SME – Skills Portfolio for the Future – Supporting SME Research

May 2007

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# Table of Contents

Acknowledgements........................................................................................................ 4  
1. Introduction............................................................................................................. 5  
2. SME Overview & Demographic Changes................................................................. 7  
3. PULI Programme – SME Research.......................................................................... 9  
4. SME Survival........................................................................................................... 11  
5. Recruitment & Selection for SMEs........................................................................ 14  
6. SME Job Analysis................................................................................................... 17  
7. Graduates and the SME.......................................................................................... 19  
8. Employers Skillsets Portfolio.................................................................................. 23  
9. Challenges.............................................................................................................. 30  
10. Concluding Statements......................................................................................... 32  
References.................................................................................................................... 36
Acknowledgements

The Executive Board of the Programme for University and Industry Interface (PUII) wishes to thank the members of the SME Expert Panel who have generously contributed their knowledge and expertise to this paper. Without the input of the SME Expert Panel this paper would not have the up to date information that Irish governments, industrialist, academics and SMEs themselves need to improve education and training in Ireland. This information continues to be essential in order to meet the needs of individuals for the next generation of employment. We are very indebted to our Expert Panel who have been the “voice” of the SME and who have added greatly to our research.

The Executive Board of PUII is happy to acknowledge the support of the Department of Enterprise, Trade and Employment and the HEA, from the National Training Fund, for committing financial resources to this project.

It must be noted that the views expressed in this report are those of the authors and do not necessarily reflect those of the funding agency.
1. Introduction

“SMEs are more vulnerable to the lack of a skilled workforce, rather than larger companies who can offer greater salaries and better packages to attract highly skilled workers. Training and skills are therefore vital to SMEs and to the Irish economy. A competent workforce, with the skills required to undertake their job functions, is essential to allow SMEs to compete in the global marketplace”

(PUII, 2007)

Hiring a competent workforce is not only important to business, it is essential. Employees are the core of any business. A business cannot operate unless someone (employees) is doing the work. Very often industry, especially the SME community, tends to select the people who will join their organisation on the basis of an interview or two, and are often concerned with individuals ‘fitting in’ rather than with the competencies the individual possesses (Heneman, Tansky, Camp, 2000). Frequently once such an individual has joined, they often find that they must fend for themselves, or more increasingly that they do not have the skills or competencies to meet with the organisation’s requirements. Recruiting qualified and skilled individuals is not happening by luck anymore. Many organisations are finding there are available workers but finding one that matches the skillset they require is challenging. In a UK survey conducted on 641 SMEs, labour shortages were highlighted as their number one concern (Heneman, Tansky, Camp 2000). What are the reasons for this? There are a number of reasons, which include not knowing what real skills are required in the first place? Or when asked often a response given by a senior manager is that they want to find a ‘good’ person. However they struggle to define what they mean by ‘good’. Furthermore recruitment practices in SMEs are usually by informal means such as word of mouth and this does not always result in the right person being recruited (Jameson, 1999).

Differences internally within organisations have also highlighted the fact that many cannot agree on what qualifies an individual to be qualified. In the SME environment this can be a major issue. Is a graduate qualified with no experience or is an individual with ten years experience qualified? For many SMEs they face the problem of high employee turnover due to many reasons including lack of proper bonuses, benefits, training, increasing competitive marketplace, etc. Thus they now need to work even harder to differentiate themselves in order to recruit and hold onto the right individual. As firms grow their skills requirements can no longer be satisfied by informal recruitment mechanisms (Kotey and Slade, 2005).

This paper introduces the findings of the PUII1 research carried out with indigenous SMEs in Ireland. It explores the SME environment and also discusses the importance of recruiting and

1 Programme for University and Industry Interface – http://www.ul.ie/~puii
selecting individuals amongst SMEs. Importantly it introduces a comprehensive SME Portfolio of skills that identifies what the individual requires now and in the future in order to be attractive to the SME employer. In conclusion, the paper presents a number of recommendations based on conclusions and recommendations determined by the SME Expert Panel during the life cycle of the PUII programme.
2. SME Overview and Demographic Changes

An SME is usually defined by size as a company that has up to 250 employees\(^2\). There are approximately 235,000 SMEs in Ireland employing between 1 and 250 individuals. They employ over 60% of the working private sector population of Ireland. Ireland can be described as a country where indigenous private sector economic activity is dominated by small businesses. SMEs are continuing to create jobs, but at a slower pace than previously, with a net 15% of companies employing more than at this time last year. In Manufacturing, however, there was no net increase in employment in the last 12 months (ISME, April, 2007). Yet the SME sector is expected to play an increasingly important role in the Irish economy. Regaining competitiveness has been established as a national priority objective for the Irish government, yet the government cannot effect this realignment of our competitiveness in the short term, as was done in the past through devaluation of the Irish currency (1986 & 1993) and interest policies. Therefore the future of the Irish economy depends on a combined effort by both private enterprise and government in two areas:

- Increase, widen and modernise the physical capital stock in both private and public enterprises in order to generate capital productivity gains. This will require the retention of the current corporation tax rate to secure future Foreign Direct Investment (FDI) and the introduction of incentives for small and medium businesses to invest in innovation, technology and management development.

