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Theory-building: entrepreneurial learning of Malaysian Chinese

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Abstract

The paper builds upon a previous one that presented empirical evidence about how Malaysian Chinese entrepreneurs learn (Lim and Elsey, 2008). It argued that it was important to understand the nature of entrepreneurial learning to balance the misconceived idea that the Chinese over-relied on ‘Guanxi’ (personal and clan networks) to support their business activities. In a modern business environment this assumption was not an adequate explanation of what entrepreneur’s experienced in undertaking and sustaining their business ventures. Learning was at the core of the competency that characterises entrepreneurial behaviour.

This paper explores further the nature of entrepreneurial learning theory. This is mainly to consolidate the empirical findings by providing a ‘big picture’ context that suggests Malaysian Chinese entrepreneurs are broadly typical of their contemporaries elsewhere. Second, brief connections are made to learning theories as they currently apply to Work-Applied Learning and Adult Continuing Education generally to complete the picture. As entrepreneurs are at the cutting edge of capitalism the way they learn provides valuable insights into the wider context of work-based and adult learning in a changing world.

Key Words: entrepreneurship, work applied learning, adult learning, entrepreneurial learning

Introduction

In a previous paper empirical evidence was presented to show that Malaysian Chinese entrepreneurs (The entrepreneurs) undertake work-applied learning for developing key business and management competencies. These are summarised later. Generally, the research found the entrepreneurs to be self-directed, mainly experiential learners who viewed learning as a lifelong process. They all indicated that various kinds of learning contributed significantly to their success. While their formal education and past work experiences were factors that generally influenced their entrepreneurial behaviour, the everyday changing and evolving needs of their business enterprise provided the motivational thrust for the acquisition of new and varied competencies under the broad heading of workplace learning.

Furthermore, it was argued that Chinese culture and particularly *Guanxi* (personal family and clan networks) cannot adequately explain their business acumen and

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overall competence. Malaysian Chinese entrepreneurs, probably like their counterparts in any cultural and economic setting, display a genuine zest for continuing learning, not just from business necessity but also from a high regard for all forms of education. All kinds of learning, notably focused on the workplace, are regarded as the gateway to acquiring knowledge and skills in a changing environment. Therefore the central message of the previous paper was that entrepreneurial learning provides an additional interpretation to a multifactor explanation about their overall capabilities to meet future business challenges in a changing and complex business environment.

What the paper could not do in any depth was to move much beyond the empirical data-set to connect to current theory-building about entrepreneurial learning (EL) and the more general framework of work-applied learning (WAL). The purpose of the current paper is to make connections with the learning experiences of the entrepreneurs and consider the 'fit' with EL and WAL theory, both which may be reasonably described as at a formative stage of development. Realistically, it is not intended to challenge existing theory-building about EL, mainly as the exploratory nature of case study research, that supported the previous paper, imposes limitations on generalisation. Instead the spirit of this second paper continues to be exploratory in understanding the work-applied learning of a particular cultural group of entrepreneurs as part of a 'big picture' comprehension of their learning.

Theory-building entrepreneurial learning revolves around one assumption and some core questions. Any definition of entrepreneurship has to include the central role played by learning, formal knowledge and tacit knowing in making decisions about markets and capital ventures. This assumption is easier to make in emerging knowledge-based economies and post-industrial societies (Kumar, 1995, Reich, 1991, Bell, 1974). As for the core questions, research into entrepreneurial learning is mainly focused on how they learn. A key interest is to understand the interplay between the internal psychological processes of cognition and motivation of entrepreneurs with the external business world. The latter provides the actual experiences as the foundation of knowledge accumulation and transformation into market intelligence and decision-making. An integral feature of entrepreneurial learning is what motivates and sustains them when they experience business venture failure.

Revisiting the previous paper

The first paper made a number of key points, summarised in dot-point below.

- In the nine intensive case studies the Malaysian Chinese entrepreneurs (MCEs) were largely self-directed learners who viewed learning as a continuous, lifelong process.
- Work-applied learning (WAL) contributed significantly to their business success. They had perfected the art of applying their formal knowledge, tacit knowing and learning to the practical demands of enterprise ventures, from start-up through to long-term development.
- New enterprise ventures were particularly important in providing the motivational thrust for learning new competencies (such as IT).
- A great deal of learning was acquired through interaction with a network of others, usually on an informal basis.

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- Learning from failed ventures was noted as particularly important in transferring become

Upon further reading and reflection the first paper would have benefitted from some important modifications. First, although *Guanxi* relationships, as a particular feature of traditional Chinese culture, may have been overestimated as a way of interpreting the business behaviour of entrepreneurs, recent research has shown the importance of personal networking as a means of informal learning (Sawchuk, 2008). The author makes the point that informal learning is a natural feature of working life, which in the case of entrepreneurs includes their business networking. Specific mention was made of the importance of personal experience, together with the flexibility of the process and the use of local knowledge as a resource for informal learning.

The first paper had not embraced this key point in the development of EL theory, simply because published research was not available to moderate the argument. For example, recent theory-building identifies networking as a definite approach to EL, in which “*the skills and knowledge of the small to medium-sized enterprise owner-manager are largely acquired through their social relationships within and outside their organizations*” (Man, 2006, p311). Networking entails relating to a spectrum of contacts, very like the notion of *Guanxi*. It is easy to consider this process as a rich source of informal learning. This means that any theory-building about EL should include this element under the broad heading of experiential learning. We shall return to this matter later.

The second point is that Malaysian Chinese culture, like the Diaspora throughout the world, has a deep-seated respect for learning and knowledge. This was explained in the previous paper. Therefore it is not necessary to dwell of this background condition that takes for granted the general value of education as a means of achievement motivation and the development of an all-round economic as well as social competence. As was shown previously, entrepreneurs embrace all forms of learning on the continuum from the formal to the informal. The respect for formal education serves as a foundation for the practical learning that entrepreneurs mostly undertake.

The meanings of entrepreneurship

Entrepreneurs and entrepreneurship generally have been described for a long time. An encyclopaedia of the social sciences (Kuper & Kuper, 1985) traces the use of the term back to the 1800s, in which entrepreneurs are described as merchant adventurers, starting a long tradition of regarding them as romantic figures with a mysterious acumen in various kinds of business innovation. It is still possible to portray the entrepreneur as a kind of heroic character and dwell on their motivation to build business empires and other dreams of personal fulfilment. However, the subject of the motivation of entrepreneurs is a serious aspect of psycho-social and learning research, going beyond ‘heroic’ ideas (Young & Sexton, 2003, Lans, Wesselink, Biemans & Mulder, 2004).

Current literature also continues to refine the meaning of entrepreneurship by including the insights of sociology and behavioural competency to add to definitions drawn from economic theory (Lans, et al, 2004). This suggests that there is scope for

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defining entrepreneurship further by understanding the way they learn and the significant role played by formal knowledge and tacit knowing in achieving competitive advantage and creating value through capital ventures. Other accounts of entrepreneurship frequently mention these aspects of their behaviour, reflecting the dynamic nature of the marketplace and the complexity of changing business environments (Man, 2006, Harrison & Leitch, 2005).

