

Public Private Partnership: A Tool for Effective Training in Small and Medium Enterprises

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ABSTRACT

Purpose: In knowledge based economy, upgrading the skills of all type of manpower is central to firm performance. They become more focused on skilled and trained human capital rather than financial and physical asset because human capital always considered being essential for the maintenance of organization competitive advantage. But several constraints somewhere put limit on Small Medium Enterprise's ability to engage in training. So, this present paper not only focuses on real constraints faced by small medium enterprises in conducting effective training program but also attempt to identify need of alternative collaborative solution that is Public Private Partnership. Further, paper would also emphasis on the types of role performed by various partners in partnership.

Method / Statistical analysis: For this purpose, a survey questionnaire method was used to gather data from 76 small medium enterprises owners and 15 Association members located in Bhilwara District of Rajasthan. Several descriptive statistical analysis methods like central tendency, percentage, standard deviation, Z test etc were used.

Findings: In this research it was found that Manpower risk, scarcity of resources and training awareness are the severe obstacles create problem for SMEs in imparting training. Further it was also found that there is a need of public private partnership as a tool for effective training programmes. Moreover, respondents also suggested that government, training institute and associations can be a good partner in Public Private Partnership and can share their resources and responsibility and expertise with each other to achieve a common goal of generating trained skilled labour.

Keywords: Small and Medium Enterprises, Training and Development, Public- Private Partnership, Human Resource Management, Textile Industry.

Introduction:

Small and medium sized enterprises (SMEs) form a large part of the economic system and are considered as the backbone for the economic development in developed as well as developing countries. According to Chico (1983) and Khan (2002) during a country's crisis when the surplus of labour and scarcity of capital becomes high, SMEs have always worked as an instrument for economic survival. Further, they not only contribute significantly towards gross domestic production (GDP) but also, they account for 80 percent of global economic growth. (Jutla et al., 2002; Stel et al & Beck et al., 2005; Van Praag, Versloot, Karadeniz & Gocer, 2007; Acs et al., 2008b; Acs et al., 2008a).

The significance of SMEs cannot be undermining in context of India as they always represent the model of socio-economic policies of Government of India which emphasize on judicious use of foreign exchange for import of capital goods, labour intensive mode of production, employment generation so on. Even it also acts as a backward-forward linkage to the overall industrial sector of Indian economy.

Moreover, globalization and progression has gotten parcel of changes in the economy like development of the worldwide markets, more noteworthy headway in innovation propels and the changing needs and requests of buyers. These changes forced the nature of competitive paradigms to change continuously. Keeping in mind the end goal to contend in new situation SMEs need to chip away at various size, for example, planning and growing new items, receiving brilliant ways to deal with assembling, actualizing brisk to-advertise conveyance, grow quick correspondence framework and creating suitable showcasing methodologies .But all dimensions would be effective and productive if human capital is also effective because updated, skilled and educated human resource can easily cope up with the changing demand of internal as well as external environment. Though India has the benefit of a huge pool of human resources but SMEs are still facing problem of scarcity in manpower with skills set required for manufacturing, marketing, servicing, etc. The only reason behind this problem is lack\ absence of effective training program. In this support Hill and Stewart (2000) described training in SMEs as informal, unplanned, reactive, short term oriented, on the job with no provision for management development (Marlow and Patton, 1993; Storey, 1994) and no career development. Moreover, According to Fajana (1995) owners of SME's view the training as a waste of resource and efforts. In this support McMahan and Murphy (1999) also revealed that people perceived the training as an unaffordable luxury involving not only course fees but also the cost of unproductive labour which eventually shows that they have negative philosophy towards training. Further, they people have fear that if they spend fortunes in training their employee, one day they could be poached and lost by competitors because of relatively lack of internal promotion opportunities. Many owners of SME's display lack of interest in training because they are not conscious about benefits and expect that the cost related with training may exceed the return which leads to bring less than optimal level of training. Inadequate budget allocation and lack of finance is also one of the problems SME's facing and this problem subsist in organization without sound training policies. According to Chidi and Shadare (2011) many SMEs do not have guidelines governing training programmes and have no systematic approach to training.

