Exploring how SMEs in China have adapted their approaches to development in response to changes in the economy

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Abstract

Chinese economy has been changed since economy reform in 1978. Many organizations have changed their management strategies on training and development of employees. This research is aim to explore how SMEs adopted their approaches to training and development of employees in response to the change in the economy. Theory and practical investigation have been used to discover the current training and development strategy and the weakness of the traditional strategy in China. Through the investigation, employees' needs are explored. In this research, there is a comparison between large organizations and SMEs in order to find the difference in their management strategies. In addition, new training and development approaches, such as coaching and mentoring has been studied and also an attempt is done to find out how these new approaches are implemented in organizations. The findings of the research has discovered that SMEs are developing and improving their strategy in general; however, medium-sized firms are improving fast, and small-sized companies are developing slowly even they are in the same place.

Key words: SME, training and development, reform economy, coaching and mentoring.

Declaration

I certify that the dissertation entitled: "Exploring how SMEs in China have adapted their approaches to development in response to changes in the economy" submitted for the degree of MA in HRM is a result of my own work and that where reference is made to the others and due acknowledgement is given.

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Content

Table of Content

Figure of content

Chapter 1-Introduction

Learning is significant to everyone; therefore, in terms of learning, Luxford (2012) argued that the thinking and culture of learning have changed their destinies with serving some organizations well. As the boom of economy, organizations have been changing; therefore, learning is necessary. Rrustemi (2011) illustrated that because the business life is increasingly complex and fast changes are occurring in economy, organizations are forced to increase their knowledge and learn continuously; on the other hand organizational learning and knowledge creation will be a key challenge in the future as we enter the so-called knowledge era. Besides the economy changing, Tell (2000) identified that the fast development of technology and increasing complexity of the environment as the major problems (and opportunities) facing companies today. Similarly, Lyle (2012) identified that the changes of social and economic climate result in the emergency of learning organizations moreover, technology and globalisation are also critical factors to promote employees to learn as well as work environment and customer expectations. Senge and Stewart argued that if organizations want to be competitive in market, they must learn at a faster rate to adapt to the changed environment; because of the rapid and on-going external changes, employees must have the ability and desire to learn. (Lyle 2012). Now, learning ability is becoming a competitive factor in organizations. As Levinthal and March (1993) illustrated that the capability of organizations to learn is viewed as a source of sustainable competitive advantage ,also, Pearn, Roderick and Mulrooney (1995) point out that organizations of all kinds will not survive, let alone thrive, if they do not acquire an ability to adapt to an increasingly unpredictable future (Hernann, Alexander ,Gerald &Daniela 2012). As the boom of economy and globalization, without learning and training, organizations will be left behind in the fierce competition. Spicer and Sadler-Smith (2006) point out that a lot of SMEs are facing turbulent and challenging environments, which require effective

organizational learning (Hernann, Alexander, Gerald &Daniela 2012). Organizations have to motivate employees to learn if they want to be learning organizations. Training will be necessity to promote employees' learning in SMEs in order to develop. (Magableh, Kharabsheh and Al-Zubi 2011) illustrated that training, now, is viewed as a strategy to help organizations create value and meet competitive and environment challenges; also Jones (2004) illustrated that training will help SMEs understand latest accounting systems, information technology, management concepts and production techniques; some researchers stated that training facilitates SMEs expansion and improves profitability, productivity and competitive advantage. In addition, Saá-Pérez, Díaz-Díaz and Ballesteros-Rodríguez (2012) illustrated that employees may get new knowledge and skills and create new ways to innovate. Training can on one hand improve the ability of employees to cope with the demands placed on them by the job, improving their self-confidence and on the other hand satisfaction with training provision is likely to lead to high levels of affective commitment (Newman & Shelkh 2012).As the training and development is important for organizations, more attention should be paid. However, traditional training and development strategy was common in SMEs in China. Traditional training and development means that boring training style and unified training content, old training approaches and traditional leadership.

