

Training for Small Businesses

Opportunity Report

Prepared for the
Northern Labour Market Information Clearinghouse

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Introduction

A recent Northern Labour Market Information Clearinghouse report examined the training needs of new entrepreneurs. The Training for New Entrepreneurs Opportunity Report (November 1996) concluded that new small business entrepreneurs tend to lack skills in the areas of marketing, business planning and research, bookkeeping, general management and computer skills. The report also noted that resources already exist to address some of these needs, including one-on-one assistance and counseling advice provided by agencies such as Community Futures Corporations, information available on the Internet, and courses offered by private training consultants and northern Alberta colleges. Indeed, given that most Alberta post secondary institutions offer customized business seminars as well as standard business courses, and that training can be distance delivered, the pool of potential resources and service providers is actually larger than the earlier report suggested.

An important issue is how well the needs of existing and new small businesses are currently being met by available resources and course offerings, and whether the training needs of small businesses could be served by college-delivered business training. This report examines this issue, with a specific focus on training needs in the areas of finance and accounting, computer skills and general management skills.

Method

The information presented in this report was obtained through interviews with experts who have frequent interactions with small businesses in northern Alberta. Interview participants included representatives of organizations which provide consulting services to small businesses; managers and loans officers with northern branches of financial institutions; and individuals working in computer sales and service related businesses (an early plan to interview accountants was abandoned due to timing, as the March-April period represents the accountants' busiest season of the year - income tax time).

The general strategy for selecting financial institutions and computer related businesses was to spread the calls out across the geographic area, but otherwise no systematic sampling procedure was used. For comparison purposes, three additional telephone interviews were conducted, one with a Business Development Bank of Canada manager in Edmonton, one with a CompuSmart software sales consultant in Edmonton and one with the Northern Alberta Development Council's computer consultant. Literature was also obtained from the Business Link Business Service Centre in Edmonton.

Training Needs vs. Training Demand

Interview participants (particularly representatives of agencies providing small business consulting services and the financial institutions) agreed that many of their clients had considerable need for, and would benefit greatly from, business training. Unfortunately, they perceived that small business owner/managers often did not seek this training until they ran into

a serious problem or roadblock. The most commonly cited roadblock was the inability to satisfy a lending agency of the viability of the business, often because the small business could not produce the required marketing research, business plan, cash flow projections and/or financial statements. Lenders of last resort such as Community Futures Corporations often required their clients to take basic business training as a condition of receiving a loan.

Once a small business owner/manager had engaged in a certain amount of business training (e.g., basic accounting) and realized the benefit, participants perceived an increase in their receptiveness to additional training. The decision to computerize the business's accounting system was seen as another critical step toward a generally increased receptiveness to training. Implementing a computerized accounting system had immediate tangible benefits in terms of eliminating the expense associated with the ongoing use of a bookkeeper or accountant. More importantly, however, learning to look after one's own accounting was perceived to increase the small business owner/manager's understanding of the operation of his or her business.

Interview participants suggested that, in addition to operational knowledge relevant to the specific business (e.g., the latest flower arranging techniques would be of interest to a florist), small business owner/managers are most interested in learning business skills that can be immediately applied in the business and in information that will assist them in making concrete business decisions. To be accepted, small business training must be presented in a concise format and at times convenient to the owner/managers. Instructors or facilitators must be able to explain or demonstrate how the application of the concepts presented will benefit the small business's bottom line.

While general management and "soft skills" were seen as potentially beneficial to small business owner/managers, interview participants noted that these are often among the last needs that small business owner/managers recognize. Awareness sometimes comes when the business has grown sufficiently large that it is no longer possible for the owner/manager to directly supervise everyone. Participants observed that owner/managers of failed small businesses are good at externalizing their failures (e.g., 'the economy was bad'), never acknowledging the role that their management style may have played in creating their business problems.

Suggestions for Training Topics

Most of the specific training topics suggested by interview participants fell into the finance/accounting and computer skills categories.

