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## **"Mind the gap": graduate recruitment in small businesses**

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### **ABSTRACT**

The purpose of the study was to analyse the perceptions that small business owner-managers held of graduates and graduate skills. The research focussed on the tourism, hospitality and leisure sectors and used two methods, focus groups and a survey of firms in Surrey, UK. Firms employing less than ten people dominated the study, which coincides with the number of micro businesses in the UK business and sector profiles. The research highlighted some interesting results and perception gaps and this paper will present these results. Micro-business owners, for example, believed that their businesses were not appropriate for graduate employment and that they could not utilise graduate skills. As firms grew, however, their readiness to recruit graduates increased and owner-managers who had professional qualifications were also more likely to recruit graduates. The study indicated that smaller firms placed greater emphasis on the ability of the graduate to 'fit' within the business and findings suggested that SMEs expected graduates to be able to perform and contribute immediately, which differs somewhat from the requirements of larger firms. The results of the study will be drawn out in this paper because they impact on the way students in Higher and Further education are prepared for work.

### **KEY WORDS**

Small businesses; Training; Graduate Recruitment; Graduate Skills; Tourism; Hospitality

### **1. INTRODUCTION**

This paper will outline the results of a study that analysed the perception of graduate skills amongst small and medium enterprises (SMEs) in the hospitality, leisure

and tourism industries in Surrey, UK. In doing so it will seek to explore the 'gap' between policy rhetoric and the reality of graduate recruitment as perceived by small firms, as well as, the 'skills gap' thought to exist between small firms and the graduate labour market.

In the UK the Department for Education and Employment (DfEE) in 1998, through its Higher Education Projects Fund, commissioned a series of projects focused on the use and relevance of graduate skills (McLarty, 1998; 2000; 2001). These studies were based on a number of assumptions: i) that there was an insufficient presence of graduates within SMEs; ii) that graduate skills could aid small business growth; and iii) where graduates were employed by SMEs their skills were under-utilised. The UK government has followed these perceptions with a number of schemes to help place graduates into small businesses. For example, these include STEP (Shell Technology Enterprise Programme), which enables a selected undergraduate to work on a project for eight weeks during the summer holidays and TCS (previously Teaching Company Scheme) enabling a graduate to work full-time with an SME for two years with support from a local University. The underpinning belief of these programmes in the UK is outlined by Nigel Griffiths the minister for small businesses when he suggests:

*"The graduates can inject fresh ideas and expertise into small businesses and so help with the skills shortage that many of them face"*

Further evidence supporting the perception of a skills gap includes a report published by the DfEE in 1997, which examined graduate employment levels and found that graduate employment in SMEs was 8% when compared to 13.2% of the economically active UK population (Williams and Owen, 1997). The latest Employers Survey conducted by the Department of Trade and Industry also found that 34% of small firms had hard-to-fill vacancies and 40% felt they had an internal skills gap further supporting the policy perceptions.

The beliefs and evidence put forward by the UK government for greater linkage between graduates and SMEs should be expected. As the population of undergraduates grows via government targets there is a requirement to justify such expansion by highlighting a demand for more graduates, filling the perceived 'skills gap' (Hawkins and Winter, 1996). The evidence supporting this perception is less clear. The idea that a

general 'skills gap' exists is questionable when the nature of employer demand for graduates is examined. Hesketh's (2000) study, for example, found little evidence to support the claim that there was an emerging 'skills gap' in highly qualified personnel and argued instead that the perception of 'under-supply' of graduates amongst employers occurred because some employers were not competing effectively in a market driven system. The study consequently indicated that a difficulty of attracting graduates to work in smaller companies is likely to be linked to the attractiveness of these opportunities when compared to alternatives. Set against studies examining the experience of graduates working in SMEs it is not unexpected that these roles appear relatively unattractive from the perspective of the graduate (Jameson and Holden, 2000). Stress amongst graduates working in SMEs has been identified to be high and caused by a range of factors including: work and role overload; lack of challenge; role ambiguity; intrusion into social and private life; time pressure and the nature of the work (Johnson, 1991; Johnson and Pere-Verge, 1993). The research illustrates that policies promoting graduate employment in small firms should not underestimate the potential isolation of graduates working for SMEs and that such work is unlikely to be the preferred choice of the graduate (Johnson and Tilley, 1999). More recent work on graduate experience of work found some positive benefits for graduates working in SMEs (Arnold et al., 2002). In the study graduates reported positive benefits including: high degree of autonomy; the chance to develop a wide range of skills and short-term progress towards career goals. In confirmation of similar studies, however, pay, training and within-organization career development were viewed rather more negatively (Arnold et al. 2002).