1.1 Background

As economic reforms proceeded, a lot of people realized the importance of non-state-owned businesses, especially private-owned SMEs, in addition, SMEs have gained a faster growth ever since the reform and opening-up in China(Chen 2006). Cunningham and Rowley (2007) classified SMES into four categories based on diverse ownership types and business nature: private enterprises (PEs), collectively owned enterprises (COEs), state-owned enterprises (SOEs), and foreign-invested enterprises (FIEs), joint ventures (JVs). Small and medium-sized

enterprises (SMES) played an increasingly significant role from 1990s. According to XinHua News Agency there are more than 8 million SMES in China accounting for 99 per cent of enterprises. (Cunningham & Rowley 2007) During the pre-reform period(1949-1978), the development of SMES rose and fell with turbulent economy; and then, reform period (1979-1991), SMES developed steadily because of the reform; Post-reform period, SMES expanded quickly and continued to grow (Cunningham & Rowley 2007). Anderson et al. (2003) &Zhang (2005).illustrated that SMES have played an critical role in the economy, easing employment pressure, boosting non-government investment and bringing about market prosperity (Cunningham & Rowley 2010). Nowadays, there is some tendency for people management in SMEs to move towards some convergence with HRM practices aimed at enhancing organizational performance (Cunningham & Rowley 2010).UN Economic and Social Commission for Asia and Pacific(2006) points out that Chinese SMEs have played a significant role in stimulating economic growth, increasing employment, expanding exports and promoting science and technology innovations; In addition, in 2005 there were more than 10 million SMEs registered in the Industry and Commerce Department (Hazbo &Amela&Huang 2008). In terms of economic growth, the output value, sales revenues and tax revenues of SMEs in the industrial sector accounted for 60, 57 and 40 percent respectively of the total of all the industrial enterprises. In terms of employment expansion, SMEs have created about 79 percent of new jobs nationwide (Chen 2006 p1).SMEs in China, are playing a big part, therefore, it is important to develop them. Learning and training have a significant effect on the development of SMEs. Enterprises will be left behind if they stop. Learning and training will be an effective strategy to keep organization developing. Nowadays, Li (2011) stated that new technology has allowed SMEs in China to enter international market. Therefore, SMEs have to learn new things and train their employees to adapt to the new market. As the quick development of global economy, organizations, no matter large organizations or SMEs have to develop through training and development. Dan, Iulia, Alina and Oana (2010) illustrated

that the present reality and fierce competition created the concept of organizational learning. Related to learning organizations, there are many different definitions. However, there is a reasonable argument regarding learning organization. "Senge defines the Learning Organization as a group of people continually enhancing their capacity to create what they want to create." (Dan, Iulia, Alina and Oana 2010 p3) Effective and proper training may be very helpful to build learning organization. "Chinese enterprises should build a complete training system, cultivate employees' consciousness of trainings, and make scientific plans for trainings. Managers are the backbone of promoting and implementing the system. Employees are direct participants and benefited by trainings". (Chen 2011 p3)

1.2 Issues in SMEs

Most Private enterprises or SMEs pay little attention to staff training of knowledge and skills, which is a common problem nowadays in China (Hu &Yang 2010). SMEs in China are facing many challenge both internally and externally: from an external perspective, market competition is the key pressure whereas from internal perspective, as following: a serious problem for SMEs is the need to find and retain talented and qualified staffs; in addition the increasing number of unemployed and declining number of re-employed have put more pressures on SMEs. Zhu and Campbell (1996) tensions have emerged with employees as management has increasing power over issues such as recruiting, labour contracts, promotions, and so on; social inequality is an issue as well(Cunningham & Rowley 2007). In the meantime, Yu et al. (2001) also illustrated that globalization, technological innovation; demographic change as well as financial support and entrepreneurship all have an impact on SMEs as both external and internal factors (Cunningham & Rowley 2007). Cooperet al., (1997) McCarthy et al., (1990) illustrated that in spite of the importance of HRM to SMEs, SME owners and managers do not tend to focus on administrative issues such as HRM, until they perceive that such issues are critically significant to the firm. (Tocher & Rutherford 2006).Magableh and AL-Mahrouq (2006) illustrated that the external