Today condition is changing with fast rate and with this change, technology is also shifting which is a major hindrance outside the ability of the organization to control because rapidity in technological shifts obsolesces the acquired skill, thus necessitate the need for retraining programmes and because of lack of suitable information, knowledge about significant skill initiatives and huge expenditures involve in retraining demand SMEs to keep running with obsolesces.

Hence, in order to meet the demand of the fast changing work environment which is typically associated with SMEs (Kerr and McDougall, 1998), it is essential that small firms ensure that they are able to attract, retain, and motivate high quality employees with effective transferable skills through the effective training program and a specific budget for training. (Jameson, 2000). This would be only possible through partnerships initiated by SMEs for training.

Public Private Partnership: A tool of revitalize

The concept of partnership has become widespread around the world as an ideal model for the design of inter organizational relationships (Friend, 2006, p.261). According to Long and Arnold (1995) partnership is a voluntary collaboration between two or more organizations with a jointly defined agenda focused on a discrete, attainable and potentially measurable goal. In this support Diamond, Laffin and Liddle (2006), Wettenhall (2007) said that partnership was often not delivered in practice even though it has reflected the

importance of collaborative forms of working because sometime it involve conflicts of interest between two parties, cost shifting from one partner to another, and managing risk and uncertainty(Rosenau,1999).

Throughout the evolution of the partnership perspective, the current popular term “Public Private Partnership” conveys the powerful suggestion that collaboration deliver increased efficiency over services (Dunnigan and Pollock 2003; Shaw,2004;Pollock et al.,2001).It is a effective economic development strategy which enables accomplishment of economic development objectives neither government nor the private sectors could achieve alone.

According to John Forrer, James Edwin Kee, Eric Boyer and Kathryn E. Newcomer (2010) Public–private partnerships are ongoing agreements between government and private sector organizations in which the private organization participates in the decision-making and production of a public good or service that has traditionally been provided by the public sector and in which the private sector shares the risk of that production.

In this support Van Ham and Koppenjan (2001) defined a PPP as cooperation of some sort of durability between public and private actors in which they jointly develop products and services and share risks, costs, and resources which are connected with these products.

Moreover , the major reason for creating PPP is the shifting of risk from government to the private sector as public sector partner consider greater risk associated with the delivery & operation of desired public facilities & services, on other hand private sector consider it positive factor as they are enthusiastic about securing opportunities to profit from the risk transfer that occurs. In this support Hambros, 1999 thought that PPP approach encourage private sector commercial efficiency to replace public sector bureaucratic inefficiency which leads to delivery of higher quality projects(European Commission,2003) as well as reduce time and cost. Downer and Porter, 1992; Hall, 1998; Utt, 1999 in this support reveals that PPP offers both the public client and the private contractor more freedom to select innovative methods in the provision of assets and services. This should lead to avoiding delays in project delivery.

Research Gap

Small Medium Enterprises are available in all real area of Industry in India. Among this textile area is the most established industry positions beside agribusiness. In this industry, there is a move to innovative reliance from work concentrated and with this recognizable reality the requirement for exceedingly gifted labourers is raising at quick pace. However, the accessibility of such kind of work is low. Subsequently there is immense hole amongst request and supply of imperative work which some place hampering the execution of industry all in all.

So, there is an urgent need to give more stress on effective formal training in an industry for the skill up gradation along with knowledge and potentiality of these workmen. But, on the other hand, there are also lots of other issues such as SMEs are lacking on finance to invest in the conduct of such training programmes. Moreover, they don't take any threat in investing on human resource and so on. Thus, there is urgent need for identifying alternative method to train people both existing as well as aspirant because skilled labour force can only help an organization to sustain and grow. Moreover, it is quite complicated for SMEs specially textile industry to handle various obstacles alone. This simply demands for helping hand as a partner which can contribute towards developing skilled and trained manpower through partnership. In this regard, public

private partnership can be a collaborative solution through which every partner can share something with each other to make the things successful. So, this research would lead us to identify need of Public-Private Partnership in formal employees training as well as facilitate us to know how the partnership will take place between partners.

