

TRAINING PROGRAMS FOR BUSINESS OWNERS - A STRATEGIC FRAMEWORK

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ABSTRACT

Policy makers around the world are realizing the importance of providing management training to business owners in order to make them more competitive and profitable. However, hardly any institution of higher education offers management training specifically tailored for the experienced small business owners. The author has many years of experience in designing, developing and offering such training in the United States. The model that was developed in the US was then tested in other countries like Azerbaijan, Turkey, Tajikistan and Syria where the design parameters were validated. This paper proposed a strategic framework for designing such training programs for business owners and offers recommendations for those interested.

Keywords: *Business-owners, entrepreneurs, training programs, small business*

INTRODUCTION

The importance of individual entrepreneurial activity to economic growth for both industrialized and developing countries is well established. An increase in the level of entrepreneurial activity is robustly associated with an increase in economic growth (Hafer, 2011), and the economic health of any country is a reflection of the cumulative success of their businesses.

The entrepreneur is the single most important player in a modern economy (Lazear, 2004). The greater the number of successful businesses in any region the better off is that region's economy; and conversely, the lesser the number of failed businesses, the better the economy. The strategic framework presented in this paper is a summarization of the personal experiences of the author in designing, developing and offering training programs for business owners, to increase their competitiveness and profitability.

The Life Of An Entrepreneur

The life of an entrepreneur is generally a very lonely life. From the business point of view entrepreneurs do not, and in most cases cannot, openly discuss all aspects of their business situations with anyone (Husain, 1997). This applies to all kinds of entrepreneurs, technical as well as non-technical, all of whom need to discuss certain issues with their accountant, certain other issues with their attorneys, and likewise, depending on the nature of the issues, the entrepreneur also has to discuss with clients, suppliers, family members, customers, bankers, employees, and whoever else that is needed to be involved.

However, being the owner of the company carrying titles such as President, Chairman, CEO, etc., the entrepreneur always has several problems that need to be resolved but which cannot be discussed with anyone who is not himself/herself a business owner. As such, the entrepreneur has to resolve these problems and make decisions by himself/herself, because, after all, he/she is the owner of the business and the final responsibility lies on his/her shoulders.

It is common knowledge that about five percent or more of all issues faced by entrepreneurs are of the type that cannot be discussed with anybody within the immediate stakeholders surrounding the business, such as employees, customers, investors, etc. What the entrepreneur needs for this "five percent" factor is to have ready access to a group of other entrepreneurs in whom he can openly confide in about the details of his issues, and who, in turn, are not only in a position to relate to his situation but also to offer sincere and objective advice. Such people should preferably not be existing or potential competitors, and but ones who they personally know well and are who are trustworthy. This may sound simple but the average entrepreneur in the US does not seem to have ready access to such groups of people.

All countries have Chambers of Commerce, Trade Associations, and the like, which serve very important and specific purposes. Most entrepreneurs are usually affiliated with one or more of these organizations.

However, one service that these organizations cannot provide is the opportunity for entrepreneurs to resolve their “five percent” issue.

This paper is an attempt to capture experiences spread over many years in developing learning mechanisms for experienced small business owners, with the underlying hope that the process would help developing a reliable cohort groups of entrepreneurs serving to resolve each others’ ‘five percent’ issues.

BACKGROUND

A large amount of grant money was offered as a grant by a charitable not-for-profit organization to design, develop and offer training programs for practicing full-time business owners. Their contention was that there were no management training programs available in the United States and elsewhere specifically for the ‘small business’ owners, which constitute over ninety-seven percent of all entrepreneurs in the US.

An immediate wide ranging research quickly established that indeed the donors were right in that there were no such programs available. However, the research also showed that several educational institutions had attempted to develop such programs but were not successful. An extensive needs analysis was, therefore, conducted based on which the author and his team were able to develop and offer several training programs for small business owners. The findings are used here to present a strategic framework.

NOTE: The word ‘entrepreneur’ is generally used to connote a wide range of people, to include those who take the risk of starting new companies as well as those who own and manage their own businesses. For this research paper the word ‘entrepreneur’ was used to mean not just those who start companies, but the entire spectrum of business owners, who continually take calculated risks each day to remain competitive, to survive, grow and be profitable.