factors include economic, social and political environment, availability of funds and legislations, besides, availability of active local and international institutions, on the other hand, the internal factors, depend mainly on training, including entrepreneurship, employee skills, in addition to management (Magableh, \Kharabsheh and Al-Zubi 2011).

"*Unlike large firms, small and medium enterprises (SMEs), with limited financial resources and insufficient managerial infrastructure, tend to rely less on costly research and development (R&D) investment for innovation activities*". (Wang & wang & Horng 2010, p1)

"Because SMEs are limited in financial capital and possess simpler organizational routines and structures and fewer links to scientific communities, we predicted that SMEs' knowledge absorptive capacity resides more on the breadth and depth of the prior experiences of their owners and critical research and development staffs" (Wang & wang & Horng 2010). In the context that are limited resource, how should SMEs develop their employees has been a key issue. Li (2011) illustrated that Chinese traditional cultural present a huge challenge for SME development and business performance.

"Organizations with the best chance to succeed and thrive in the future are learning organizations". (Dan, Iulia, Alina and Oana 2010 p3) In China, there are so many SMEs which have such important role in the economy. However, how many SMEs are learning organizations？Do they have learning and training activities? Approaches to deal with issues in SMEs may be found from these questions.

1.3 Overall research aim and individual objectives

This research aims to explore how SMEs have adapted their approaches to development in the response to changes in the economy in China.

There are a large number of SMEs which are playing a big part in China. However, many SMEs closed down and also there will be new SMEs coming out. Why do SMEs can't survive in competition growing up? Given the quick development of economy in China, have SMEs changed their training and development styles? What training skills are SMEs using now and what new training skills are popular in the world? Mixed methodology will be used in the paper including interview and questionnaire. This research will be divided the overall objective into three small objectives, as follows:

1   Explore the development of SMEs in China.

2 What types of training and development exist in SMEs in China?

3 Identify what training skills that SMEs may need in the future.

4 Do they have evaluation training system?

1.4 Hypothesis of the research

It is to justify if SMEs in China still neglect training and development and insist on the old strategy of training and development of employees.

In this research, primary researches will be studied, and then a survey in some companies will be used to analysis if SMEs has changed their attitude and approaches on training and development of employees after economy reform.

Chapter 2 Literature review

2.1 The overview of SMEs in China

Philip (2011) illustrated that there is a huge number of SMEs worldwide and they are playing a significant role in economy. The situation is similar in China. Li (2011) illustrated that based on the new stipulation , an industrial SME in China is defined as having up to a maximum 2,000 people with an annual revenue not exceeding RMB300 million, and its total assets should not exceed RMB400 million.

National standard on SMEs in China				
Sectors		Employees number	Annual revenue (RMB million)	Total assets (RMB million)
Industrial		<300–2,000	>3,000–30,000	>4,000–40,000
Construction		<600–3,000	>3,000–30,000	>4,000–40,000
Transport & posts	Transport	<500–3,000		
	Postal service	<400–1,000	>3,000–30,000	
Wholesale & retail	Wholesales	<100–200	>3,000–30,000	
	Retails	<100–500	>1,000–15,000	
Hotel and restaurant		<400–800	>3,000–15,000	

Table1.1: national standard on SMEs in China

Source: State Economic and Trade Commission, State Development Planning Commission, Ministry of Finance, and State Statistical Bureau, the Small and Medium-Sized Enterprises Promotion Law of the People's Republic of China, February 19, 2003. (www.stats.gov.cn-18/08/2003)

From the above table, it is clear that the contribution SMEs make to Chinese economy. Some researchers have same opinion regarding to SMEs contribution for China's economy. Anderson, Li, Harrison, & Robson 2003 stated that just in 1999, according to the information from Chinese Economic and Trade Committee,

there were more than 10 million SMEs officially registered providing 60 percent of the gross national product (GNP), 40 percent of profits and taxes and 68 percent of exports (Wu & Leung 2005).

