Why do Small Enterprises Participate in a Programme for Competence Development?

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Abstract
The purpose of this paper is to increase our understanding of why firms, specifically SMEs, participate in a program for competence development. The paper is based on a study of 17 SMEs and based on two questions: What are the driving forces for SMEs to participate in a programme for competence development? To what extent is the pattern of observed driving forces related to the strategies for competence development that are used by the firms? The results demonstrate the importance of external/internal organizational conditions and the nature of the competence development strategies used by the SMEs.

Introduction
During the last decade we have seen an increasing interest on learning and competence development in organizations and there is a widespread belief among decision makers and researchers that learning and competence development are essential for productivity, competitiveness and innovation in organizations (Lundvall, 1995, Maskell, et al, 1998). We have also witnessed a rapid growth of organizations investing in human capital (Cedefop, 2001), and a general increase of research on learning and competence development in organizations (Salas & Cannon-Bowers, 2001).

An interesting field of inquiry in this realm of research is why organizations in general, and small firms in particular, decide to carry out competence development within their organizations. Previous research on education and competence development in organisations have underlined the need to take into consideration the importance of contextual conditions in order to reach a more elaborated understanding of why and how competence development is initiated and accomplished (Jackson & Schuler, 1995; Salas & Cannon-Bowers, 2001). External contextual conditions can be understood from various perspectives and several conditions have been described as important for competence development in organisations: market position, branch, pace of technological and competitive development, legislation, etc. Likewise, several internal contextual conditions have been regarded as important: organisational structure, work organization, organisational culture and “the learning climate”, etc (Jackson & Schuler, 1995; Nordhaug, 1992).
Several interesting observations can be made concerning previous research within this area. One noticeable limitation is that it has often been biased towards large enterprises and public organisations (Hill, 2004). However, we know from a limited number of studies of SMEs that competence development take place in other forms and under diverse conditions (Kitching & Blackburn, 2002; Matlay, 2002). In addition, it also seems apparent that SMEs show dissimilarities regarding how they consider the importance of competence development, and the opportunities to take part in a programme for competence development (Hill & Stewart, 1999; Ram, 2000).

The purpose of this paper is to increase our understanding of why firms, specifically SMEs, participate in a program for competence development. More specifically, we will focus on two questions:

(a) What are the driving forces for SMEs to participate in a programme for competence development?
(b) To what extent is the pattern of observed driving forces related to the strategies for competence development that are used by the firms?

The research context for this article is small and medium-sized enterprises (SMEs) which have received support from the Objective 3 programme within the European Social Fund. One of the main tasks of this programme is to promote competence development in small and medium-sized enterprises. In this paper, the focus is on small enterprises, i.e. companies and workplaces that have between 10 – 49 employees (a more complete definition of SMEs is provided in CEDEFOP, 2001).

Basic Concepts

The notion of a driving force is a basic concept in this paper. According to Encyclopedia Britannica a driving force is defined as: “strength or energy exerted or brought to bear; cause of motion or change” (2005). As used here, driving forces are conditions that are significant to competence development efforts in organizations. We distinguish between two classes of conditions that have the potential of acting as driving forces for SMEs to participate in a programme for competence development: external and internal organizational conditions. External organisational conditions are here understood as conditions related to the environment or external context of the firm, for example, the market or the institutional context. Thus, external conditions may include: competitive pressure, demands from customers, new technologies and qualification requirements. Internal organisational conditions are classified as conditions related to the internal context of the firm, i.e. cultural aspects such as a positive educational culture, leadership in form of active support from management, a broad participation in the planning of competence development processes, etc. By viewing these conditions as potential driving forces, we expect to find interesting results regarding how managers and employees evaluate the importance of external / internal conditions as driving forces for competence development and how the understanding of external / internal conditions is connected to the strategies used for competence development.