- Increase the volume and quality of training in the workplace to ensure increases in labour productivity. This is especially relevant in the SME sector, where Irish SMEs are by international standards very small. Therefore unless Irish SMEs gain greater capability through training at management and functional levels, their ability to expand will be severely circumscribed (ISME discussion, April 12\(^{th}\), 2007).

There are a number of government reports such as publications from Enterprise Ireland and Forfás which highlight these comments also.\(^3\)

“Knowledge creation and diffusion are at the core of economic activity. Knowledge is embodied in people, and it is the quality of the human resources that will determine the success or otherwise of firms and economies in the years ahead.”


\(^3\) [http://www.fas.ie](http://www.fas.ie) & [http://www.enterprise-ireland.com](http://www.enterprise-ireland.com)
Planning for and providing training within SMEs can often be a complicated business, made complex by such factors as recruitment levels, lack of in-house training, weakness of in-house capabilities to plan and offer formalised training. However it is clear that a training and lifelong learning culture is critical to knowledge-based industries and to regional economic development. Having a well skilled and adaptable workforce is essential to economic development, thus resulting in profitable investments for organisations in their human capital.
3. PUII Programme – SME Research

Over the past four years the PUII programme\(^2\) has undertaken research to establish the requirements of individuals in the workplace for next generation employability, focusing more recently on Small and Medium Sized Enterprises (SMEs). A report on PUII’s work with SMEs has already been produced\(^4\), which details the research carried out on the SME environment in terms of education, training, upskilling and lifelong learning. In addition, key skills and competencies required by Irish SMEs for their workforce were identified. A second report\(^5\) attempts to provide a synthesis of opinion from research and SME expert views on the role of education and training in enhancing the competitiveness of SMEs to ensure their future in the knowledge economy. Such opinion contributes to determining how higher education can meet the requirements of the SMEs in Ireland and therefore produce graduates and workers who have the skills that enable them to be flexible and adaptable to address continuously changing business needs. Ireland’s survival will depend on the upgrading of the skills and knowledge of its workforce. SMEs are now aware that a highly skilled workforce will improve their chances of staying in business. However this in turn suggests that the SME sector now needs stronger links with educational and training organisations. Herein lies an opportunity for the SMEs to set the specifications for the graduates and individuals they require now and in the future. Although much has been written about the development of the SME sector in Ireland, there has been little evidence to show that there is sufficient liaison between SME organisations and educational institutions and other training organisations to fully make the educational authorities aware of how, what and why SMEs need to raise their levels of skills and knowledge.

Consistent with other public published documents (Forfás, Expert Group Future Skills Needs) PUII’s research highlights the importance of skills and labour availability as a key business issue for indigenous and SME industries in all sectors. Two factors have been highlighted namely the availability of a skilled workforce and the changing skills requirements of this workforce. These two factors are driven by the rate of economic growth in Ireland and also as a result of rapid changes in their industries, which have resulted from global markets.

Focusing on the future, SMEs interviewed were able to identify a set of skills that they believe will assist employees and enterprises to succeed for next generation employability. Core technical skills with general employability skills are the foundation upon which other specific skills can be developed. Organisations need skilled workers to embrace new methods and to get the best use from new investment.

\(^3\) PUII (2006) SME Growth through people – The role of higher education. www.ul.ie/~puii
However these problems and indeed our findings are not new and for many years the Irish government have developed policies and programmes to help SMEs overcome the disadvantages of “smallness” (For example programmes offered by FAS, Enterprise Ireland, Skillnets, IBEC etc). Nevertheless PUII still believes there is an important role for government, educational providers and industry organisations to continue providing support to SMEs. By reinforcing upskilling programmes it would provide SMEs with the means to upgrade different types of skills in their existing workforce. Employing highly educated individuals with knowledge and skills will help the SME to innovate and grow over the long term.

PUII’s COP 3 (2005) highlighted the concerns that SMEs have with regards to upskilling and training. SMEs continue to have concerns about attracting highly skilled quality staff and in turn SMEs identified finding skilled staff as a barrier to increasing the size of their workforce. From discussions held with SME experts, there must be a shift away from occupational titles and a focus more specifically on the skill sets actually required for any given occupation. Equally important will be enhancing Ireland’s capacity to analyse labour market information and use it effectively.
4. SME Survival

SMEs in Ireland have begun to realise that in order to remain viable as a business they must be constantly innovating and reinventing themselves. The nature of work and what people expect from their employments has begun to change. Organisations need to discover how they can be innovative in a way that suits their business and industry and then work towards developing their capabilities in this area. SMEs need to be:

- **Proactive**
  With the changing nature of Ireland today, being proactive on workforce policies such as equality and diversity, work-life balance and employee development is likely to pay off huge dividends (in the short term) with increased employee and customer satisfaction and retention.

- **Adaptable**
  Ability to adapt to the changes in external factors has always separated the strong from the weak and the survivors from those who are not so fortunate. Many SMEs however do not spend enough time thinking and planning how they can adapt to the potential risks they face. Taking time out to plan and develop capabilities – for example disaster recovery plans – can be a team building or training exercise that could save a business.

