

SMALL FIRMS ASSOCIATION

SUBMISSION ON THE STATEMENT OF STRATEGY FOR EDUCATION AND SKILLS 2016-2018

Presented to:

Department of Education and Skills

June 2016

Introduction

The Small Firms Association (SFA) is the trusted partner of small businesses in Ireland, with 8,500 members and six affiliated organisations in all sectors and parts of the country. Its mission is to deliver business-focused advice and insights to member companies, influence government policy to the benefit of small businesses and connect its members in a thriving community.

The SFA has a vision of Ireland as the most vibrant small business community in the world – supporting entrepreneurship, valuing small business and rewarding risk takers. In this context, the SFA welcomes the opportunity to make a submission to the Department of Education and Skills on its Statement of Strategy 2016-2018. This document will provide insights into Ireland's current skills challenges and the future skills needs of enterprise, based on our knowledge and experience of the small business community, which comprises over 182,000 businesses, employing half of the private sector workforce.

Overview

The SFA welcomes the recent emphasis on entrepreneurial skills and on enterprise-led skills gap analysis in the National Skills Strategy 2015-2025 and the Programme for a Partnership Government. Creating a highly educated population with the ethos and tools to succeed is a crucial factor in the vibrancy of the small business community and will contribute to economic prosperity and social cohesion.

This submission focuses on the themes directly related to small business, namely #5 Promoting creativity and entrepreneurial capacity in students and #8 Meeting the skills needs of the future. The submission draws on the recently-published 'Next Generation Business' report, the SFA's five-year vision for small firms in Ireland. It also draws on the SFA Training Needs Survey, conducted amongst SFA member companies in September 2015.

5 Promoting creativity and entrepreneurial capacity in students

- *Entrepreneurship education*

There is no doubt that entrepreneurial skills need to be enhanced in the Irish education system. The data from the Global Entrepreneurship Monitor shows that Ireland lags behind the EU average in terms of primary and secondary education. Ireland should aim to surpass the EU average on these metrics and compete with the most innovative, entrepreneurial nations in the world.

Most of the entrepreneurial education to date has focused on the importance of business start-up and the individual entrepreneur. Emphasis should increasingly be placed on the following:

- Building and maintaining entrepreneurial teams
- The supports available and creating a supportive environment for entrepreneurs (e.g. not everyone will become an entrepreneur but many people, such as bank officials, civil servants etc. will have an impact on how businesses can grow and develop so a knowledge of and appreciation of small business would help provide a supportive business environment)
- The advantages of working in a small business (as opposed to the main emphasis for those who don't want to start up a business on becoming a large business employee)
- The challenges of growing and developing a business (as opposed to the main focus on start-ups).

Learning methods for these challenges could include case studies, guest speakers, visits to organisations and the use of simulations.

- ***Creativity and critical thinking***

It is important to note, however, that the issue is not only to have 'entrepreneurship' or 'business studies' classes taken by more students, but to introduce key skills such as resilience, critical thinking, risk assessment/intelligent risk taking and collaboration across the curriculum from primary to higher education. While the promotion of creativity is admirable, a greater focus on the development of critical thinking skills, to include research ability and reflective thought, would serve students better as preparation for third level and their careers. Critical thinking will naturally lead to creativity so the knock on effect will be greater than focusing on creativity alone.

Critical thinking can be developed across the spectrum of subjects to encourage students with problem-based approaches. Using case studies from across sectors to show how problems are solved (e.g. a meteorologist reading weather patterns for a geography class; a business advisor for a bank on making a loan decision; a genetic scientist reading a blood sample for a DNA profile) will not only bring the subject matter alive and present career options to students, but will also provide students with techniques in problem solving and critical thinking. These skills are crucial for budding entrepreneurs but are also highly valuable for those looking for employment after leaving education.

Furthermore, students often see their subjects in isolation rather than contributing to different societal elements. An excellent way to emphasise and teach the skills required would be via a multi-subject simulation, e.g. a series of decisions (such as housing planning, water supply, school building programmes, choice of taxes, etc.) affecting issues in a small town that spans all subjects in the curriculum, with students tapping in to the relevant modules of the simulation based on their subject choices.

- ***Learning Methods***

To support the objective of increasing the flexibility of courses in higher education, investment is needed in online learning supports, to implement blended learning approaches

(e.g. online classes and exercises combined with face-to-face learning). Companies are increasingly incorporating technology to enhance processes and educational institutions should keep up.

Another challenge facing higher education is that, without staff having the ability to keep up to date with industry, the skills will not be developed, even with the proposed use of industry partners to deliver elements of the curricula. Consideration should be given to an 'industry experienced' staff grade in third level institutions who have practical experience and also academic qualifications (although not to the current PhD-standard requirement for full-time academics). Full-time staff engagement with industry should be further encouraged, e.g. through further emphasis on industry-academia research projects and through taking career breaks to go into industry, and this should be taken into consideration in a more robust performance appraisal system.