Relating entrepreneurship to economic theory, scholars have sought to characterise their role, notably by inserting a dynamic element into the market process. This is the entrepreneur as a manager (or grandmaster) of decision-making, in often unique and always uncertain situations where the acquisition and application of knowledge plays a vital part in the market process. Dealing with uncertainty is more than the throw of a lucky dice. It has been shown that the way entrepreneurs work owes much more to rational thinking and analysis (Minniti & Bygrave, 2001). As economic theorists have noted, their function in the economy is built upon some skilled, analytical thinking and calculated decision-making where using knowledge is the core competence. This embraces both formal knowledge and tacit knowing, respectively from textbooks and the like as well as from practical experience as prime sources of work-applied learning. The depiction of entrepreneurship crosses all cultural and economic boundaries and transcends race and ethnicity, and undoubtedly goes beyond the personality and character of individual entrepreneurs.

The importance of learning in entrepreneurial behaviour

With these conceptual adjustments made it is intended to concentrate on various explanations of how entrepreneurs learn and what kind of conceptual frameworks exist to build a comprehensive theory of EL. The emphasis on theory-building is founded on the assumption that it is too soon to insist that EL has reached a sufficiently advanced stage of development to be called normative theory (Carlile & Christensen, 2005).

As a preface, it is important to note the role played by the venture capitalist in supporting the work of entrepreneurs. This is done to reinforce the point that venture capitalists support experienced entrepreneurs with a proven track record of successful business performance. The key element in bringing together venture capitalists with entrepreneurs is proven faith in the power of their learning and knowledge to make things happen, achieve competitive advantage and produce good business outputs (Berglund, Hellstrom, & Sjolander, 2007).

This reflects the consensus of current literature that entrepreneurs have to continue to learn to be an effective performer. Taking the agricultural sector in The Netherlands as a case illustration of successful entrepreneurship, the authors emphasise that learning and knowledge are central to the capacity to innovate along the value-chain and manage an intensely competitive changing business environment (Lans, et al, 2004). This identifies the entrepreneur as much a manager of the technicalities production process as they are of the lofty peaks of capital venture decisions.

They illustrate the example of the flower business, referring to the need for entrepreneurs to learn and know about developments in information and communication technology as well as advances in biotechnology, environmental

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technologies and computer assisted decision-making to make the supply chain work more effectively (p74). Current writing about entrepreneurs assumes that they have to function effectively in a knowledge-driven economy, which ranges from knowing about technical aspects of the production, distribution and marketing through to possessing superior market intelligence. This perspective brings together action learning with practical experience and the hard analysis of cognitive thinking as the core competence of the modern entrepreneur.

The alchemy that combines to produce the effective entrepreneur draws partly on their cognitive ability to think creatively, calculate business opportunity, with personal qualities of judging the element of risk in relation to longer-term advantage, and, mostly, on applying knowledge acquired through various kinds of learning through action and experience. The flower industry in The Netherlands is an apt illustration of what being a modern entrepreneur entails in learning terms.

We concluded the previous paper by arguing that the way entrepreneurs engaged in a continuous cycle of learning from the everyday experiences of planning and action was carried to a higher level of cognitive and emotional awareness through reflection. Searching for a theory of learning from descriptive analysis of entrepreneurial behaviour was not the main purpose of the paper. However, it was reasonably clear from their personal insights that they shared much common ground with Kolb's theory of experiential learning (1984). However, we refrained from pushing Kolb's theory too hard. It was obvious that it would take more research to gain the critical mass of data to generate profound theoretical insights. Therein lay the rationale for the second exploratory paper on the nature of entrepreneurial learning.

The meanings of entrepreneurial learning

A core focus of EL is the nature of the learning process that result in a particular kind of competency concerning market intelligence and know-how about making capital investment decisions in response to a perceived business opportunity. We may generally regard EL as the combination of business venture experience with practical knowledge that comes from applied learning. A dynamic synergy is identified between their business experience of creating new venture opportunities and the practical learning that produces the knowledge and wisdom they have acquired in the process, which accumulates and is transferred to the next business event (Politis, 2005).

Viewed this way entrepreneurship is a learning-based career, which implies dedication and discipline over many years. Learning is the dynamic currency of entrepreneurship in which acquired knowledge and skills is memorised and practically applied to transform business ventures from start-up through to continued growth. This extends to learning from both business failure as well as success, which was noted in the previous paper and by others (Singh, Pavlovich & Corner, 2007). The process of theory-building entrepreneurial learning is essentially about understanding a complex process that involves individual decision-making and action, which also propels organisations and enterprise in a concerted way to realise and sustain new business venture opportunities.

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‘Schools of thought’ on entrepreneurial learning.

There are three main ‘schools of thought’ about the nature of entrepreneurial learning. In our view they all recognise that being an entrepreneur entails a high level of business competence, which is built upon a comprehensive set of learned competencies. It is not our purpose to critique the various schools of thought (although some cited authors do: Man, 2006, Politis, 2005) but rather to identify different explanations of EL. One thing they have in common is an exploratory and research-based approach to generalisation and theory-building with none claiming to have reached the stage of normative theory.

The competency-based approach

We start by outlining two contributions to EL theory-building, using the competency-based learning approach (Man, 2006, Rae & Carswell, 2000). The advantage of the competency-based school of thought is a holistic conception of EL that largely reflects current definitions and descriptions of entrepreneurship outlined above as well as embracing both cognitive and experiential learning.

The earlier work (Rae & Carswell, 2000) is based on subjective and interpretive accounts or life story research by entrepreneurs identifying the processes of developing their attitudes, behaviour and work style. This process approach is also designed to get close to the ‘inside’ experience of entrepreneurs and their learning. They find that EL is an integrated process of tacit knowing, practical doing and cognitive understanding. This process is driven by entrepreneurs having the personal efficacy and confidence, as well as the achievement motivation, to actively learn and develop the instrumental knowledge and skills relevant to business venture. Individual capabilities is the sum of a dynamic process of knowing-in-action underpinned by a strong sense of self-belief based on actual experience of being an entrepreneur (the authors identify five ‘life stages’ of the entrepreneurial career- p154). In addition to locating the individual entrepreneur at the apex of a lifelong learning process the authors create a working model of EL.

A more recent study (Man, 2006) is explicit about the need for a competency-based model of EL that relates entrepreneurial activity to business performance and outcomes. In this context the model is designed to produce measures of behaviour that integrates entrepreneurial knowledge and skills as a whole set of competent abilities to the inputs and process, contexts and outcomes of business ventures. Like the other authors, Man explains the three dominant explanations of EL but suggests they have limitations in not being able to identify explicit and measurable learning entities. The competency movement may be described as taking the mystery out of mastery to identify precisely what kinds of knowledge and skills are involved.

The competency framework is explained in detail by the author (pp312-313). From the data-set findings and analysis six behavioural patterns of EL are identified: active, continuous, selective and purposeful, focused and in-depth learning, together with improving and reflecting upon experience, and transferring what has been learnt into current practices. As Man states, “*These patterns can be identified when an entrepreneur exhibits successful learning leading to certain outcomes* (p317). The

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author concludes that EL can be conceptualised as an integrated set of identifiable and measurable skills, knowledge and attributes drawn from the daily work of entrepreneurs that combine as a cluster of competencies. These can be learned by others through training, education and development. In sum, the competency-based approach is quite persuasive, mainly because it identifies a whole pattern of entrepreneurial behaviour and the significant role of various kinds of learning activity within a comprehensive conceptual framework.

