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# ResearchSPAce

**The Importance of Being an Insider: how networks influence the small firm's engagement with formal training**

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**Abstract**

**Purpose**

The purpose of the paper is to examine the ways in which the small firm's external relationships influence its approach to formal training, and training providers.

**Methodology**

A qualitative approach was adopted, involving semi-structured interviews with senior managers, in 25 small firms in South Wales. These interviews were informed by prior workplace observation and analysis of organizational documentation. Further interviews were conducted with employees in nine of the firms.

**Findings**

The findings indicate that the small firm's *informal* relationships with trusted, familiar, and credible contacts – referred to as insiders, following Gibb (1997) – are central to the way in which it perceives both training and training providers. Government agencies, training providers and other traditional stakeholders generally sit outside these informal insider networks, and tend to be viewed as culturally remote by the small firm.

**Research Limitations/Implications**

The findings emphasise the need for training providers and government agencies to obtain the support and co-operation of insider networks if they wish to promote training within the small business sector. The main limitations include the relatively narrow geographical focus and the absence of retail firms from the sample.

**Originality / Value**

While the importance of informal networks within the small business community is now well-established, the constitution of such networks and their effects on attitudes towards training providers are less well understood. The paper helps to address these gaps by starting the process of mapping insider networks and illuminating their impact on small firms' perceptions of training providers.

**Keywords**

Small Firms, Training, Training Providers, External Relationships, Networks

**Paper Type**

Research Paper

**Introduction**

As Billett (2001: 416) observed, persuading small businesses to engage with vocational training, and with training providers, has historically been a "hard ask". Small firms, which employ nearly half the private sector workforce in the UK (SBS, 2006), are statistically considerably less likely to participate in formal training, and to engage with training providers than are larger organisations (see, for example, UKCES, 2010).

Against this background, researchers and policy makers have tried to understand how small firms can be encouraged to participate more in formal training (assuming that greater participation is indeed considered desirable; see, for example, Devins et al, 2005, and Ashton et al, 2008 for a challenging perspective on this assumption). In this respect, while the focus has often fallen upon the alleviation of the financial and temporal barriers to training in small businesses (Fuller-Love, 2006), some attention has recently been given to the role played by the small firm's *external relationships*. What effect, it is asked (e.g. Pittaway and Rose, 2006; Dawe and Nguyen, 2007), do such relationships (for example with suppliers, customers, trade associations and government agencies) have on the firm's approach to training? Can these relationships be used, encouraged and even formalised in order to promote more use of formal training and more contact with ET (education and training) providers? It is these questions that occupy the focus of this paper.

**Statement of the Problem**

Attempts to clarify the effect of an organisation's external relationships on its approach to learning are of course nothing new. As will be seen, studies have often lauded the skills-

enhancing potential of networks and clusters, which are said to facilitate knowledge-sharing and bring firms closer to knowledge providers. Various concepts, such as social capital or relational capital (e.g. Coleman, 1997; Inkpen and Tsang, 2005; Welbourne and Pardo-del-val, 2009) have been invoked as theoretical underpinning for these processes. As Hughes et al (2009) point out however, these studies have generally focussed on large rather than small organisations (see also McGovern, 2006). Given the evidence suggesting that small firms seem to interact with their external environments in a very different - that is, much more informal – way to larger businesses (e.g. Cope et al, 2007; Deakins et al, 2007), there seems to be a pressing need for a better understanding of how these interactions influence the small firm's approach to training, and ET providers. It is this need that the paper aims to address.

The paper itself is divided into six sections. In the first, it is seen that recent research has begun to show how small firms tend to place great emphasis on the *informal* relationships they establish over time with trusted informants and contacts. These unstructured relationships appear to have a profound impact upon the firm, in terms of how it perceives other agents in its external environment, how it selects prospective suppliers, and how it develops the skills it needs. Against this background, three broad issues are identified concerning the constitution of these networks, what they mean for government agencies and ET providers and their attempts to promote training to the small firm sector, and whether more formal clusters and network arrangements could be created or encouraged to have the same effect. These issues in turn inform the analysis and discussion of findings. The second section outlines the qualitative methods employed within the study and the sample used, while the remaining four sections outline and

discuss the empirical findings, which go some way towards confirming but also elaborating on the effects of informal networks on the small firm's approach to training. In particular, the impact of informal relationships with *insiders* – people or organisations that the small firm knows, trusts and is familiar with – is seen to be crucial in terms of colouring the firm's perception of training in general and ET providers more specifically. The paper begins the important task of *mapping* insider networks – of identifying who is and who is not considered an 'insider' – and the practical implications are discussed. In particular, it is argued that ET providers, as well as government agencies and other stakeholders (e.g. business associations), face the challenging but important task of obtaining the support of these informal insider networks if formal training is to be successfully promoted to a traditionally resistant small business sector.

