

The Development of Human Resources for Small and Medium Enterprises

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The 21st century is an era marked by the acceleration and development in globalization and technological exchange. The economic global village free of any national boundary has emerged. For small and medium enterprises in Taiwan, the questions are how to get a grip on world trends and opportunities for development, as well as how to massively innovate and search for breakthroughs? These questions are a matter of vital concern. Under globalization, people tend to seek niches in resources, and the result crosses national boundaries toward the most competitive regions or countries. The essence of competition has transformed from traditional modes of productivity to product quality, knowledge, power and innovation. Enterprises in different countries show their strong incentives to develop, recruit and retain talents. In the world of free competition, knowledge and innovation have to be augmented to maintain advantages in economic leadership.

I. The challenge to Small and Medium Enterprises

(I) Knowledge, power and innovation as competitive advantages

Competition of the enterprises in the new century will need quality, innovation and speed. It is not traditional competition in price and quantity. In the new economy, the focus and rules for the operation of enterprises are floating on wires of speed and learning. Globalized, internationalized and diversified corporate activities are engaged in full gear. The life cycle of products has shortened. The industrial and capital structures undergo rapid change. Enterprises gradually lose their advantage in leading positions. Dynamic environments demand dynamic capability for developing dynamic competitive advantages. “Intelligence” is the fundamental core resource. Of all other strategic resources of an enterprise, the most valuable is intellectual capital. Only when an organization regularly accumulates, learns and utilizes knowledge can it pursue persistent innovation. This is how an enterprise can rejuvenate and open a new epoch.

(II) Global brain power is changing more and more rapidly

The 21st century is a century emphasizing liberalization and environmental protection. It is also the century of acute competition. New competition and impacts from different corners of the world. In a special issue of the *Harvard Business Review* titled “Change”, a number of scholars expressed their views. Of the articles in that issue, they converged at one point: that

the only unchanged law is change. Thomas Steward, an editor of *Forbes Magazine*, and the author of the book *Intellectual Capital* (1997), used the term “chaos” to describe the changeable operation environment. In other words, in a competitive environment where everyone is after speed, innovation, change, and survival rules, individuals and enterprises cannot avoid the challenge of the tide of history and time.

(III) Intellectual Capital in the Form of Human Talent is highly in demand

The guru of management, Peter Drucker, positioned “knowledge” as the standard for new competition in the “post-capitalist society”. He pointed out that in the new society, the dominant resource is not capital, land or labor, but knowledge. In the post-capitalist society, the leading social class is no longer the capitalist or proletariat, but the [knowledge worker] or the [service worker]. In the era of the knowledge economy, knowledge-is also [intellectual capital], which is the real core resource of competitive power. If one has knowledge, all other factors of production will come into place. Knowledge is not only the prime asset of the organization, but also a critical factor that links the competitive advantages of the organization.

(IV) Investment in talent is fundamental to the competitiveness of a nation

In the era of the globalized knowledge economy, human talent is fundamental to the competitiveness of the nation; research and development and innovation are the driving forces for the development of the country. Further, logistic channels are the links to the world, and living environments are critical for people to upgrade their quality of living. These are beneficial for the society. Investing in human resources development include: implementing an extensive English training program, fully implementing online education, creating a life-time learning society, training and developing good quality people with international views, good sense of information technology and innovation for the e-generation.

II. The Outlook of Human Resource Development for Small and Medium Enterprises and how it works

No matter how the government supports the development of high tech enterprises or encourages traditional small and medium enterprises to transform, superior quality human resources are indispensable. Therefore, the encouragement of small and

medium enterprises to respond to the trends of liberalization at a global level, the establishment of the mechanism for life-long organizational learning at an earlier time, the inspiration for innovative ideas, and the enhancement of core competitive powers to seek the niche for enterprise are the ways for ensuring sustained economic growth in Taiwan. This is the inescapable mission and task of the government. Currently, this office pursues the following regarding human resource development in small and medium enterprises:

(I) Organizes lectures and seminars for different kinds of professionals in small and medium enterprises

For assisting small and medium enterprises to enhance their management capacity, mid-term courses were held for business executives and professional managers: corporate management, production and R&D, human resource management, financial management, and marketing management. There were totally 60 courses/time with 2300 people/time in attendance.

(II) Organize seminars on special topics about new management knowledge

For assisting small and medium enterprises to get hold of new trends, and ready to absorb new knowledge at any time in order to respond to the change in the economic environment, this office organized seminars on different topics of current trends and financial management. The prospects and measures to cope with the changes were discussed. There were more than 160 seminars yearly with more than 11,000 people/time attending.