Objectives

For the purpose of study, the following objectives are formulated:

1. To assess factors that creates obstacle in imparting training for employees in small –medium enterprises. (This objective has been sufficed through administration of structured questionnaires (Primary data) from SME Owners)
2. To assess the need of Public-Private Partnership in formal employee training in small -medium enterprises. (This objective has been sufficed through administration of structured questionnaires (Primary data) from SME Owners and data was analysed through Z test)
3. To study the role that Public-Private Partnership can play in generating requisite skills among the workman. (This objective has been sufficed through administration of structured questionnaires (Primary data) from Association Member)

Hypothesis formulation

On the basis of the research objectives the following hypothesis was formulated.

Ho: There is no significant need of public private partnership in formal employee training in small medium enterprises

Ha: There is significant need of public private partnership in formal employee training in small medium enterprises

Method

Participants

The research was conducted in South- Eastern Rajasthan in India covering mainly Bhilwara district. The district is recognized as the textile city of Rajasthan. There are more than 400 manufacturing units are running in spinning, weaving and processing area. For this research the Owners and Association members of Small – Medium Enterprises considered as participants.

Sampling Procedure

For the purpose of survey, researcher has used two techniques: simple random sampling and purposive sampling. At stage I: Researcher has used simple random sampling for selecting 76 Textile SMEs from the target population. At stage II: Researcher has used purposive sampling to select sample subject (Owners and Association members) from these specified 76 Textile SMEs.

Sample Size

For the purpose of the study, the researcher has contacted SMEs specified in the Mewar Chamber of Commerce & Industry. Out of which 76 SMEs have given the permission for the conduct of the study. Thus,

the researcher has taken the sample subjects (76 Textile SME's owners) for the study from these specified 76 SMEs purposively.

Moreover, In Bhilwara, around six renowned textile associations exist which are Mewar Chamber of Commerce & Industry, Bhilwara Textile Trade Federation, Synthetic Weaving Mills Association, Jeela Laghu Udhog Sangh and Laghu Udhog Bharti. Researcher has taken sample of 15 respondents which belongs to top office bearer's category to get their opinion on research problem.

Method of Data Collection

Self administered questionnaire method was used for the collection of primary data.

Research Design

This study used the quantitative research approach especially descriptive research in gathering data from SME's Owners and Association Members. The analysis involved descriptive statistics such as frequencies, mean, mode, median, percentage, Z test etc.

Findings

On asking question to SMEs Owners about what problems they are facing in imparting training. Majority of respondents indicated that due to shortage of manpower they did not give training to their employees. They think that because of unavailability of labour, they have pressure to complete the production so that rather than focusing on training, they bring the labour directly into the production department. Further, they also said that when employees get trained they leave and go elsewhere where they get more money and less work that's why they were not interest in giving training to employees. Moreover owners also revealed that in training, there is no guarantee of return on investment as workers turnover is high in textile industry, if they invest money in training and after that worker leaves the company then it is a big loss. Lack of resources is another important constraint. The biggest resource in any enterprise is finance. Textile is suffering from lack of proper fund for investment in training which actually need huge amount of cost. Further due to lack of proper training facility, most of employers don't provide training and even they are not getting proper assistance and support from government. Negative attitude towards training is also a problem in textile industry as employees think that training is not useful concept. It's nothing more than waste of time. On other side, owners don't want to stop their production which shows that they are not more aware about significance of training in present as well as future scenario as shown in Table I and Figure I

Further, it was also asked to SMEs Owners-“Do you think there is need of public private partnership for trainings to industrial workers”? Majority of respondents said that textile labours are very uneducated and untrained which somewhere affects the production and profitability of company. For this severe problem, there is a need of alternative solution like PPP as shown in Table II and Figure II