The cognitive approach

The cognitive approach stems from economic theory, which seeks to give expression to the active role of the entrepreneur in the market process. Traditional economic theory had little room for the human action of entrepreneurs in what was a static concept of markets. Special attention has been paid to the part played by market intelligence through information concerning prices and the impact on entrepreneurial decision-making in both creating and maximising opportunities. The concept of the growth of entrepreneurial knowledge was given scholarly expression through theory-building in the early 1970s (Kirzner, 1973). Venture opportunities derive from the personal mental constructs of entrepreneurs deliberately thinking about and testing working hypotheses; a learning-by-doing and knowing-in-action model of market intelligence that is summarised as a form of superior alertness arising from human action (Minniti & Bygrave, 2001).

In spite of this advance in economic theory Israel Kirzner has been criticised for failing to take account of other aspects of the real-world of the entrepreneur, such as the experience of business failure. Moreover, his working hypotheses model is not examined closely enough as a dynamic process of learning, in which thinking through market uncertainty and processing conflicting information is the superior alertness described by Kirzner (Harper, 1994 & 1996). These criticisms form the basis for introducing the theory of knowledge advanced by Karl Popper to inject more rigour into the learning process undertaken by entrepreneurs.

Without going further with Harper's analysis, and setting aside the caveats noted above, it is clear that the approach taken toward EL is decidedly cognitive, that is to say, the capacity to produce knowledge drawing on the idea of general intelligence complete with thinking, reasoning and problem-solving abilities. This general intelligence combines with the more specific or crystallised kind relating to the behaviour of markets, an ability common to the venture capitalist as much as the entrepreneur (Berglund, et al, 2007).

Another contribution to the relationship between what entrepreneurs learn and what they know and specifically understand about market behaviour also relies on learning (Lavoie, 1986). This is termed the hermeneutic tradition, which in addition to acknowledging cognitive alertness, identifies their learning as a consequence of a constant immersion in the sub-cultural world of entrepreneurial thought and action (described by others as communities of practice). This comes close to recognising the power of informal learning, whereas the ideas of Harper prefer the more formalised process of problem-based and hypothetical thinking. Given the empirically elusive nature of these perspectives on cognitive learning it seems reasonable to suggest that both approaches are applicable to understanding how entrepreneurs learn.

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Therefore the *Cognitive Learning* approach places high value of the acquisition of knowledge and the power of memory. An additional element is the motivation of entrepreneurs, which is regarded as the bedrock for sustained learning and knowledge growth across several business ventures in the course of a career (Young & Sexton, 2003). The authors identify various factors that motivate entrepreneurs to learn and build the knowledge they need for business venturing. Two broad kinds of motivation arise from their empirical study: external and internal factors. Four types of external motivation comprise the need to react, notably the (1) emergency or unanticipated situation, (2) the sudden pressure to learn and know how to deal with a business problem, (3) the slow build up of a problem that creates the need to learn and know more, and (4) continuing obligations toward others, which are usually contractual. The fifth type of source of motivation is the proactive situation in which the entrepreneur anticipates new business venture opportunities. This framework immediately suggests the relative rarity of the proactive learning situation in which knowledge may be acquired in a more planned and unhurried way. Taken together they all embrace an active approach to learning.

What is more important in understanding various efforts to build a theory of EL is located in the personal nature of motivation. In many situations entrepreneurs have an immediate need to know, often undermined by a lack of either available information nor the time to learn formally. Being in a reactive situation certainly forces the entrepreneur to learn quickly. In the scenarios depicted by the authors learning becomes a motivational imperative to cope with a changing business situation decisively, typically without perfect market intelligence, but always through focused learning. Other studies bear testimony to the importance of critical incidents for learning, ranging from a crisis through to a planned response to an emerging opportunity (Cope & Watts, 2000, Singh, et al, 2007).

The experiential learning approach

Experiential Learning focuses on the capacity of entrepreneurs to be self-directing and use the totality of their experiences as a source of learning. This approach is bolstered by a whole body of adult learning rather than economic theory. It does not devalue the cognitive nature of knowledge and skill acquisition but takes us further into the learning actions and reflections of entrepreneurs. In this approach self-directed learning is what characterises EL and entrepreneurs become adept at learning how to learn as well as double-loop learning (Young & Sexton, 2003).

A comprehensive explanation of the experiential learning approach is provided in a key paper (Politis, 2005). The paper seeks to answer what entrepreneurs learn from their different experiences of starting new ventures, and thereby building a career of successful entrepreneurship. At first sight this may be summarised as the development of superior knowledge and skills to produce a special kind of business competency, well in keeping with the cognitive approach. Where the paper departs from the common ground is the emphasis placed on the experiential nature of entrepreneurial activity, which includes the way they learn. The paper is packed with an extensive literature review and clarification of key concepts.

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The paper first provides an explanation of how entrepreneurial knowledge is generated by bringing together theories of experiential learning. Second, it draws a distinction between the experience of being an entrepreneur and the knowledge they acquire. Third, the paper goes further by introducing a dynamic element into what might be usually regarded as a static relationship. This is the process of *transforming* practical experience into knowledge. The author claims to offer new insight and interpretation of territory ‘owned’ by the cognitive learning approach. The relationship between the (1) career experiences of entrepreneurs (anything from start-up to regular management of ventures), (2) the knowledge they acquire in the process (particularly recognising opportunities) and (3) the transformation of experience into entrepreneurial knowledge (which includes the outcomes of past enterprise and the way they prefer to learn), combines into a conceptual framework (p402). What emerge from the conceptual model are five researchable propositions about the nature of entrepreneurial experience, knowledge and learning.

It is the mode of transforming experience into working knowledge that reveals the way entrepreneurs learn their craft. This is the point at which experiential learning theory makes an entrance, which is defined as “*the process whereby knowledge is created through the transformation of experience*” (Kolb, 1984, p.41). It is reasonable to add that an integral feature of entrepreneurial thinking is the ability to perceive and identify and then grasp a business venture opportunity. This is the beginning of the transformation process of converting experience into knowledge. The transformation process is a continuous circle, an idea that is at the heart of experiential learning theory. Attention now turns to the nature of experiential learning theory.

Carl Rogers (1902-1987) preceded David Kolb in developing the theory. The former categorised two types of learning, (1) cognitive (which he termed meaningless, such as rote forms of learning) and (2) significant or experiential, which means practical and applicable to what the learner needs or wants to know and do. Rogers claimed that experience is the highest form of personal knowing and authority, the core of being and the navigational tool of life. Kolb is better known for promoting experiential learning through a descriptive model of the four stages: (1) concrete experience, followed by (2) personal observation and reflection on the experience, to (3) generalisation or abstract conceptualisation (‘big picture thinking’) and then to (4) practical application or active experimentation, before completing the circle of experience and knowing through learning. It is reasonable to make a connection with the model to the behaviour of entrepreneurs in the way they approach and manage ventures and the process of transforming practical experiences into both general and industry specific knowledge through primary and secondary learning.