In this context competence development is defined as an overall designation for the various measures that can be used to affect the supply of competence on the internal labour market (in individual employees, groups of employees or the whole personnel group). To be more specific, it may refer to measures regarding:
• recruitment, promotion (e.g. career planning) and personnel mobility (internal and/or external);
• education or training of personnel, for instance by means of internal or external courses;
• various types of non-formal education (e.g. development projects; quality circles);
• planned changes of tasks or work organization (e.g. job development, job rotation, team organization) with
  the objective of furthering competence development and on-the-job learning.

Competence development can thus refer to one or more of these measures or systems of
measures. These measures may be planned, but attention should also be paid to unplanned or
unintended functions that a certain action may have. In this connection it should be pointed
out that the term “competence development” is sometimes also used with another meaning,
namely to denote the individual learning processes through which competence is acquired. A
distinction can therefore be made between an organisation-related and an individual-related
meaning of the term “competence development”.

We use the notion of a strategy in line with Mintzberg (1994), as a pattern of practice. From
this usage it is possible to distinguish between different forms of strategies, i.e. “intended
strategies” and “realized strategies”. An intended strategy may be based on plans and explicit
intentions of management, while a realized strategy can be based on plans and intentions, as
well as emerge from experiences and previous actions, or be a combination of both. The usage
of strategies for competence development refers to one or a combination of the measures
mentioned above. Thus, one type of strategy would be based on courses for the employees in
or outside the work place, which we denote as a formal learning strategy. Another main
strategy would be based on the use of courses in combination with for example changes of the
work organisation, the implementation of a new quality system or a system for career
planning, which we denote as an integrated learning strategy.

Why do Organizations Invest in Competence Development?

As previously mentioned, many organizations spend relatively large amounts of resources
devoted to competence development. Is this kind of engagement mainly an expression of an
analytic-rational strategy, or primarily an expression of opportunism and fashion trends?
Various theoretical views of competence development give partly different answers to these
questions. In the following, we shall distinguish between two such views of competence
development, namely what has been called a technological-functional view, and an
institutional view. We will try to shed some light on these questions on the basis of available
empirical research.

A Technological-functional View

Starting from what can be called a technological-functional view (e.g. Collins, 1979),
competence development is emphasized as a conscious and rationally planned strategy for
meeting such things as new or increased competence requirements due to altered
environmental conditions (e.g. new customer requirements) or changes in the organization. Of
fundamental importance in this perspective is the view of education and other forms of
competence development as means or tools for furthering competence-increasing learning in
participating individuals, i.e. an instrumental and rationalistic view of education. This learning
on the individual level in the form of increased knowledge, increased competence, etc. is, in a
longer perspective, seen as a means of achieving objectives in the form of increased
productivity, growth or competitive power on the organizational or societal level.
Further, competence development is seen as a rational goals-means process, which can be controlled without serious problems on the basis of research and other considerations. Starting from certain predefined objectives (e.g. acquisition of certain knowledge and skills), it is assumed possible, on the basis of pedagogical and psychological knowledge, to design and implement the education process in such a way that it leads to attainment of the goals set up. This view is represented in whole or in part in several pedagogical research areas, perhaps most clearly in those parts of education sociology and education economy that build on human capital theory (Becker, 1975), and in educational planning.

Applied to competence development in organizations, a technological-functional view implies the following assumptions, among others:

* Investments in competence development in a company are to a large extent governed by a mismatch between the demands for and supply of qualifications on the company’s internal labour market.
* The planning of competence development can be expected to be based on a designed and explicitly formulated policy or strategy for competence development, which in turn is assumed to stem from the company’s high-level objectives and business concept.
* The decision and execution of competence development activities is assumed to be based on rational cost-effectiveness estimates in which the effect of the competence development is put in relation to the costs.
* Implementation of competence development calls for systematic planning based on a training needs analysis and the results are evaluated and revised in the light of the results achieved.