- **Constantly Networking**
  Networking with other organisations in order to develop products or proposals that neither party could do alone takes a variety of skills that will have to become a part of the SME of the future. Using the contacts an organisation has in a mutually beneficial way is good for relationship development at all levels within the organisation.

- **Continually learning as an organisation**
  Having a training plan, which is based on the company and employee needs, is an essential ingredient. The training plan must be based on the strategic plan for the organisation as well as the individual’s needs. Reassessing the plan each year should highlight any ongoing skills gaps and/or training needs, which must be filled in order to realise the organisation’s overall strategy.

- **Respect and respond to employee needs**
  Employee expectations are changing. Jobs are no longer for life and employees are looking for some “meaning” from their work.

One of the main things that will have to change within the SME culture is how people are managed. Managers need to change how they manage their employees and this needs to
start from the top down. Development of management skills among the CEO and management teams will affect not just employee morale but also the bottom line. Managing knowledge will also become more important over time as tacit knowledge needs to be shared across the workforce and all jobs become more complex. Organisations need to be productive and this in turn requires that managers are able to manage performance not just once a year but on an ongoing basis to ensure that all employees know what is expected of them and how they are doing on those targets. Exceptional communication skills will be vital in order to maintain both internal and external relationships especially as organisations are increasingly faced with global markets and remote workers.

The future for the SME in Ireland, while tough, is still very positive. The core reason being that for many SMEs the CEO and at least one member of staff are usually family. They see the continued success of their business in two ways:

1. Keeping themselves employed in a manner which they have chosen, with themselves as leader.
2. Keeping their staff, who they know very well as a result of working together, in employment.

Most CEOs of SMEs have been down the route of industry and large international companies and have made a decision to become self employed and self-ruled. The continued success of their business means that this lifestyle change which they have chosen will remain in place. For this reason they will continue to develop and grow the business to ensure sustainability.

With this in mind the key problem that SMEs are facing is getting the “right” person for the job they have available. Some SMEs have, following training, taken the decision to design the hypothetical person that they require for the position and based on that they then recruit that person. A recurring problem for SMEs seems to be that having invested time and energy into the recruitment process the new employee often at the last minute changes their mind and goes to another employer. This is not necessarily a big industry employer but they continue to look around for better deals even though they have accepted a position with a company.

For many individuals one of the problems they perceive is that there is not enough chance for promotion and progression within the SME environment. However, if the individual is positive enough and assists in growing the business then there could, if not should, in the future be ample opportunity for progression. Staff turnover in SMEs is a universal problem. Often the individual sees the SME as a stepping-stone and many stay only for a year or two in order to get the experience to add to their CV. Recently it has been identified that the need for continuous evaluation within the SMEs is of vital importance in maintaining staff morale. This,
added to continuous staff upskilling, is increasing the amount of time that individuals spend in the SMEs.

However one key area of concern for SMEs is the cost of recruitment. This tends to be quite high for SMEs. SMEs also encounter problems because they lack brand recognition, so letters of enquiry regarding job vacancies are not as common as they may be for companies with high profiles.
5. Recruitment and Selection for SMEs

For many SMEs the proposition of undertaking a new project can be quite daunting and the risk of failure for new projects can be up to 90% with the potential for increased productivity and return to the organisation quite unclear. The same risks also face the SME when they make a decision on recruitment and selection. SMEs must make hiring decisions; they have no choice about that. They can however choose the methods they use in making those decisions. Research evidence has shown that different methods have very different validities for predicting future job success. Validity in this sense can be defined as “how accurate is our selection method in determining the potential future success of a candidate in a particular role within the organisation.” Some methods, such as interviewing, have a relatively low validity, while others such as psychometrics have a high validity. It is interesting to note then that the latest research from the Chartered Institute of Personnel and Development (CIPD) (2006) shows that 85% of organisations still rely on interviewing as their primary method of selection.

Table 1 shows the validity of various methods of selection that most Human Resource departments use.

<table>
<thead>
<tr>
<th>SELECTION METHOD</th>
<th>PREDICTIBILITY$^6$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handwriting analysis</td>
<td>0%</td>
</tr>
<tr>
<td>Age</td>
<td>0%</td>
</tr>
<tr>
<td>Self Assessment</td>
<td>0%</td>
</tr>
<tr>
<td>Projective Tests</td>
<td>3%</td>
</tr>
<tr>
<td>Traditional Interviews</td>
<td>4%</td>
</tr>
<tr>
<td>GPA</td>
<td>4%</td>
</tr>
<tr>
<td>Expert Recommendations</td>
<td>4%</td>
</tr>
<tr>
<td>Personality tests</td>
<td>4%</td>
</tr>
<tr>
<td>Motivation</td>
<td>4%</td>
</tr>
<tr>
<td>Reference Check</td>
<td>6%</td>
</tr>
<tr>
<td>Biographical Data</td>
<td>9%</td>
</tr>
<tr>
<td>Situational Interviews</td>
<td>9%</td>
</tr>
<tr>
<td>Behavioural Interviews</td>
<td>10%</td>
</tr>
</tbody>
</table>

(Adapted by Dr. Wendell Williams (2002) from Hunter & Hunter, (1984))

$^6$ Predictability refers to the % chance of selecting the best candidate.
Basically what this is telling us is that if you use behavioural interviewing as your primary method for selection you stand about a 10% chance of selecting the right person for the job. That leaves a potential 90% failure rate.