**Small Firms, Training Providers and External Relationships**

The question of how external relationships can be instrumental in expanding organisational capabilities has become a popular one, and consequently the literature on business networks and inter-organisational collaboration is now well established (see, for example, Holm et al, 1996; Ebers, 1997; Lorenzen, 2005; Cooke, 2007). However, researchers have only recently begun to consider such issues specifically in relation to the small firm sector (Shaw, 2006). This relatively new, but growing body of research appears to indicate that small firms engage with their external environment in ways that are different to those characteristic of larger organisations. For example, Cope et al (2007) and Deakins et al (2007) have highlighted the *informality* that tends to characterise the small firm's external interactions, and this echoes Vaux et al's (1996)

6

observation that small firms tend to place great importance on informal and largely unstructured networks of trusted contacts and informants. These networks commonly include suppliers, customers, family, friends, business colleagues and peers, and impact powerfully on the ways in which the small business operates and perceives other agents in its external environment.

Other researchers have considered such issues in relation to the small firm's orientation towards learning in general, and to formal, external training provision more specifically. Down (1998: 267), for example, argues that it is actually through such informal relationships that "the majority of owner-manager learning takes place." Gibb (1997: 18) goes a step further and claims that the small firm's "ability to survive will be a function of its ability to learn from these stakeholders… to use them to scan the wider business environment and to define, meet and bring forward their future needs."

This picture of learning in small firms, where skills and capabilities are habitually and informally developed through largely unplanned interactions with these loose networks of stakeholders has been supported by a number of other, more recent studies (e.g. Taylor, 2000; Taylor and Thorpe, 2004; Dawe and Nguyen, 2007; Palakshappa and Gordon, 2007; Zhang and Hamilton, 2009). What such studies suggest is that small firms have a tendency to acquire the skills they need by tapping into these informal networks – or by developing them experientially through the process of work (see, for example, Kitching and Blackburn, 2002; Skinner et al, 2003; Devins et al, 2005; Holden et al, 2006) – rather than by scanning the market systematically for a suitable training provider. Dalley and Hamilton (2000) use the notion of 'context' to illustrate this informality and the impact that it has on the small firm's perception of formal training and ET providers. They argue

that the context of an organisation consists of its culture, its modes of communication, and its modes of learning. Information received from external agencies (such as training providers) is filtered through this context and through this process is judged as valid (and accepted) or invalid (and therefore rejected). "The context" observe Dalley and Hamilton (2000: p53),

> "operates like the immune system of the business, able to identify good and bad information and adept at negating the bad… In a process of successive screening, the filters determine the contextual fit between the source of the information and the recipient."

As highlighted above, existing research suggests that small businesses generally seem to prefer an informal, social type of learning, and favour knowledge that can be applied easily and quickly to their immediate problems; this characterises their context. Most ET providers and other agents involved in the transmission and promotion of formal training, on the other hand, are adjudged to be characterised by very different contexts (see also Harris, 2009; Nkirina, 2010).

Thus, the existing evidence seems to suggest two things: first, that small firms tend towards a more informal mode of operation, in terms of their approach to learning, to their external relationships and indeed their general modes of operation. This predisposes them towards a resistance to involvement with formal training schemes, despite a range of government schemes initiatives to bring small firms and training providers closer together (e.g. DfES, 2003; DIUS, 2008). Second, it appears that the informal, unstructured networks of which the small business is a part have an important impact on the way in which the firm perceives both ET providers and, perhaps, training in general.

As such, it seems possible that government initiatives aiming to sell training courses to small firms, or simply to encourage more small business participation in training, may fall on deaf ears if the prevailing attitude within these networks does not support them.

Perhaps in recognition of this, there have been various attempts to encourage or even create networks between firms that *do* promote and facilitate training and development. For example, much has been said and written of the potential of small firm clusters (based for example around supply chains or geographical proximity) to promote a more affirmative attitude towards skills development and training among small firms (e.g Baptista and Swann, 1998; Cumbers et al, 2008). Such clusters, it is claimed, can promote a positive inclination towards learning, and training providers. However, some studies seem to show that the potential of clusters in this respect is somewhat limited, and heavily reliant upon the presence of an underlying "co-operative atmosphere based on mutual trust and dependency." (Moreira, 2009: 110). Yet such evidence is still sparse; there is still some way to go in terms of understanding fully the capacity and potential of such clusters, and other kinds of network, in terms of engendering a more positive orientation among small firms towards training, and ET providers. This is one of the areas in which this paper aims to make a contribution.