The concept of experiential learning can be sub-divided into two understandings. First, there is incorporation into formal education curricula, which has influenced problem and competency-based learning where practical application is emphasised as a mode of learning. Second, there is learning that comes from the experience of direct participation in the events of everyday life, supporting the belief of Carl Rogers. The second meaning most closely relates to theory-building in EL.

There are several critiques of Kolb’s theory, and two have direct relevance to the way entrepreneurs learn. First, experiential learning places high value on first-hand

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experience. What it appears to ignore is the established view that values secondary or indirect experience that comes from reading and systematic study that is mostly provided through formal education (Jarvis, 2004). Second, experiential learning has been criticised for relying too much on cognition and for not taking account of the motivational influence of emotional engagement, cultural and social relations (as typified in the previous paper describing Chinese cultural norms and values as well as 'Guanxi' relationships).

The action learning approach

Action learning is intended to solve practical problems of business and management through a natural process of thinking and 'questioning insight' (Revens, 1980, cited in Rae & Carswell, 2000). It is an approach that might easily be subsumed under experiential learning theory. In the latter school entrepreneurs are often characterised as self-directed and informal learners, obtaining personal insights and intelligence of markets through the experiences they have by a combination of cognitive activity, including an indefinable amount of intuition and implicit learning, tacit knowledge and skill. This active learning is supported through networking and social interaction with an array of associates (such as venture capitalists and peers). As a process Action Learning has much in common with the four stages described by Kolb and other researchers in experiential learning theory.

Bringing the schools of thought together

The various attempts made to define and describe EL have encouraged writers to seek a comprehensive and inclusive model that embraces cognitive and experiential learning, as well as networking and action learning. The competency-based models are the best example of such worthy efforts. One quotation expresses the idea, "*Given these different understandings, (entrepreneurial) learning can be seen as a cognitive process of acquiring and structuring knowledge, of making meaning from experience, and of generating new solutions from existing knowledge*" (Rae & Carswell, 2000, p152). They go further to argue that entrepreneurs have acquired a unique set of competencies before focusing on what they regard as the essence of their learning- "*Learning can be understood as the ability to act differently comprising the three dimensions of knowing, doing and understanding.....Entrepreneurial learning is concerned with how people construct new meaning in the process of recognising and acting on opportunities, and of organising and managing ventures. It is much more than acquiring the functional 'knowing', for it involves active 'doing' as well as understanding 'what it is that works' and realising that 'one can do it'; therefore, knowing, acting and making sense are interconnected*" (page 153).

The various models or ways of thinking about entrepreneurial behaviour generally and learning in particular provide different points of emphasis while consolidating around an appreciation of the qualities required of modern entrepreneurs doing business in a complex and knowledge-driven economy.

How do the EL generalisations relate to the overview of the workplace learning of the Malaysian Chinese entrepreneurs? We turn to the summary provided in the previous paper to provide an answer. The main findings as presented in the previous paper were-

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- Learning from practical experience was the great teacher for the entrepreneurs, with special emphasis on learning through action and problem-solving
- They had a strong leaning toward learning informally from a variety of associates, sourcing the knowledge of other entrepreneurs and those with technical know-how when the need arose. Informal learning was often driven by the need to address immediate business and management issues
- Formal learning constituted a background to the more immediate and applied practical understanding, knowing and taking action.
- What was particularly noteworthy was the entrepreneurs' emphasis on the benefits of learning from business failures. These created long lasting impressions and influenced future behaviour. An informal method of transferring learning from failures through discussion and meetings reflected a common pattern among the entrepreneurs.
- The continuous cycle of learning from the everyday experiences of planning and action was carried to a higher level of cognitive and emotional awareness through reflection.

It is reasonable to draw the conclusion that the learning of the Malaysian Chinese entrepreneurs generally reflected the various conceptual explanations outlined above. Understandably experiential learning has more prominence. This is mainly because entrepreneurs operate in a complex and changing business environment where it is necessary to comprehend a great deal of information. They are under pressure to think quickly and to act decisively, even though knowledge and market uncertainty creates venture risks. Behind the experiential immediacy of responding to business challenges cognitive activity is a serious feature of entrepreneurship. Analytical ability is one of the several competencies needed to perform effectively in the complex situations that confront entrepreneurs. Taken together we adopt the position that EL is best understood as a comprehensive set of learned competencies that combines in a natural way cognitive, experiential and action learning. This broad understanding acknowledges the powerful character of entrepreneurs.

Connecting entrepreneurial learning to work-applied learning and adult learning theory

How does entrepreneurial learning dovetail with the conceptual field of work-applied learning? As a preface, being an entrepreneur is a special kind of work experience, crucially engaged in the process of value creation. We have shown that the learning of entrepreneurs is an integral part of their work. The workplace is not a specific location but rather a fluid process that can take place situationally, anywhere at anytime. Informal and experiential learning underpinned with measured cognitive activity are key elements in what amounts to a mobile work station.

Entrepreneurial learning (EL) as a form of work-applied learning (WAL) can be directly linked to the concepts of organisational learning (OL) and knowledge management (KM). This is the position taken in a paper exploring the interface between the three concepts (Harrison & Leitch, 2005). They argue the importance of knowledge, knowing and learning as strategic resources crucial to managing change and achieving competitive advantage. Particular attention is paid to the way

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entrepreneurs learn and use knowledge as a role model for organisations to follow. The authors regard entrepreneurs as at the cutting edge of work-related learning and therefore a solid foundation for theory-building.

Another paper has a broader perspective in which a new theoretical framework for WAL is outlined (Mitchell, Young & Henry, 2001). It has the advantage of introducing current theory in adult continuing education (ACE), as well as the role played by WAL in the transformation process leading to the creation of learning organisations (LO). As a matter of note, the connection between learning in the workplace and general adult learning was made at least two decades ago (Marsick, 1987).

In drawing on some leading ideas in ACE specific attention is paid to the link between the principles of adult learning embodied in Andragogy (as a holistic theory of knowing and learning) and action learning (Knowles, et al, 1998). As has been argued earlier, action learning sits well with the way entrepreneurs operate and their experiential learning. The paper actually makes specific reference to Kolb's theory of experiential learning, that is to say, learning as a continuous, iterative process based on practical experience in a changing, 'real-world', interactive environment that produces knowledge-through-reflection and action.

These leading ideas are the prime motivational source for what an entrepreneur for their learning in what they need to know and to be able to competently do. This takes place within the world of applied learning and action they have purposefully constructed. Entrepreneurs provide an excellent role model of a 'community of practice' that gives meaning and force to these ideas in the journey from practice to theory (Mitchell et al, pp 38-39). Although entrepreneurs are the focus of attention there are probably other 'communities of practice' where knowledge workers have to learn to operate effectively in a complex and changing environment. Therefore it is argued that the kind of learning characterised by entrepreneurs may actually have a wider application.

Conclusion

Even with a fleeting engagement with current ideas seeking to develop a new theoretical framework for WAL it is clear that there is common ground with entrepreneurial learning. This connection extends to more general understanding about the nature of adult learning. There is an extensive literature that supports this simple contention, too much to review here.