**An institutional View**

Considering an institutional view of competence development, the emphasis is rather on the non-rational processes that control investments in competence development (for general overviews of this theory tradition refer to March and Olsen, 1984; Powell & DiMaggio, 1991; Scott, 1995). Investments in competence development are, roughly, seen as being controlled, not by rational goals-means considerations, but by a striving towards increased legitimacy (inwards or outwards) by adapting to more or less temporarily predominating ideas (in the form of, say, fashion trends) about rationality, efficiency or modernity in the environment where the organization does business. Putting it another way, one can say that the activities of the organization, in this view, are determined not primarily by rational analysis based on the goals/tasks of the organization but by institutionalized ideas on what should characterize modern and efficient organizations. With this starting point the organizational structures and operations often have symbolic functions.

In terms of this view, then, a company’s investments in competence development can be analyzed as symbolic arrangements with the function of exemplifying and communicating, inwards and outwards, conformity with the values with which the organization wants to be associated with the objective of strengthening its legitimacy. In the same way, an increase in the education requirements for a given post can be assumed to have a symbolic-legitimizing function (cf. Collins, 1979). The demand for qualifications in an activity is seen largely as a social construction and relatively independent of the “objective” requirements regarding qualification. With this view, the investments made in competence development can be expected to be reactive, ad hoc in nature and justified by short-term considerations rather than a result of a conscious strategy for competence development.

A series of more specific assumptions regarding driving forces and prerequisites for an organization’s investment in education can be formulated on the basis of an institutional view (cf. Scott & Meyer, 1991):
* Organizations in which a large proportion of the employees have a professional affiliation (e.g. health care) can be expected to invest more in various forms of competence development than organizations with few professional people.
* The stronger and more complex the institutional environment of an organization, the more extensive can the investments in competence development be expected to be.
* With increased legitimacy of investments in competence development, (a) more types of organizations will invest in competence development, and (b) a weaker coupling is to be expected between the investments made (as regards, for instance, extent and form) and various factors such as job complexity, work organization and competence requirements.
* With increased legitimacy of investments in competence development as a means of handling changes in the external or internal context of the organization, it is to be expected that there will follow investments in more general qualifications, and at the same time fewer efforts at systematically evaluating the effects of the investments made.

**Previous Research**

What answer can, then, on the basis of available empirical research, be given to the question of why organizations engage in competence development? An extensive series of studies of companies’ investments in competence development is reported by Hendry, Pettigrew and Sparrow (1988); Pettigrew, Hendry and Sparrow (1988) and by Hendry et al, 1991. One of the main conclusions from these studies is that different external contextual factors (e.g. increased competition) interact with internal contextual factors (e.g. a positive educational culture), and, as a consequence, external contextual factors can be seen as necessary, but not sufficient for companies’ investments in education and other forms of competence development.

Several of the results reported by Pettigrew, Hendry and Sparrow (1988) are supported by other later empirical research and theory development in the field. In a Swedish study of investments in education in 16 manufacturing companies (Hammgren, Laestadius & Odhnoff, 1995) the interplay between external and internal driving forces is illuminated with regard to their effects on the investments made. In a case study of competence development in seven small and medium-sized companies, Ellström & Nilsson (1997) show that various external factors, and in particular the recession, were important driving forces as regards investments in education. Ram (2000) found in a case study of companies in the business service sector that the nature of the market context and the engagement with key customers was important to the firm’s willingness to participate in a program for competence development.

To sum up, the research results reported above underline various external and internal organizational factors for how organizations take on competence development. At the same time its evident that no single factor or group of factors can be designated as the most important or, in the final analysis, the deciding factor for the investments made in competence development. Turning to the theoretical views presented above, there is no doubt that the technical-functional view with its market-related, technical-economic driving forces for investment in education has fairly strong support (most of the research has also this view as its starting point). At the same time, several of the results appear open to alternative interpretation, for instance from an institutional view.

**Sample and Methods**

The following results emanate from an ongoing research project where the overall purpose is to study learning and development processes within SMEs. The selection of the studied firms consists of 17 SMEs, which all have in common that they have received support from the Objective 3 programme. The criteria used to select enterprises were based on a discussion with representatives for Objective 3 offices in three regions in the south of Sweden. The
selected criteria aimed to result in an appropriate variation concerning size (10 - 42 employees), ownership (public - private), type of production (manufacturing - services), composition of staff (dominated by females, males or “mixed”) and experience of similar competence development programmes.