What this brief review shows is that there is a growing, but as yet unfulfilled, interest in the small firm's external relationships and their impact on the firm's engagement with training, and ET providers. More specifically, three key themes can be drawn in summary from this review, which together form the premise of this study and which in turn inform and structure the analysis of the empirical data and the subsequent discussion of findings. The first is that existing research has established the importance of informal networks to

the operation of the small business, and recent studies have indicated that these informal networks are central to small business learning. One of the aims of this study is to provide a further elaboration of these network relationships and their impact on small business learning in the South Wales area (for example, who do these businesses consider insiders? Are business associations counted as part of these networks?). Second, the very centrality of these informal, insider networks to the ways in which small businesses learn raises doubts about the logic of promoting training to them through government agencies, initiatives and ET providers / institutions that may not have the support of such networks. The potential problems with such an approach to ET policy are investigated through the analysis and presentation of findings. Finally, there has been considerable interest in the potential of clusters and supply chain networks in terms of promoting training and learning within the small firms sector. However, this potential is as yet unproven and, as noted above, there is some evidence to suggest that it may have been over-stated, or at least over-simplified. A further aim of the paper is to clarify this situation; to assess the capacity of such clusters in promoting learning among small firms. Overall, it is hoped that in pursuing these aims, the paper will begin the important process of mapping insider networks within the small business sector, of starting to identify those insiders who could have the most influence in stimulating training and skills development more broadly among small firms.

**Methods**

The research adopted a qualitative approach that enabled the elicitation of a fine-grained understanding of how the small firm's relationships with its external environment influence its attitude towards training and various ET providers. In taking this approach, the main research tool was the semi-structured interview, and it is on the findings from these interviews that the subsequent discussion is based. However, these interviews – and the questions put to respondents – were informed in most cases by prior observation of respondents in their workplace and analysis of relevant organisational documentation. The adoption of a qualitative mixed methods research design follows the advice of Hoang and Antoncic (2003) and Shaw (2006), who argue that such an approach has the capacity to provide in-depth insights into small business networking activities.

Qualitative, semi-structured interviews were carried out with two groups of respondents within small firms: proprietors or other senior managers (28 respondents); and employees at supervisory level or below (21 respondents). All interviewees are attributed pseudonyms in the presentation of findings in order to protect their anonymity. In all, 25 firms in the South Wales area were visited. Selected from an internet directory of businesses in the area, these firms were chosen to represent a variety of sectors and types. Interviews were conducted with one or two senior member of management (this was usually the proprietor or managing director, but sometimes the proprietor would also nominate another member at their own discretion), with the aim of gaining information about his or her experiences of VET, the firm's general approach to training, the rationale 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 interviewed. Any relevant organisational documentation (e.g. marketing materials,

development plans, training records) was retained, with the permission of management, for analysis prior to the interview.

Of these 25 firms, 9 agreed further access for the purposes of interviewing (and, in most cases, observing) two to four employees at more junior levels within the organisation. For these interviews, the object was to explore the employees' perspectives on training within the firm. However, in the discussion of the findings presented below, the focus falls upon interviews with management-level respondents: it was these interviews that yielded the richest data concerning the firms' interactions with their external environment. Table 1 provides a fuller description of the sample of respondents.

| Business type | No. of employees | Personnel interviewed |
|---|---|---|
| Recruitment Consultancy | 3 | Director |
| Architecture | 4 | Managing Director |
| Chartered Accountancy | 4 | Managing Director |
| HR Consultancy | 5 | Managing Director |
| Construction Contracting | 11 | Managing Director |
| Exhibition Services | 12 | Director |
| Marketing Consultancy | 12 | Managing Director |
| Hospitality | 15 | Managing Director |
| Chartered Accountancy | 19 | Managing Director |
| Legal Services | 22 | Director |
| Hospitality (a) | 29 | General Manager |
| Company Search Services | 29 | Director |
| Fruit and Vegetable Wholesaling | 30 | Managing Director |
| Central Heating Installation | 40 | Managing Director |
| Arcade Game Production | 48 | Technical Director |
| Chemical Engineering | 94 | Managing Director |
| Chemical Engineering | 5 | 1. Managing Director<br>2. Sales Manager<br>3. Production Operative |
| Multimedia Production | 8 | 1. Managing Director<br>2. Projects Co-ordinator<br>3. Web Developer |
| Pesticide R&D and Production | 8 | 1. Managing Director<br>2. Study Director<br>3. Trials Officer |
| Public Relations Consultancy | 13 | 1. Managing Director<br>2. PR Assistant<br>3. PR Executive<br>4. PR Account Manager |
| Mechanical Engineering | 14 | 1. Managing Director<br>2. Production Manager<br>3. Engineering Technician<br>4. Engineering Technician<br>5. Welder / Fitter |
| Mechanical Engineering | 15 | 1. Managing Director<br>2. Commercial Officer<br>3. Service Engineer<br>4. Service Engineer |
| Chemical Engineering | 23 | 1. Managing Director<br>2. Quality Manager<br>3. Accounts Supervisor (Part time)<br>4. Laboratory Technician |
| Website Design Consultancy | 25 | 1. Operations Director<br>2. Web Developer / Programmer<br>3. Web Developer / Programmer<br>4. Creative Designer |
| Precision Equipment Manufacturing | 30 | 1. Managing Director<br>2. Marketing Manager<br>3. Production Manager |

**Table I.** Breakdown of Sample

**Note:** (a) Business is a wholly owned subsidiary of a larger company.

The data were analysed thematically according to the three broad issues drawn from the existing research and highlighted at the end of the previous section. First, how do informal networks and relationships influence the small firm's approach to training, and who are the insiders and outsiders in these relationships? Second, what implications do these networks have for government agencies and ET providers and their attempts to promote training to small firm businesses? And third, what are the implications for stimulating participation in training through more formal network arrangements such as geographical clusters of firms or supply chain relationships? The findings are presented and discussed below according to these themes.

