

## Staff training as the most important condition for the development of small and medium-sized businesses

*The paper proves that the major reason for the slow development of small and medium-sized businesses in Russia is a lack of effective training and retraining system of business staff. The directions of using public-private partnership to achieve these aims are revealed in the case of the Moscow Oblast.*

*The Moscow Oblast, small and medium businesses, business staff, public-private partnerships.*



**Zhanna K.  
LEONOVA**

Ph.D. in Economics, Associate Professor  
of the Moscow State Socially-Humanitarian Institute  
zh\_leonova@mail.ru

The world experience shows that the transition to an innovative type of economic management without small and medium-sized businesses is impossible. For example, there are 80 companies that deal with innovation processes per 100 small businesses (coefficient is 0.8) in Finland, which is among the top twenty exporters of high technology products [4]. The similar coefficient is equal to 0.7 in Singapore.

There are some positive trends in the development of small and medium-sized businesses in today's Russia (*fig. 1*). There were 1602.5 thousand small enterprises as of January 1, 2010 [7], which was 20% more than the year before. The number of small businesses per 100 thousand inhabitants increased to 189 and amounted to 1129 enterprises; the cumulative growth of the small and medium-sized enterprises for the year was equal to 9.3% [8].

However, the contribution of Russian small and medium-sized businesses in country's GDP is only 15 – 17%, while it is 40% or more in developed countries. For example, there

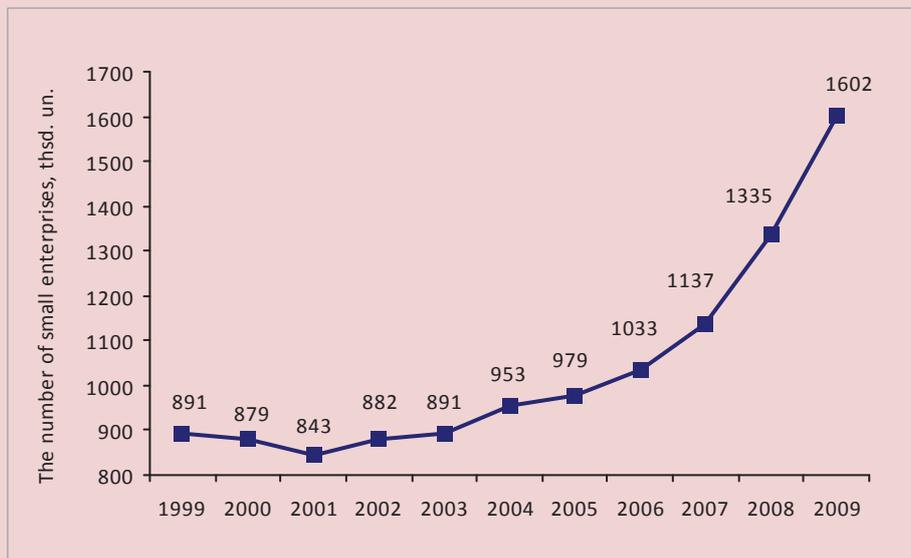
are 24 million small businesses per 245 million people in the USA [2].

Only 10% of small and medium-sized enterprises in Russia are engaged in innovation; the vast majority of them are involved in the retail trade and service sector [7].

This situation is typical for the Moscow Oblast: there are 74.4 thousand small businesses per 6753 thousand people here [10], i.e. 110 enterprises per 100 thousand people; the share of companies that are engaged in innovation is equal to 0.3% [5].

Everybody understands the need to change the situation with regard to small and medium-sized enterprises. In particular, the President of the All-Russian Public Organization of Small and Medium Business "Support of Russia" Sergey Borisov noted at the International Forum in Yaroslavl in September 2011 that "today, Russia must make a true breakthrough and increase the role of small businesses in the country's economy. Here, both the changes in the attitude of people to this type of activity and the development of entrepreneurial talents are very important" [13].