RESEARCH

It is a known fact that businesses do not always succeed. In the US the success rate for businesses is rather abysmal, about 82 percent of businesses in the United States do not celebrate their tenth business birthday.

A detailed literature search showed that almost all the research done so far on the topic of education for entrepreneurs have focused primarily on academic training courses offered by universities and colleges. However, there is some coverage of seminars and short-duration programs on specific topics offered by trade/professional associations, Chambers of Commerce & Industry, and the continuing education programs of some universities.

Hardly any references are available concerning research studies in the area of training programs for the existing business owner. As such, the only option available was to start afresh with a quick needs assessment study through meetings and brainstorming sessions with existing business owners, primarily to seek business owners’ inputs on the “WHAT” and the “HOW” issues as under:

ISSUE-A: Do entrepreneurs feel there is a need for training programs? If yes, WHAT topics should these programs cover?

ISSUE-B: HOW would entrepreneurs prefer these training programs to be offered? Would they like any special pedagogy that would motivate them to attend these programs? And, if there were any specific preferences or requirements pertaining to methodology and the pedagogy of such training?

Determining the Needs – Issue “A”

The participants of each focus group were asked the following two questions:

1. How many of you already know everything that needs to be known about running your business effectively?
2. What specifically would you like to know more about managing your business better?

Not a single person from any of the focus groups indicated that he/she knew everything about managing their business effectively. This meant that all participants felt a need for additional learning/training to become more competitive and more profitable business owners. This was unexpected.

Many participants mentioned that could do much better as business owners if they knew more about certain specific aspects of operating their businesses. They mentioned topics such as:

- How to negotiate properly with suppliers
- How to read and understand financial statements
- How to hire the right employees
- How to develop a long-term strategy
- When to lower or raise prices
- What to do when customers misbehave, etc.

A master list of the types of training programs that they desired was compiled and grouped together into the following two categories:

- (i) Functional areas, such as: Marketing, Accounting, Human Resource, Management, etc.
- (ii) Skills to solve operational problems or to perform specific tasks better.

The master list, as well as the two grouped categories of subject areas, was discussed with other groups of business owners to verify correctness and to establish priorities. This resulted in a decision to focus on the following three functional areas:

- (1) General Management & Strategy
- (2) Marketing, and
- (3) Finance & Accounting.

Another list of topics was developed for short-duration subject specific seminars or workshops, tentatively labelled as the 'How To' seminar series.

There were no major surprise so far, and it appeared that designing and delivering such educational programs for entrepreneurs would not be difficult.

Methodology & Pedagogical Issues – Issue “B”

The second question of how business owners would like these training programs to be conducted and managed caused exciting discussions and a host of new and very unexpected points of view.

The following is a summary of suggestions made by the focus group participants, grouped into three categories:

(i) Suggestions categorized as “Simple & Reasonable”:

- a. Do not offer these programs during daylight hours; it will be extremely difficult to leave our businesses to attend the training.
- b. If the programs are in the evening, as requested, would it include some food? If food is not included with the evening training programs, then most of us will have to first go home for dinner and then come to the training. If this were to happen, and we had to go home to eat dinner after a long day of hard work, many of us will not have the energy and drive left to drive out again to attend the training program.
- c. Do not ask us to do any 'homework' or give us 'assignments'. Our businesses keep us very busy and there is hardly any time for us to even catch up with the day's news.
- d. We hope you will not ask us to take an 'exam' at the end of the training. Exams will require reading and studying, and for this we do not have time.

- e. Limit the number of participants in each training program to no more than 15-20 people. Larger groups will not allow us to make long-lasting friendships or to participate fully.
- f. Do not put competing businesses in the same group; it will make it difficult for us to openly share our business issues & problems, or talk about our business challenges.
- g. It would not interest us to acquire “academic learning”, i.e., having to learn about theories, definitions, hypothesis, etc., or to receive formal academic credit hours. Academic credits do not mean much to us because we are not looking to strengthen our resumes in search of a job. NOTE: Nobody in any of our focus groups showed any interest in receiving academic credits from Purdue University.