Increasing specialisation of higher education institutions warrants consideration, as does a review of the length of courses to see if they would be more effectively delivered over a shorter period.

- Further recommendations

Primary and secondary education:

1. Introduce the concept of entrepreneurship in primary schools through project-based work delivered by outside experts. This already exists in an ad hoc manner in some schools but should be mainstreamed.
2. Foster collaboration between companies and schools in their local communities. Companies could donate products to schools to take apart and learn how to put back together, mentor student enterprises/entrepreneurs and allow their experiences to be used in real small business case studies.
3. Continue and build out successful Transition Year programmes including work experience, model company programmes and student entrepreneur of the year awards.
4. Encourage children to run fundraising events rather than parents, allowing them to learn to navigate the mechanics of running a bake sale for example.
5. Create a national structure for partnership between business organisations, such as the SFA, and teachers' organisations to share insights and perspectives.
6. Promote entrepreneurship as a viable and attractive career choice.

Higher/further education:

7. Integrate entrepreneurial skills into a range of higher education courses, including engineering, science, journalism and ICT. Teach students how to set up and grow a business.

8. Deliver self-employment training sessions to adult learners, unemployed people and those outside of the workforce, including by using games.
9. Educate people to recognise what they don't know and identify how they can fill the gaps by upskilling or collaboration.

#8 Meeting the skills needs of the future

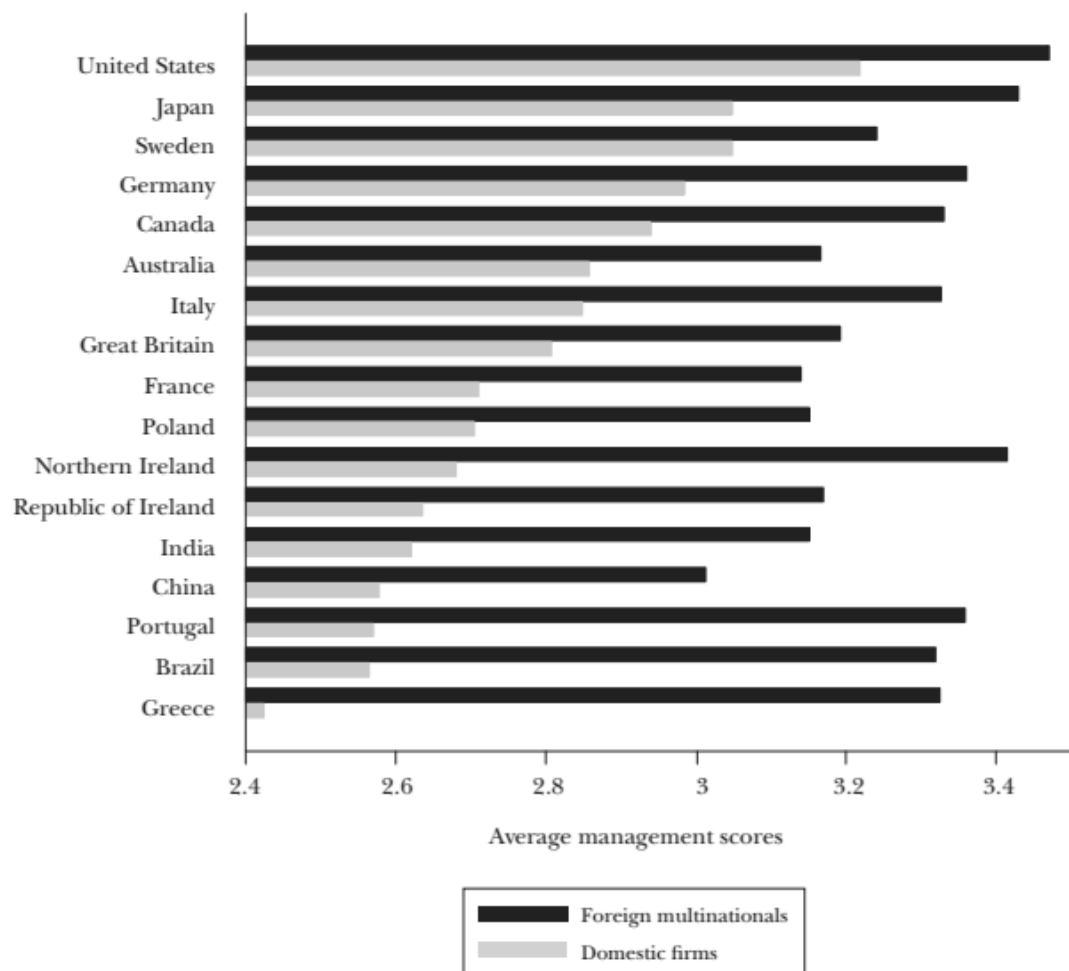
- *Management skills*

Good management skills are key components of business growth in any economy. Research has shown internationally that improved management skills can improve sales growth, market share growth and particularly lead to higher productivity.