Li (2011) illustrated that in China, SMES are classified for administrative purpose and in general, SMEs are divided into two categories of rural and urban, as follow:
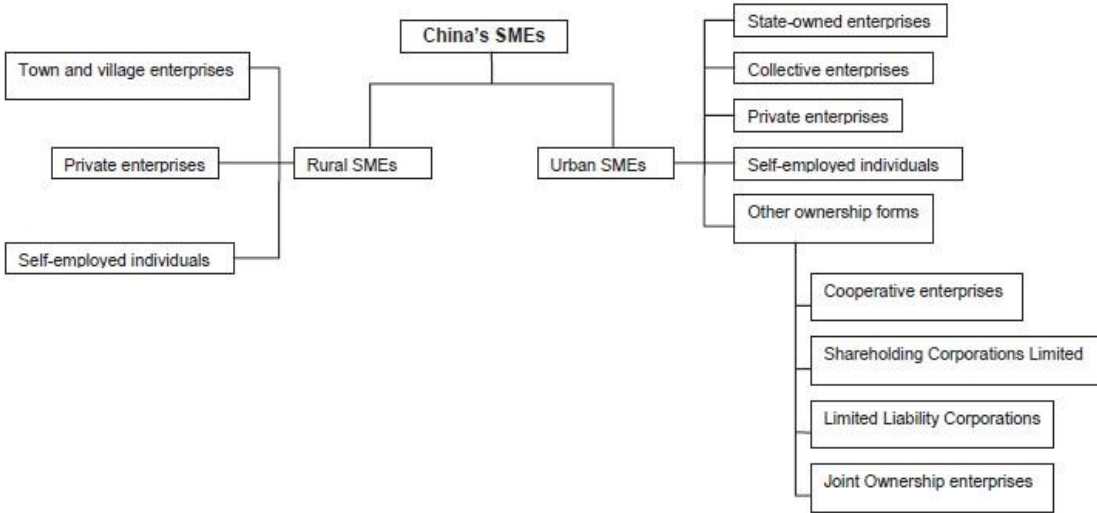
Image 1.1: China's SMEs

(Li, 2011)

In short, employee number ranges from 100 to 2000 in SMEs. Besides, SMEs in rural area are divided into three categories; however, there are more types of SMEs in urban, therefore, SMEs are more flexible in urban area.

In terms of SMEs development, Li (2011) illustrated that given the economic reform, during the early phase, 14 coastal cities were opened up to overseas investment and foreign direct investment (FDI) was encouraged by Chinese government policy, therefore, from 1978 to 1988, SMEs developed steadily; From1989 to 1999, a lot of reforms of the ownership and governance structures was changed among SMEs in all sectors of state, township-village, and private business. SMEs during this period, expanded quickly; the next ten years

(2000-2010), Chinese government has taken a lot of measures to develop SMEs. The development trend of SMEs was depicted by Li, as follow:

"SMEs in China account for 99.6% of the country's total of enterprises and at the end of 2005; for example, China's SMEs contributed 50.2% of the country's total tax revenue and 60% of its total exports. SMEs in China also make 66% of the country's patent applications, more than 75% of its technological innovations, and develop over 80% of its new products" (Li 2010, p1).

However, Warner (2011) point out that it is by no means certain that particular forms of management training are necessarily associated with economic growth and there is a link between human capital and economic growth but not between specific forms of management training and such expenditure.