Figure 1. The number of small businesses in 1999 – 2009 (including micro-enterprises, without medium-sized businesses and individual entrepreneurs) [6]



The causes of slow development of small and medium-sized businesses are determined by the whole range of factors. The most important of them is a lack of effective system of entrepreneurial staff training and retraining.

This position was confirmed during our entrepreneurs opinion poll in the South-Eastern region of the Moscow Oblast. 510 managers of small and medium-sized enterprises took part in the poll.

The main method of research was based on a personal quantitative structured interview.

The average number of employees per one enterprise in the study is 17 persons, including 14 permanent and 3 temporary employees; about half of the staff consists of qualified and unskilled workers. At the same time, there are no human resource specialists in the majority of small and medium-sized enterprises; general director or his/her deputies act as these specialists.

The sampling structure of this poll is presented in *tables 1, 2* and *figure 2*.

The study shows that there is a serious staff deficit in small and medium-sized business (*fig. 3*), especially among qualified (41%) and unskilled (8%) workers. A lack of qualified

and service employees makes itself felt most strongly in manufacturing and constructing small and medium-sized businesses, as well as in the retail industry.

Secondly, managers in selling are in demand. This need has been pointed out by 17% of the heads of small enterprises.

All the respondents are interested in additional staff training (*tab. 3*). The directors of construction (4.1 out of 7 points) and manufacturing (3.7 points) companies need for the assistance in this matter. The businesses that operate less than three years are troubled by this problem most of all (5.2 points). The attitude of respondents to the problem of non-government support in solving staffing problems has been also estimated.

There is a high potential demand for the programmes in economics and business finance – 36% of respondents; the demand for staff training programmes is in the second place – 33% of respondents. The demand for the programmes in innovative technologies accounts for 24%, law – 22%, selling – 21%, management – 19%, information technologies – 18% (*fig. 4*).

Table 1. Sampling structure of entrepreneurs opinion poll in the South-Eastern region of the Moscow Oblast

Respondent's position	The share of group, in %	Age of respondents, years	Age of an enterprise, years
Founder / owner	11	25 – 34	2 and less
General Director	51	35 – 44	3 – 5
Commercial / Finance Director	22	45 – 54	6 – 10
Human resources manager	16	Over 54	Over 10

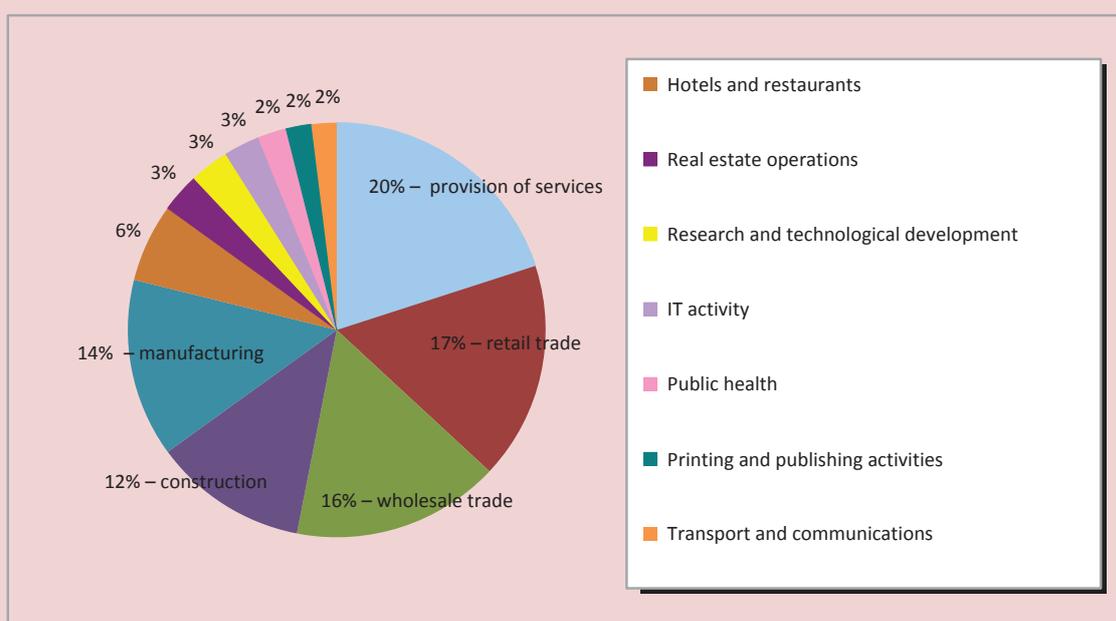
The table has been made by the author according to the results of the study.

