

EXPLOITING THE RESOURCES OF SOUTH HAMS ORGANISATIONS
TO ASSIST IN REDUCING THE IMPACT OF THE CURRENT RECESSION

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BACKGROUND AND ANALYSIS

Government Training Policies

The restructuring of the UK economy in the 1980s, accompanied by rising unemployment led to recognition that Small and Medium-Size firms (SMEs) would play an increasing important role in terms of job creation. Hence one dimension of Government policy on workforce training during this period focused upon the provision of training to assist individuals start new small businesses. Towards the end of the 1980s, as the UK economy began to improve, there was recognition that many start-up firms were either unwilling or unable to grow which rendered them incapable of acting as a source of new job creation. Consequently a second strand of Government-funded training provision was established which was orientated towards assisting small firms to develop and implement growth strategies. The focus of such training was towards assisting owner/managers to enhance their managerial skills, whilst concurrently offering training support to upgrade the skills of their employees.

Broadscale acceptance of the philosophy of assisting both the large and small firm sectors to invest in upgrading employee skills as a key aspect of a developed nation's overall economic policy began to emerge in the 1990s. This occurred because Western nation Governments recognised the need to have a highly skilled workforce in order to survive in a global economy where unskilled jobs can be undertaken by workers based in much lower cost regions of the world. Across the EU it is now accepted that the more technologically complex world of the 21st century necessitates that people in work need to be engaged in ongoing skills development throughout their entire working lives. The importance of this philosophy was addressed in the European Commission Report on Lifelong Learning in which this continuous skills developed process is defined as "all purposeful learning activity undertaken on an ongoing basis, with the aim of improving knowledge, skills and competence." Fundamentally, it involves continuous learning from the cradle to the grave, engaging in formal learning (via college or university), informal learning (experiential learning on the job) and also learning in personal, social and professional capacities. According to the OECD there is a macroeconomic relationship between educational attainment and a growth in productivity. OECD studies have found that education directly contributes to up to a quarter of a nation's economic output growth. Continuous lifelong learning and education also benefits organisational growth (McClean 2005).

Various Government training initiatives over the years, designed to persuade firms with limited in-house training delivery capability to increase the level of employee training, have demonstrated that there is a need to provide firms with access to an advisor who is able to undertake a training needs analysis. Having identified areas of skills development need, the advisor working in collaboration with local training providers, is then able to offer guidance on appropriate actions to close identified skills gaps. The acceptance of this philosophy in the UK is demonstrated in recent years by the creation of schemes such as the Learning & Skills Council's Train To Gain programme.

The Recession

Based upon evidence in relation to the impact of the 1980 and 1990s recession on the nation's SME sector, the vast majority of firms will be adversely impacted by the current significant economic downturn. Many small firms have limited cash reserves and lack ownership of assets that can act as security to support further bank borrowing. In those cases where a major customer delays payment of an invoice or due to poor credit controls within a small firm creating a cash flow problem, this inability to raise additional funds can lead to high bankruptcy rates in the SME sector. In the current recession the poor state of the major High Street banks' balance sheets, plus the ongoing inter-bank lending liquidity problems, has meant overdraft lending is being restricted to small firms who are operating successful businesses. Hence unless there is a significant shift in bank attitudes, the level of cash flow induced bankruptcies in the SME sector will be higher than in the last major recession in the early 1990s.

In terms of small firm survival during a recession the most usual strategic solution is to implement a retrenchment strategy (Michael and Robbins 1998). This strategy will involve organisational activities undertaken to achieve cost and asset reductions accompanied by disinvestment. Most firms will initially focus on reducing finished goods, and where relevant work-in-progress and raw materials. Only when cash flow becomes extremely critical will the small firm consider the sale of their fixed assets. Where this is necessary the aim will be to retain key equipment or facilities without which the business would have major problems in continuing to trade. In terms of reducing operating costs certain activities such as advertising or other promotional activities that have no immediate impact on generating sales are terminated. There is not usually any emphasis on lowering wage rates or cutting employee benefits. Instead the small firm will usually implement actions such as laying off unskilled employees and reducing the work week for those staff who are retained. Further employee cost savings may be achieved by reducing the salaries of management and the owners reducing the scale of their directors' fees and dividend payments.