**Small Firms and The Importance of 'Insider' Networks**

In understanding the small firm's attitude towards and interactions with training providers, we first need to understand its modes of engagement with the external environment more broadly. In this respect, perhaps the first thing to be noted is the powerful influence of word of mouth and informal recommendations received from trusted contacts. This finding accords broadly with those of other studies (e.g. Vaux et al, 1996; Cope et al, 2007; Anderson et al, 2007), although the findings presented below do help us to go beyond current accounts in terms of identifying specifically who these contacts might be and how their influence upon the small firm's approach to learning is exerted.

When considering courses of action, surveying their environment, dealing with stakeholders and choosing suppliers (and ET providers), owner-managers would place

considerable stock in the advice, information and recommendations received from sources adjudged to be familiar, reliable, culturally proximate and credible. Such sources frequently include former business partners, contacts within the industry, customers, accountants, friends, family, colleagues and a range of others. When making a decision about which supplier or provider to use, senior managers would treat such information from these trusted contacts – or *insiders* – as a critical element in the equation (the term 'insiders' was first used in this context by Gibb in 1997, but more recent research has further emphasised the importance of these trusted contacts within the small business sector; see, for example, Street and Cameron, 2007). It represented a way of gaining in-depth, meaningful and reliable information about business opportunities, potential suppliers and providers, without having to go through the time-consuming and costly business of a comprehensive, systematic market research and analysis process. Frequently, directors emphasised the importance of this word-of-mouth process, and made it abundantly clear how important information and recommendation from these insiders was when considering courses of action and selecting between prospective suppliers. This was illustrated by the technical director of one manufacturing firm that regularly contracted consultants for specialist design work:

DB: When you take on consultants, how do you proceed in terms of selecting them?

David: … Recommendations from people you trust, someone who's an insider. They're so important. That word of mouth process is so important… I'm a big fan of getting testimonials from satisfied customers because they're more honest, worth more than any

advert or cold call. Someone who comes with a testimonial or a recommendation from a friend or colleague, that's the best indication of quality.

(Technical Director, arcade game production)

The conventional mechanisms for finding suppliers or looking for customers (market research, advertising *etc.*) were invariably far less important than this *informal* process of spoken word passing through loose networks of contacts. Senior managers viewed these informants as insiders, in that their familiarity and sense of compatibility with each other (often developed through close contact over many years) generated a high degree of mutual and implicit trust. These networks of insiders, whether customers, friends, insurance brokers or others are seen as sources of information and advice that are far more reliable and useful than any advertisement, 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 – perhaps *the* central – element in the decision-making process.  As one MD explained:

Jim: We have a lot of contact with other people in the industry, a sort of working relationship with these people to exchange information. On a non-fee basis, it's just a network… It's usually done by the MDs of these companies getting together over a beer and sort of saying 'look, we've got some information and we're quite happy to share it with you.' That's what networking at its core is all about… There are various triggers which

contribute to a decision when you're considering buying something, and that information is a big trigger.

(MD, precision equipment manufacturing)

Across the sample, respondents invariably described something similar; a loose and unstructured yet subjectively powerful constellation of trusted, established and highly credible contacts whose influence over the firm's decision-making and procurement processes was considerable. As a prospective supplier or provider therefore, being able to tap into, or better still become part of these informal networks of insiders is a crucial part of selling your goods or services. Conversely, being an outsider is likely to place you at a disadvantage within the marketplace. Of course, these categories are to some extent ideal types, but the findings do suggest that owner-managers and directors of small firms tend to draw a fairly clear distinction between those contacts regarded as credible and trustworthy and those who are not.

Thus, so far, the findings lend support to existing research that emphasises the importance of informal networks to the way in which the business perceives and interacts with its external environment (e.g. Shaw, 2006; Deakins et al, 2007). However, this study goes further in terms of highlighting the effects of these networks upon the ways in which small firms perceive ET providers (and training more broadly). In this respect, given the importance of insider networks to the small firm's perception of its external environment and potential suppliers, it is perhaps unsurprising that decisions surrounding training and the use of ET providers were also heavily conditioned by the information circulating within these networks. One central heating installation firm, for example, had recently

17

used a local further education college to deliver training on aspects of regulatory compliance after receiving a recommendation from a trusted source:

> Robert: There was this whole new raft of legislation coming in, this was about three, three and a half years ago now. So all these leaflets, information packs, booklets came in from everywhere and I was just reading them, working through them and trying to make sense of them and what they meant for how we did things. I was just doing it myself. But then I happened to mention this to someone I know… just a friend in the trade I've known for a while. He mentioned that [the local college] was running courses in this new legislation and that it was actually pretty good. So I gave it a go, and actually it was very useful.