Based on the above analysis, it is cleat to see that SMEs are playing a significant part in the development of economy in China. With the development of economy, the development of SMEs in China needs to pay more attention.

2.2 SMEs development trend in China

Given the open door policy, SMEs are increasingly important to China's economy growth; SMEs contribute to employment and economy and structural reform (Li 2010). With the boom of economy, there are some issues existing in SMEs. As Chen (2006) stated that a lot of SMEs in China are family-based businesses and the owners don't have necessary management skills or financial knowledge, which may limit organization's further development in the future (Cao, Daniel, Edward & Shen 2011).

Similarly, according to Gu (2011), SMEs were facing some serious problem in 2011, including money shortage, electricity shortage, labour shortage, high cost

and high taxes. However, there is an upward trend which is in line with China's economic growth and shows signs of recovery since last year. According to Xinhua news, the China Association of Small and Medium Enterprises (CASME) stated that the development index and the profit index respectively increased to 95.2 and 76.7 both gaining 4.4 points (Chen 2013).

Related to the development of SMEs, Li (2010) illustrated that national culture and institutions are key factors that affect the Chinese employment system. However, there are some changes in SMEs that from a traditional Chinese PA towards western HRM practices in process and maybe combine east and west in the future.

In the early stages of economy development, regarding SMEs, Lin and Sun (2012) put forward early economic development theory to analyse the development of SMEs. In the early stages, SMEs are seen as burdens and paid less attention; the slow development of SMEs resulted in many negative consequences, such as differences in social benefit and the rise in unemployment, then people realized the value of SMEs and began to develop SMEs; advantages of SMEs are creativity, flexibility and growth which are better fit in the society of economy knowledge, therefore, people should focus on advantage theory instead of weak theory of SMEs (Lin &Sun 2012). Related to the early economy development, Warner (2011) point out a different view that after 1978, given the 'Four Modernizations' and 'Open Door' policies, there was an ultimately successful attempt to run the economy with a greater reliance on 'market forces' and the demise of the 'iron rice bowl' lifetime employment system. At the early stage of economy development, the death of lifetime employment system and the trend to market force is a huge improvement.

 People made right choice by focusing on SMEs according to (Wu and Leung 2005), with the deepening of China's economy reform, SMEs are starting to gain economic momentum and play an important role in China's economic resurgence.

In the history of Chinese economy, there is a significant transition that from centrally planned to a market economy; SMEs in all sectors have conducted a serious of reforms on their ownerships and structures since 1992 (Sun 2000). Also, Li (2011) points out that Chinese SMEs have been developed since 1978 by assessing its critical role in China's transformation from Communist isolation to global superpower. In short, changes of economy bring along changes to SMEs in China. Rural SMEs produced one-third of China's GDP and employed over 130 million workers, in addition, urban SMEs produced another one-third of China's GDP and employed 115 million workers (Sun 2000). SMEs changed along with China's economy changes, also, contributed a lot to China's economy. Walter (2005) points out that after moving towards a more market-oriented economy in 1978; China has experienced a decline in state-owned enterprises and an important expansion for small business (Wang, Wang & Wang 2012).

As the development of global economy, many SMEs are starting to step into global market. However, only 40 percent of Chinese SMEs entered global market which shows that there is a strong potential for Chinese SMEs in the global market (Cao, Daniel, Edward & Shen 2011). In the exploration of SMEs, training and development is becoming necessity and of much importance.

2.3 Key factors in SMEs' development of China

Organizations that want to develop have to develop their employees. Dan, Iulia, Alina and Oana (2010) defined development people as part of a human resource strategy which means the skilful provision and learning experiences in organizations in order to achieve business goals and organizational growth. However, there are always some factors which affect the development of SMEs.