We may generalise that although entrepreneurs work in a special kind of environment how they learn is maybe not much different from the way other adults learn. They acquire knowledge and understanding from the alchemy of active engagement through the discoveries of trial and error, creative problem-solving, cognitive processing, together with reflection on experience to learn competencies that can be applied to the business of living. This individual process of creating purpose and meaning through learning derives from natural phenomenology, in which human beings construct their own sense of the world and how to find a way of existence within it.

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In the special case of the entrepreneur the pressure to succeed, and sometimes contend with the high cost of business failure, may set them apart from the general workforce and the typical adult learner. However, taking that caveat aside the learning of the entrepreneur generally merges with models of work-applied and organisational learning to share a common stream of human learning that produces the functional knowledge necessary to generate and promote economic activity. Throughout time social and economic progress has depended on the building block of the transformation of learning to produce practical knowledge. Today the formation of a knowledge-based economy has made it even more obvious that learning plays a vital role in the intelligent creation of a sustainable form of modern capitalism and a civilised society. The entrepreneur naturally attracts interest as learners because of their leading role on modern economies but their engagement with learning is maybe not so very different from what millions of others do in their working lives.

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The implementation of a quality performance system in the strategic situation faced by a small training business

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Abstract

Performance management can be an important part of a strategy but its use in SMEs is under-researched. The single case of a small, Australian registered training organisation provided an unusual opportunity to investigate this use of performance management. Three stages of data collection – literature, interviews and a survey- found that most registered training organisations had found it difficult to implement a quality system that consistently delivers the required outputs and outcomes. In particular, although most indicated little difficulty in understanding quality requirements, they found it difficult to get their people to take ownership and embed the quality standards into their performance as a quality system. In turn, the case adopted a process that produced evidence that an action learning cycle of continuous improvement is embedded into the organisation and that its registration audit requirements are met.

Key Words: performance management, quality management, quality assurance

Introduction

Performance management is central to gaining competitive advantage because performance management is the process through which managers ensure that employees' activities and outputs are congruent with the organisation's goals (Noe, Hollenbeck, Gerhart & Wright 2006). A foundation of performance management is a quality management system that incorporates objectives measures of achievement. To remain competitive, it is necessary for an organisation to develop a quality system that will ensure not only compliance with quality standards but also foster *continuous* improvement.

This importance of these quality management systems applies to small-to-medium enterprises (SMEs) as well as to large organisations. Governments can enforce this application. For example, the government in Australia requires *all* registered training organisations (registered training organisations), large or small, to have a quality approach (The Training System 2008):

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All registered training organisations must comply with national standards which ensure the consistent delivery of high quality training across Australia. In order to check this compliance, state and territory registering authorities may conduct regular audits of an registered training organisation's systems, processes and practises.

While some research about their quality management systems has been undertaken within large government-owned registered training organisations like Technical and Further Education bodies in Australian states (for example, Smith, Oczkowski, Nobale & Macklin 2007), independent SME registered training organisations have been given little research attention even though they are expected to meet the same standards as larger ones. SME registered training organisations could find it difficult to compete with the large training organisations because their resources are limited and the costs of compliance and change are high. The lack of information about human resources in these SMEs is problematic for theory, research, and practice. Current theory is often developed and tested in large organisations. Little information exists on benchmarking by smaller organisations, including financial or non-financial performance data relative to competitors. As a result, little is known about the extent to which the theory extends to smaller entrepreneurial organisations (Wright & McMahan 1992). Moreover, little is known about how to embed quality standards into the processes of an SME.

Thus the *aim* of the research is investigate a SME's organisational change processes when developing and implementing a quality management system to ensure the correct skills and competencies are developed in a sustainable way. This aim is achieved in examining how a case of a small registered training organisation within the Vocational Education and Training sector had to change to comply with the new regulatory environment of the 2007 Australian Quality Training Framework (AQTF 2007) standards. (DEST 2007a) In brief, the case SME, Electus, reviewed AQTF 2007 requirements, and then researched the characteristics and behaviours of stakeholders through interviews, focus groups and a survey of managers of similar organisations delivering nationally recognised training. Finally, it used its learnings to implement a system-wide approach to continuous improvement known as the RTO Quality Framework™ (Chalkport 2007 n.d.). This case report will benefit managers in the training industry and managers in other industries tasked with developing performance management systems.

This report has four sections. The first provides the conceptual background. Next, the case research methodology is justified and described, and its data analysed. Finally, the final performance management system used at Electus is described.

Background

The conceptual or background issues that Electus had to address were performance management and quality management. Strategic planning is a process that involves describing the organisation's destination, assessing barriers that stand in the way of that destination, and selecting approaches for moving forward. The main goal of strategic

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planning is to allocate resources in a way that provides organisations with a competitive advantage (Addams & Embley 1988; Thompson, Strickland & Gamble 2006). A change in strategic goals and strategies puts pressure on the organisation to improve its products and services in order to remain competitive.

This strategic change can lead to performance management changes. When a company's strategy changes, the behaviour of its employees needs to change too (Noe et al. 2006). This change requires leadership concerned with the establishment of a compelling vision, direction and a plan for the future (Kotter 1990). A transformational style of leadership helps a leader raise employees to a higher level of functioning and is able to transform and motivate subordinates through an emphasis upon the importance of tasks and outcomes (Kotter 1995; Yukl 1994). In turn, action learning processes within an organisation offer a way to transform employees' behaviour (Altrichter, Kemmis, McTaggart & Zuiber-skerritt 2000).

Nevertheless, little is known about how a performance management and quality system can be established within the strategic framework of a SME. What systems need to be in place to help manage performance and best promote individual and organisational capabilities? The case SME had to address that gap.

The research setting of Electus

The research methodology was single case research (Yin 1994) involving Electus, a small registered training organisation. Having only one case was justified on two grounds. Firstly, the case provided unusual access for academic research, and unless the case was investigated, an opportunity to investigate a significant social science problem may be lost. The researcher was the managing director of Electus and access to her own firm provided information that academic researchers can miss from a real story about a situation (like commercial-in-confidence information, power politics and human weaknesses).

A second justification for the single case is that a small registered training organisation in Australia provides a rare chance to investigate how a SME successfully can use performance management for a strategic purpose. The Australian government recognised the need to ensure quality in the national training sector and released the Australian Quality Training Framework essential standards in 2005, revising it again in 2007 to include voluntary excellence criteria for continuous improvement. All registered training organisations are required to focus on quality outcomes rather than compliance with regulations; a big shift in thinking for some of them. Electus is one of the few SMEs able to make the shift. Furthermore, performance management measurements are the core of its required change in strategy. The AQTf 2007 User Guide (DEST 2007a, p. 35) shows this requirement:

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A key requirement of the AQTF is ... to systematically monitor and improve. Monitoring and reviewing your management system as part of your continuous improvement cycle will help to ensure that your operation's management is effective. Strategies to monitor the effectiveness of your management system could include: establishing key performance indicators and monitoring organisational performance against them.