> (MD, central heating installation)

In this instance therefore, as in many others, the recommendation from an insider had both encouraged the firm into a more formal mode of learning *and* predisposed it towards a training provider that it would not otherwise have considered using. Another firm had used a private training consultancy to deliver training in specific office software packages:

> Annabel: We were migrating all our client records and information over to a new database… which was fine but no-one really knew how to use it properly. So I was thinking about this, thinking about just muddling through in a pretty unsatisfactory way, or going through a brochure from [the local college] or something to find a suitable course. But I remembered that an old friend of mine who's now retired but worked for one of our big clients, had talked about this company he'd used that did bespoke IT training on

specific things like this, and how good they were. I dug out his number and he put me in touch.

(Director, company search services)

Time and again, the importance of recommendations travelling informally through loose networks of firms was emphasised. Such recommendations had the power to persuade senior managers of the idea that formal training could be a useful way of developing skills, and to encourage a more positive attitude towards particular training providers. On the whole, ET providers were not viewed as insiders, but those that came with a recommendation from a trusted contact in the trade were viewed far more favourably than those that did not. Indeed, owner-managers showed a very strong preference for choosing training providers that came with such a recommendation even where that meant opting for the more expensive provider. This does not mean that price was of no consequence when it came to deciding between training providers, simply that moderate differences in cost made little difference when there was an insider recommendation to be considered. Of course, as one respondent observed, it was not just recommendations that were passed between insiders:

Gareth: You know Daniel, word travels extremely fast in these little circles, and bad word travels much faster than good word… If you're supplying a service to a particular industry, you'd better make sure that everyone gets what they want, because if you don't, you'll quickly find that no-one wants to know. You'll get shut out just because one person isn't happy with you. That's how it is.

19

DB: And that applies to training providers as well?


Gareth: Yes, definitely.


(MD, chemical engineering)


This is the other side of insider network coin; while such networks do indeed have the potential to promote the construction of relations between small firms and ET providers, so too do they have the potential to inhibit such relations. As such, these informal modes of networking become a vitally important part of the way in which small firms interact with the training market.

Perhaps two things can be suggested from the findings presented so far in this section: first, that there is support for the existing research that highlights the importance of informal insider networks to the ways in which the small firm perceives with other actors in its external environment. Second, that this crucial influence seems to extend to the ways in which small businesses engage with ET providers and training in general. Given this importance, we might ask what the implications are for those who would seek to promote formal training to the small firm sector. Various government departments and agencies, as well as numerous business associations such as the Chambers of Commerce, have attempted, through a plethora of schemes and initiatives, to encourage and facilitate increased levels of small business engagement with formal training and ET providers. In general, they have done so by promoting these schemes directly to small firms, therefore arguably without acknowledging the important mediating role played by insider networks

in establishing the credibility of ET providers, and formal training in general. This raises the question of how such government agencies, public bodies, business associations and the training initiatives and schemes they produce are perceived within the small business sector. Are they themselves viewed as insiders? If not, what implications does this have for the promotion of formal training among small firms? It is to this issue that the following section turns.

**Promoting Training to Small Firms: problems with the current approach**

UK government agencies have been active in recent years in attempting to provide more structure to the way in which employers (and small firms in particular) access training and engage with ET providers. As a result, a variety of initiatives have emerged with the express purpose of bringing firms, government organisations, and training providers closer together (e.g. the Workforce Development Programme funded and operated by the Welsh Assembly Government, and the Train to Gain initiative, operated by the UK government). However, the data emerging from this study suggest that such schemes have had, and will continue to have, limited penetration among small firms. This is due at least in part to the view held by such firms that these initiatives, and the agencies responsible for them, have little to offer the small business sector; a finding that resonates with previous studies on small firm participation in government training initiatives (e.g. Matlay, 2004). Most respondents expressed the attitude that government bodies, and associated public institutions, are, to them, culturally distant, lacking in credibility and unattuned to the training needs of small businesses. That is, they are generally seen as outsiders. For example, one managing director remembered being contacted by the Welsh

Development Agency (now part of the Welsh Assembly Government) with regard to a forthcoming training event:

Ed: The thing with small businesses, and I don't think I'm alone in thinking this, is that you regularly see new initiatives from the WDA… or whatever. Most of that, when you scratch through the garbage, is people selling consultancy. And most of those consultants are actually freelancers. And most of those guys used to work for the WDA, or this, that and the other. And I'm very suspicious of those people… there was some bloke from the WDA who came trotting round, trying to flog some consultancy based on that. He came round saying he could help make our business better. The truth is, we don't really need people coming to tell us how to run our business because we're doing it quite nicely thank you. I'm not saying I couldn't learn new business skills. I can, and I have… But what these people offer just isn't relevant or helpful.