 Li (2011) point out that research on management practices in SMEs in China also reveals that the impacts of cultural and institutional factors have remained surprisingly resilient. In terms of culture Confucius advocated that an absolute

respect for tradition, based on a carefully ranked hierarchical system founded on primary relationships not only between members of families but also between the people and their rulers. Looking at Chinese SMEs in particular, evidence shows that traditional Chinese culture has significant impact on firm's business operation. Also, Li (2011) illustrated that personal connection is one of key cultural factors that facilitate the development of SMEs. Regarding the effect of Chinese traditional culture on business, Liu (2009) point out that Confucianism including five virtues and five relationships has an important effect on Chinese business culture and social behaviour (Lei, David & Paul 2011).

Related to the national institution, the education and training systems affecting the growth and development of human resources has had a significant influence on SMEs' management practices in China. In addition, society, which has a collectivistic and hierarchical emphasis on human relationships, encourages the Chinese to pay more attention to group oriented behaviour than to individualistic activities and to stress imitation rather than debate in the training and learning process. Therefore, attention is drawn to the cultural institutions which influence SMEs' management such as 'guanxi' and Confucian values (Li 2011).Similarly, Lei, David & Paul (2011)   illustrated that Chinese traditional culture has great impact on business, especially "guanxi" (social networks, or interpersonal relationship) which has been a concept studied since the 1990s and has impact on all aspects of life in China. People are easy to get oral agreements between business partners as per Guanxi and kinship culture and values. Therefore, Chinese traditional culture has a significant role in SMEs' development and making good use of this feature could be an advantage in develop business.

Xin and Pearce (1996) pointed to the guanxi that many SMEs utilize to manage scarcity by actively securing production factors, distribution channels, and institutional support; a growing number of the literature on Chinese management and organization stated that "guanxi" is playing a huge role in firm performance. SMEs in China have achieved rapid growth even in the context that lack

legitimacy, resources and government supports (Wu &Leung 2005). "guanxi" has great effect on the development of organizations, however, SMEs are flexible and easier to find approaches to achieve targets to some extent than larger firms.

Except culture and national institution, there are some changes on economy. As we stepped into knowledge era, technology innovation is the base for SMEs; in addition, SMEs are facing pressure of global division of labour and global market competition (Lin & Sun 2012). Therefore, there are opportunities as well as challenges for SMEs in the knowledge era.

2.4 Chinese traditional training style

Human resource management plays an important role in organizations and it is indispensable in firms however HRM exists in most large organizations rather than small firms. In SMEs, HRM is a weak link as well as training and development on staff. Training is significant and necessary for organizations which are seeking to develop in China with the global economy boom. The low lever of employee skills has been a constraint to the success of oversees investment and local firms; therefore, HR should focus more on training. Adequate training should be provided to new employees at the same time retraining the older workers to update their skills; training has an important effect on many aspects such as improving management skills, enhancing productivity, expanding employees' skills range and improving morale of employees (Nguyen, Truong & Buyens 2011).

To date there are many researches on Chinese enterprises but most of them concentrate on large state-owned enterprises or joint ventures only nevertheless the importance of Chinese small and medium enterprises (SMEs) is inevitably neglect（Siu&Li 2005）. Employees are fortune and significant human capital in every firm. Gibbons, Waldman, Hatch & Dyer (2004) divided human capital into three types which are general human capital, firm-specific human capital and

task-specific human capital (Au, Altman and Roussel 2007) Although employee is very important to firms, they don't pay much attention on training. As Hu &Yang (2010) point out that organization always focus on the use of employees, without attention to training and they are only willing to spend money on talent not willing to invest in training personnel. Organizations don't want to cultivate their own talents but want to recruit talent from outside however there is one thing that there is shortage of skilled manpower and therefore it is not a long time plan to get talent. Similarly, Xie & Wu (2001) illustrated that employers pay more attention on investment priorities rather than the training and development of people so that employees can't achieve self-development in the company unless they go to external vocational schools, colleges and universities (Nguyen, Truong & Buyens 2011). Also, it is clear that many employees want to learn and develop themselves.