Electus is a computer application and professional development training provider, located in Adelaide, South Australia. It has been operating for over twenty years and is dominant in its market. As an SME, Electus has been dedicated to designing customised information, communication and technology training solutions to meet skills development requirements for corporate and government personnel, and for many years has been recognised as a 'best practice' provider. Systems and procedures have been designed to ensure clients receive quality training. However, until 2007 when it made a strategic change, Electus was not a registered training organisation and therefore, while providing its clients with a good service in single topic technology training, it could not offer a training pathway for national accreditation. Also affected by other changes in the workforce because of a national skills shortage, Electus identified itself as being in an unsustainable position and had to craft a new strategy in order to compete in the vocational education and training sector.

Through a SWOT analysis, Electus saw an opportunity. Government incentives for increased training opportunities and the strength of existing best practice reputation for delivery of non-assessed courses required a change in strategy which would include the use of management systems that would ensure compliance. After reviewing its position, a new strategy was crafted (Thompson Strickland & Gamble 2006). Work was undertaken to align courseware with the standards for nationally recognised training and apply for registration as a registered training organisation by complying with the newly released AQTF 2007 standards to:

- Provide quality training and assessment across all of its operations
- Adhere to principles of access and equity and maximise outcomes for its clients
- Maintain management systems that are responsive to needs of clients, staff and stakeholders, and the environment in which they operate.

Electus also chose to move beyond compliance and aspire to the voluntary 'excellence criteria' that are based on a set of validated best practice management principles contained in the AQTF 2007 to provide a set of guidelines designed to accommodate diversity and innovation. The criteria define the ways that registered training organisations may operate to achieve high quality outcomes (DEST 2007b).

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In brief, the challenge for Electus was to be able to continue offering a best practice service while also gaining 'street-cred' as a quality provider of nationally recognised training by building institutional status in a sector dominated by government-run Technical and Further Education bodies. New performance measurements congruent with strategic goals had to be set to align with the government mandated standards in the AQTF 2007.

Data collection

The framework for an action learning implementation of a performance management system at Electus emerged from three different but related processes. Stage *one* was a thorough understanding of the requirements for AQTF 2007 standards and voluntary excellence criteria. The *second* stage involved findings from interviews and focus group meetings with managers and staff of Electus and other registered training organisations. Ten organisations provided data for analysis and fifteen individuals were interviewed. The *third* and final stage was an online survey presented in the form of an opportunity for all registered training organisations to benchmark their performance. Quantitative data collected was analysed and returned to each participating registered training organisation for in-house monitoring of the effectiveness of their management systems.

Stage one of initial reconnaissance

Secondary research from three sources was the first step. The National Centre for Vocational Education Research is Australia's principal provider of vocational education and training research and statistics. It undertakes study of practitioners in order to determine levels of competence and identify skills gaps. It also provides guidelines and tools that can be used to develop managers and leaders to deliver higher quality training services nationally.

As well, the Australian Bureau of Statistics and the Australian Government Department of Employment and Workplace Relations provided information on: labour market characteristics, skill shortages, vacancy trends, future directions of various occupations, and vocational education and training participation.

These sources helped Electus to understand the task it faced to embed a quality system of continuous improvement as required by AQTF 2007 and take advantage of market trends and opportunities. But note that this research project about Electus is different from some of the research from those sources because most of The National Centre for Vocational Education Research's target is large public providers such as Technical and Further Education bodies, universities and large private registered training organisations.

Stage two of interviews and focus groups. The second stage of data collection was interviews and focus groups. Ten managers of registered training organisations, in particular their compliance managers, agreed to be involved. Usual procedures for conducting interviews and focus group research and content analysis of their data, were

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followed (Carson, Gilmore, Perry & Gronhaug 2001). The interviewees and focus group participants agreed to be involved because they all faced the research issues. Each interview was conducted by the researcher who ensured all ethical issues of informed consent were observed. Approval was granted by those quoted within the report. All quantitative data is reported collectively and data that could identify individuals or organisations was either not collected or not stored.

Data analysis of this stage. Discussions with managers of registered training organisations, in particular compliance managers, illuminated three significant issues of cost, change and benchmarking. The first issue concerns financial restraints on a small business. Implementing change in order to comply with government changes creates financial stress in the organisation. Many respondents said that finding the resources to train all staff in the new approach is impossible. In particular, trying to remunerate professional staff for their time to learn about AQTF requirements, when they are paid to train rather than for administration, is a problem. One manager participating in a focus group session talked about his situation as follows: “Time and money for inviting trainers to go to professional development is our biggest constraint”. Another participant expressed his frustration at having to implement a new system in order to comply with the AQTF 2007 standards but not being given enough information about how to fund or deploy such a system: ‘The irony is training organisations do not train their people well enough because they are under-funded’.

The curriculum and compliance manager from one of the registered training organisations said that they were in the enviable position of successfully winning external funding from the government’s Reframing the Future program, which enabled them to provide remuneration for their professional staff to undergo training. Rose Vallen of the Australian Institute of Management South Australia went on:

It would otherwise be very difficult to include these people because they are contractors who are not happy to take time from paid work to engage in team building or organisational development sessions without compensation. The funding from Reframing the Future enabled them to be paid and provided a unique opportunity for all our staff to be involved in training sessions

The second significant issue was that it is necessary to provide correct channels for people to learn, accommodating their various styles, the culture of the organisation and demands on time. The majority cited these *change management* issues as their biggest challenge. Getting staff to understand the importance of the changes and the implication to their own jobs was vital in gaining ownership of continuous improvement.

The third issue was *benchmarking*. The AQTF 2007 has introduced new standards which are based on a quality system framework. One way suggested by the AQTF guide (DEST 2007a. p. 35) to monitor and improve is by ‘benchmarking management systems and organisational performance with other registered training organisations’.

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SMEs have a lot to gain from both internal and competitive benchmarking. Electus was able to learn from the example of a well resourced larger organisation and the opportunity to receive candid information that peers of such larger organisations would be less likely to be given access to. SME managers are much closer to their customers, employees and competitors than managers of larger organisations, and so are informed of day-to-day activities; but they are disadvantaged by difficulties in viewing strategically and using performance feedback in a strategic way. Discussing the 'bigger picture' with auditors, a Technical and Further Education manager and employees in large registered training organisations gave insight into how performance management can assist best practice.

From the interviews and focus groups, Electus was able to use external benchmarking to identify areas of weakness and plan for improvement. Eccles, a champion of competitive benchmarking, says that having an 'externally oriented approach makes people aware of improvements that are orders of magnitude beyond what they would have thought possible' (Eccles 1991, p.132). In contrast, relying on internal comparisons can breed complacency through a false sense of security and stir up more energy for rivalry than competitive advantage. By selectively researching how similar sized organisations develop their current leaders, managers and staff to build greater levels of capabilities in their training organisations, Electus was able to benchmark externally and continuously improve to reach the excellence criteria of AQTF 2007.

Stage three of a survey

An online survey was intended to give RTOs the opportunity to benchmark the impact of change management issues on their organisation. The survey was hosted by Chalkport (n. d.), an e-learning company that integrates leaning and technology expertise. Respondents were encouraged to participate to comply with the AQTF Users' Guide (DEST 2007b) advice that 'Strategies to monitor the effectiveness of your management system could include benchmarking management systems and organisational performance with other registered training organisations'. A simple questionnaire contained five questions and took about 10 minutes to complete. One response per registered training organisation was permitted. In return for completing the survey, which was only open for three days, each responding registered training organisation was emailed a one page analysis of the quantitative data including their individual response for in-house discussion. Confidentiality was guaranteed with no registered training organisation being identified to anyone else at any time.