(ii) Suggestions categorized as “Difficult”:

- h. Will these training programs be organized in existing classrooms meant for students? We would definitely NOT prefer to be treated like traditional students. Please organize our training in a conference-room setting worthy of presidents and heads of organizations, which we all are.
- i. Will you allow non-business owners and those who have just started business to be in the same group with us, the experienced entrepreneurs? That will not work because having put in years of our lives growing our businesses, our problems and business-related needs are no longer the same as those of recently started companies. Their interest would be in matters pertaining to business start up and early-stage issues, and about which we are no longer interested.
- j. If regularly enrolled university students show interest in these training programs for entrepreneurs, will you also allow them to join our groups? This is absolutely not acceptable. As owners of companies we create jobs and hire university graduates, and it will definitely not be motivating for us to be put on the same level as those who will one day be our employees.
- k. Will we have to purchase Text Books? You should provide us with whatever we need to read and study. Give us information that is compressed and summarized to reduce our reading time.
- l. Who will be conducting these trainings? If your professors lecture us then it will not work because while professors may be very intelligent and full of knowledge they would not have real-world business ownership experiences.

(iii) Suggestions Categorized as “More Difficult”:

At the end of each focus group meeting the participants were asked as to what they felt would be a reasonable fee for such training programs. The responses ranged from the absurd and outrageous like: “You really expect us to pay for it too?” to “It would be fair that we pay at least for the cost of the food and reading materials provided to us”, or to “We could easily pay about \$100 or so per training course”. This came as a major shock to us.

The rationale for such thinking was that:

- (a) Business owners would be contributing to the economy of the region by the mere fact of attending these training programs and sacrificing their expensive business time;
- (b) Acquiring business knowledge or attending training programs was hardly on the priority list of any business person; they have other more important items on their to-do list deserving of their time and attention.

(iv) Questions from Business Owners:

The following two questions were repeatedly asked by the different groups:

- (a) How did we intend to measure the effectiveness of the trainings?
- (b) Since business owners learn best from other business owners, would there be adequate time set-aside during the trainings for the participants to share their own experiences?

DESIGN OF TRAINING PROGRAMS

Our commitment to this project was as strong as that of the donors – to make a unique and significant contribution towards helping business owners become more effective, more profitable and able to survive the competition.

The following decisions were made and actions taken to accommodate the business owners and to make it easy, convenient and possible for them to participate in the training programs.

1. Upgrade one of the existing larger class rooms into a well-equipped conference room to be used exclusively for entrepreneurship training.
2. Develop an anchor program addressing the following target market:

“Experienced full-time business owners interested in growing their businesses & becoming more profitable”.

Not to admit the following categories of people into this entrepreneurship program referred to onwards as simply the “E-Program”:

- Business owners with less than 2-3 years of full-time experience
- Those in the start-up phases of establishing businesses
- Those aspiring to become business owners
- University students
- Academics, faculty members, professors.
- Those in the final stages of bankruptcy or business collapse, trying desperately to cling on to any last minute life-saving assistance for their businesses, and
- Anyone else, other than experienced business-owners, interested in ‘entrepreneurship.’

3. Offer a comprehensive 22-month training program broken into three segments, as under:

- A. 6 months: weekly evening meetings for 4-hours each; conference room setting, with dinner served
- B. 4 months: meetings every two weeks; consulting for other real live businesses in groups of 4-5 participants each; work as part of a ‘consulting team’ assigned to a ‘client’ company, with the final report due at the end containing recommendations for improving their client’s profitability and operations
- C. 12 months: monthly meetings at the physical locations of peers; work as “board of directors” to each others’ businesses. Highest level of confidentiality.