Even if one accepts the argument that there is a 'skills gap' between graduates and SMEs and that graduates could be attracted to work in small firms further presuppositions are embedded in the policy rhetoric (Stuart and Knowles, 2000). Such assumptions include: i) SMEs create large numbers of jobs in the economy; ii) because small firms seek to grow they will require more graduates; iii) that SMEs can be categorised as a single group; and iv) that small businesses want to employ graduates. None of these assumptions can be accepted uncritically. The job creation capacity of small firms, for example, has been debated and analysed in great detail and there remains much discussion about whether net job creation for small firms in the economy is as significant as is generally recognised (Haltiwanger, 1999). Although perceptions about small business growth focusing on the idea that most small businesses seek growth are widespread much

of the empirical evidence is contradictory (Birley and Stockley, 2000). Treating all small firms as a homogenous group seeking the same thing, in this case graduates, is also extremely problematic as firms in different sectors have different requirements, as do firms of different sizes (Storey, 1994; Curran and Blackburn, 2001). Consequently, the idea that small businesses will want to employ graduates is likely to be dependent on the particular circumstances of the firm (Pittaway, 2002), may be influenced by differing aspirations about growth (Matlay, 1999) and linked into their general attitudes toward training and development (Jameson and Holden, 2000). Although there has been some effort to explore how these circumstances might differ from the view of the graduate (Mukhtar, Oakley and Kippling, 1999; Jameson and Holden, 2000), there has been less effort to explore the perceptions of graduate recruitment in particular sectors from the perspective of specific types of SMEs (Pittaway, 2002).

## **2. AIM OF THE STUDY**

The purpose of the study outlined in this paper was to examine the extent to which perceptions of graduate recruitment varied amongst different types of SMEs within a particular sector. The study was designed to explore and analyse the perceptions that SME owners held of graduates, including graduate skills and to identify those types of small businesses that might be more inclined to employ graduates. The research took a sectoral view of graduate recruitment by focusing on the leisure, hospitality and tourism industries. It was funded by the European Social Fund and conducted at the University of Surrey during 1999-2000. The aims of the study were to:

- i) Investigate the current employment of graduates in the Surrey leisure, hospitality and tourism industry.
- ii) Analyse the perceptions that SME owners held of graduates and graduate skills.
- iii) Identify the potential for future recruitment of graduates within small firms in this sector.
- iv) Assess the extent to which the growth orientation of owner-managers influences views on graduate recruitment.
- v) Explore how differences in business size (within the SME category) influence the likeliness of graduate recruitment.

The leisure, hospitality and tourism industries were chosen as a focus for this analysis because they are viewed as one of the fastest growing, job-creating industries in the UK dominated by small independent businesses (Jameson and Holden, 2000). Purcell and Quinn (1995) established that many hospitality graduates pursue careers in small firms and there is much anecdotal evidence that large numbers of other graduates have experience of the industry via part-time and temporary work. Examining this sector would, therefore, provide a reasonable sample of small firms with sufficient experience of graduate employment. The rationale for focusing on growth orientation and business size was to explore the extent to which key variables differentiating small firms would impact on their perceptions of graduates and graduate recruitment.

### **3. METHODOLOGY**

The research was designed using two methods. In the first phase a series of focus groups were conducted including representatives of the major business support and training agencies in Surrey. The focus groups concentrated on the general policy climate, the wider approach of tourism and hospitality SMEs to training and on their approach to graduate employment. During the first phase business owners that were actively engaged in graduate recruitment were informally interviewed. Data from the focus groups were recorded, transcribed and analysed using grounded coding in the NUD\*IST 4 software (Strauss and Corbin, 1990).