The response rate of the online survey was high. Fully 250 registered training organisations from around Australia, provided insight into how registered training organisations could achieve the AQTF 2007- required outcomes and how difficult it is for them to do so.

Data analysis of this stage. Analysis of the survey results indicates that staff understand the AQTF 2007 standards and their requirements, as shown in Figures 1 and 2. For example, most administrative staff (63.9 percent) do not find it difficult to understand

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AQTF 2007 as a standards framework (question 2.1 in Figure 1), as do most trainers and assessors (58.1 percent in Figure 2). The picture is different for the need for management attention to actually implementing AQTF 2007, as shown in Figure 3. For example, most respondents (69.1 percent) rate keeping a systematic approach in place is difficult and requires management attention (question 4.1 in Figure 3), as do most respondents (59.2 percent) about ensuring quality performance of trainers/assessors (question 4.4 of Figure 3).

Figure 1 On-line survey aggregated ratings of administrative staff’s understanding of AQTF 2007

2. RTO ADMINISTRATIVE STAFF find it difficult to: (1 = Not difficult, 5= Very difficult)							
	1	2	3	4	5	Rating Average	Response Count
Understand AQTF 2007 as a standards framework	26.1% (60)	37.8% (87)	23.0% (53)	11.3% (26)	1.7% (4)	2.25	230
Understand the concept of a quality approach	35.2% (81)	38.7% (89)	14.8% (34)	8.3% (19)	3.0% (7)	2.05	230
Understand their role in implementing AQTF 2007	26.5% (61)	39.1% (90)	20.0% (46)	10.9% (25)	3.5% (8)	2.26	230
Change from old practices to meet current requirements	23.9% (55)	35.2% (81)	25.7% (59)	11.3% (26)	3.9% (9)	2.36	230
<i>answered question</i>							230
<i>skipped question</i>							20

Source: Analysis of survey data.

Figure 2 On-line survey aggregated ratings of trainers and assessors’ understanding of AQTF 2007

3. TRAINERS and ASSESSORS find it difficult to: (1 = Not difficult, 5 = Very difficult)							
	1	2	3	4	5	Rating Average	Response Count
Understand AQTF 2007 as a standards framework	21.1% (48)	37.0% (84)	30.0% (68)	8.8% (20)	3.1% (7)	2.36	227
Understand the concept of a quality approach	33.5% (76)	36.6% (83)	20.3% (46)	6.6% (15)	3.1% (7)	2.09	227
Understand their role in implementing AQTF 2007	22.0% (50)	33.9% (77)	27.8% (63)	12.3% (28)	4.0% (9)	2.42	227
Change from old practices to meet current requirements	19.8% (45)	36.6% (83)	25.1% (57)	13.2% (30)	5.3% (12)	2.48	227
<i>answered question</i>							227
<i>skipped question</i>							23

Source: Analysis of survey data.

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Figure 3 On-line survey aggregated ratings of need for management attention to implement AQTF 2007

4. Rate your opinion of the amount of MANAGEMENT ATTENTION needed for these tasks: 1 = No attention to 5 = Very extensive attention							
	1	2	3	4	5	Rating Average	Response Count
Keeping a systematic approach in place	1.8% (4)	7.2% (16)	22.0% (49)	42.6% (95)	26.5% (59)	3.85	223
Keeping continuous improvement in place	2.2% (5)	8.1% (18)	19.3% (43)	39.5% (88)	30.9% (69)	3.89	223
Ensuring prof. development of trainers/assessors	2.2% (5)	12.1% (27)	28.7% (64)	39.0% (87)	17.9% (40)	3.58	223
Ensuring quality performance of trainers/assessors	3.1% (7)	13.5% (30)	24.2% (54)	35.9% (80)	23.3% (52)	3.63	223
Consulting with industry in a meaningful way	4.5% (10)	13.5% (30)	23.3% (52)	34.5% (77)	24.2% (54)	3.61	223
Monitoring client feedback	6.7% (15)	16.6% (37)	28.3% (63)	29.1% (65)	19.3% (43)	3.38	223
Monitoring records processes	4.0% (9)	17.9% (40)	28.3% (63)	31.4% (70)	18.4% (41)	3.42	223
<i>answered question</i>							223
<i>skipped question</i>							27

Source: analysis of survey data.

After the three closed questions, two *open-ended* questions in the survey asked:

- 5 What have you found most frustrating from a management perspective about the implementation of AQTF 2007 in your organisation?
- 6 What do you think will be the most likely on-going challenge from a management perspective about staying AQTF 2007 compliant?

The responses to questions 5 and 6 confirmed the responses to the earlier questions. For example, a positive response to question 5 from one registered training organisation typified an approach that only some respondents provided:

The simplicity of AQTF 2007 has ensured a smooth transition from the old to the new. Our attitude was to review, implement and manage our 'business' in line with good business practices which ultimately ensured that the principles of AQTF 2007 were adhered to.

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However, the frustrations that were expressed by many other respondents proved there is confusion and uncertainty amongst registered training organisations about the requirements. Comments such as 'lack of clarity in describing how quality indicators are measured and what is realistically expected', or 'useless bureaucracy', show that many find the changes to be ambiguous and confusing. Time and cost was stressed as a factor causing frustration. Those who have previously used a quality management system found it much easier and less frustrating to implement the changes.

In turn, for question 6, a significant number of respondents articulated their concerns about 'proving' their operations actually maintained continuous improvement. For example, one dissatisfied comment was:

Ensuring the documentation accurately reflects our practices; Our practices are very good, but the paperwork to show this can be lacking; The amount of money to be spent on training staff so they understand the standards; Never feeling completely confident about being compliant; seems to be a lot of fear surrounding compliancy and audits; Time and Cost!

Another unhappy respondent said,

Simply understanding what all the crap is about and having the time to monitor it. There are little enough hours in the day now without having to wade through material that is not relevant for a small organisation.

It is evident from such comments that the importance of embedding continuous improvement into a quality management system will be necessary to reduce the costs and time of remaining compliant with AQTF 2007.

Outcome of the research

After the three stages of data collection and analysis above, Electus knew that a performance system was needed but that installing it and making sure it was maintained had been difficult for many other organisations. Initially, Electus' administrative, support and sales teams were confused about expectations and found it difficult to proactively take on new tasks. Trainers were afraid the added complexity of compliance records would create an additional workload for which they would not be remunerated. By engaging all stakeholders in group sessions to assist in gaining an understanding of the impact change will have on each role and gain organisation wide culture of ownership, Electus was able to defuse much of the angst and encourage a mindset ready for change.