Table 2. Annual turnover of the enterprises, managers of which took part in interviewing

Groups according to turnover	The share of group, in %
Less than 250 thsd. rub.	12
250 – 1 250 thsd. rub.	15
1 250 – 5 000 thsd. rub.	26
5 000 – 25 000 thsd. rub.	32
More than 25 000 thsd. rub.	15

The table has been made by the author according to the results of the study.

Figure 2. Activities of the enterprises which took part in the poll



The data of the managers opinion poll of small and medium-sized businesses in the South-Eastern region of the Moscow Oblast also shows that there is a demand for seminars and conferences to exchange experiences and workshops for HR managers. However, retail (3.4 points) and construction (3.3 points) companies are more open in this matter. And

the managers of all the companies regardless of the period of companies' operating have expressed their willingness to take part in the training seminars.

The problem of financial support for organizing and conducting training and re-training the staff of small and medium-sized businesses was being discussed during the poll.

Table 3. Attitude to staffing problems (response to the question: “What forms of state support does your company need to solve staffing problems?”; in points: 1 – it isn’t important, 7 – maximum value)\*

Form of state support	Types of activity of an enterprise					Age of an enterprise			
	Wholesale trade	Retail trade	Services	Construction	Manufacturing	Under 3 years	3 – 5 years	6 – 10 years	Over 10 years
Compensation for the cost of professional training	4.5	4.4	4.6	5.3	4.4	5	5.1	4.9	4.1
Assistance in staff recruiting	3.2	2.7	2.9	4.1	3.7	5.2	3.8	2.8	3.2
Consultancy in staffing	3.1	2.9	2.8	3.8	3.9	2.9	3.2	3.8	3.1
Renewal of staffing regulatory system	2.6	2.6	3.6	2.7	3.8	2.8	2.9	3.7	3
Seminars and conferences to exchange experience	2.6	3.6	2.7	3.8	2.8	3.1	2.9	2.9	3
Seminars for human resource managers	3	3.2	2.7	2.8	2.3	2.9	3.4	2.8	2.6

\* The table has been made by the author according to the results of the study.

Figure 3. The most popular professions that have been identified during the poll (response to the question, “What specialists does your company need most of all?”; in % of the heads of small enterprises who took part in the poll)