In the second phase a questionnaire was designed based on the data from the pilot focus groups and interviews. A population sample of SMEs in the leisure, hospitality and tourism industry was constructed from data made available by Surrey TEC, Surrey County Council and Guildford Environmental Health Department. The database was cleaned to remove businesses employing more than 200 employees and duplicate entries. It is expected that this method enabled the research to capture over 90% of the SMEs operating in this sector as the majority were either registered for Food Safety or Council Tax, however, it must be acknowledged that this sampling technique was unlikely to capture any unregistered businesses operating in the grey or black market. Once the database was cleaned of multiple entries the sample was reduced from 1240 firms to 870 SMEs, all 870 SMEs in this industry sector were surveyed.

The questionnaire was separated into a number of distinct sections. The first section provided information on the business. The second section collected data on the individual's general attitudes about training and development and also assessed their views about business growth. The third section explored current graduate employment and analysed perceptions about graduates, graduate skills and future recruitment intentions. The final section provided information on the owner-manager emphasising their educational background. The data analysis was conducted using SPSS utilising both descriptive and analytical statistics and the analysis was conducted with a special focus on the differences between SMEs perceptions of training, graduates and graduate recruitment based on their business size, their growth orientation and the educational background of the owner-manager.

#### 4. RESULTS

Of the 870 firms surveyed 139 responded to the questionnaire representing a response rate of 16%, this is broadly typical of response rates from surveys of SMEs (Curran and Blackburn, 2001).

##### 4.1. Business demographics

Of the firms who responded 39% of the sample sold accommodation (e.g. small hotels or bed and breakfast establishments); 28% were food related (e.g. cafés and restaurants); 19% were drink related (e.g. pubs and clubs); and 15% were other tourism and leisure venues (e.g. event management companies and tourism attractions). The age profile and business size of the sample is reported in Table 1.

**TABLE 1:  
BUSINESS DEMOGRAPHICS**

<b>BUSINESS AGE</b>		
	0-5 years	29%
	6-10 years	27%
	11-16 years	17%
	16-20 years	7%
	20+	20%
<b>BUSINESS SIZE</b>		
	1 self employed	10%
	1-10 employees	44%
	11-50 employees	27%
	51-200+	10%

The data suggests that a large majority of firms in this sector in Surrey had been operating for less than ten years and the industry has a particularly high number of micro-enterprises when compared to other sectors. The sample used for this study is, therefore, considered to be typical of the leisure, hospitality and tourism industries in the UK (National Survey of Small Tourism and Hospitality Firms, 2000).

#### **4.2. Owner-manager demographics**

Of the 139 owner-managers who responded to the survey 45% were male and 52% were female (missing entries 3%). When compared with other sectors the representation of female owner-managers can be considered unusually high. Further analysis indicated that female owner-managers have a particularly high representation in the bed and breakfast sector and that they were more likely to be self-employed or operate very small businesses when compared to men.

The proportion of people owning businesses tended to increase with age within the sample only declining at the age of 60. The educational background of the respondents indicates that 24% left formal education after O'levels (aged 16), 45% left after A'levels (aged 18) or technical qualifications and 30% left after higher education (aged approx. 21). The degree of involvement of owner-managers who have higher education in this sector is somewhat higher than expected, although one must interpret the data with caution due to the nature of the survey focusing on graduate skills. It is worth noting, however, that the result represents 5% of the entire population, which corresponds to the DfEE study (Williams and Owen, 1997). A large proportion of the respondents (40%) did have some form of professional qualification (degree, masters, HND) and many had membership of professional organisations, such as, the HCIMA<sup>2</sup>.

An analysis was conducted to explore the relationship between small business owner's professional qualifications status and the type of business they owned according to business size, growth orientation, ownership type, and sub-industry sector. The data explored found that business owners with professional qualifications were more likely to operate larger SMEs but that no other relationship between a professional education and the nature of the business could be found.



