven't had to learn much in that respect... But I keep tabs on what's in the bank, I know generally what's coming in and going out. You have a gut feeling about what you can afford and what you can't, even though you don't have the exact figures in front of you. Most of the time, you can't afford to spend the time searching out all the relevant information about the precise state of your finances, whether you can afford something or not... You've got to weigh things up as they hit you, and make the decision as quick as you can.

(MD, hospitality)

Many senior managers gave a similar response; most seemed to base their quick judgements on very limited concrete information supplemented by evidence gleaned from symbolic indicators, which they interpreted in a relatively implicit fashion. Bourdieu (1990) refers to such a mode of decision-making and action as 'practical sense'. "Practical sense", he observes,

“constitutes the world as meaningful by spontaneously anticipating its immanent tendencies in the manner of the ball player endowed with great ‘field vision’ who, caught in the heat of the action, instantaneously intuits the moves of his opponents and teammates, acts and reacts in an ‘inspired’ manner without the benefit of hindsight and calculated reason.” (Bourdieu and Wacquant, 1992: 20-21).

This passage neatly encapsulates the way in which the small firm managers made quick decisions based on a contextual, implicit and basically intuitive grasp of the current situation⁴. Within an organisational context, this has been referred to as ‘contextual rationality’ (Reed, 1992); a rationale for action that is based at least as much (often more) on an *ad hoc* judgement of intangible, symbolic factors as it is on an explicit, strategic and exhaustive calculation of objective, quantifiable costs and returns. Thus, for example, the ‘planning’ of employee training was generally based on a partially defined, ‘fuzzy’ vision of the short term future (rather than a formal, explicit, long term business strategy); likewise, the selection of training providers (or, indeed, any suppliers) was normally based more on contextual factors such as being on the ‘same wavelength’, or recommendations from trusted contacts, than on a formal, objective calculation of costs and benefits. Most senior managers would draw on personal, subjective interpretations of and reactions to symbolic, non-economic indicators, such as the vocabulary used in brochures and prospectuses, when making judgements about training providers (or any suppliers). It should of course be emphasised that there is nothing irrational, nonsensical or illogical about such an approach; it is simply that the forms of rationality, sense and logic that prevail within the small firm context do not always sit comfortably with those assumed under conventional models of organisational behaviour.

With informality and contextual forms of rationality playing such an important role within the small firm, and in the general absence of formal, bureaucratic structures and decision-making procedures, there was much scope for the social construction of organisational outcomes (such as levels of participation in training). For example, with senior managers relying heavily on their own personal dispositions and preferences when

⁴ It should be noted that in most instances, an explicit calculation of objective pros and cons did have a place, but such calculations were of secondary importance except at times of crisis, or in instances where the decision being taken was an unusually important one.

making decisions, special emphasis was given to their individual attitudes and subjective orientations, which in turn derived in significant part from their previous experiences, social and educational biographies *etc.*

Another important feature of the small firm context appears to be the privileging of individual thought and action over bureaucratic, impersonal systems and procedures. The absence of such bureaucratic structures and lines of communication within most small firms, coupled with the relatively diminutive size of such companies, their flattened hierarchies and tendency towards informal employee involvement in decision making (see below) seemed to give increased importance to the thoughts, attitudes and actions of individuals. The picture that emerged was one of an organisational context where those thoughts and attitudes were able to impact upon decision-making processes through frequent unplanned, contingent and informal interactions (Ram (1994) refers to this as ‘the negotiation of order’). For example;

DB: Compared to the other places you’ve worked, how would you describe the culture and the atmosphere of the firm?

Glyn: Um... There’s a lot more inclusion of people in decisions, people are asked for their opinions. There’s not so much of a formal structure for communication. With senior management, the doors are always open, people can go in for a chat, they can talk about ideas, problems, anything really. What I’ve found in the past is, the majority of places where I’ve worked, larger companies, there’s been much more formal structure to how you communicate, in terms of ideas. You go to your manager, and so on throughout the company... There’s a lot of flexibility here.