4. Change nomenclature of usage of training related words, replacing the traditional standard academic words into more executive-training type words. Certain words were replaced as under:

- ‘classroom’ with ‘*conference room*’
- ‘students’ with ‘*participants*’
- ‘classes’ with ‘*meetings*’
- ‘homework/assignments’ with ‘*projects*’
- ‘textbooks’ with ‘*reading materials*’
- ‘lectures’ with ‘*presentations*’ or ‘*discussions*’
- ‘teaching’ with ‘*discussing*’ or ‘*learning*’- no one is teaching;
- ‘professor/teacher/expert’ with ‘*facilitator*’- we are all *experts* in our own areas of competence or business; no one is a guru

5. Selecting ‘*facilitators*’ was not easy but we identified a few professors who had personal experiences either as past business owners or who were currently involved in their own family

- businesses. Senior bankers and some management consultants with experience and ability to deal with business owners were ready to help, and were assigned to *discuss* most of the money related topics. Many successful owners of larger businesses also offered to join our efforts as facilitators.
6. All *facilitators* were advised to set aside as much as 30- 40 % of their allocated *meeting* times for *participants* to share their experiences, since research had confirmed that entrepreneurs learn best from fellow entrepreneurs.
 7. Each entrepreneur who showed interested in joining the program was interviewed by a multi-person team to ensure selection of only those who qualified under item #3 above. The emphasis was not on how large or successful their businesses were, but on how committed they were to improve/grow their businesses and to take the training seriously.
 8. Limit the number of participants to about 20 non-competing business owners in each group.
 9. Impact assessment of the E-Program on a per session basis, with the set expectation that: “for each session at least fifty percent of the participants, on an average, should report having acquired knowledge that could be immediately applied to their businesses”. All participants were required, at the end of each session, to fill out an assessment form that had only one question:
 - Did this session provide you with any knowledge, information or skill that you can apply to your current business situation either tomorrow or soon after?
 - If your answer is yes, then could you describe, using keywords only, where within your business do you plan to apply this newly acquired knowledge.
 10. We were able to subsidize tuition the E-Program since we had grant money available.

Evaluation of Model

The E-Program was successfully offered not only at Purdue University Calumet but also in the Chicago market for fourteen year. It was also tested at several universities in the United States, with varying results, depending on how well they could accommodate the requests of the entrepreneurs, and their ability to subsidize the tuition. Most institutions did not have resources to subsidize tuitions or meet with all expectations of the business owners.

This model was also tested in Azerbaijan, Syria, Tajikistan and Turkey, with the following modifications: (a) only selected training sessions were offered spread over a small number of days, (b) pro bono services rendered by facilitators, (c) most participants, therefore, paid no tuition.

In 2010 a major US university decided to develop and offer training programs specifically tailored for small business owners in several cities. On invitation, the lead author volunteered to be on their planning team. Focus group meetings were conducted in three major US cities to re-validate learning needs: Over one hundred entrepreneurs participated, with 100% responding with a solid “no” to the question: “Do you know all that needs to be known about managing your business effectively?” Thus it was re-established that there is still a strong need for the product.

CONCLUSIONS

The US government basically leaves small businesses alone and allows them to survive on their own abilities and resources, and provides minimal assistance programs, other than in efforts to start new businesses. Compared with most other parts of the world, the United States adopts a *laissez faire* policy toward its education and training of small businesses. The author believes that in the intensely competitive word of entrepreneurship, it is important for governments to assist businesses owners to become more competitive and to reduce their failure probabilities.

Governments should allocate part of their economic development budgets as well as part of the budgets for assisting new start-up businesses, to subsidize owners who attend such training programs. Additionally, incentives, such as tax rebates, need to be offered to motivate them to attend. Trade Associations, Chambers of Commerce, and other such bodies should encourage such training by offering increased membership

benefits, reduced annual dues, etc., or even making it a prerequisite for new members and for renewal of memberships. Banks need to offer similar incentives to their business customers.

To ensure that all training sessions are relevant, it is strongly recommended that the evaluation instrument mentioned in item #9 above be used after each session of the training. This will confirm that only relevant and useful information was offered, and that the teaching quality of the facilitators is constantly monitored.

The author will gladly be available to anyone or any institution that desires to replicate our efforts or initiate programs for experienced business owners.

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