The potential drawback in a retrenchment strategy is that unless accompanied by certain other actions, the probability of survival during a deep or lengthy recession is reduced and in many cases will require a further downsizing of the workforce. On the basis of research undertaken during previous recessions, it is apparent that the chances of small firms' survival can be increased by actions which improve workforce productivity and strengthen the firm's market position. In terms of increasing productivity this is most likely to be achieved by investing in training to upgrade the skills of key workers within the organisation (Savery and Luks 2004). Strengthening market position will usually involve actions in areas such as optimising product and service quality to retain the loyalty of existing customers, accompanied by a focus on the development and launch of new products or services to attract new customers (Beaver and Ross 1999).

In relation to those small firms which are forced to make staff redundant then the issue is how these individuals can be assisted to find new employment. Again the available evidence would suggest that those who are able to participate in training which upgrades their skills in areas of interest to to-day's employers are more likely to find a new job.

Given the key importance associated with utilising employee training to assist existing firms and people who become unemployed in the current recession, the issue must arise of whether merely relying on Government-funded support schemes is a wise solution in relation to the South Hams local economy. Although the Government has announced

expansion of training support and staffing levels within Job Centres, total reliance upon this solution has certain drawbacks. Firstly the majority of Government schemes are restricted to funding Level 1 and 2 skills development. Unfortunately the reality in relation to improving productivity in existing firms and enhancing the job prospects for the unemployed is the focus of training needs to be re-directed towards Level 3 and 4. Secondly the speed and flexibility with which Government-funded training schemes are implemented by training providers is often inappropriate in the rapidly changing economic conditions prevalent during the current recession. Thirdly in relation to the emphasis on on-site, in-company training which is promoted under the Train To Gain scheme, most providers perceive the typical small firm as not representing a cost effective client to whom they wish to offer services.

Exploiting the South Hams Strategic Alliance

Within the South Hams there are a number of organisations in both the private and public sector which are strongly committed to, where possible, returning something back to their local community. Contained within these organisations there are resources and skills which could be exploited as a route through which to reduce the impact of the recession on the local economy. For example, some firms have expertise which they could offer to provide training to other small firms and/or the unemployed. It is also the case that some organisations may have the ability to offer physical facilities such as access to computers which might be utilised in expanding access to training facilities of people in rural areas who encounter difficulties travelling to a college in Torbay or Totnes. A third possibility is firms who lack the resources to be involved in Government work experience schemes might be willing on a more limited or occasional basis, to offer placements to individuals seeking to acquire work experience.

Hence it is proposed that one way of harnessing these resources is for the South Hams Strategic Alliance to develop and implement a strategy for mobilising the resources of local organisations to assist in sustaining the local economy over the next 12 – 36 months.

An Example of Assistance To Illustrate The Local Support Concept

Moustraining Ltd is a University of Plymouth spin off company, based in Modbury which is responsible for delivering the institution's part time distance learning Certificate in Business Office Information Systems (Cert BOIS). There are now approximately 1,000 UK students enrolled in the programme. Anecdotal evidence would suggest that the business model which has been developed causes Moustraining to be probably the most cost effective provider of HE sector distance learning programmes in the UK. A downloadable course brochure and further information about the company is available at the company website www.moustraining.uk.com.

As an organisation associated with the University, we seek to support the institution's social enterprise strategy. This is achieved by re-investing a proportion of profits into funding research and technology application projects. Students enrolled on the Cert BOIS programme pay a fee of £100, with the balance of funding coming from the Government via HEFCE. Hence one way Moustraining could contribute towards an initiative led by the South Hams Strategic Alliance, is the company would be willing to sponsor up to 100 individuals living in the South Hams to enrol on the Cert BOIS scheme by paying their fees. We are also currently engaged in developing our distance learning materials for use in self study c.p.d. schemes for individuals such as accounting technicians and paralegals.

It seems feasible, therefore, for Moustraining to also partially underwrite the costs of making these materials available to individuals living in the South Hams.

Conclusions

In view of the important role of the SME sector in the South Hams as a source of employment and the potential adverse impact of the current recession on the level of unemployment in the area, it is concluded that there is a need to seek ways of complimenting and enhancing Government-funded support schemes by exploiting the willingness of local organisations to implement new actions for assisting their local communities. This submission proposes that the South Hams Strategic Partnership could play a vital role in developing and implementing a strategy for mobilising the resources of local organisations. To illustrate the type of assistance local organisations might be willing to commit to such a project, Moustraining is prepared to sponsor students on the Universities Cert BOIS scheme and also make available self study learning materials at a subsidised price.

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