### **4.3. Attitudes to training and development**

There are numerous studies of training and development in SMEs, studies of owner-manager's attitudes towards training and the effects of training on SME 'performance' (Curran et al., 1996; Westhead and Storey, 1996; Patton, Marlow and Hannon, 2000). The rationale for examining this within the study was to use views about general training and development as a barometer for understanding links between general orientation to human resources and owner-manager's perceptions of graduates. Respondents were asked to indicate the forms of external training they had received in the previous five years; only 40% of the sample had received any formal training. This illustrates a low penetration by the business support agencies (Surrey County Council; Guildford Borough Council; South England Tourist Board) within this industry sector in Surrey. The main forms of training received tended to be food and hygiene courses; although these are not compulsory most food outlets are actively encouraged to have formal courses. Where formal courses had been taken they tended to be focused on operational concerns (e.g. Welcome Host; Food and Hygiene; Information Technology) rather than supervisory or management concerns (e.g. Marketing and Sales; Investors in People; Finance). It is difficult to draw a conclusion from this finding other than to put forward two possibilities: i) SMEs in this sector tend to have a highly technical orientation rather than a managerial one; or, ii) the providers of business support (e.g. Business Links; TECs) have a low penetration when compared to those providing technical/operations support (e.g. Surrey County Council; Guildford Borough Council; Colleges; South England Tourist Board).

The study examined the perceived 'skills gap' that the owner-managers had both in relation to their own skills and the skills lacking within the business. The data indicated that the 'skills gap' as perceived by owner-managers were in both operational and managerial areas, with an overall emphasis towards a lack of managerial skills. The data illustrated, for example, that information technology and health and safety (including food hygiene) continued to be viewed as important areas for future training in operations skills, whereas financial, leadership, marketing, creativity and communication skills were all recognised as representing a part of the 'skills gap' in the management of small firms. One can conclude from the data that there is some discontinuity between the uptake of formal training in management skills and the demand for such skills.

A recent study by the Council for Excellence in Management and Leadership examining management and leadership in SMEs concludes that the nature and structure of provision of training for small firms is designed inadequately for small firms' needs (Perren and Grant, 2000). It illustrates, for example, the need for more informal mechanisms for the development of management and leadership skills (e.g. mentoring, network brokerage, leadership exchanges). Exploring the data from this study in relation to key variables and 'formal course' structure a number of conclusions can be drawn about the owner-manager's perceptions regarding formal training structures. The respondents were asked about formal course design specifically about preferences regarding course structure. Although there was a general preference for one-day courses, when the data are analysed in more depth a more complex picture can be drawn. Table 2 outlines the analysis undertaken and shows that the preference for structure of course design does depend somewhat on the size of the business. Owner-managers operating larger SMEs have a greater willingness to be involved with longer more formal courses. The data confirms the view that there are perceived opportunity costs for business owners of very small firms when they become involved with formal training, which takes them or their employees away from the business (Perren and Grant, 2000). One can conclude tentatively that this barrier to formal training is alleviated as the firm grows and has greater human resource 'slack'. It can be suggested from this result that informal methods of training (e.g. mentoring) that enable owner-managers to benefit while staying within the business, working on tasks which contribute to the operation, are likely to be more attractive to micro-businesses. Given that the majority of firms in this sector are micro-businesses the data explain the low involvement of leisure, hospitality and tourism SMEs in formal business support training and their low interest in TCS graduate placements.

**TABLE 2**  
**ANALYSIS OF PREFERENCE FOR MANAGEMENT DEVELOPMENT**  
**COURSE STRUCTURE BY BUSINESS SIZE**

Question	Options	Self-employed (Mean)	Micro-businesses (Mean)	Small businesses (Mean)	Medium Sized businesses (Mean)
Q14 Courses longer than a day would use too much of my time?	strongly agree (1) - strongly disagree (5)	2.11	2.11	2.18	<b>3.09*</b>
Q19 It is easier for me to undertake training during January and February?	strongly agree (1) - strongly disagree (5)	2.30	2.72	2.62	2.81
Q21 It is not easy for me to participate in training during the summer	strongly agree (1) - strongly disagree (5)	2.37	2.44	2.56	3.27
Q23 What would be the ideal length of a short course?	1/2 day (1); 1 day (2); 2 day (3) 3 day (4); 4 day (5) 5 day (6)	1.70	1.91	1.95	1.81

\*0.050 significance level, questions 19 and 21 relate specifically to training provision relevant to the industry sector - *Test used was Duncan's One-way ANOVA model.*

An examination of the owner-manager's perceptions of training illustrate that they were more aware of the direct impact of their personal skills on the business than skills of their employees. It was evident that they did perceive a 'skills gap' to exist between their personal skills and those skills they felt were required to run their business effectively. Further evidence in this data supported the idea that work-based training/informal methods were preferable when compared to course based/formal methods of training. When the data were analysed in greater depth<sup>3</sup> using analytical statistics to explore the relationship between attitudes to training by categorical variable (e.g. business size, growth orientation and professional background) a number of interesting results were obtained.