A 2010 study of Irish firms for the IMI by researchers from the London School of Economics had some disconcerting results in this context. They found that manufacturing firms in Ireland had poor management practices, lagging considerably behind their counterparts in the US and UK. They also found that Ireland had a long tail of poorly performing firms which was not seen in other countries, which was covered over by some very high scoring multinationals. Irish domestic firms in general were 20% behind multinationals in terms of management practices.

Among 10,000 firms in manufacturing and retail across 21 countries, Irish domestic firms and particularly small firms suffered the biggest challenge with management. Irish indigenous firms were third bottom among developed countries, higher only than Portugal and Greece.

Figure 7: Management scores (0-5) in domestic and multinational companies



Source: Bloom, Genakos, Sadun, and Van Reenen (2009).

International studies show that 50% of small businesses fail in the first five years of existence, and that small business failure could be reduced by half if we invested more in management capacity. Only 6.2% of employed persons in Ireland participate in lifelong learning, compared with a European average of 11.4%. Management training is important at all stages of the business lifecycle from start-up to growth (including internationalisation) to sale/succession planning. Time, cost and location of appropriate courses are the biggest barriers for small business in upskilling.

Addressing this shortfall would have a positive impact for all those involved in the small business sector, as strong managers have the ability to identify their own strengths and those of their staff, as well as the individual and organisational gaps that need to be filled through recruitment and training. Thus a positive cycle of identification of skills needs, feedback to education providers and the labour market and engagement with in-work training and lifelong learning will be created.

- ***Further recommendations***

1. Small companies need to realise that building a professional management team is important, and the right mix of skills (creative, finance, sales, etc.) are needed to make a successful business. More time should be invested in hiring the right people and upskilling others.
2. Many people who set up a business have an idea and want to commercialise it but they are not naturally skilled in running a business. There is currently no structured way of matching 'ideas people' with professional management, appropriate mentors and non-executive directors.
3. The outstanding recommendations of the Management Development Council Report should be implemented; primarily:
 - Increase the level of funding to ManagementWorks to the level recommended in the Report, i.e. €10-12 million, in the short-term, with this figure growing over time
 - Intensify focus on the 'long tail' of badly managed firms, as this has the greatest potential to increase gross value added.
4. Promote awareness of the training and capacity-building programmes that are available to small businesses, through the SFA, Skillnets ManagementWorks and others.

- ***Other skills needs***

Financial literacy is another area where we have identified a need in small firms. Numeracy and other mathematical skills in Ireland fall below the EU average. The lack of financial management skills has been highlighted as a barrier to accessing bank finance and other forms of funding. While Enterprise Ireland and Skillnets ManagementWorks have developed some interventions, more needs to be done, as financial expertise is a vital skill for small companies. In this regard, a Finance Voucher Scheme should be introduced (similar to the Trading Online Voucher Scheme) which would be open to all small firms for training staff in financial management or to assist them in gaining specialist advice on preparing funding applications.

The SFA carries out periodic surveys of its members in relation to training needs, the most recent of which was conducted in September 2015. As part of the latest survey, members were asked to rank a list of topics according to the level of need for those skills by the owner-manager of the business and employees in the company.

The topics of greatest need for owner-managers were:

1. Human resources and industrial relations
2. Leadership/management skills
3. Strategy
4. Sales/business development

5. Business/employment law

The topics of greatest need for employees were:

1. Customer service
2. IT/computing
3. General management
4. Marketing
5. Digital marketing/social media

It is crucial that training is enterprise-led and aligned with the needs of enterprise. This is one of the main strengths of the Skillnets model, which small companies have already engaged with extensively. The SFA is in favour of enhancing enterprise-led education and training in particular through Skillnets, the funding for which should be restored to its 2008 level.

- ***Internships and apprenticeships***

Internships are one of the keys to gaining practical experience in the workplace. Despite some negative publicity, the JobBridge Scheme continues to be well received by our members, with many converting the internships into ongoing jobs after the completion of the programme. In terms of a successor programme to JobBridge, the SFA is in favour of a new accredited internship scheme focused on improving the employability of young people, which would permit employers to provide top-ups to social welfare payments.

Another aspect of the architecture on which SFA members have provided concrete feedback is apprenticeships. The SFA welcomes the recent expansion of the apprenticeship scheme and would encourage its further expansion over the coming years. However, feedback from our members indicates that more small companies would take on apprentices if a number of challenges were addressed:

- Excessively high costs in years three and four. Under the present scheme, the wages in year four are 90% of full wages. 75% in year four and 60% for year three would be more appropriate.
- Companies should be facilitated in planning when apprentices are taken in. Currently SOLAS does not allow companies to control this and it leads to timelines that are not optimal for the companies.
- The age restriction should be removed.

Further Information

For further information on any of the issues raised in this submission, please contact Linda Barry, SFA Assistant Director, on 01-6051626 or linda.barry@sfa.ie . More information about the SFA is available on www.sfa.ie and on Twitter @SFA_Irl