According to the legislative framework, the subsidiaries from Objective 3 Programme should target towards competence development of employees and/or organisational development in SMEs. The decision to give support is based on an application where the enterprise present an analyse of its competence needs and how these needs can be dealt with in terms of measures for competence development in a broad sense. One of the programme requirements is that all or at least a large portion of the employees is involved in the analysis of competence needs. The studied SMEs all have in common that they are in an early phase of cooperation with the Objective 3 Office. They have conducted a competence needs analysis, and have outlined a strategy concerning the competence development should be accomplished. All of the SMEs had started activities regarding competence development at the time the interviews were carried out but none of the competence development activities were completed.

Of the selected 17 SMEs, 13 are “simples”, i.e. the enterprises have one workplace. The collection of data is primarily based on semi-structured interviews with management/owners, internal project leaders, employees and union representatives in the 17 enterprises, feedback seminars with representatives from the studied enterprises, and on analysis of documents. Generally, 5-6 persons were interviewed in each enterprise; the manager/owner, the project leader for Objective 3 and 3-4 members of staff (in some cases including a union representative). The interviews lasted 45-90 minutes to accomplish, and three different interview formulas were used (manager, project leader and staff).

The interview questions include the following aspects:
- The history of the enterprise, recent development and planned changes;
- The environment of the enterprise;
- Organisational culture and learning climate;
- Training and competence development motives;
- Previous efforts on competence development;
- The view on learning and competence development at work;
- Participation of employees in the planning and accomplishment of competence development;
- The roles of specific actors: managers, consultants, etc;
- Co-operation within the enterprise and with other enterprises/networks.

The interviews were conducted during April – September 2002, and a total of 90 interviews were accomplished. The data and analysis is presented in the section below.

Findings

In the following section we will present results concerning the importance of external and internal organizational conditions for competence development and analyse the importance of these conditions regarding the strategies used for competence development.

External Organizational Conditions
A majority of the studied SMEs report an increasing competitive pressure. One major consequence of this competitive pressure, for a number of the concerned enterprises, is that they have been forced to focus on increased productivity, effectiveness and quality. In addition, it has also forced some of these SMEs to focus on ways to develop the business in form of developing new products or services and expand into new market areas to find new customers. Especially the latter has had a reported effect on the demands of competence and how to the workplace is organised. Moreover, there is, according to several of the SMEs, a connection between a growing competitive pressure and the extent of the demands made by the customers. When the competition intensifies, increases the possibility for potential- or established customers to make larger demands on the SME. The most frequent expressed demands are reduced delivery time and a higher quality on the products or services that the SMEs produce. Another less described demand is that the customers require an involvement in their business, in order to customize the products or services.

The increasing competitive pressure and the demands made by the customers has resulted in a demand for new and improved individual-related competence, such as technical knowledge, flexibility, responsibility and the ability to cooperate with others. Moreover, it has also resulted in an increased focus on organisational related competence, in form of the work-process and the daily routines.

"The problem is that a lot is adapted to the customer or govern by the customer. The customer decides what material we should use or which supplier we should use. To a small extent is it possible governing this by our selves but the customers decides a lot. Well, then is it important to possess the competence or the knowledge that the customer asks for." (Manager)

Concerning, the changes of the trade cycle, several of the SMEs describes how this has an impact on the SMEs, in terms of reduction of the staff and new hiring’s. A consequence of a reduction of staff is the loss of knowledge and competence within the enterprise. Thus, when the trade cycle changes to the better, suffers the SMEs of a competence gap. In order to fill this gap must the concerned SMEs develop the competence of both the remained and newly hired employees. Furthermore, several of the managers emphasise the possibility to use competence development as a strategy in order to change a negative trend or to take advantage of a booming.