- i) Owner-managers of larger SMEs are more aware than those operating micro-enterprises of the need for professional development training. Likewise small and medium businesses are more inclined to use such training. The result confirms the view that as the firm grows and employs more people there is a greater need for managerial skills. Firms operating larger SMEs are, therefore, more likely to experience and acknowledge a 'skills gap' in managerial skills.

- ii) Time constraints play an important role in the acceptability of training provision. The self-employed and micro-businesses particularly view this as a constraint.
- iii) Business owners who have not used training previously have a greater belief that their personal skills will impact on the business. There are two potential explanations for this result. Firstly, very small businesses in the sample have undertaken less training than other businesses and because they employ fewer people they can see greater linkage between their own personal skills and business 'performance'. Secondly, the result may represent a psychological or a real barrier to training (i.e. the individual believes they have the requisite skills to run their business). Either explanation may have an impact on the owner-manager's perceptions of graduate recruitment.
- iv) Owner-managers who had previous training had greater awareness about the benefits of future training. They were more likely to consider the benefits of training, to make time available and to believe they needed further training.

Attitudes to training and development have a number of implications for perceptions of graduate recruitment. The data collected in this study did confirm the existence of a 'managerial skills gap' in leisure, hospitality and tourism SMEs, which might indicate a need for graduate recruitment. The gap, however, is more complex than is generally considered. There is little evidence of a gap for micro-businesses (those employing up to ten employees). As these firms constitute a majority of small firms in these industries (44% in this study) the overall potential 'skills gap' for graduate labour may be significantly less than is generally thought. Awareness of a 'managerial skills gap' does become more evident in larger small and medium sized firms. In agreement with theories of growth (Scott and Bruce, 1987) as businesses become more complex and employ more people the degree of managerial skills required is likely to increase indicating greater demand for graduate labour in large small businesses (25-50 employees) and medium sized businesses (51-200). In terms of graduate recruitment the results suggest that only a small proportion (about 20% in this study) of small firms are likely to have an identified skills gap appropriate for graduate labour.

#### **4.4. Growth orientation**

The purpose of exploring growth orientation of SMEs was to explore the extent to which owner-manager's views on graduates varied between different types of small firm. Growth orientation was assessed by asking respondents whether they wanted their business to grow in the next two years using a five point attitudinal scale (strongly agree to strongly disagree). The data from this research illustrates that 40% of the sample had no desire to grow their business in the next two years (neutral, disagree, strongly disagree) this rose to 52% of firms employing fewer than 11 employees. Those business owners who did not want their business to grow had a lower view about the value of training and were more likely to be self-employed or micro-businesses.

#### **4.5. Graduate recruitment and skills**

Of the 139 owner-managers surveyed 36 (26%) employed graduates. Overall 131 graduates were employed by these 36 businesses, a large number of these graduates (48) were, however, employed by only four businesses. When these data are analysed for the relationship between business size and graduate recruitment there was a correlation (Pearson  $P = 0.000$ ) between the size of business and total graduate recruitment. The result indicates that more graduates are employed per firm in medium (51 -200 employees) and large small businesses (25-50 employees) than in smaller SMEs; the self-employed were excluded from the analysis. The data is further supported by the fact that total graduate employment was greater in small and medium businesses (46%) than in micro-businesses (32%). When these data are analysed according to growth orientation and the owner-manager's educational experience it was possible to conclude that growth orientated businesses tended to employ more graduates (Levene's t-test  $P = 0.090$ ) whereas there is little evidence of a link between the educational experience of the owner-manager and their likeliness to employ graduates. Graduate employment in this sample is, therefore, clustered in a few large SMEs who are currently seeking to grow.