Harvard Business Review conducted a large study of 360,000 people in 14 industries, over a twenty-year period in an attempt to identify what makes for job success. They found that “it’s not experience that counts, or college degrees, or other accepted factors; success hinges on a fit with the job.” They found that regardless of any other factor, people are only successful when they are matched with jobs for which they have the right level of general abilities; where they have an interest in the work; and where their psychological make-up equips them to do the job well (Greenberg et al., 1980).

Table 2 below shows the efficiency of a variety of methods one can use in the selection process. It indicates that people selected on the basis of the typical job interview are good hires only about 14% of the time. That’s just one good employee for every seven hired. It is quite frightening to think that depending on the position you are hiring into, experts put interview mistakes somewhere between 19% and 48% of annual payroll.

As you add other selection techniques, such as background checks and integrity testing, personality testing, ability testing, interest testing, and job matching, the essential elements of psychometric assessments, the percentage of selecting good “on-the-job” performers increases to 75%. So now an SME can turn a potential 90% failure rate when selecting employees into a 75% success rate. Despite this, outside informal recruitment measures SMEs are most likely to be solely reliant on the interview as their key selection technique (Kotey and Slate, 2005).

Table 2: Efficiency of methods used in selection process

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview</td>
<td>14%</td>
</tr>
<tr>
<td>+ Background Checks</td>
<td>26%</td>
</tr>
<tr>
<td>+ Personality testing</td>
<td>38%</td>
</tr>
<tr>
<td>+ Ability Testing</td>
<td>54%</td>
</tr>
<tr>
<td>+ Interest Testing</td>
<td>66%</td>
</tr>
<tr>
<td>+ Job Matching</td>
<td>75%</td>
</tr>
</tbody>
</table>

(From: Hunter & Hunter, 1984)
It has been argued that “in economic terms, the gains from increasing the validity of hiring methods can amount over time to literally millions of dollars. However, this can be viewed from the opposite point of view: By using selection methods with low validity, an organization can lose millions of dollars in reduced production” (Schmidt & Hunter, 1998). If this is the case, then in our current economic environment and competitive market, these organisations are unnecessarily creating a competitive disadvantage for themselves (Schmidt, 1993). By adopting more valid hiring procedures, they could turn this competitive disadvantage into a competitive advantage.

Research would however suggest that organisations still persist in using interviews as their primary source of selection method (CIPD, 2006). This is mostly the case for the SME community.

SMEs who wish to gain a competitive advantage in their market should look at their recruitment and selection process as their first step to ensuring they are getting the skillset they require.
6. **SME Job Analysis**

Putting in place an excellent recruitment and selection process is all good and well but if that process is tainted from the beginning then the results will also be tainted. Job analysis should be the first step every SME takes when embarking on a recruitment and selection process as it forms the foundation for effective recruitment and selection. A typical job analysis should seek to investigate and define: -

- **Duties and Tasks**
  The basic unit of a job is the performance of specific tasks and duties. Information to be collected about these items may include frequency, duration, effort, skill, complexity, and standards.

- **Environment**
  This may have a significant impact on the physical requirements to be able to perform a job.

- **Tools and Equipment**
  Some duties and tasks are performed using specific equipment and tools. Equipment may include protective clothing. These items need to be specified in a Job Analysis.

- **Relationships**
  Supervision given and received. Relationships with internal or external people.

- **Requirements**
  The knowledge, skills, and abilities (KSA's) required to perform the job. While an incumbent may have higher KSA's than those required for the job, a Job Analysis typically only states the minimum requirements to perform the job.

The techniques identified by Roberts (2005) for gathering this information can include: -

- Focus Groups
- Inventories or questionnaires
- Interviews (with job holders or managers)
- Diaries / Work Logs
- Observation
- Psychometric Testing (of job holders)

For many SMEs the process of carrying out a job analysis can be quite daunting and therefore many fail to do so properly. With the changing global economy we know that it is becoming more and more difficult for SMEs to attract and retain the employees they need to
grow and develop their business. Many SME experts are of the opinion that SMEs need to start planning now for this eventuality and;

- Start conducting effective job analyses so that the person and job specifications that they produce are a true reflection of what they need for each position in their organisation. Get this wrong and all the best practice in their recruitment and selection will not be effective.

- Understand that recruitment and selection is a means of gaining a competitive advantage. It should not be viewed as an inconvenience that must happen.

- Develop a more sophisticated recruitment and selection function. There are many ways SMEs can increase both the validity and reliability of this function.

- If they do not have the expertise to develop good job analysis and recruitment and selection processes then outsource this function to an expert or train their management in this area.

- Measure their success or failure in recruitment and selection by use of metrics. After all if you do not measure a process you cannot manage it.