"But then the sales decreased, and then the productivity decreased and then we had to reduce the number of employees. /…/ Then it felt like ‘no, now is it the time to do something about this’. One way to turn this trend around is to find possibilities of development, not only for the enterprise but also for the employees.” (Manager)

Several of the SMEs describe how important it is that the employees possess the ability to use a computer and the belonging programs to it (e.g. Microsoft Word). In addition, a small number of the SMEs reports on a constant rapid technological development, mainly within IT-systems. Implementing this new technology is described as important if they want to stay competitive and has thus increased the demand on technological knowledge.

Internal Organizational Conditions
Concerning the role of the management, our empirical findings indicates that in a vast majority of the SMEs, the initiative for taking part in the competence development programme has been taken by a representative of the management. Furthermore, the interviews illustrates that the management or a single manager is the most significant actor in a vast majority of the SMEs. In addition, the employees, in a majority of the SMEs, rate their
participation from a low to a certain extent. By contrast, in the remaining SMEs the employees have been given the opportunity to influence not only their personal participation but also the overall direction of the project.

There are both similarities and differences concerning the managers’ view of competence development. A number of the managers view competence development as an important strategic issue. For example, they emphasises the importance of a high competence level among the employees in order to be competitive comparing with other enterprises and to comply with the demands of the customers.

“Yes it is a way of competing. It is a very important way of competing for the enterprise, especially if you want to survive as a small enterprise, then you must have employees that are competent. It is more and more like that, absolutely.” (Manager)

Moreover, the view of competence development reflects both the numbers of and the strategies being used during earlier competence development projects. The enterprises, informed by a view that acknowledges the importance of competence development, have carried out more projects in the past and used a strategy that integrates external-/internal courses and organisational changes. By contrast, the SMEs informed by a view that not emphasises the importance of a high competence level among the employees, have to a higher extent focused on a strategy that comprise solely external-/internal courses.

Three other forms of internal organisational conditions are the extent, which the management make demands on learning and competence development, whether the employees experience that they are given the opportunity to meet these demands and the openness towards changes. These three forms differ among the SMEs and the difference can be connected with the managers’ view of competence development. The employees in the SMEs, where the managers both emphasises the importance of competence development and focuses on a strategy that comprise both external-/internal courses and organisational changes, experience both a demand on learning and opportunities to learn. This demand on learning is experienced in different ways, for example in connection with a higher extent of responsibility for the work task. Furthermore, the opportunity to learn is not only described as an opportunity to attend external-/internal courses, but the employees also regard their every day work as an opportunity to learn.

“The competence is increasing as we work and develops, it is as simple as that. You learn by your self a lot by working. You learn by making mistakes, principally.” (Employee)

Also the openness toward changes, both among managers and employees, is an occurring characteristic among this group of SMEs. This openness is mainly described as an opportunity to experiment with and improve prevailing routines and work methods. A majority of the employees belonging to the other SMEs report that they experience the demand on learning to a lower extent and that they have none or a certain opportunity to learn. This lack of opportunity is often being linked with the reluctance of the managers to allow them to attend external courses. In addition, several of the employees, within this group of SMEs, describe how they experience that their managers show a lack of openness towards changes.

External and Internal Conditions as Driving Forces
How it is then possible to understand the forces that drive SMEs to participate in a programme for competence development? To answer this question we analysed and categorised the managements’ and employees’ descriptions of the external- and internal
conditions. During the analyze, we differentiated between two categories of SMEs: low/high concerning the external organisational conditions (horizontal axis), and low/high concerning the internal organisational conditions (vertical axis) as a driving force to participate in Objective 3 (see table 1, below).

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<th>Internal Organizational Conditions as Driving Forces</th>
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<td>The Private Elderly Provider</td>
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Table 1. External and Internal Organisational Conditions in the Studied SMEs

Several interesting notions can be made from the categorisation:
- 7 of the 17 SMEs can be described as low/low, external as well as internal organisational conditions can be interpreted as less important for the SMEs to participate in Objective 3;
- 3 of the 4 public SMEs can be found in the low/low group, only one of the public SMEs is categorised outside this group.
- 6 of the SMEs can be described as high/high, both external and internal organisational conditions can be interpreted as important for participating in Objective 3;