To test the hypothesis mention above, Z test was applied to see the need of Public Private Partnership in formal employee training. The result shows that there is highly essential need of Public Private Partnership in formal employee training. ($Z=17.31$, $P<0.001$). Hence, we accept alternative hypothesis and reject null hypothesis as shown in Table III. Furthermore, in order to get opinion of Association member on “what type of partnership you look forward between public and private sector?” They replied that responsibility of fund availability (100 percent), ownership (73.33 percent), availability of infrastructure (66.67 percent), availability of latest machinery (66.67 percent) should provided by the government. Furthermore,

responsibility to share expertise (100 percent), responsibility to provide services to trainees (100 percent) and know how (60 percent) should remain in hand of educational institute. Moreover, responsibility of operation (100 percent), designing & building (93.33 percent), planning & monitoring of project (73.33 percent) as well as sharing of information about demand of labour market (100 percent) should be taken by association as shown in Table IV and Figure III.

Suggestion

Public Private Partnership is highly essential in imparting formal training for textile employees. In this partnership, three partners can get involved: Government, Association and Educational Institute. As a partner, government role is very important as it will provide fund for this project. While educational institute will provide expertise as well as provide better training services to public. Whereas educational institute will take the responsibility to operate this project properly. Moreover, association will compare the performance of textile SMEs with large textile enterprises which one is best in this area and identified a gap. According to this appraisal, association can identify what level of skills labour required to reach that level and further association will communicate it with educational institute. So, the responsibility of planning, designing and building of project can be availed by association as shown in Figure 3.

Managerial Implication

Every research starts with the intention to contribute in society through sharing new knowledge. It will also help in improving social and organization condition. In the same way, this research also has some implications. Firstly, it reports the finding of number of obstacles responsible for non-execution of effective and systematic training in SMEs. This research benefitted not only industrialist but also the employees. Through this research, industrialists can find out where they are lacking in imparting training, what they need to improve and which obstacle is most urgent and most important to focus. From employee point of view, after getting training, employees will enjoy their work at workplace as now they understood the demand of job and how they have to perform. Later on, they would take more interest in job and give their full contribution. Since, textile industry is suffering from scarcity of all type of resources like financial, information, human and physical etc. It is quite difficult for them to handle this situation alone. This simply demands for partnership as a support. In this regard, public private partnership can be a collaborative solution through which every partner can share something with each other to make the things successful. But at the same time one question strikes in the mind, who will be those partners? So, further, this research also finds out that for the achievement of common objective government, training institute and association member as a partner can enter into the partnership. Through this partnership lots of problems will sort out like lack of fund for conducting effective training will solve by government by providing fund for the same. Moreover, due to lack of knowledge and unavailability of expertise most of SMEs show least interest in training and this could be resolved by training institute by sharing expert trainer and good infrastructure for trainees. Furthermore, textile industries are suffering from updated information about demand and availability of skill set which can be sorted out by association by providing information and designing updated training courses for employees according to the demand of market.

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Table 1 : Factors that create obstacles in giving proper training to employees

	High	Medium	Low	No Response	Rank
High cost of training	55.26	15.79	25.00	3.95	6
It's a waste of time	23.68	15.79	57.89	2.63	13
Workers are not interested in Trainings	69.74	9.21	14.47	6.58	5
Lack of resources	52.63	17.11	28.95	1.32	7
Shortage of man power	94.74	2.63	2.63	0.00	1
No guarantee of ROI (Return on investment)	78.95	7.89	7.89	5.26	4
When employee get trained they leave and go elsewhere that's why , we are not interest in giving training to them	85.53	6.58	5.26	2.63	3
Workers give more preference to earn money	81.58	15.79	0.00	2.63	2
Lack of funds	32.89	18.42	38.16	10.53	12
Workers do not consider trainings useful	44.74	18.42	30.26	6.58	8
Lack of proper training facilities	47.37	11.84	35.53	5.26	9
Lack of good trainers	38.16	13.16	43.42	5.26	10
No apparent benefit of training	27.63	15.79	36.84	19.74	14
Impossible to stop production	25.00	32.89	35.53	6.58	11