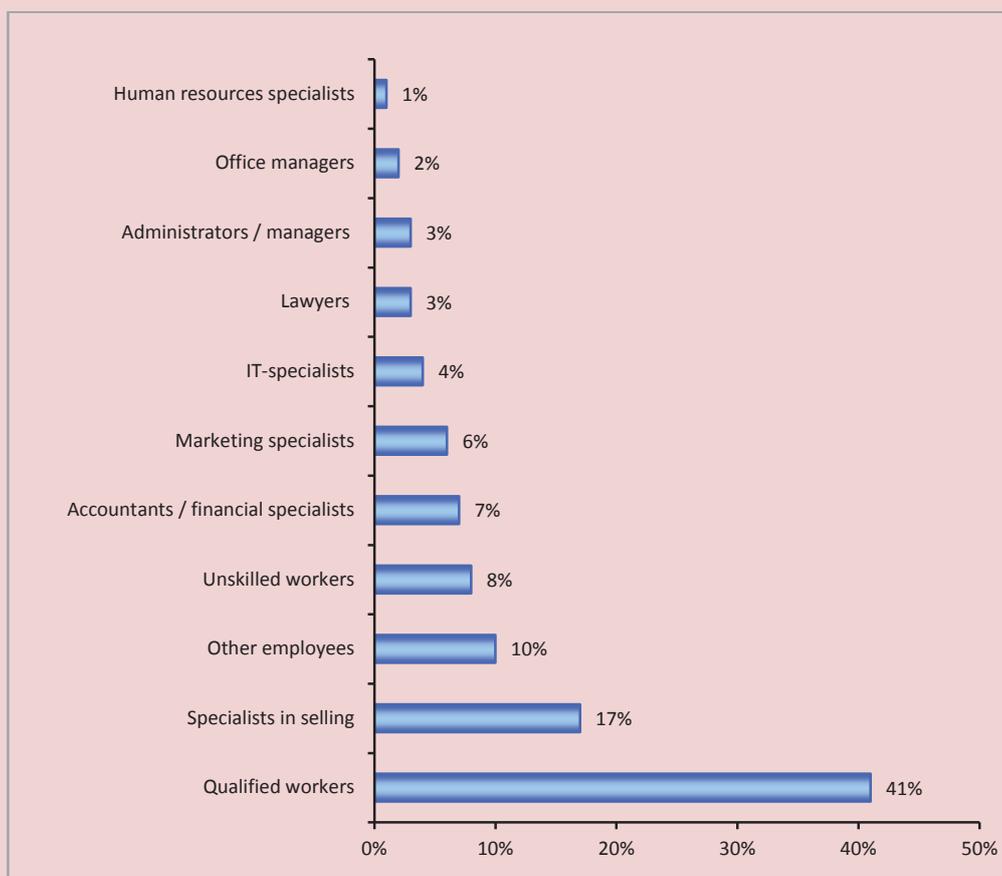