The studied SMEs demonstrate an interesting variation concerning how they judge the importance of external and internal organisational conditions as driving forces to participate in Objective 3. Turning to the single SME, it is noticeable that the employers/managers as well as employees, tend to estimate the importance of external/internal conditions in a similar way. Focusing on the categorisation of internal organisational conditions, the single SME was categorised as “high” if the management made demands on learning and competence development, whether the employees experienced that they were given the opportunity to meet these demands, and that an openness for changes and a broad participation in competence development was underlined in the interviews. Common for the SMEs categorized as high, when analyzing the external conditions, is that these SMEs have developed new services and products and are focused to enter new market areas. In addition, the external conditions are, to a high extent, connected to an increased demand on competence development.

The studied SMEs show an interesting variation concerning how they judge the importance of external and internal organisational conditions as driving forces to participate in Objective 3.
In the next section, we will try to connect these patterns to the competence development strategies developed by the SMEs.

**External and internal organisational conditions and the strategies used for competence development**

How is it then possible to understand the importance of the external and internal conditions when analysing the strategies used for competence development in the SMEs? Before turning to this question, will we make a short presentation of the different strategies described by the SMEs.

One strategy, named by several interwees’ as ‘competence development’, is used by nine of the SMEs. This strategy is categorised as a formal strategy and is described as a development of the employees’ competence in form of planned acquisition of skills. Thus, the managers’ and employees’ understanding of competence development, when using this formal strategy, is individual-related and emphasises the importance in improving the employees’ ability to perform on their every day work. Examples in this matter are the need to communicate in a foreign language, use new technological equipment (e.g. computers), etc. The most common external courses are courses connected to production processes and the courses are given at various suppliers. Another practice, used by these SMEs, is combining external courses with study visits at suppliers or customers.

The second strategy, categorised as an integrated strategy, does not only include a focus on the individual employee and his or her skills but also a focus on the business as a whole. Thus, this strategy integrates improving the employees’ skills through external-/internal courses with, as several of the interwees names it, ‘developing the business’, which can include changes of work tasks and work organisation, quality development, etc. For example, one of the SMEs is in the process of implementing a flexible work schedule, teams, a system of quality and a competence development plan. The competence development plan includes all the employees and comprises different external courses, e.g. courses on teambuilding and ethics.

In order to answer the question, to what extent is the pattern of observed driving forces relate to the strategies for competence development that are used in the firms, is it possible to understand the importance of the external- and internal conditions based on the following categorisation (see table 2, below).
The data presented in table 2 is based on the following analysis. Here we distinguish between two groups of conditions: 1) the formerly presented (see table 1) categorisation of external and internal organisational conditions as a weak/-strong driving force to participate in the programme for competence development, and 2) the character of the strategy for competence development used by the studied SMEs. Previously we made a distinction between a formal learning strategy, foremost based on courses for the employees in or outside the work place, and an integrated learning strategy based on courses in combination with e.g. changes of work organization, implementation of a new quality system. An interesting question is whether there is a connection between the SMEs experience of external/internal organizational conditions as driving forces and the type of competence development strategies that are used?

Returning to table 2, an interesting pattern is exposed: the use of a formal learning strategy is strongly connected to the experience of external/internal organizational conditions as weak driving forces (7 SMEs), while the use of an integrated learning strategy is strongly connected to the experience of external/internal organizational conditions as strong driving forces (6 SMEs). The result is statistically significant\. Another interesting finding in line with this result is that we were not able to identify any single SME experiencing external and internal organizational conditions as strong driving forces that used a formal learning strategy.

\(^1\) Chi Square: Fisher’s exact test, p=.04

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<tr>
<th>External / Internal Organizational Conditions as Driving Forces</th>
<th>Strategy for Competence Development</th>
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<td><em>Weak</em></td>
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<td>The Private Elderly Provider</td>
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<td>The Health Service Company</td>
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In this analysis we have excluded\(^2\) four of the 17 SMEs. The common feature of these enterprises is that they experience internal- or external organizational conditions as a strong driving force to participate in Objective 3.