Table II : Need of Public private partnership in imparting effective training for employees

Response	N	%
Highly essential	51	67.11
Essential	19	25.00
Moderate need	3	3.95
Less essential	1	1.32
Not essential at all	2	2.63
Total	76	100.00

Table III : Data Analysis of need of Public Private Partnership in formal employee training in SMEs

N	Mean	SD	Z	Result
71	4.55	0.75	17.31	***

Table IV : Role to be played by stakeholders in Public-Private Partnership

Function	Government	Educational institute	Association
Information about demand of labour market	0.00	0.00	93.33
Designing and build	53.33	40.00	93.33
Expertise	0.00	100.00	0.00
Fund	100.00	0.00	60.00
Infrastructure	66.67	33.33	26.67
Machinery	66.67	40.00	13.33
Operate	0.00	33.33	100.00
Ownership	73.33	6.67	40.00
Owens assets	20.00	0.00	0.00
Planning and Monitoring	20.00	26.67	73.33
Provide services	0.00	100.00	6.67
Know How	0.00	60.00	46.67
* Values in the table represents % of members in favour of particular option			

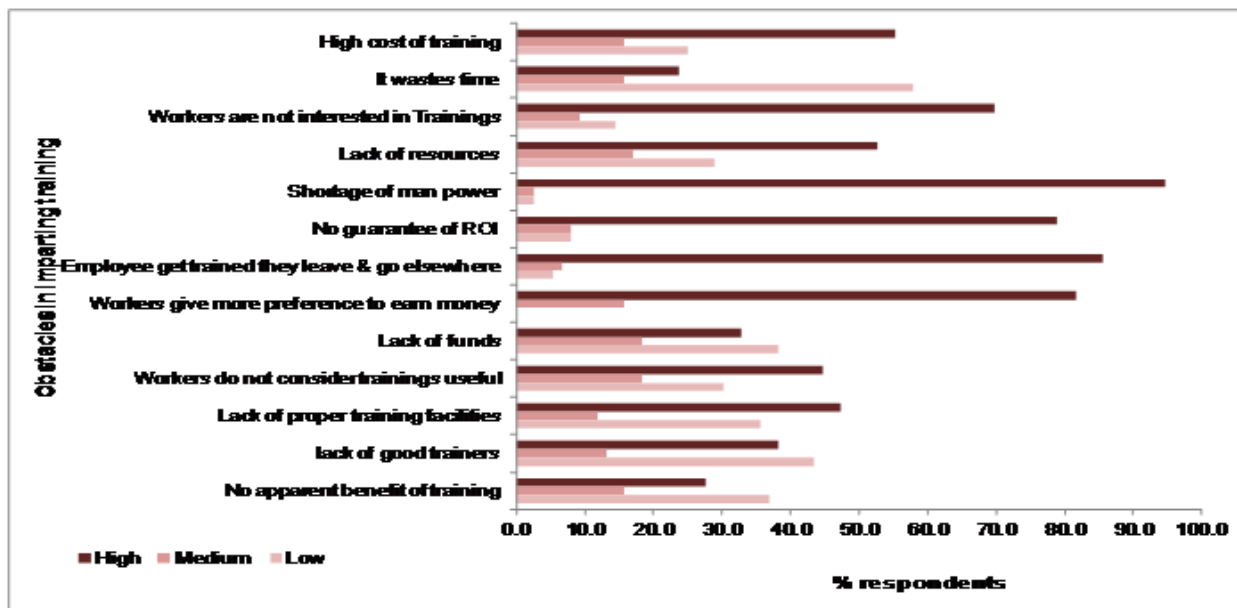


Figure I: Responses of SME's Owner on various Obstacles faced by them in imparting training. Every obstacle is further divided into three categories: High, Medium and Low which represent the level of severity.