(III) Organize training for management experts and supervise service personnel for small and medium enterprises

The purpose of this task is to help to train corporate management consultants with modern management know-how and international views, as well as set up the supervising staff of this office for continuing education. This would help the trainees to understand the current situation of the business world and government resources better so that they could provide proper consultation services to small and medium enterprises. This group of trainees will become a strong backup for the supervisory work of this office. There were 7 classes/time with the participation of 240 people/time by experts in the field. As for the supervisory staff, there were 22 seminars organized for them with participation of more than 1,300 people/time.

(IV) Establish Small and Medium Enterprise Training Center

Under the funding of the small and medium enterprise fund, training centers were established in northern Taiwan (National Chengchi University), Central Taiwan (Tung Hai University) and Southern Taiwan (National Chung Shan University). Working in conjunction with nearby universities, this office conducted a survey on the topics needed for training, compilation of relevant teaching materials and the training of lecturers.

(V) Implement a lifetime learning system for small and medium enterprises

In the wake of lifetime learning, this office authorized three training centers in Northern, Central and Southern Taiwan since January 2000 for the promotion of the lifetime learning passport system in conjunctions with 140 institutions in human resources development. The passport system recorded all the learning history of the learners and more than 49,000 copies of which were issued so far. In addition, Certificates were issued for participants upon

completion, award will be given on full attendance, and an organization excellence award will be conferred to encourage their participation. With the implementation of the “learning passport” system and the realization of lifetime learning concept, both the resources in private and public training institutions could be integrated, and more complete training programs will be provided. Under such a system, individuals leave a track record of learning and growth.

III. Issues Confronting Human Resource Development in Small and Medium Enterprises

(I) A Scarcity of People with International Views

The economic recession makes it difficult for small and medium enterprises to run their businesses. Many traditional industries moved out and capital flowed out. This resulted in an imbalance in the value chain at upper and lower levels. Accordingly, many small and medium enterprise owners lost their direction in business. Some even suggested that if tomorrow ever comes, a sense of crisis and uncertainty will spread over among small and medium enterprises. Finding a solution for these problems is the immediate concern. The training of professionals with international views is pressing.

(II) A lack of global competitive intelligence

Tens of thousands of small and medium enterprises moved overseas for development. These enterprises had the advantage of ability in product design, but lacked marketing information. The study of Liu Chia-Lin (1996) discovered that small and medium enterprises must (1) centralize; (2) use global technologies and ideas; (3) design

products entailing a solution for the customers, in order to link the world and form good quality world class enterprises. Information on demand and supply in market and industrial change at the global level will be badly needed for small and medium enterprises.

(III) Lack of Incentive in Training their Own People in Small and Medium Enterprises

In the era of the knowledge economy, people and knowledge are far more important than any other form of tangible assets and wealth. In Taiwan, the assistance to small and medium enterprises has always been the input of knowledge system and training programs, the so-called “public goods”. Further assistance will be necessary.

Small and medium enterprises are unwilling to invest in the training of people because they do not have the capacity. Furthermore, it is difficult for small and medium enterprises to keep people. After training a number of people properly, they jump on board other companies, or set up their own businesses. The business owners realize that they can hire good people with high pay, and therefore need not bother doing the training and education by themselves. When this becomes a prevalent value, no small and medium enterprises bother to conduct their own training. They just take other enterprises for granted. Big enterprises have abundant resources

and more opportunities for promotion. Therefore, they are willing to invest for the long-term. As for small and medium enterprises, they are not willing to do anything that someone else will take for granted, and rarely pay for the training of their own employees. Many small and medium firms also do not allow their employees to attend lectures during business hours, which is a kind of exploitation of the intelligence of the employees. Exploitation or utilization and no further investment make the people and knowledge capacity in small and medium enterprises fade away as time goes by. For the younger generation, they easily detect lack of opportunity for growth and learning. This remains a critical issue for small and medium enterprises in attracting good quality young people. The negative spiral effect causes small and medium enterprises to lack talent.

(IV) Information Technology is separated from its Application in Management

Japan has discovered that the main reason for the decline of the competitive power of a country starts with “managers who do not know how to apply information technology and information experts who do not know corporate management”. Therefore, they gathered a group of management and information professors in 2000, and listened to the voices of corporate managers to understand their ideas and management needs. They planned to train a few thousand seed-talents and developed

this strategy in the enterprises every year. They hoped they could use this method to strengthen the competitive power of Japan. Taiwan faces a similar problem. In this era of information technology, the mode of running a business undergoes fundamental change with the popularity of the Internet. Virtual organizations like factories and teams began to come into being. Facing a great change and impact of the world's political, economic, social and technological factors, the senior managers of small and medium enterprises could no longer just be self-contained in their mode of management. They have to absorb more diversified, technological and efficient management knowledge more widely and deeply. They have to breakthrough the bottleneck of “managers who do not know the application of information and information experts who do not know management” in the traditional concept of industrial competition for the needs of the e-generation.