**Concluding Remarks**

The purpose of this paper was to explore some of the contextual conditions that can explain why SMEs participate in a programme for competence development. A distinction was made between external/internal organizational conditions and between two strategies for competence development: a formal learning strategy and an integrated learning strategy.

Considering the data presented in the preceding sections, at least the following conclusions may be drawn. First, all firms reported driving forces for competence development related to external conditions. It was possible to divide the 17 firms included in the study into two groups. One group comprising eight firms were classified as belonging to the category reporting a high degree of external pressure for competence development. The other group comprising nine firms were classified as belonging to the category reporting a low degree of external pressure. Also with respect to driving forces related to internal conditions all firms brought up such factors to at least a certain degree. Dividing the whole group of firms into a high and a low group, eight were classified as belonging to the former and nine as belonging to the latter category. A possible interpretation of this pattern of driving forces is that there is a complex interplay between external factors and various internal conditions. Unexpectedly, it should be noted that of the in total 17 firms, nearly half of this total group (eight firms) participated in the programme in spite of the fact that they reported a low degree of driving force from both external and internal conditions.

Second, there appear to be a strong relationship between observed patterns of driving forces and the strategy for competence development used by the firm. More specifically, while all the firms in the low-low category with respect to external/internal driving forces for competence development were using a formal learning strategy, all firms in the high-high category used an integrated strategy.

Thus, there seems to be the case that a reported high degree of external driving force or a high degree of internal driving force (or both) are a necessary, but not sufficient a condition for the use of an integrated strategy for competence development. This could be interpreted in terms of the theoretical perspectives previously presented. It could be the case that the firms that experience a relatively stronger driving force for competence development initiate problem solving efforts to design and implement more elaborate strategies for competence development compared with the firms that experience a lower degree of driving force. This would be in line with the predictions that could be made from a technological-functional perspective. The integrated strategies developed by the SMEs in the high/high group can from the technical-functional perspective be viewed as a mismatch between the supply of qualifications on the company's internal labour market and the demand of qualifications driven by external and internal organisational conditions, and this group of SMEs can be characterised as driven by efforts to resolve important problem areas connected to competence development. The competence strategy development of these SMEs can be denoted as a more “business-oriented strategy”.

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\(^2\) They are not excluded from the statistical analysis.
How then to interpret the focus on a formal learning strategy in the low-low driving force category? It seems reasonable that the institutional perspective previously outlined can help us to understand this observation. The strategies for competence development among this group of SMEs appears not primarily to be determined by an observed “competence gap” between the supply of qualifications on the company’s internal labour market and the demand of qualifications driven by external and internal organisational conditions. SMEs within this category can be understood as having a traditional reliance on formal training courses in line with prevailing assumptions in the institutional environment, which can be understood as an effort to carry out activities that contribute to a sustained or increased legitimacy within and outside the organization, and as a consequence the investments in competence show a weaker coupling to external and internal organisational conditions. The strategy development of these SMEs can be denoted as a more “opportunistic strategy”.

Turning to the question “Why do small enterprises participate in a programme for competence development?”, several interesting notions can be made. The presented results underline that both external and internal organizational conditions are important in order to understand why small business take on competence development. However, the importance of external and internal organizational conditions is not limited to why the companies participate in a programme for competence development, but furthermore also for how they participate, i.e. the strategies used for competence development. The presented results indicate that the managers and employees evaluation of the external/internal organizational conditions as driving forces are connected to the strategies used for competence development. The integrated strategy is significantly more frequent among small enterprises that experience external and internal organizational conditions as strong driving forces for competence development.

The presented results and the conclusions made here can be further developed, and the questions be more elaborated. One interesting issue is to what extent the observed strategies for competence development are consistent over time. Associated to this area of research are several questions regarding the results and effects from the participation in the programme for competence development. As the research project proceeds during 2005, we will be able to conduct longitudinal studies and analyse how external and internal conditions change over time, as well as to observe changes of the used strategies. In addition, we will also be able to investigate into different aspects of results and effects of the SMEs efforts to develop their competence.

References