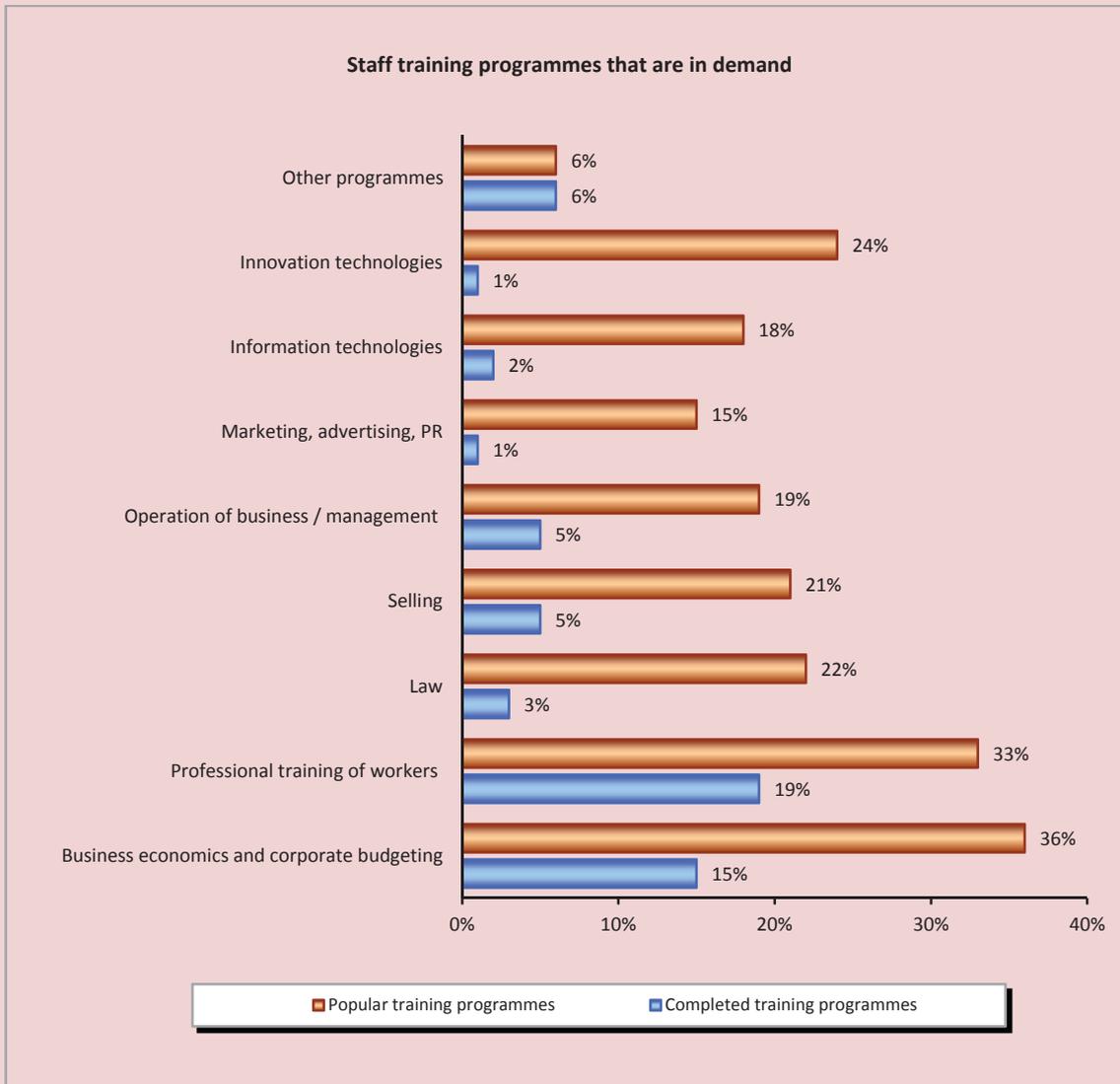