(Marketing Manager, Precision Equipment Production)

The informal channels through which employees were able (intentionally or otherwise) to influence decision-making within the small firm allowed greater scope for the social construction of outcomes, including participation in training, by implicating the subjective orientations of each employee in the decision-making process. Indeed, in many

of the firms visited, most (though certainly not all) participation in training was actually initiated by employees, who were expected, and often encouraged, to take it upon themselves to come forward and request training, rather than wait to be sent on a course by their managers. In such cases – which were fairly common – the attitudes and orientations of individual employees became even more important in terms of constructing the firm's approach to training.

It would seem that the small firm environment is not normally a particularly bureaucratic one where decision making is guided by impersonal systems and procedures. Instead, by privileging the role of *individuals* (be they directors, managers or junior employees) in shaping organisational policy and strategy, it is one that actually promotes the *social* construction of decisions and outcomes, including those that relate to training. It is to the specific processes of social construction that the following section turns.

Processes of Social Construction

The findings of this study indicate that small firms operating within similar product markets, with comparable staffing levels and financial turnovers can and do adopt very different approaches to training. For example, of the firms operating within 'hi-tech' product markets, some showed a strong preference for informal modes of learning, while others tended towards more formal approaches (see Bishop, 2004: 206-209). Furthermore, some of the smallest 'micro firms' (employing fewer than 10 people) in the sample voiced the strongest commitment to employee development, while some of the 'larger' firms (employing 30+ people), which had more time and finance to invest in training, were far more negative. This highlights the inadequacy of attempts to explain participation in training simply in terms of objective or financial determinants, and would seem to suggest that there are other, non-economic factors involved in constructing the small firm's approach to learning and training. It is to these – social and subjective – factors that the following discussion turns.

The social construction of training within organisations seems to take place essentially at three levels;

- a) individual,
- b) organisational and
- c) inter-organisational.

What follows is an exploration of some of the specific processes through which training is socially constructed at each level, and of how the importance of these processes illustrates the shortcomings of conventional, economic models of learning behaviour, which see such behaviour as being determined essentially by the explicit, objectified calculation of financial costs and returns. It is argued that, especially given the nature of the small firm context (outlined above), the firm's approach to training is to a considerable extent informed and shaped by the subjective orientations of its individual members (particularly senior managers, but also more junior staff), which are in turn constructed in the light of previous social and educational experiences. Furthermore, the firm's relations with agents in its external environment also seem to have some impact upon participation in training within the organisation. It is processes of social construction such as these that serve to illustrate the crucial point that the approach to training adopted by the small firm (indeed, perhaps, by any organisation) is not determined in a social vacuum through the explicit, objective calculation of economic costs and returns, or simply by the inevitable exigencies imposed by competition in product markets. Instead, it is shaped to a considerable extent by subjective orientations, interpretations, implicit judgements, and social interactions⁵.

Social Construction at the Individual Level

As suggested above, the small firm context tends to privilege the role of individuals and individual action as opposed to bureaucratic systems and procedures. Through more or less informal channels, the opinions and attitudes held by managers and junior employees

⁵ Again, this is not to say that objective factors such as financial constraints or statutory regulation are inconsequential, simply that they take effect and operate in combination with more subjective and social factors.

alike can impact significantly upon organisational decision making; indeed, as indicated previously, something approximating to a 'voluntary training regime' persisted in many firms, where employees participated, within parameters, in as much or as little training as they decided to request⁶. As such, the orientations, preferences and dispositions – the 'habitus', in Bourdieu's (1990) terms – of the individual employee, manager or director may have important implications for the approach that the small firm adopts towards training. They are, therefore, of considerable importance to this discussion.

The findings from the research would seem to support those who argue that individual learning behaviour is, contrary to the suppositions of human capital theory, influenced to a considerable extent by *subjective* factors (e.g. see Weil, 1986; Rees *et al.*, 1997; Hodkinson and Hodkinson, 2004). As Gorard and Selwyn (2005) argue, participation in education and training for individuals is not, it would seem, a simple and objective matter of weighing up economic costs against economic returns (although such concerns are likely to have some consequence); when making participation decisions, individuals seem to draw upon a range of attitudes, dispositions and orientations. For example, those respondents who had never set foot inside a higher education institution, and were apprehensive of such settings, were less disposed towards attending training courses offered by universities.