Perceptions of graduate recruitment and orientation to recruit graduates in future were also tested within this survey. The respondents were equally split when asked whether they could benefit from graduate recruitment in future (yes 45%, no 45%, don't know 10%). In correspondence to this disagreement in the sample the attitudinal data about graduate recruitment was inconclusive for the sample as a whole; including wide standard deviations. Analytical statistics were subsequently used to explore the data in

more depth according to business size, growth orientation and the educational background of owner-managers. Table 3 outlines the data for the analysis between business size and graduate recruitment perceptions. The data show a significant relationship between perceptions about the usefulness of graduates and business size. SMEs employing fewer than 11 employees (and by definition the self-employed) generally have a negative perception towards graduate recruitment; the degree of variance from the sample is significant. The data also show that small businesses (11-50 employees) have a somewhat neutral view of graduate recruitment while medium sized businesses (51-200 employees) have a more positive view. From these data it is clear that the potential for graduate recruitment in small and medium sized businesses is greater than it is in other types of SME. It is also worth highlighting from the data in Table 3 that only owner-managers of medium sized firms felt that graduates would contribute to business performance.

**TABLE 3**  
**ANALYSIS OF PERCEPTIONS ABOUT GRADUATE RECRUITMENT BY**  
**BUSINESS OWNERS' GROWTH ORIENTATION**

(Where 1 is strongly agree and 5 is strongly disagree)

<b>Question</b>	<b>Self-employed</b>	<b>Micro-businesses</b>	<b>Small businesses</b>	<b>Medium businesses</b>
I think employing graduates would help improve the performance of my business	<b>3.48*</b>	3.13	2.84	2.18
Even if I wanted to I couldn't afford to employ a graduate	<b>1.63*</b>	<b>2.57*</b>	3.38	3.55
I don't think graduates would like to work for my business	<b>1.67*</b>	<b>2.44*</b>	3.30	3.55
I would feel uncomfortable employing a graduate	<b>2.56*</b>	3.48	3.70	3.64
I don't need the type of skills a graduate has	<b>1.74*</b>	<b>2.80*</b>	3.51	3.64
Graduates would not 'fit in' with my workforce	<b>1.89*</b>	<b>3.08*</b>	3.84	3.82

*\*Duncan's One-way ANOVA tests at the 0.050 level of significance were used to test for variance.*

Perceptions of graduate recruitment were analysed according to the growth orientation of the owner-manager. A significant relationship was found in five of the six attitudinal responses and these data are presented in Table 4. The data show that business

owners who were growth orientated were much more likely to have a positive orientation to employing graduates and this relationship was confirmed in five out of six attitudinal responses as significant. Growth orientated business owners tended to agree that they could afford to employ graduates and that graduates would want to work for their business. It is possible to surmise that owner-managers of growth orientated businesses, from their perspective, have both the available resources and requisite challenges for graduate employees. Such business owners also believe they would feel comfortable employing graduates and that their businesses need graduate skills. The data, therefore, confirms that there is a demand for graduate labour within a particular type of SME; firms that are likely to be of a reasonable size and planning to grow. When these data were analysed according to educational experience of owner-managers there were no clear relationships identified.

**TABLE 4**  
**ANALYSIS OF PERCEPTIONS ABOUT GRADUATE RECRUITMENT BY**  
**GROWTH ORIENTATION**

(Where 1 is strongly agree and 5 is strongly disagree)

<b>Question</b>	<b>Do you want to expand your business in the next two years</b>		
	YES	NEUTRAL	NO
I think employing graduates would help improve the performance of my business	2.81	3.35	3.22
Even if I wanted to I couldn't afford to employ a graduate	<b>3.11*</b>	2.23	2.05
I don't think graduates would like to work for my business	<b>3.05*</b>	2.21	1.86
I would feel uncomfortable employing a graduate	<b>3.69*</b>	2.94	2.95
I don't need the type of skills a graduate has	<b>3.40*</b>	<b>2.50*</b>	1.59
Graduates would not 'fit in' with my workforce	<b>3.68*</b>	2.48	2.23

*\*Duncan's One-way ANOVA tests at the 0.050 level of significance were used to test for variance.*

The analysis of graduate skills required by SMEs confirmed prior research (Arnold et al. 2002). The survey asked respondents to rate the four key skills they would expect if they were to employ a graduate; they were provided with four open options and asked to list their views in order of preference. The top ten 'skills' as rated via cluster analysis and in order of importance were: communication skills; people skills; knowledge; common sense; initiative; business management; self management;

enthusiasm; IT skills; and ability to learn. The data were analysed in more depth using analytical statistics to explore differences between business size, growth orientation and the educational experience of owner-managers. No particular relationships were found except that growth orientated owner-managers were more inclined to believe that graduates should have the ability to help solve the firms' problems.