SMEs now need to realise that their selection methods can have a direct impact on profits and the potential productivity of their organisation. The importance of every selection decision they make is essential to the success of their organisation, as it has been argued that “it is not possible to optimise the effectiveness of human resources, by whatever method, if there is a less then adequate match” (Roberts 1997).
7. Graduates and the SME

With the expansion of higher education SMEs are becoming increasingly important in providing employment opportunities for the growing number of graduates. Therefore it is becoming a must that during college life graduates must develop a range of skills that are of value to them in the workplace. Independence, initiative and flexibility are key areas that SMEs are looking for their next generation employability. In a study conducted by Stewart and Knowles (2000) it was highlighted that transferable skills are of high priority to SMEs when recruiting graduates. In particular, importance was placed on motivation, teamwork and communication skills. Many graduates, and even SME employers, may have some misconceptions regarding employing a graduate. Graduates may be perceived by the SME as a homogenous group of 'high-fliers' who are unprepared to work in “the real world” and are lacking in business sense and experience. Many SME employers are not graduates and they assume that graduates are high cost and high risk, with little commitment to the employer. On the other hand the graduate may see the SME as not offering them the job opportunities, challenge, salary or flexibility available from a larger organisation. They also have real concerns about the lack of formal induction programmes and structured training and development opportunities. However Holliday (1995) found that in fact there are opportunities for graduates in small companies as they are more likely to promote internally.

Nevertheless graduates play a key role in the success of the SME. Very often graduate input due to early responsibility will have a visible impact on the performance of the SME. Motivated graduates will have more opportunities to voice their own ideas and will have a greater opportunity to shape or change company practices and procedures. However a number of negatives have been identified and recognised as realities for graduates who enter into the SME market. Due to the difficulty many SMEs experience in recruiting staff, graduates may be recruited into low skill jobs within such companies – often with little or no reference to their qualifications. This may appeal to a graduate fresh out of college who may decide to choose underemployment over unemployment, but it can be a high risk strategy for the employer. Research has shown that graduates are motivated by challenging work, training and development opportunities and supportive management structures. They are unlikely to remain in a work environment where they are underemployed. Often in an SME there is a lack of a formal career path, which can be very frustrating for graduate and employer alike. Salaries, benefits and bonuses are often lower and often do not reflect the workload. SMEs simply do not have the time or the money to compete with larger firms on such scales. They survive on a day-to-day basis and employees are expected to adopt the roles necessary to carry out short-term activities. For smaller employers, the decision to recruit graduates can be a particularly major one, and an SME may expect to see very real benefits in a short space of time. In turn, there is a tendency for SMEs to give graduate recruits more responsibility at an earlier stage, with training tending to be 'on the job'.

There is very little statistical data on the number of Irish graduates finding their first employment in SMEs as this information is not currently recorded in the annual ‘First Destinations Surveys’ conducted by all higher education institutions. It would be useful if future surveys could address this issue as these statistics would provide accurate and comprehensive data and an opportunity to monitor the impact of any future graduate employment initiatives. In the absence of statistical data, it is still clear from anecdotal evidence that relatively few graduates find their first employment with SMEs. This does not mean that graduates are averse to the prospect of working with SMEs but there are is a lack of awareness about the type of opportunities available and about the application and selection procedures. One of the biggest barriers to graduates finding employment with SMEs is the difficulty of finding the SME in the first place. Traditionally, SMEs have had few links with higher education and are unaware of what universities and graduates have to offer.

Currently, the graduate recruitment market is heavily dominated by larger employers who have a strong presence in annual ‘milkround’ activities such as careers fairs and campus presentations. These events take place early in the academic year and require significant advance manpower planning. Events intended to facilitate the recruitment of large numbers of graduates on an annual basis will never be of significance to SMEs as relatively few are in a position to predict their graduate recruitment needs nine months in advance. Consequently, they are reluctant to participate in these events and this deprives them of the opportunity to raise their profile on campus. SMEs are more likely to engage in ‘just in time’ recruitment in the hope that graduates will be available at the time the vacancy occurs. SMEs have few mechanisms for advertising vacancies to graduates and recruitment is generally carried out by non-specialists. This means that SMEs find problems in identifying, recruiting and utilizing graduates. They need graduates to make an immediate contribution to the business but generally they provide no formal induction programmes or structured training and development. Many SMEs find that developing relationships with students during the first two years at university is very effective and work experience placements are an extremely valuable way of creating student-employer ties. Increasingly, work experience placements are being seen as a tool toward the recruitment of suitable employees – allowing both employer and employee to test their relationship before a permanent position may be offered on graduation (PUII, 2007).

It has been established amongst many SMEs that in many cases hiring “attitude” is more important than hiring skills. You can train anyone (within reason) to do the job, if they have the right attitude, was the opinion put forward by several business people. If “attitude” was addressed by the educational establishments then the actual skills would be the deciding factor in hiring a new member of staff. Key competencies then would be seen as: -
1. **Attitude**

2. **Qualification to do the job.** Upskilling will be provided if attitude is at the desired level.