More broadly, notions of *identity* seem to become strongly implicated in the rationales on which we base the choices relating to our own learning behaviour. When perceiving and considering learning opportunities, we seem to refer (though not always in an explicit or conscious fashion) to aspects of identity and self-concept. For example, several respondents made revealing statements about the impact that *age*, as an aspect of identity, can have on learning behaviour;

DB: And have you, yourselves gone through any formal training?

⁶ There were, of course, limits to this voluntarism. Employees were often compelled to participate in training that otherwise they might not have chosen to do (in order to comply with health and safety legislation, for example).

Gerald: I have, but not recently, there's too much snow on the mountain for that! [laughs]. I just draw on past experience now... You know what they say about old dogs and new tricks.

(Production Manager [aged 60+], Mechanical Engineering);

Age, it seems, can be a powerful facet of identity when it comes to participation in learning; several respondents in the 50+ age range spoke of being “trained out”, and of being “sick and tired after so many years of course after course”⁷. It seemed that many at this end of the age scale saw themselves simply as ‘too old’ to go on training courses, and sometimes as being too old to learn anything new *at all*, whether on a training course or not. Far fewer respondents aged 50 or more still participated regularly in formal training than those in younger age groups, even though they were, for the most part, of the opinion that there was much they could still learn, and that participation in formal training (for example, in IT skills) would probably improve their performance in some way.

The potential impact of identity and self-concept upon orientations towards learning was illustrated in other ways. For example, while the majority of respondents seemed comfortable, when questioned, about the prospect of attending a training course at a university, one particular group – women of working class origin aged over 40 – were more apprehensive. For example;

DB: And when you think of a University, what do you think of?

Paula: Lots of brainy people! Lots of brainy people and am I brainy enough? I've never really thought of myself as brainy.

(Accounts Supervisor [aged 40-44], chemical engineering)

⁷ This finding resonates with national-level survey results demonstrating significantly lower levels of participation in VET among those in the 50+ age range (see, for example, ONS, 2006).

Despite having spent most of the last ten years attending a college of further education studying for NVQ qualifications, the prospect of going to a university to study seemed a cause for concern for this respondent. She was not alone; other female respondents in the 40+ age range from working class backgrounds expressed a similar apprehension (a feature also noted by Brine and Waller, 2004). For these women, going to university was something that they simply did not associate with their own lives or sense of self-concept; as the above respondent intimated, it was something that ‘brainy people’ did. Most respondents in this group did not consider themselves brainy. Perhaps for this group of respondents more than any other, the concept of ‘learner identity’ seemed particularly apt, possessed as they were of the notion that higher education just wasn’t for ‘people like me’. For most, this attitude appeared to be in significant part *socially constructed* (and systematically *structured*) through gendered – and classed – experiences of schooling, careers guidance and entry into the labour market. All female respondents of this particular background felt that the options open to them on leaving school had been extremely limited, and that they had tailored their expectations and future career and learning plans accordingly. Further / higher education was simply not seen as an option, and progression in to relatively low-skill work, with few opportunities for training and development, seems to have been assumed.

This evidence suggests that the construction (and structuring) of such behaviour at the individual level seems to be more complex and reliant upon a range of socially constructed subjective orientations than has conventionally been assumed under human capital approaches.

The following section turns to the specific processes by which such orientations operate within the *organisational* context of the small firm, and contribute towards the construction of the small firm’s approach to training.

Social Construction at the Organisational Level

The primary purpose of this section is to explore the various ways in which individual orientations and actions are implicated in the construction of organisational outcomes

with regard to training in small firms, and to question the notion that such outcomes are determined solely by objective, economic and practical concerns.

Firstly, it must be realised that the small firm's orientation towards training cannot be explained in isolation from the broader strategic approaches and general modes of operation adopted by the firm. For example, the competitive strategy that it employs, the ways in which it reacts to external change, and the general approach that it takes towards external interactions all impact in some way upon the way in which training is perceived and used. So, for instance, businesses competing on the basis of producing standardised, low-cost outputs tend only to require relatively low levels of skill from their employees, whereas those competing on the basis of more innovative, differentiated, high quality products / services are more likely to require higher levels of skill (see, for example, Glynn and Gospel, 1993; Keep, 2000). Crucially, the form taken by these general outlooks and strategies does not seem to be predetermined exclusively by objective, economic influences, but is profoundly affected by social and subjective factors. For example, not all managing directors or proprietors of small firms are utility maximising or particularly expansive in their strategic outlook; many (such as some of those in the 50+ age range), while keen to run a well-managed, 'tight ship', are not interested in expanding their business or making more than a living wage out of it. As the following respondent commented;