Figure 4. Staff training programmes that are in demand among small and medium-sized businesses (in % to the number of respondents)



On average, one small enterprise situated near Moscow spends 34.5 thousand rubles per year to train all the employees, i.e. 2.5 thousand rubles per one employee annually (*fig. 5*).

With the state co-financing of entrepreneurial staff training and retraining programmes, the usefulness of which was stressed by all the respondents, companies are ready to increase their staff training expenses (*fig. 6*).

Everyone expressed the willingness to increase funding for the programmes up to 12.5% on average answering the question “How much is your company ready to spend for staff training per year if the government adds the same sum of money?”

According to managers of small and medium-sized businesses, increasing the state financial support for training programmes will

Figure 5. Staff training expenses, rub.



Figure 6. The potential volume of training expenses, rub.



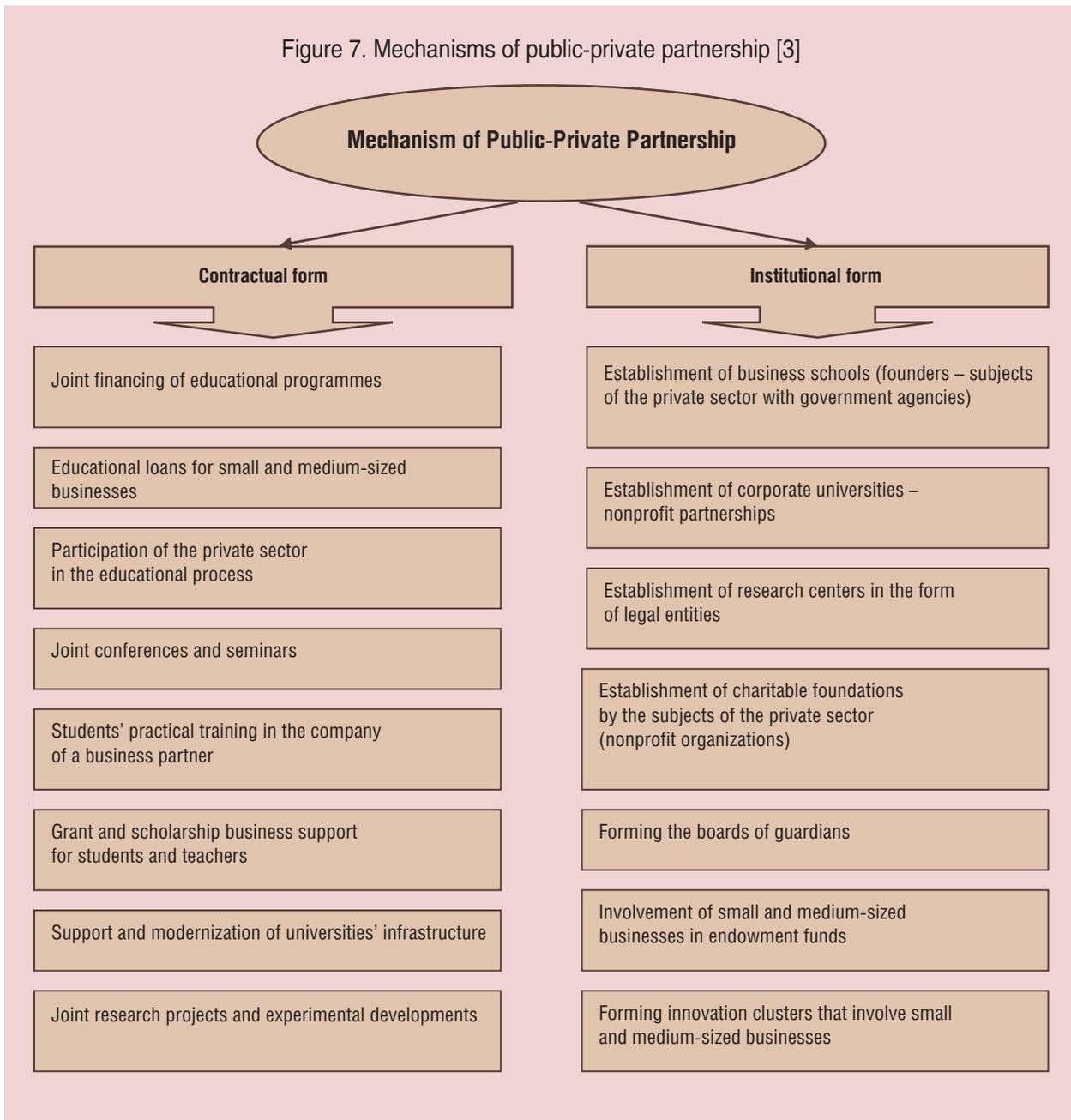
allow the state to take part actively in the development of support system for small and medium-sized business.

Impact of a financial factor is also confirmed by a survey conducted by the Executive Portal and the International Institute of Management LINK: 50% of respondents who have a desire

to train and receive training, do not take part in the business educational programmes due to a lack of finance [1].

Indeed, the system of business education in Russia is concentrated in large cities. And the average cost of training varies from 3,000 to 13,500 U.S. dollars [11].

Figure 7. Mechanisms of public-private partnership [3]



Using the mechanisms of public-private partnership (PPP) in the entrepreneurial staff training and retraining system is possible both in the contractual and institutional forms (fig. 7).

As a result of the poll, the mechanisms of public-private partnership, which are preferable for the management of small and medium-sized businesses situated near Moscow, have been

revealed. More than 50% of respondents prefer a contractual form of public-private partnership (joint financing of educational programmes; joint conferences and seminars; students' practical training in the company of a business partner; joint research projects and experimental developments). Only 12% of respondents are ready to take part in the development of school boards and organization of business schools.

This study allows us to draw a conclusion about the insolvency of such an element of economic relations as the entrepreneurial staff training system. However, small and medium-sized businesses are able to respond quickly to the changes in the information field due to their isolation.

Therefore, using the mechanisms of public-private partnership will enhance the process of effective staff training for entrepreneurship.

The cooperation between the participants of today's market requires a higher level of strategic thinking of the managers of small and medium-sized enterprises.

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