(V) Lack of the right people for upgrading and industrial transformation

The substantial improvement of information technologies in the past few years brought about prosperity for the knowledge economy. Knowledge has become a key policy issue for many advanced countries. Indeed, it is the trend for the future. In other words, information technology not only inspires online learning and replaces the traditional mode of learning knowledge, but also avails the Internet for online transactions. This changes the original mode of business operation and the trend is anticipated. In the future, the growth in demand for a workforce in knowledge creation and application industries will far exceed that in manufacturing or processing industries. To put it simply, the demand for the workforce in the high tech domain and innovative works will increase, and the demand for the workforce in unskilled labor and manual labor will decrease.

As such, we can see that the successful development of the knowledge economy will depend on the quality of human resources. Therefore, in addition to formal education, the provision of related supervision in assisting the training of people for small and medium enterprises through different training channels will be necessary for the future.

(VI) Misunderstanding Lifetime Learning

Knowledge is advancing all the time; this brings about significant innovations to technologies. The competitive advantage of today will be substituted tomorrow. In essence, small and medium enterprises in the country are facing rapid change. For sustained business operation, the most critical thing is to learn new knowledge and enhance ability in innovation persistently. However, many small and medium enterprises in the country are engaged in the manufacturing of imitated products. Further, most of the workers do not receive a good education. Therefore, only when the training system is in action and only when the owners of those enterprises receive the training in the first place can the employees of those enterprises have the chance

for life-long learning.

Fostering talents can help to upgrade the knowledge of individuals. It is also closely associated with the development of the enterprises. For a long time, the government has given preferential treatment of tax deduction, provided adequate funds or other incentives to encourage domestic enterprises to conduct their own human resource development. Yet, relevant literature and surveys on the issue indicated that except for some medium and large enterprises, most small and medium enterprises are still not quite willing to organize on the job training for employees.

The main reason is that employee turnover is more acute and frequent among small and medium enterprises. Furthermore, the majority of the small and medium enterprises does not have a long history of operation, and have smaller sizes of operation. These inherent weaknesses hamper the conduct of training organized by the firms themselves since there is a lack of the economy of scale. The efficiency is also low too. In addition, the criteria for enjoying the preferential treatment of tax deduction are rather high for many small and medium enterprises, especially the smaller size enterprises, which virtually cannot qualify for the treatment. All these factors make most small and medium enterprises omit training for their employees.

Therefore, the human resource development of smaller enterprises for the future still depends on the joint effort of the government and private and/or training agencies retained by it to proceed, in addition to tax deductions or subsidies. Furthermore, efforts should be made to enable the concepts of lifetime learning and innovation merged into organizational operation. This is the only way to assist small and medium enterprises to persistently create new niches and achieve competitive advantages.

IV. The Strategic Direction of Human Resource Development for Small and Medium Enterprises

In sum, the following five strategic directions shall be oriented in the implementation of human resource development for small and medium enterprises:

(I) Orient towards innovative and internationalized vision

“Innovation and internationalization” are the topics small and medium enterprises must face. Then, how about the government? How can the government materialize innovation? Innovation and internationalization, which are characterized by the high value-added activities distributed at the two ends of what President Stan Shih of Acer Group called the Smile Curve, are the basis for mapping out substantial and viable solutions for training. This is highly preferred by small and medium enterprises. Starting from the initial stage of operation, small and medium enterprises have already confronted a series of challenges. They have all passed through this hardship.

Yet, they should design relevant topics for different stages, with vision and international views. These are very helpful for enhancing the competitive power of small and medium enterprises. Examples are: actively introducing innovative courses and developing indigenous training materials, designing the material content with specific features, based on the growth cycle of enterprises to cite the outstanding model for practice, share experience, and guide the owners of small and medium enterprises to value the training of people.

(II) The merging of management and information to create an environment for lifetime learning

As stated in a number of literatures on this topic, small and medium enterprises are under the constraints of their scale. They lack the kind of resources they need and the kind of professionals. Under such circumstances, they are very weak in gathering and utilizing information on corporate management provided by relevant government agencies. Given the undeniable fact that these small and medium enterprises, especially those of smaller sizes, do not have proper computer facilities. The ignorance of the owners in management with the application of information technologies further deteriorates the situation.

To allow more small and medium enterprises to obtain the information of different programs for human resource development and training, promotion should be made through electronic and print media for relevant human resource training so that it can be properly promoted.

Information technologies have been prosperously developed. For assisting small and medium enterprises to fully apply information technologies, the authority should subsidize them and encourage local governments to coordinate resources from local industries and academic circles in order to establish an Internet University for small and medium enterprises. This measure can be worked in conjunction with the lifetime learning passport system for

implementing training the small and medium enterprises especially the smaller enterprises in online education. This provides a setting for the employees in small and medium enterprises for continuing education and training. This move will contribute to make the fostering of talents in small and medium enterprises become popular and “grow roots”.