SME experts do agree that graduates will have to have a ‘can-do attitude’ and be ready to be on a path of continual learning if they are to remain employable. Communication skills, regardless of the level in an organisation an individual is at, are paramount to their self-development and the development of the organisation. In recruiting new graduates, however, it is important that the employer provides a very clear job and person specification and identifies the key competencies required of candidates. This approach will improve the probability of matching the candidate to the job profile and company requirements.

A commitment to life long learning will be a must. Career paths are not as clear cut as they once were and in order for an individual to develop their own career path they must be responsible for their own self-development.

It is clear that SMEs offer the most likely growth area for graduate employment in the future. Graduates also offer the potential to develop these smaller businesses through their education, enthusiasm, and fresh ideas. The impact on Irish competitiveness could be significant if there was a more successful transition of graduates into SMEs. For this to be achieved, however, the barriers that currently exist must be overcome and that will require collaboration between higher education institutions and SMEs in the region. There are a number of interventions that could be effective in bringing together graduates and SMEs:

- **Graduate Placement Programme** designed for SMEs, along the lines of the GO Wales initiative. This programme would be supported by training consultants who work with employers to identify requirements, prepare a job specification, shortlist and select suitable candidates, and monitor performance. Eligible SMEs would receive a grant to cover training and development costs for graduates. Details of this programme would be advertised on a central website with free vacancy advertising service to eligible SMEs. The programme would be promoted by the careers services in higher education institutions.

- **SME Graduate Recruitment Fair** to be organised in collaboration with higher education careers services. This event would be linked to the Graduate Placement Programme and organised on a regional basis shortly after exams.

- **Provide a resource for managers and owners of SMEs** – ‘**A Guide to the Recruitment and Selection of Graduates**’ with templates for job descriptions, person specifications,
shortlisting procedures, and interview questions. This resource would be developed by a working party comprising SME representatives and careers advisors.
8. **Employers Skillsets Portfolio**

“If we’re talking about developing a knowledge-driven economy then we require people who are sufficiently flexible and have the capacity to embrace new technologies and new ways of doing things.”

(Towards a 21st Century Infrastructure - Seán Murphy, Director of Policy, Chambers Ireland⁷)

For Ireland and its workforce the pressures of economic, technological and scientific change, combined with an increasing migration population, an ageing workforce, and intensifying global competition for skilled people, will soon strain our “skills bank” to the limit. Indeed, the signs are already present. A shortage of management and essential business skills amongst technical engineers is just one of the notable concerns our SME experts have noted. The ongoing problem for SMEs of maintaining increasing sales requires them to have properly trained and motivated sales and marketing staff.

There is no doubt that every educational course imparts skills. Those that resonate with individual’s own interests, contribute to their core technical and personal skills, thus developing a core skill base. As an individual perfects their core skills, a set of key competencies are established which can be built upon. Competencies such as problem solving ability, communication skills, time management, initiative and adaptability are just a few that employers now require for each individual they hire.

Finding technical skilled workers for many SMEs is not a major issue for organisations but finding individuals with the combination of technical competence and industry know-how is becoming a problem. As business is moving quickly from backroom activities to boardroom activities there is a strong need for technical individuals to have soft skills, like presentation skills, teamwork skills and the ability to put together a business case.

This portfolio (Table 3) identifies a set of employability skills relevant to individuals working in an SME environment. The set is relevant to both new and existing employees. The availability of a workforce with the right kind of skills is a key business issue for all organisations and industries in all sectors. The portfolio of skills presented here is indicative of the employability skills preferred by employers from a range of SMEs in different industry sectors. These skills are important for all industry at all levels.

The portfolio is evident of the new thinking within organisations, highlighting what are the key employability skills required by SMEs. If SMEs are able to determine what skillsets they

⁷ [http://www.chambers.ie](http://www.chambers.ie)
require when recruiting, the reliability and even validity of the recruitment should improve. The reliability will improve because the SME, by determining the required skillsets needed, is now approaching recruitment in a more systematic way. In turn, by identifying these employability skills, employers will be able to identify how to educate and train for better performance in them and how to assess the employability skills of the individual. There is no doubt that this portfolio needs to be flexible and responsive to industry changes and needs (for example there are some skills that are not relevant to EVERY professional e.g. working in a virtual environment) and indeed it is by no means an exhaustive list but an indication of the skills required now and in the future by SME organisations.
<table>
<thead>
<tr>
<th>Workplace Level of Entry</th>
<th>Personal Values</th>
<th>Interpersonal Skills</th>
<th>Initiative &amp; Enterprise Skills</th>
<th>Learning Skills</th>
<th>Workplace Skills</th>
<th>Technical Skills</th>
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<td>Self analysis</td>
<td>(application &amp; integration) of current technology</td>
<td>Change Management</td>
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<td>Career planning &amp; management</td>
<td>Implementation of new technology</td>
<td>ICT Skills</td>
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<td>Skills dependent on their profession</td>
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<td>- Business</td>
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<td>- People</td>
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<td>- Innovative (New)</td>
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<td>- General Workplace Skills</td>
<td>- General Fire Safety</td>
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<td>- Commitment</td>
<td>- Ability to comply with company procedures</td>
<td>- Ability to apply learning Career development</td>
<td>- Ability to apply learning Career development</td>
<td>- Time Management ICT skills</td>
<td>- Manual Handling</td>
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<td></td>
<td>- Honesty</td>
<td>- Ability &amp; willingness to contribute</td>
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<td>- Fire Safety</td>
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<td>- Enthusiasm</td>
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<td>- Ability to learn Adaptability</td>
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<td>- Machine operation</td>
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<td>- Stockroom</td>
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<td>- Reliability</td>
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<td>- Ability to learn Adaptability</td>
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<td>- Positive Presentation</td>
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<td>- Ability to learn Adaptability</td>
<td>- Ability to apply learning Career development</td>
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</table>
9. Challenges