Electus' business processes are distinctive and therefore its quality system would need to be customised to both fit those processes and ensure compliance with AQTF 2007. The system needed to work for an organisation of any size - it needed to be able to scale to accommodate the expected growth. The system needed to be flexible and provide staff with a way to learn by accommodating their individual styles, time constraints and organisational culture. As well, the system had to provide effective control over

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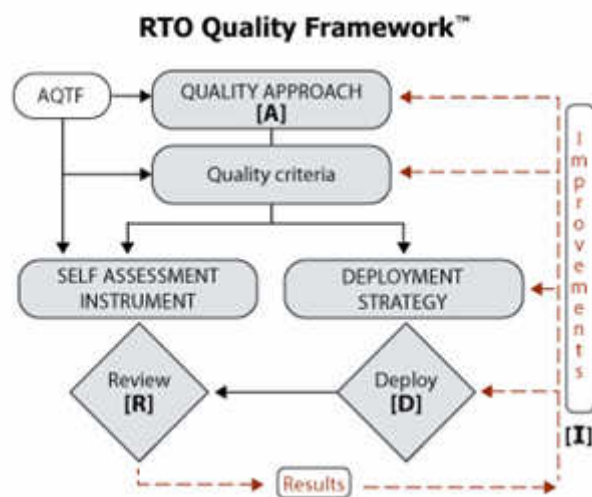
operations so that staff would continuously improve services and consistently operate within key performance areas, in accord with the standards of the AQTF 2007. And the online survey showed such a framework was hard to develop.

Electus found a answer that was generic enough to allow its existing systems to be embedded into it, and provided an action learning-like procedure to permit continuous improvement. Recommended by an interviewee at an Australia-wide training organisation, the RTO Quality Framework™ developed by Chalkport (n. d.) proved to be the sort of mechanism required. In brief, it is a quality system designed to assist an organisation to continuously improve operations to achieve quality outcomes and meet the requirements of AQTF 2007, and its elements could be adopted in a training organisation. A quality group of five people was nominated to implement the system so that its continuous review and monitoring of a quality system became embedded in the organisation.

There are six principles underlying this RTO Quality Framework™, as shown in Figure 4:

1. An organisation is a system (systems theory)
2. Continuous improvement is a cycle
3. A registered training organisation has a unique business process
4. Management systems provide infrastructure for the business process
5. Quality inputs and processes provide quality outputs and outcomes
6. AQTF 2007 standards provide the criteria for measuring quality

Figure 4 **Framework structure**



Source: Chalkport 2007 (n.d.).

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In more detail, the framework for the management systems can be related to the terms of an approach/deployment/ results/ improvement (ADRI) cycle, for the purposes of accountability. The cycle is similar to the action learning cycle of a work group: planning, acting, observing and reflecting (Stokes & Perry 2007). The four elements of the cycle are summarised in Figure 5 and are:

1. **Approach (A)** involves the factors which shape thinking and planning for the future. It also involves how this is embedded into organisational processes:
 - A documented systematic approach
 - A transparent business process
 - Seven management systems
 - Deployment strategy
 - Quality group
 - Annual strategic plan

2. **Deployment (D)** refers to implementing a training and assessment framework and compliance with legislation:
 - Calendar of key dates
 - Key procedures
 - Key documents
 - Monitoring checklists
 - Quality system induction
 - Staff compliance check

3. **Results (R)** are reflected in the outcomes of training and assessment as manifest in graduate performance:
 - Annual performance summary
 - Assessment validation
 - Competency completion data
 - Employer satisfaction surveys
 - Review meetings
 - Staff feedback
 - Training program review
 - Workplace personnel satisfaction surveys

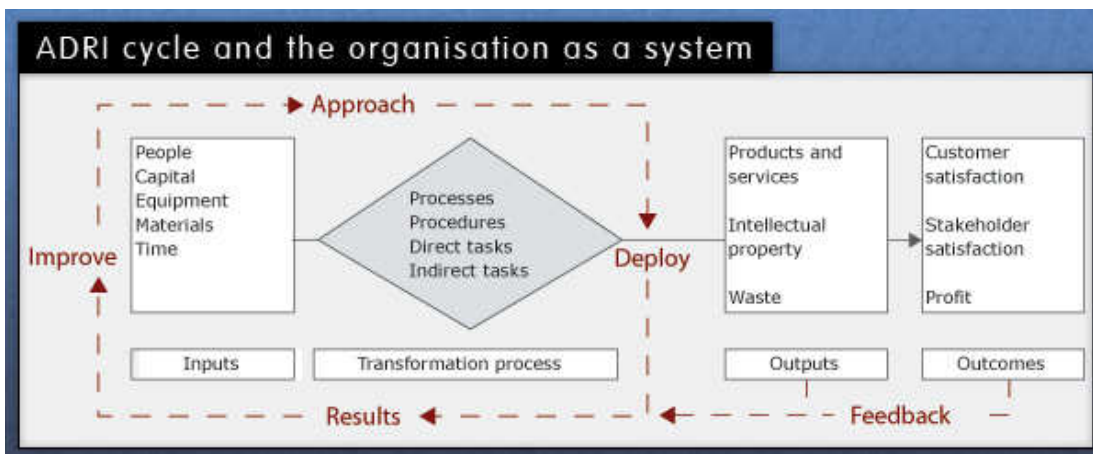
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4. **Improvement (I)** should be evidence based, taking account of the way students report their experience, feedback from other stakeholders (for example, government, industry and their associations, employers), and the extent to which standards established through benchmarking are met:
- Self assessment
 - Comments log
 - Improvements register

Finally, the RTO Quality Framework™ has key result areas (KRAs) and key performance indicators (KPIs) that are used in each turn of the ADRI cycle.

Figure 5 **ADRI cycle and the organisation as a system**



Source: Chalkport™ (n.d.).

In brief, the RTO Quality Framework™ allows Electus to address the *quality improvement* issues of the AQTF guide (DEEST 2007a, p. 6):

The standards focus on the quality of services and outcomes being achieved for clients. They allow RTOs some flexibility in demonstrating how they are meeting clients' needs in the context of the scope and nature of their business. Instead of asking, 'Have we got a process in place?' the RTO can ask 'What tells us we're doing well?' and 'What can we do better?'

At this stage, Electus is satisfied with progress towards its goals of quality improvement. The ADRI cycle is providing a mechanism for continuous improvement and the monitoring of progress in that direction.

Conclusion

In summary, performance management can be an important part of a strategy but its use in SMEs is under-researched. The single case of a small, Australian registered training organisation, Electus, provided an unusual opportunity to investigate this use of

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performance management. Three stages of data collection found that the government's AQTF 2007 standards have been in place for almost twelve months but most registered training organisations have found it difficult to implement a quality system that consistently delivers the required outputs and outcomes. Most organisations found that financial constraints dominated their ability to engage the appropriate people within their organisations to make a transition from mere compliance to continuous improvement within a quality system. While most indicated little difficulty in understanding the requirements of AQTF 2007, they found it difficult to get their people to take ownership and embed the quality standards into their performance as a quality system. They did not understand the importance or the implications of not doing so. In turn, Electus adopted a process that produced evidence that an action learning cycle of continuous improvement is embedded into the organisation and that its registration audit requirements are met.

In conclusion, this research project showed Electus how and why to develop a quality and performance management system within a strategic situation. Its quality approach underpins all of the AQTF 2007 standards and allows Electus to put in place a balanced performance management system that helps it progressively aim at best practice in the national training sector.

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