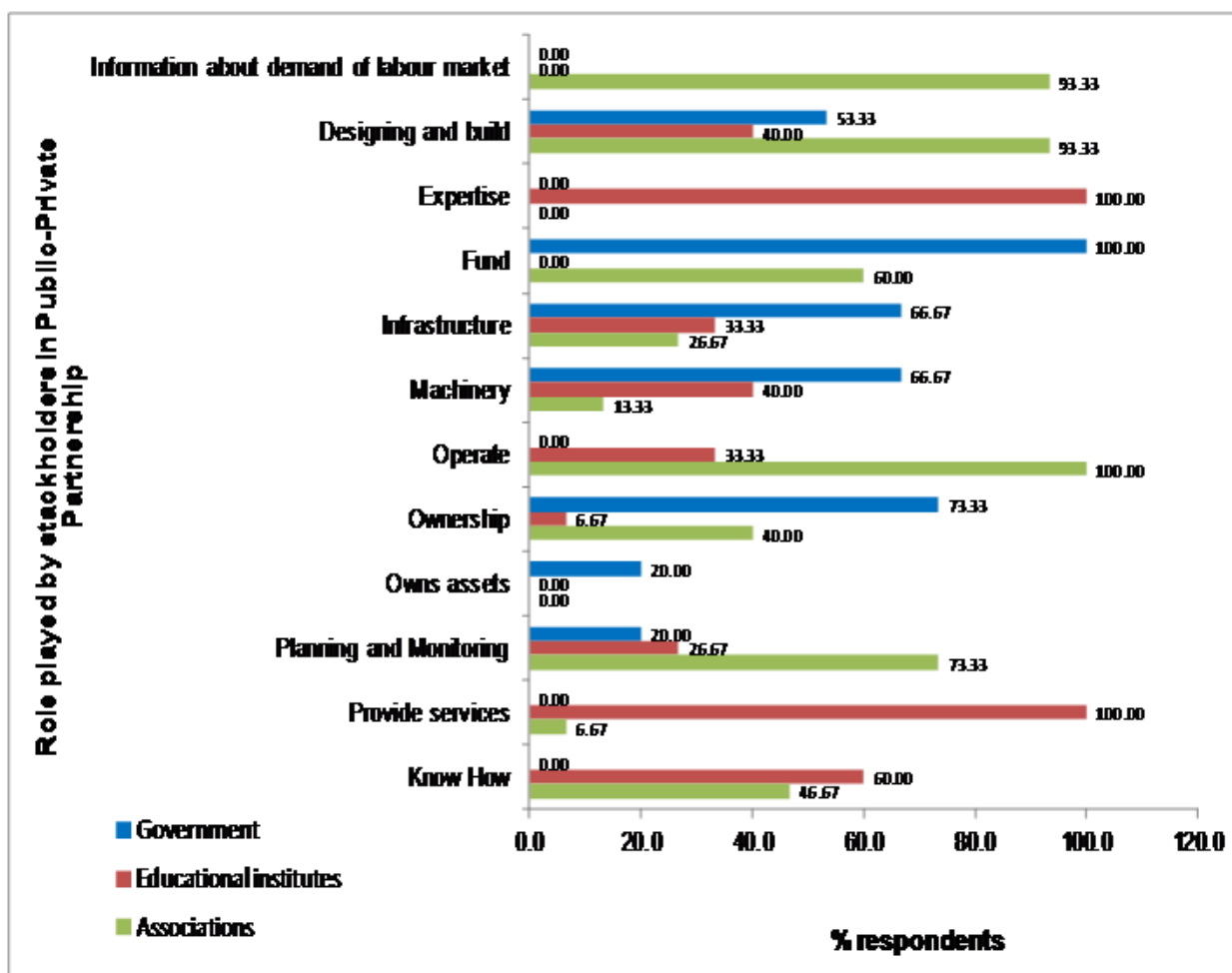


Figure II: Responses of Association members on various roles which could be played by government, educational institute and associations as a partner presented in percentage.