Further, in assessing the decline of their competitive power, Japan assumed that “managers did not know the application of information, and information experts did not know that corporate management” was the original cause. Therefore, they established a technology coordination system (ITC) to offer qualifying tests in order to train seed professionals in this area. They wished this system and model could be applied to the industry every year, and could help to strengthen the competitive power

of Japan. Taiwan has a similar problem. The training of a seed-teachers system could be promoted to the industry as well, and could be a topic worth in depth discussion.

(III) Train seed-teachers and disseminate the idea of learning

For supervising small and medium enterprises in depth, especially capacity in corporate management, it is necessary to increase the number of small and medium enterprise supervisors and corporate management consultants. This can provide access for small and medium enterprises in consultation services and be used as the resource for hiring professionals in respective functional areas. Examples are: By way of training the planning skills for the seed-personnel for small and medium enterprises to encourage the owners of small and medium enterprises to actively plan and materialize the improvement of human resource quality, stimulate the employees to participate and then attract and keep talents for the enterprises so that the objective of human resource improvement can be achieved.

(IV) Speed up the growth of enterprises and training for specialized skills

In discussing the relation between product type and innovative asset type, Christensen (1995) pointed out in his study “enterprises of different product types (different industries) have different degrees of dependency on innovative types of assets”. This is served as a reference for the training of talents in different functional areas. Through the unions and associations of different professions, relevant training programs and courses for respective professionals can be actively organized. Some of the small and medium enterprises (industries) tend to cluster in specific zones, and regional industrial environments are heterogeneous, human resource development and training should be designed differently. Therefore, it should focus on regions and coordinate specific characters of regional industries for mapping out the training programs most needed for the development of regional industries. This can allow for in depth training and development of human resources.

In mapping out the strategy for fostering talents for small and medium enterprises at the regional level, the small and medium enterprises training centers located in Northern, Central and Southern Taiwan could be used as regional coordination centers. This could allow for a better understanding on the specific characters of the local small and medium enterprises, and the need for human resource development training could be realized timely. Short-term training programs or seminars in topics like corporate management, new knowledge in industries, tax laws, and development trends could be organized to provide local small and medium enterprise employees to take part. This could help to make the training of people for small and medium enterprises deeply rooted.

(V) Establish Certification System and provide benchmark advise

For assisting small and medium undergoing reengineering, corporate management consultants with modern management skills and international views were trained for such purpose. In addition, efforts will be made to enhance the consultants and supervisory staff to properly control the knowledge of the industry, corporate outlook and government resources so that they can get a grip on the trend and hence provide proper consultation services to small and medium enterprises. The qualifying system is designed for the certification of corporate management consultants, the feasibility study and the setting up of the system. In addition, assessment will be made on human resource training agencies for small and medium enterprises, to set up the environment for benchmark learning among corporate management consultants for the election of model teachers for small and medium enterprises. This can be served as an indicator for small and medium enterprises when looking for consultation services.

Routine inspection and evaluation will be conducted on execution units for human resource development and training in small and medium enterprises. Questionnaires will be distributed among trainees to understand their insights about the training. The result can be served as the reference for designing the training programs for human resource development. Questionnaires can also be distributed among employers that send their employees for the training. This can help to understand to what extent the training can contribute to the enterprises and serve as the basis for future works in human resource development and training.

V. Conclusion- The vision for fostering talents for small and medium enterprises

In sum, we hope that human resource development and training can be done by the joint effort of the government and private enterprises. This can help to upgrade the quality of people. With the use of policy instruments from the public sector, an environment for lifetime learning can be created. This provides incentives for small and medium enterprises to accept the training of people so that they can properly respond to the change in the external environment. Therefore, we have four points as a vision for human resource development and training for small and medium enterprises:

- (I) Train the owners of small and medium enterprises to properly take control of the new economy trends and new knowledge in management with which they can design new global operation models for sustained business operation.
- (II) Nurture a group of seed-teachers with international views to assist small and medium enterprises to pay closer attention to human resource management and development. By then, they will be able to supervise enterprises and establish internal training system in order to upgrade the quality of employees.

- (III) Accelerate the upgrading and transformation of traditional industries and train small and medium enterprises to develop secondary skills. Help to train entrepreneurs to improve employment in the country.
- (IV) Catch up with the knowledge society; nourish middle and senior executives with the concept of lifetime learning in order to carve out learning organizations.

We hope, based on the above vision and directions, to train professional corporate management consultants with modern management skills and international views to make proper improvements of financial positions, upgrade the efficiency of financial management and competitive power of small and medium enterprises under the effort of the government.