In conclusion to this paper the SME Expert Panel have made a number of recommendations to address four challenges that are seen as a priority for the Irish SME environment. The key to addressing these challenges is to strengthen the dialogue between government, industry, educational providers and the individual and encourage consensual approaches.

In order to achieve a unique highly skilled workforce in an SME environment in Ireland the SME panel calls for specific actions to address four main challenges:

Challenge 1: Skilled Workers are facing a shortage of opportunities

Many SMEs have difficulty absorbing highly educated graduates, particularly in engineering, science and technology. In addition, our investments in Research and Development (R&D) remain small. As a result of these factors, there is a shortage of opportunities in Ireland which is leading some of our most highly qualified people to seek employment elsewhere.

Recommendation 1:

Expanding investments between third level institutes and industry in basic and applied research to help knowledge intensive SMEs to grow, will create opportunities for highly skilled individuals. Creating linkages between higher education careers services and SMEs to develop and implement initiatives will facilitate the recruitment of graduates into SMEs.

Challenge 2: Learning Environments are under stress

Many university graduates lack the essential skills that most SMEs seek. We need to ensure that graduates have a solid foundation for learning and acquire the skillset they need to succeed in an SME environment. Provide financial incentives to encourage SMEs to offer work placements to students as part of their academic programme.

Recommendation 2:

Improve the learning environment for children. Integrate parents and career guidance teachers with industrial organisations. Promote the life of the SME. Build stronger linkages between school, third level organisations and the “world of work”. Ensure that teachers and educational providers are well equipped to deliver essential skills education.
Challenge 3: SME Recruitment and Selection

Employers are finding the recruitment of skilled candidates more difficult resulting often in having to pay over budget to secure the right people. Employers need to review their existing processes and ensure they are recruiting correctly.

Recommendation 3:

Develop a toolkit / practical framework / roadmap to help SMEs (non-HR experts in SMEs) in identifying and recruiting individuals with competencies to meet the future objectives of the organisation. This in turn would provide SMEs with a positive and effective approach to recruitment and selection.

Challenge 4: Enforce the strategic and competitive position of Irish industry by stimulating and facilitating the change towards lifelong learning

Recommendation 4:

Develop an industry-led cross-disciplinary pilot programme to support the upskilling of first-degree graduates within SMEs and the transition of other graduates into SMEs. Its focus will be particularly on the workforce within the science and technology arenas. For example the programme could offer short "quick win" training courses such as lean management courses which could be the link between company needs and getting the individual interested in lifelong learning.
10. Concluding Statements

Key changes in the economy have impacted the demand for skillsets in organisations. A significant change in the composition of the business economy has seen a shift from an industry focus to a more service and costumer focus. Business success is more dependent than ever before on the workforce ability to connect with supply chain partners and customers. Skillsets are required that ensure that individuals can gain insights, make decisions and take action quickly. These abilities lie at the core of the new skillsets that are required for individuals in next generation employment.

"With a flexible, adaptable workforce, people are more likely to switch jobs and even careers during their lifetime. To accommodate this, society needs flexible upskilling."

(Towards a 21st Century Infrastructure - Seán Murphy, Director of Policy, Chambers Ireland)  

As the demand for new skills has risen over the last few years in the SME environment, the next step for organisations is to turn their attention to their supply. For many SMEs this can be the first hurdle they must cross. Identifying the skill need and finding a way to get this skillset into the organisation are areas where the SME often needs support. Equipping SMEs with the tools to develop their skillsets and in turn develop sustainable business is imperative for maintaining competitive edge and developing the SME sector.

"The level of demand for training and education is not commensurate with the perceived need for it. One of the reasons is that individuals and businesses are not aware of their skills shortcomings. In order to engage with individuals and firms and meet their needs, individuals and enterprise need to be able to assess their strengths and weaknesses from a skills perspective"

(National Skills Strategy Research Report, March 2007)

The PUII research carried out over the past four years has consistently identified as priorities for SMEs as: -

- Identifying the skillsets required by SMEs
- Supporting the individual and the organisation in achieving these skills
- Establish awareness of the benefits of continued education and training
- Provision of training solutions for skill problems.

8 http://www.chambers.ie/
• Establish a more consistent approach to funding and delivery for SMEs and educational providers.