- Finance and accounting related topics included bookkeeping and accounting, estimating the market for a product or service, business planning (including revenue and expense forecasting), lender requirements, understanding the significance of financial ratios (e.g., inventory turnover), and controlling accounts receivable, accounts payable and inventory.
- Computer related topics included training on office suite software (particularly the word processing and database components), training on accounting software, doing business electronically (e.g., electronic tendering and electronic banking) and using the Internet.

Interview participants in computer-related businesses noted that Microsoft PC software (e.g., Microsoft Office) is currently outselling other products (e.g., Corel WordPerfect Suite) by a substantial margin. This should be taken into account in designing and delivering computer courses. The best selling and most commonly used business accounting software packages are Simply Accounting/AccPac and Quicken.

The Internet is currently being used mainly for entertainment and as a tool to locate business related information. Some small businesses are creating Internet home pages but they tend to hire computer consultants to do this work for them. One participant felt interest in the Internet will increase substantially when northern Alberta gets access to high speed Internet connections and it becomes practical to use the Internet for business transactions (e.g., placing orders).

Other training topics mentioned by some participants included marketing, advertising and customer service.

Training Topics Offered by the Business Link Business Service Centre, Edmonton

The Business Link Business Service Centre is an example of an alternative source of training available to small businesses. The Business Link offers or sponsors seminars for would-be and existing small business owners in the Edmonton area. Business Link sessions, taught by instructors from Grant MacEwan Community College, the Northern Alberta Institute of Technology, and private and government organizations, range in length from two hours to a full day. They are generally held on week days, often in the evening. Except for certain special events (i.e., satellite conferences co-sponsored with NAIT) sessions are free or offered at nominal cost (\$10 to \$20 per student).

Spring 1997 Business Link offerings include the following topics:

- Starting a home-based business.
- Starting a small business.
- Preparing a business plan.
- Ideas and opportunities for small business.
- Patents, copyrights and trademarks.
- Buying or selling a business -- opportunities and pitfalls.
- How to negotiate a better business lease.
- Proposal writing.
- Improving your business image.
- Innovative marketing on a limited budget.
- Market research: Exploring business potential.
- Workers' compensation for small business.
- Internet for entrepreneurs.
- Revenue Canada -- Small business taxation/source deductions
- Profit and success -- By the numbers

The Business Link also sponsors special events. "Advertising Options: What You Should

Know" is a forum with representatives from various print and electronic media. "Bankers Bazaar" co-sponsored by the Canadian Bankers' Association, is a day long event with formal presentations on a number of topics but which also provides would-be entrepreneurs and small business owner/managers with the opportunity for informal discussions of financial topics with bank representatives.

Potential Target Markets for College-Based Small Business Training

Participants suggested three market segments that northern Alberta colleges interested in expanding their business training clients might consider investigating:

- Women small business owner/managers. Women were perceived to take fewer risks than men and to be less likely to assume that they already know everything they need to know to run their businesses. (In this regard, it interesting to note that the Business Link also houses the Alberta Women's Enterprise Initiative.)
- Younger small business owner/managers. Younger people were perceived to be more open to innovative business ideas than their older counterparts.
- College educated small business owner/managers and owner/managers who hire college graduates. Business people who are highly educated were perceived to be more interested in improving the way they manage their businesses than those with high school or less education.

Partnership Opportunities

Representatives of organizations which provided counseling assistance to small businesses had mixed reactions to the idea of partnering with colleges to deliver small business training. Some preferred to continue delivering their own seminars, while others noted that there might be an advantage to colleges doing some of this training as it would free up resources for one-on-one small business counseling. However, they also observed that colleges might have a difficult time recovering their costs on small business training. The revenue generation potential of developing and delivering small business training was perceived to be low in comparison to developing and delivering customized training for large businesses. Potential training clients are often spread out over a large geographical area. Seminars would probably need to be distance delivered (e.g., via teleconference) to several sites. If training had to be offered at similar prices to the Business Link's seminars (i.e., in the \$10 - \$20 range) to attract sufficient participants, even distance delivery might not be economically feasible.