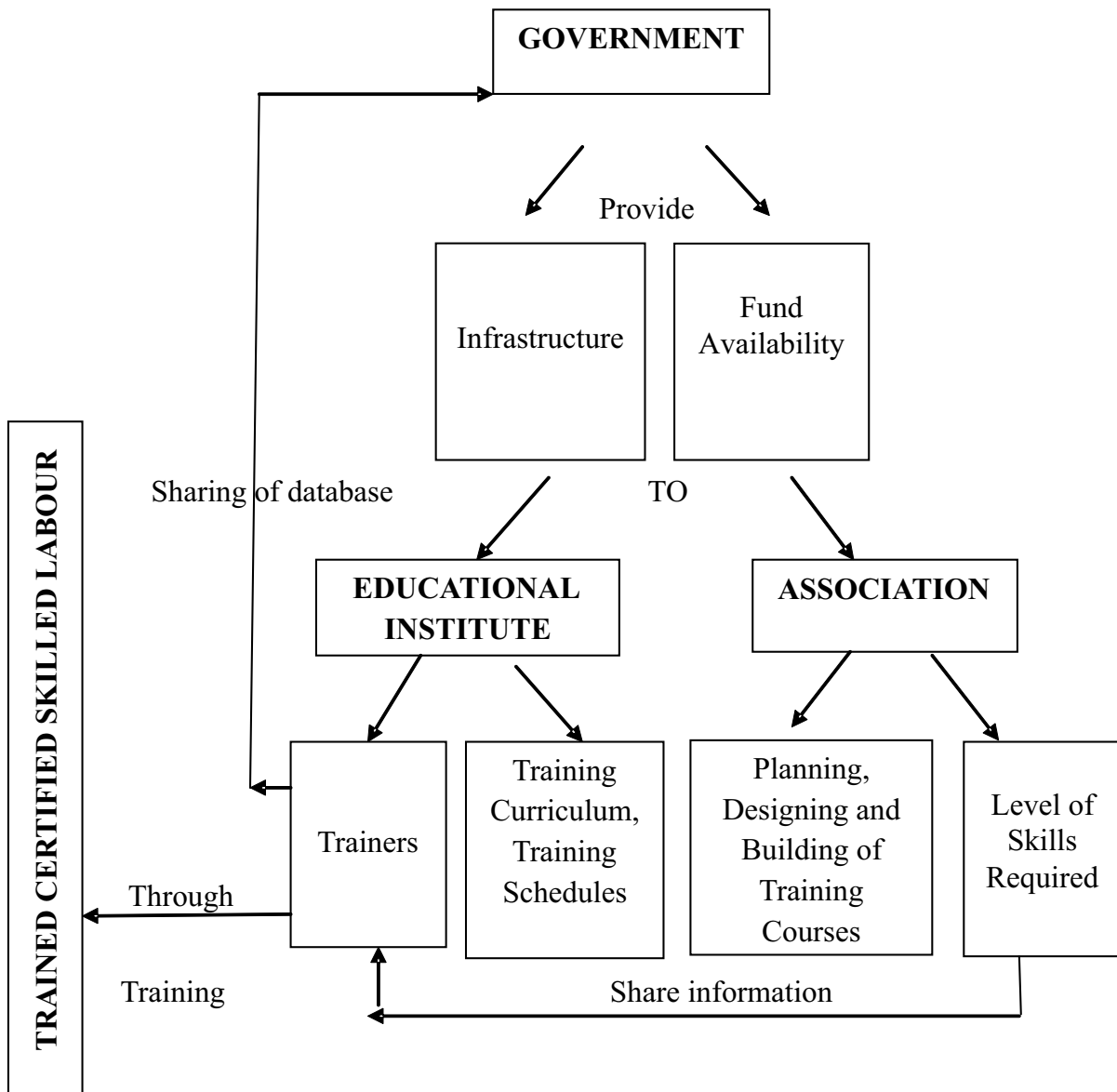


Figure III: Suggested Public Private Partnership model between three partners: government, educational institute and association along with type of resources, responsibility performed by them.