(MD, construction contracting)

Another respondent recalled being invited to sit on a Welsh Assembly Government-sponsored enterprise committee that sought to address the issue of skills development in small businesses:

Paul: The kinds of training they were talking about were wholly unsuitable for most small businesses. I mean, most of what they were looking at funding was courses that lasted a year or two and had this whole accreditation structure attached. Well, I don't even really know where we'll be as a business in a couple of months, let alone a couple of years… And they would only fund training that wasn't statutory… If it was something you didn't have

to do, then they'd give you money. And that seemed to me to be completely stupid, so I refused to have any more to do with it… [these committees] seemed like a load of rubbish to me. Lots of people getting paid money for achieving very little, it was just a black hole that money was going into.

(MD, chemical engineering)

Such comments were broadly representative of the views held by the majority of directors and owner-managers; government and public agencies were most often seen as large, inefficient, institutions that existed, in Dalley and Hamilton's (2000) terms, in entirely different contexts. They were, for the most part, outsiders. As such, the knowledge they were seeking to sell via their various schemes and initiatives was generally rejected by the small firms, who in many cases had developed a firm prejudice that framed any subsequent information they received relating to the services offered by such agencies (although there were a few notable exceptions to this; a minority of more 'extrovert' firms were much more positively disposed towards forging relationships with public bodies than others. See Bishop, 2009, for an exploration of the reasons for this divergence).

So, the findings appear to suggest that government agencies and public bodies are perceived largely as outsiders within the small firm sector. As such, any schemes and initiatives that they produce with the aim of increasing small firm participation in formal training will face an uphill struggle if the support of insider networks is not obtained. This highlights the crucial point that promoting training to small firms is about more than simply providing training at a low cost or ensuring that the content meets the immediate

needs of the business, which other studies have already established (e.g. Matlay, 2004; Jeffrey et al, 2010); it is also about promoting training through the right channels in order to ensure that it is perceived as credible.

There are, however, other significant actors in the small firm's environment – for example, business associations such as the Chambers of Commerce, and the Federation of Small Businesses. Are such organisations viewed in a similar way? Can increased small business engagement with training providers be promoted through such organisations?

The data present a mixed picture in this respect. Business associations do offer a range of services to small firms, such as briefing sessions on relevant legislative developments, short courses in a variety of business management areas, and networking functions. However, while the majority of firms visited were members of at least one such organisation (usually the Chambers of Commerce, of which 16 of the 25 firms visited were members), this membership was normally viewed simply as insurance; as a potential source of advice on specific business issues (e.g. legal guidance), should it ever be required. Only two firms had used the training opportunities offered by these organisations, and most had never had any substantial contact with them since becoming members, beyond receiving various promotional materials. Therefore, having positioned these organisations as insurance, to be acknowledged and called upon as and when the need arose, the senior managers of the small firms visited would not, on the whole, look to them to provide anything beyond that. Any flyers, emails or letters publicising training opportunities, seminars or similar events were normally disposed of before having been read. Like the public agencies outlined above, these general business associations seemed

to be regarded as outsiders, with little direct relevance for the small firm beyond the provision of advice in times of trouble. One respondent summed up this attitude:

> Ed: We're part of the Chambers of Commerce, we're part of the Federation of Small Businesses, the National House Building Council. I think those are the only organisations we belong to.

> DB: And with the Chambers of Commerce and FSB, what benefits do you get out of that?

> Ed: We probably don't get as much as we could or should out of it, because we don't put a huge amount of input into it. We use them more as an insurance policy. We use the Chambers of Commerce for credit checks… With the FSB, that's primarily in case we need legal help, which they provide relatively cheaply, mostly on debt recovery and things like that.

> (MD, construction contracting)

Having adopted such an outlook, most of the senior managers interviewed were basically unreceptive to any attempts by general business associations to promote or sell formal training opportunities.

However, while most respondents seemed to have a fairly definite view of these *general* business associations as insurance to be used only when serious, unexpected or unfamiliar problems arose, *sector-specific* organisations, such as trade or professional bodies, were normally viewed quite differently. This is an important nuance that helps us to go beyond the frequent conflation of these two types of association into one group (e.g.

Perry et al, 2010), and moves us towards a more specific impression of who is and who is not likely to be part of insider networks.

In many cases, the relevant trade body was, as a matter of course, the first port of call for the managing director when seeking information on a range of issues, such as prevailing market trends, prospective suppliers, or training providers. For the most part, these bodies were seen as focal points for keeping up to date with developments in the sector, and the information they provided was viewed as being reliable, current and trustworthy. As a rule, they were insiders, and as such they occupied a very different place in the 'lifeworld' of the small firm (Gibb, 2000) to that occupied by more general business associations;

> Hywel: We're members of the Chambers of Commerce. We very rarely, if ever, use their services… It costs us over a hundred quid a year, and we don't get a lot out of it... It gives the company some credibility maybe. We are members of the UK Weighing Federation, which is our trade association. That again gives us more credibility, gives us access to information as to what's happening at legislative level, what's happening in terms of technical developments within the industry, what trainers to use, keeps us appraised of what's going on… Particularly with training on new bits of kit. They tell you what the kit is, what it does, who can train you up on it. They're excellent really.