Nick: I used to have a hotel in the Vale of Glamorgan, we were there for almost 20 years. But we wanted something in Cardiff, somewhere that we didn't have to do dinners... I mean, we worked hard at that place, and when we sold it, we made quite a bit of money to be honest. But we weren't quite ready to retire just yet, so we bought this place and it's great because we don't have to cope with a restaurant. It's less work, a bit easier. We felt like we'd done the hard work, and now we're just doing something more for ourselves... I used to go on training courses fairly often, mainly on the computing and IT side, but I'm getting to the point now where I don't really want to go on any more courses. I've done it now, I've established myself, I've chosen my lifestyle, I've done the pushing, now it's time to lean back a little... It all changes when you reach a certain age. Your priorities change. We've made our

money, and we're not looking to grow a big empire or anything... We thought for a while about extending the property out the back so we could have a few more bedrooms, but decided against it in the end. We've got our little hotel, it's a good hotel, and we're happy with it.

(MD, [aged 55-59], hospitality)

Like several others of his age, this respondent had reached a point in his life course where he felt that leisure activities were increasing in importance and attraction in comparison to work-related activities. Importantly, in commenting that "I'm getting to the point now where I don't really want to go on any more courses", he also sheds some light on the impact that such an outlook can have upon orientations towards training and the approach to training adopted by the firm. Having lost the desire to toil in the pursuit of expanded business concerns and innovative competitive strategies, this respondent, and others like him, saw little point in learning new skills that they would not require. Their conscious rejection of a utility-maximising rationale thus discouraged any active engagement with the training market.

But the preferences and orientations of senior managers – in fact, of anyone who works within the organisation – can affect the small firm's approach to training in more *direct* ways. As illustrated in previous sections, individuals do appear to form complex subjective orientations specifically towards learning, and within the context of the small firm these orientations can have a significant impact upon training policy within the firm. For example, the respondent quoted in the following extract was managing director of a firm that displayed unusually low levels of participation in formal, externally provided training, even for a small firm. Having left school at 16 and gone through very little education and training since then, he had little experience of formal educational settings. This background appeared to have had an impact upon his orientation towards external providers of formal training, as the extract suggests;

Albert: Actually, I think we did give one of the Universities a ring when we had the new systems installed, because we needed some training on Excel. I think they'd

sent us a brochure and somebody had noticed that they did this IT training. So I rang up and asked about one of us going on a course, and the guy I spoke to said 'Sorry, that course has finished for this term, we've got some starting next term though.' That took me aback somewhat. I mean, I hadn't heard anyone use the word term since I was at school. We didn't use them.

(MD, fruit and vegetable wholesaling)

It seems likely that the firm's very low rates of participation in external training owe much to the attitudes expressed by the MD; it can be seen that the way in which he interpreted and reacted to the university's use of the word 'term' contributed to his rejection of that particular institution as a potential training provider. This draws attention to the 'language barriers' that can exist between academic institutions and some small firms, which are also highlighted by Vaux *et al.* (1996: 158), who observe that "certain discursive stances [taken by HEIs] will encourage the assertion of boundaries on the part of companies." In this particular case, it would seem that such an assertion was indeed made in response to the universities use of the word 'term'. It should be noted, however, that the tendency to assert such boundaries in response to 'certain discursive stances' seems to be very much dependent upon the educational biographies of senior managers, and their familiarity with higher education institutions. The MD quoted above, for example, had never attended university and was not familiar with its culture, ethos or use of language. This may explain his interpretation of and reaction to use of the word 'term'. By contrast, senior managers who had attended university in the past (particularly those who had studied for full time degrees), tended to be much more familiar and comfortable with the culture and vernacular of higher education, and consequently were more likely to consider HEIs as potential training providers either for themselves or for their employees. Such processes, whereby the educational biographies and attitudes of senior managers – potentially, in fact, anyone within the small firm, given the nature of its context (see above) – impact upon the firm's approach to training, may be seen as an example of how that approach is socially constructed.