## 5. CONCLUSIONS

This research has found some interesting gaps in knowledge and rhetoric on graduate recruitment. It illustrates a number of assumptions on which policy rhetoric is based and can conclude the following:

- i) The study finds evidence to confirm the assumption that there is a low presence of graduates in SMEs. Although there was approximately one graduate employed per firm a large proportion of these were employed within a few larger SMEs. As the employment of graduates in micro-businesses was particularly low, and these businesses dominate, it is possible to conclude that SMEs in the sector have a low level of graduate employment.
- ii) Results of the research carried out do indicate the existence of a 'skills gap', particularly in managerial skills, between what owner-managers perceive they need when compared to the adequacy of their current skills base.
- iii) There are results in the research that test the policy assumption that graduate skills aid small business growth. The research found that graduate recruitment and perceptions about the usefulness of graduate skills were highest amongst firms intending to grow. The data, therefore, illustrates that the demand for graduates in small firms hinges on growth aspirations somewhat suggesting that owner-managers themselves believe graduates skills can aid business growth.
- iv) Although the study did not directly test the assumption that graduates skills were under-utilised in SMEs there were some data that supported the view and other data that contradicted it. On the one hand, perceptions regarding the usefulness of graduate skills illustrated that micro-businesses generally believed that graduates would not like to



work in the business, that the business did not need graduate skills and that graduates would not fit within their workforce. Based on this data one can conclude that graduates are more likely to be under-utilised and find work unattractive in micro-businesses employing less than ten people. On the other hand, medium sized business owners believed that; graduates would improve business performance; the work would be attractive; their skills would be needed; and they would fit within the work force. The data, therefore, indicates that graduate skills are less likely to be under-utilised in larger SMEs. The results show that the utilisation of graduate skills is likely to depend on the nature of the small firm, the more attractive opportunities existing in larger SMEs and those firms seeking growth.

- v) Testing the policy assumption that the majority of SMEs were growth orientated and that as a consequence they would want more graduates showed that only a limited number of firms within this sample actually sought growth. As explained those firms who did want to grow, were attracted to graduate labour and were also recruiting graduates but these firms represented a relatively small proportion of the sample. The results, therefore, indicate that the demand for graduate labour in SMEs in this sector is currently overemphasised.
- vi) Examining the views of SME owner-managers toward graduate recruitment in a particular sector showed that one must be careful not to treat SMEs as homogenous group. Views about graduate recruitment varied considerably between SMEs of different sizes and depended on the growth aspirations of the owner-manager.

## **6. IMPLICATIONS**

The conclusions as outlined have implications for policy interventions promoting the uptake of graduates within SMEs. The research shows that the large demand for graduates perceived to exist in SMEs is questionable, indicating that SMEs may not be interested or able to employ growing undergraduate numbers. The growth in graduate employment, therefore, may require more sophisticated views about SMEs and more alternative sources of demand. The study did show that a more targeted effort toward

medium sized firms, growth orientated firms and specific sectors may pay greater dividends for future graduate employment. It could also be suggested that graduate enterprise, or the establishment of new businesses, may present greater opportunities for graduate employment than existing SMEs because owner-managers with professional qualifications are more inclined to recruit graduates. Graduates establishing businesses in a locality may, therefore, may employ other graduates via their University and alumni networks.

The study also has implications for current policy interventions, such as, TCS and STEP. The data illustrate that certain types of SMEs, such as micro-businesses with low growth aspirations, have a very low interest in graduate labour. Such schemes would, therefore, be better targeted at other types of SME. The research consequently shows that there is a gap between the policy assumptions and interventions when compared with the requirements of small firms.

## 7. NOTES

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<sup>1</sup> 'Students step in to close skills gap', Sunday Times, Small Business, March 9<sup>th</sup> 2003.

<sup>2</sup> Hotel and Catering International Management Association

<sup>3</sup> T-tests (Levene's Equality of Variances) were conducted to investigate the relationship between business owner's perceptions about training and their use of training available.

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