> (MD, mechanical engineering);

Far from being a form of insurance to be used only in an emergency, these sector-specific bodies were often used for gleaning useful information *as a matter of course*

whenever business decisions of any consequence had to be made. The status of most sector-specific bodies as insiders meant that they were regarded as being aware of the specific needs, requirements and subtleties of the sector, and as being in tune with the shifting, informal networks, supply chains and ebbs and flows of the market. As such, the information they provided was normally seen as reliable, accurate and useful. This meant that any suppliers / training providers recommended by them, or schemes and initiatives operated through them were far more likely to appear credible in the eyes of small businesses than those that were not. For outsiders therefore (such as most ET providers and government bodies), gaining the sponsorship of these sector-specific organisations could represent an important part of increasing their credibility among small businesses. As noted above, this helps us to build on existing descriptions of how training provision can be made more attractive to small firms: cost, content and delivery are important as previous research has established, but so are the channels through which that training is promoted.

In the final section, attention will turn to another channel through which small firms have been encouraged to participate in formal training and to expand their skill bases more generally. Clusters of small firms, grouped for example around supply chains, have often been cited as a means of promoting training and skill development, yet the rhetoric may often have ignored the more problematic reality (Parrilli and Sacchetti, 2008). In this vein, the next section seeks to explore the potential for such clusters to increase small firm engagement with training and ET providers.


**The Limitations of Clusters and Supply Chain Networks**

Many studies have investigated clusters and alliances of collaborating small firms, proximate to each other either geographically or within supply chains, that supposedly engage in a mutual promotion and encouragement of learning and training (see, for example, Massey *et al*, 1992; Ahlstrom-Soderling, 2003). The philosophy behind such arrangements has traditionally been that firms within (for example) the same supply chain, or perhaps the same niche industry, have much to gain from closer integration and sharing of systems, processes and knowledge. Following this reasoning, successive UK governments have, in recent years, consistently advocated the development of "learning networks, established either through geographical clusters or through sectoral or supply chain clusters." (DfEE, 2000). In practice however, Devins *et al*. (2001) observe, it has proven difficult to sustain such networks and clusters to an extent that would promote a collective commitment to participation in training among the SMEs involved. The findings presented below do provide some support for such a conclusion but only, as will be seen, with an important qualification.

Around half of the senior managers reported having had some form of cluster or allance-type relationship with other firms in their area, sector or supply chain. Two were even located on science parks in close proximity to other similar firms. Over the long term, such relationships would generally be used to share information or as a means of attracting new business, but would not often extend beyond this. They might, over the short or medium term, form the basis of a more formal, collaborative partnership (for example in the case of project work in construction contracting), but it seems that such relationships, where they occur, tend not to have much impact upon training or learning

within the firms involved. In the following extract, for example, the respondent illustrates the fairly limited scope of such partnerships;

> Terry: Yes, we have formed alliances with other marketing firms for particular projects … What we're tending to do more and more now is get together with the people we know and say 'look, together we're able to put out a much better bid than each of us could individually. So why don't we get together?' So we might come together for a particular project, then we'll go our separate ways again.

> (MD, marketing consultancy)

There was little to suggest that sectoral and supply chain relationships such as these do much to promote a commitment to increased levels of participation in formal learning, or to engender more positive attitudes towards training providers. While it is certainly true that some firms, perhaps in an attempt to improve quality throughout their supply chain, 'encourage' their suppliers to make greater use of training and development, it is debatable whether this approach actually has a genuine impact, particularly over the long term. For example, while one firm had attained Investor in People status at the behest of one of its main customers, it became clear that in reality there was little intrinsic commitment to the principles of IiP or employee development more broadly within the company:

> DB: How did [your interest in IiP status] first come about?

Ben: Well one of my clients suggested that we ought to do it, so rather than risk upsetting my client, I decided we ought to have a go… But it did feel a bit like we'd been pushed into it.

DB: OK. And do you feel that there have been benefits to it?

Ben: Well, some, but not a great deal. I don't know if we'll bother to renew it when it comes round for renewal… The whole re-accreditation thing is just a bother that takes time away from doing other things.

(MD, accountancy)

Such evidence would appear to suggest that attempts to promote increased levels of formal training through supply chain clusters or networks may meet with some resistance if businesses feel as though they are being pushed into it.