But it is not only processes of social construction *within* the firm that are important in shaping the approach that it adopts towards training. In the following section, it will be seen that the nature and content of the relations that the small firm has with other agents in its external environment can also influence that approach.

Social Construction at the Inter-Organisational Level

Small firms do not exist in a social vacuum; as observed in previous sections, they have much contact, often in an informal fashion, with many external agents such as customers, suppliers, colleagues, competitors, trade associations, government agencies, training providers and a host of others. It has been suggested by many writers – particularly those who have studied ‘social capital’ – that the content of these social relations has an important impact upon skills development in organisations (see, for example, Maskell and Malmberg, 1999; Gainey and Klaas, 2005). There was certainly some evidence here to support such an assertion.

For example, informal relations with trusted contacts (or ‘insiders’), such as business colleagues, accountants, friends *etc.* often proved an essential part of gathering information about potential suppliers (such as training providers). For example, as one managing director observed;

Ben: Yeah, we get some tittle-tattle from the people in the trade on what work’s coming off, what suppliers are giving the best rates or the highest quality. It’s in their interest to keep us informed... If they’ve got leads then they’ll pass them on to me, if I get some then I’ll do the same for them. It’s like a little network, we all scratch each others’ backs basically.

(MD, central heating installation)

The above extract demonstrates the extent to which the small firm tends to exist within a loose-knit, informal network of trusted informants (a feature also noted by Vaux *et al.*, 1996: 156/7). Senior managers view these informants as ‘*insiders*’, in that their familiarity and sense of compatibility with each other (often developed through contact

over many years) generated a high degree of mutual trust⁸. These insiders, whether customers, friends or insurance brokers are seen as sources of market information that are far more reliable and useful than any advert, promotional phone call, or conventional market research exercise. When the director of the small firm is considering which supplier or provider to use, the information provided by these sources generally becomes a central element – perhaps *the* central element – in the contextual decision-making process. As a prospective supplier or training provider therefore, being able to tap into, or better still become part of these networks of insiders is a crucial part of selling your goods or services. This is further illustrated in the following extract;

DB: Has the business had any contact with higher education?

Colin: ... I have lectured on [a named] University's MBA course, a couple of us have been on courses that the business school does. We have kept in touch... I know the guy who organises the MBA and have dealings with him at conferences and so on. He keeps us up to date with all the latest info about what's going on at the university. I think the university scene and the WDA [Welsh Development Agency] and the rest of it, especially here, is pretty inter linked. And so, if we wander around the WDA circle, which we do, we invariably bump into people from the university, and take the opportunity to learn whatever information we can from them.

(MD, marketing consultancy)

The use of such informal social contacts and networks by small firms for information-gathering purposes serves as an example of the way in which social relations with external agents can influence the firm's approach to training. In this case (and several others), senior managers would draw on their contacts within public agencies and education institutions as a means of finding out about learning opportunities. Those managers who were graduates had often kept in touch with staff in the universities at which they had studied, and would use those contacts to keep up to date with the services

⁸ There must be some debate over whether such networks constitute 'social capital', as their effects upon rates of participation in training are not always 'positive' in a conventional sense.

offered by the university. Perhaps unsurprisingly, those who had not studied for a degree tended to have less contact with higher education, and to be possessed of a less favourable view of universities in terms of their relevance to small firms. Again, it can be seen how the backgrounds and previous experiences of individuals within the small firm can affect the approach that the firm takes towards training (or, more specifically, towards particular training providers).

Conclusion

The small firm's approach to participation in training seems to be deeply affected by the subjective orientations towards education and learning held by those who work within it, and by the relations that the small firm has with other organisations and people within its external environment. Due to the apparent importance of such social factors, it would be unwise to assume that current approaches to VET policy, based in essence as they are on human capital theory (which promotes an objective, narrowly economic understanding of learning behaviour), are possessed of an accurate picture of how training occurs within small firms. The importance, for example, of tapping into and gaining the sponsorship of 'insider networks' when attempting to 'sell' policies to small firms has been largely ignored. Until such approaches accept and fully incorporate such social influences, it seems likely that VET policy in the UK will continue to have only limited success among small businesses.