PUII are very aware that many of the issues raised in this paper are concurrent with findings from other reports (for example: National Skills Strategy Research Report, March 2007). However what is particularly valuable here is the direct information received from the SME Expert Panel for this research, which has provided a valuable analysis of current and emerging thinking about the future role of skills in the workforce in Ireland. To ensure that the identified priorities are addressed it is envisaged that we will continue to work with agencies in Ireland to encourage participation of SMEs and higher education institutes in further research. Supporting company development and ensuring local SMEs are aware of the added value of a skilled workforce is imperative for future success.

“Enterprise agencies (FÁS and Enterprise Ireland) and representative organisations and Skillnets should continue to assist companies in identifying the training needs of their employees”
(National Skills Strategy Research Report, March 2007)

PUII strongly supports the view that SMEs and micro enterprises, and in particular the wealth creating exporting ones, are not receiving the kind of education and training support that they need. Also in turn these organisations are not well catered for by present approaches on offer by the development agencies and the third level education sector. The PUII expert teams propose that a detailed study, building on the PUII work to date, needs to be undertaken with a view towards developing models for the delivery of SME focussed education and training as a vital step in the development of the indigenous, knowledge based potential of Ireland. Benefits for such a study would include:

• The description, design and pilot implementation of education and training models in third level education institutions, and other providers, matched to the needs articulated by the SME’s and development agencies.

• An increase in the proportion of the SME companies successfully exporting and creating wealth in the Irish economy.

“Experts say that sticking with traditional models of education may not be enough to ensure the Irish workforce has the skills it needs by 2020.”

Therefore in order to address the priorities identified through this research and indeed the findings from the National Skills Strategy Report (March 2007) there is a clear need for more

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concrete solutions to be introduced which will provide Irish SMEs and their workforce with the tools and skills needed to develop not only their industry but the human capital that exists in these organisations. There can be no doubt that Ireland’s stock of skills and our capacity to develop the skillset of our SME workforce will have an effect and shape economic prospects. But skills alone will not guarantee success. In addition to a strong skills development and learning system, we will also require the following supporting programmes as highlighted by the SME Expert Panel:

- Adopt a broad view of skills development in Ireland.
- Focus on how skills are used in SMEs and in relationships between supply chain partners, extended enterprises, virtual enterprises.
- Establish closer relationships between SMEs, educational providers & employees, training and development providers, thus allowing for mentoring, coaching, on the job learning, training as well as education and learning.
- Provide greater flexibility in the application of public funding to allow training providers to become more actively engaged in SME workforce development.
- Establish knowledge transfer between supply chain partners, within clusters etc. would play a key role in the development of SMEs.
- Create case studies of SME organisations in the area of training and upskilling. These case studies will provide and insight to success and failures in this area. This would also support training and education in SMEs.
- Another element, which supports training and education in SMEs, would be the proof of Return on Investment (ROI). This could be done through sustained case studies.
- Through developing stronger links between business and Higher Education we should support the improvement of knowledge and innovation.
- Stimulating enterprise and supporting successful SME business through workshops.
- The establishment of an Irish National Centre for Research on SME’s, leveraging off an existing competence centre in one or more third level institutes, government agencies etc.
- The establishment of a parallel National Centre for SME Skills, leveraging off Skillnets, other Training & Development Agencies, and 3rd Level Institution(s) with proven competencies in this area (i.e. identification and application of SME skills)
- Launch of (significantly funded) National Program for SME Skills Development
- Support for National Program for SME Skills Development

All of the activities above will focus on raising the levels of skills in the workforce, which in turn will increase productivity, enterprise innovation and competitiveness. To achieve an island of skilled employees in this global economy, individuals, families, governments, private industry, education (both primary, secondary and third level) and training providers must accept responsibility for ensuring that all of these interrelated elements are in place.
"Investing in education and training is as important as investing in R & D and innovation. Obviously companies should be investing in all these areas but the returns from investment in training are more immediate and more tangible, and without education business innovation will stagnate."¹⁰

In conclusion, building on research, which the PUII has carried out to date, PUII proposes to develop an industry-led cross-disciplinary pilot programme to support the upskilling of graduates in the SME environment and individuals within the SME sector who are not graduates. These stakeholders have been identified as key groups that require attention both North and South of Ireland. Improving the flow of graduates to SMEs and upskilling the existing SME workforce are paramount for the success of the SME environment. In turn bridging the gap between Higher Education and the SME community is also a challenge.

An important aspect of this pilot programme is to enforce the strategic and competitive position of Irish industry both North and South by stimulating and facilitating the change towards lifelong learning. One of its goals will be to demonstrate means of delivering a high quality, flexible workforce to enable and transition human resources as demand dictates. It will be structured in a modular format, so as to be flexible and accessible, enabling continuing participation in both the workforce and in education as required.

This proposal aims at underpinning a fundamental change required in our training and development system by offering a future oriented innovative curriculum with respect to contents, pedagogic approach and delivery mechanisms. The uniqueness of this programme is that it will develop organisation capability as well as individual capacity both North and South of Ireland.

¹⁰ ISME Chief Executive, Mark Fielding, ISME Press Release, December 13th, 2006
References


ISME Informal Discussion, April 12th, 2007.