Of course, as illustrated in previous sections, the information that is exchanged between businesses within the same sector or supply chain *can* have a significant impact upon the approaches to ET providers, training and learning adopted by those businesses, but only – and this is crucial – *if* they view each other as insiders. However, companies within the same supply chain do not always regard each other as insiders; many of the firms visited sought little from other businesses in their supply chain networks beyond a fairly restricted buyer-supplier relationship, occasionally supplemented by limited exchanges of information about prevailing market conditions. This was illustrated by one respondent who had previously been involved in a supply chain cluster.

John: Years ago, we had basically one big customer. They tried this whole supply chain rationalisation exercise, which essentially meant us working a bit more closely and a bit more formally with some of the bigger guys up the chain. I suppose I thought that it made sense… we're working on the same thing, so I guess it makes sense if we talk to each other a bit more so that the logistics, the design can be made easier… But yes, that's all it was, and that's all we or they wanted. We worked together, then when the contract was up we said 'goodbye' and went our separate ways.

DB: Have you had any other relationships like that?

John: Not quite like that, no. I mean we have good, long term relationships with some customers now, people we've worked with and known for quite a while. Actually, I should say, one of those is now a contractual alliance. But like I said, we've known them for a good few years so it just made sense to formalise things because we know each other and it works for both of us.

(MD, mechanical engineering)

Where formalised networks and clusters did occur therefore, they were often described in ways that appeared to be too limited in scope and / or duration to represent a viable conduit for the promotion of increased levels of training among the small firms involved (as in the first example described in the extract above). Crucially, it seems that perhaps only those clusters that are based primarily on less formal *insider networks* (as in the second example), which in turn are founded on relations of familiarity and trust, are

likely to provide fertile ground for the promotion of learning, training and high-skill approaches. It is clear that not all clusters have such a base.

Thus, it seems that it is insider networks (which are often based on social relations that predate more formal business connections), rather than supply chain networks or clusters *per se*, that are likely to have the capacity to influence the small firm's approach to learning at a more fundamental level. This finding echoes Maskell and Malmberg's assertion (1999: p170) that the most essential precondition for the mutual promotion of learning and skills development is "the formation of long-term trust relations between firms" (see also Moreira, 2009). Because such trust is generally inherent within insider networks but not *necessarily* within supply chain networks or clusters of proximate firms, it could be suggested that it is insider networks that are more likely to encourage the collective promotion of formal training. We should therefore be careful in asserting the popular claim that the promotion of training and high-skill strategies among small businesses can be achieved through these clusters of firms, as in their current form many of them are simply too limited in scope and lacking in mutual trust to support such a role.

**Conclusion**

In light of the foregoing discussion, a number of conclusions can be drawn. First, in common with previous research, the findings of this study have emphasised the crucial importance of informal networks to the way in which the small firm does business, makes decisions and interacts with its environment, and consequently to the way in which it perceives training, and ET providers. It was seen that unstructured insider networks of trusted, credible and (normally) long-established contacts serve as vital sources of

information and advice for the small business, and the recommendations and word-of-mouth that circulate within them have a profound impact on the way in which the firm perceives the credibility and utility of training in general, and ET providers more specifically.

Where this study helps us to go beyond the existing research is in starting the important process of *mapping* these networks; of determining who is on the 'inside' and who is not, and how such an understanding can assist the process of stimulating greater participation in training among small firms. The findings promote the conclusion that who, exactly, the insiders are differs from firm to firm. However, they commonly include friends, family, regular service providers such as accountants and sector-specific trade associations (general business associations such as the Chambers of Commerce were not normally considered insiders). What is important, in terms of promoting training to the small firm sector, is that the support or sponsorship of these networks is obtained.

This, however, is where the ET policies of recent years have tended to fail among small businesses, and the paper offers a constructive critique of such an approach. Just as there are insiders, there are also outsiders – those who small firms tend to view as being culturally remote, or lacking in credibility. Most government agencies, public bodies, general business associations and ET providers seem to fall into this category, and as such the training schemes, programmes and initiatives they try to sell tend to be viewed with some degree of scepticism. This further emphasises the need for such institutions to access and obtain the support of insider networks. In achieving this, policy makers and other stakeholders should not make the mistake of assuming that these networks can be artificially created through the imposition of clusters or supply chain networks. While

such creations have been popular in parts of the literature, we can perhaps conclude that they are likely to fail if they are not founded on pre-existing insider relationships which generate mutual trust and familiarity. It is these insider relationships that provide the conduit through which formal training can successfully be promoted to small firms. If such relationships are ignored, persuading small businesses to engage with training, and with ET providers, will remain a hard ask.

In terms of areas to consider for further research, future studies should continue the process of mapping insider networks. Whom do small firms trust and regard as credible sources of information? How can such relationships be used to promote a more favourable disposition towards participation in training? The findings of this study have provided some initial answers to these questions and have helped to strengthen and add detail to the 'insider' network concept (Gibb, 1997). However, the centrality of insider networks to the lifeworld of the small firm demands a more complete understanding of who they are, how they can be accessed and how their influence might be harnessed to positive effect.

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