There were also mixed reactions to the idea of colleges partnering with organizations such as the local Chambers of Commerce to offer small business training. One participant suggested that seminars co-sponsored with Chambers of Commerce might use local businesses who have successfully applied key business concepts as role models or cases for discussion. However, another participant noted that it can be difficult to find owner/managers of successful small businesses who are good at publicly describing how they succeeded. Chambers of Commerce were characterized as active and important community business networks by some participants

but in exactly the opposite terms by other participants. Thus, there appeared to be a substantial variation in the prospects for partnership with Chambers of Commerce depending on the particular location.

Potential may also exist for colleges to partner with private consultants; for example, in the delivery of computer-related business training. One participant expressed concern over colleges getting involved in the delivery of short, customized seminars, noting that this training market had traditionally belonged to the private sector. Participants observed that it takes a considerable amount of investment for an computer instructor to keep up-to-date with changes in computer hardware and software, and those who work in private industry may be more aware than the colleges of current trends. Participants asserted that computer demonstrations and training should be carried out in settings where the person being trained has access to a computer and is able to try the package during the demonstration or instruction. They also emphasized the importance of using current equipment and software, and ensuring that follow-up telephone support is available for a period of time after the conclusion of the training (a service that the colleges may have difficulty providing on their own).

Implications for Training

While small business owner/managers are perceived to lack skills in many areas, this need is not always recognized by the owner/managers themselves. Hence the need for training does not necessarily translate into demand for training. One strategy that northern Alberta colleges might pursue would be to focus on potentially promising segments of the small business training market, such as women owner/managers, rather than taking an undifferentiated approach.

In the area of computer skills training, colleges should keep track of the popularity of various software packages and suites (i.e. Microsoft Office) in their areas in order to train students on the software that they are likely to use on the job. Colleges should also be aware of the influence that their own choice of software can have, as managers are more likely to order products with which they are familiar.

The increasing availability of business training via distance delivery and over the Internet will make it difficult for colleges to serve this market on a cost-recovery basis. Partnerships, either with other institutions or with private businesses will likely be key to success in this field.

Contacts

Organizations Offering Counseling Services to Small Businesses

Alberta Opportunity Company, 528-5220
Alberta Research Council, 450-5460
Business Link Business Service Centre, 422-7722
Fort McMurray Regional Business Development Centre, 791-0330
Lac la Biche Regional Development Corporation, 623-4822
Lesser Slave Lake Community Development Corporation, 949-3232
Mackenzie Economic Development Corporation, 926-4232
Northern CARE, 624-6326
Peace Country Development Corporation, 338-2125
Prairie Farm Rehabilitation Administration, 624-3386
SMEDA Business Development Corporation, 354-8747
West Yellowhead Community Futures Association, 865-1224
Yellowhead East Business Development Corporation, 785-2900

Financial Institutions

Alberta Treasury Branch, High Level, 926-2221
Bank of Montreal, Grande Prairie, 538-8150
Bank of Nova Scotia, Lac la Biche 623-4445
Business Development Bank of Canada, Edmonton
Canadian Imperial Bank of Commerce, Fort McMurray 743-3312
Royal Bank, Whitecourt, 778-6895
Toronto Dominion Bank, Smoky Lake, 656-3876

Computer Related Consultants/Businesses

AB Computer Systems, Grande Prairie, 539-4578
Business Connections, Slave Lake, 849-5050
CompuSmart, Edmonton, 429-4388
DNA Electronics, Fort McMurray, 743-0841
Jeff Protz, Protz Consulting Services, 624-2434
Seltec Microsystems, Whitecourt, 778-4501

Other Sources

Northern Development Branch, "Economic Services in Northern Alberta: Regional Inventory", June 1995.
Northern Labour Market Information Clearinghouse, "Training for New Entrepreneurs Opportunity Report", November 1996.