Finally, it should be noted that the findings of this study may have implications beyond our understanding of the social construction of training in small firms. Firstly, if rational choice models of human behaviour are deficient when explaining small firms' behaviours within the training market, we should also question whether such models can adequately explain their behaviour within other markets. Studies of organisational processes in small firms have suggested that contextual and non-systematic forms of rationality pervade most aspects of decision making and market interactions (see, for example, Goffee and Scase, 1995; Gallimore *et al.*, 2000). As such, we must begin to doubt whether such

interactions can be adequately explained by conventional notions of organisational rationality.

Secondly, there is no reason to assume that the relevance of these findings extends only to *small* businesses. Many accounts of organisational behaviour in larger companies have demonstrated that decision-making rationales often bear a striking resemblance to the 'contextual rationality' described by Reed (1992). For example, Hayashi (2001) highlights the benefits of 'gut reaction' decision making by senior managers in large corporations. Similarly, in outlining his model of 'action rationality' Brunsson (1982) points out that managers in most organisations simply do not have the time to carry out full cost / benefit analyses when making the majority of decisions; instead, through necessity, they take decisions in a far more abbreviated and implicit fashion than conventional rational choice approaches assume.

Ultimately, what the findings of this study suggest is that the training market – perhaps, for that matter *any* market – is certainly not the sort of simple stimulus-response mechanism, populated by asocial, objective, explicitly calculating agents assumed by neoclassical models and, in some instances, policy makers. Rather, the findings indicate that it is an exceptionally complex system where the ways in which the various actors respond to perceived changes and developments, and the ways in which they interact with each other, are heavily conditioned by an array of socially constructed and historically embedded subjective orientations. Bereft of an appreciation of such complexity, policy makers will continue, in Coffield's (1997) terms, to build the learning society out of straw. Only once the training market is understood and treated as a fundamentally *social* system, with all its attendant intricacies, can it be built of stone.

Appendix 1: Breakdown of Sample

FIRM ID No.	<u>BUSINESS TYPE & LOCATION *</u>	No. OF EMPLOYEES	PERSONNEL INTERVIEWED
1	Recruitment Consultancy	3	Director
2	Architecture	4	Managing Director
3	Chartered Accountancy	4	Managing Director
4	HR Consultancy (<i>Newport</i>)	5	Managing Director
5	Construction Contracting	11	Managing Director
6	Exhibition Services	12	Director
7	Marketing Consultancy	12	Managing Director
8	Hospitality	15	Managing Director
9	Chartered Accountancy	19	Managing Director
10	Legal Services	22	Director
11**	Hospitality	29	General Manager
12	Company Search Services	29	Director
13	Fruit and Vegetable Wholesaling	30	Managing Director
14	Central Heating Installation	40	Managing Director
15	Arcade Game Production	48	Technical Director
16	Chemical Engineering (<i>Pontypridd</i>)	94	Managing Director
17	Chemical Engineering	5	1. Managing Director 2. Sales Manager 3. Production Operative
18	Multimedia Production	8	1. Managing Director 2. Projects Co-ordinator 3. Web Developer
19	Pesticide R&D and Production	8	1. Managing Director 2. Study Director 3. Trials Officer
20	Public Relations Consultancy	13	1. Managing Director 2. PR Assistant 3. PR Executive 4. PR Account Manager
21	Mechanical Engineering	14	1. Managing Director 2. Production Manager 3. Engineering Technician 4. Engineering Technician 5. Welder / Fitter
22	Mechanical Engineering	15	1. Managing Director 2. Commercial Officer 3. Service Engineer 4. Service Engineer
23	Chemical Engineering (<i>Newport</i>)	23	1. Managing Director 2. Quality Manager 3. Accounts Supervisor (Part time) 4. Laboratory Technician
24	Website Design Consultancy	25	1. Operations Director 2. Web Developer / Programmer 3. Web Developer / Programmer 4. Creative Designer
25	Precision Equipment Production	30	1. Managing Director 2. Marketing Manager 3. Production Manager

* All businesses located in Cardiff, unless otherwise indicated.

** Business is a wholly owned subsidiary of a larger company.

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