Now, it is an era of knowledge which promote organizations to learn and to development. In addition, Ren (2008) illustrated that employees themselves want to gain skills related to knowledge management, therefore, training and development in firms is significant. However there are lots of obstacles and bottlenecks on developing training in SMEs sector. In general SMEs have a scarcity of resources such as lack of time, financial and human resources which differentiates them from their larger organizations (Ren 2008). Therefore SME's development is not an easy task. "Many companies send employees to in-country institutes or abroad for technical and high-level managerial training" (Zheng, O'Neill &Morrison 2009 p4). Nevertheless, Kerr and McDougall (1999) and Hill and Stewart (2000) point out that this will be difficult to operate in small firms with limited resources available for staff training and development therefore employee training and development remains a critical issue for Chinese organizations especially for SMEs (Zheng, O'Neill &Morrison 2009) .The awareness of training and development has been realized early in Chinese organizations however it implements well in large firms rather than in small and

medium sized enterprises because the limitation of SMEs that are mentioned above.

There are some SME becoming large companies through training and development; however, most of SMEs still hang around at a low level of development. One important reason is that Chinese SMEs have a short period of development and don't have an appropriate way to meet the requirements of the market reform strengthening institutional capacity in management, technology and personnel training, enhance overall qualification and build up vitality and competitiveness is a vital way for SMEs to adapt themselves to the market reform requirements and market competition (Chen 2006).Chinese SMEs are used to the traditional state-owned enterprises organizational structure and systems（Siu&Li 2005). Chinese SMEs are important for the economy however most of SMEs are small business and are difficult to become large companies because of lack of training and development or the traditional management style which make them left behind. Yu (2001) point out that SMEs are typically family- owned characterized by centralized decision making under a dominant owner and are depended on traditional management style (Newman & Shelkh 2012). "Now the effect of staff training in Chinese private business or SME does not perform well, since the lack of social services in the appropriate training market, or because these companies have not groped an effective approach and personnel departments and trainees just go through the motions to complete task, doing training symbolically as a way of regulating work" (Hu & Yang 2010 p2). Therefore training and development in SMEs in China may need to try new management styles instead of insisting on traditional management style. In the traditional training and development there are some weaknesses as follows:

➢ **Lack of employees' participation on training design**

Employee engagement is good for the improvement and development of organizations however in reality not many employees participate in management

of the organization. As Warner (1993) reported that worker participation in management decision making has been deep-rooted in Chinese enterprises, nevertheless ,employee participation in decision making in Chinese small firms has not been well documented(Zheng, O'Neill &Morrison 2009 p4). Employee's opinions will be very helpful to analyse training needs in order to design training program however leaders in SMEs easily ignore staff views in taking training decisions. Without considering staff opinions is a general practice and a serious mistake for training in SMEs in China. Chen (2011) illustrated that managers do not communicate with employees effectively and the employees just take the task passively without any initiation and enthusiasm for participation and the attitude of employees, cooperate or not, affects the implementation greatly. This occurs in many SMEs in China. Ding, Lan and Warner (2001) and Zheng, Morrison and O'Neill (2009) stated that the provision of training in Chinese SMEs is minimal comparing to large companies, however, employees in SMEs expect to be provided with opportunities to engage in training and development (Newman & Shelkh 2012).

➢ Lack of pertinence on training content

There are some reasons that training and development do not have a positive effect. There is no enough employer-sponsored on training which is a major weakness; and very few enterprises have drawn up systematic programs which is an essential requirement for training (Wang, Rothewell & Sun 2009). In additions to effective systematic training program, ignoring employees' options and ideas is a huge issue for training performance. In addition, "the enterprise does not offer relevant trainings for employees in order to update work methods, improve job performance, or help employees achieve successive development"(Chen 2011 p2). In other words, they may offer training that is not necessary for employees or is not helpful to employees.

➢ Traditional training style, lack of diversity

In some medium or small firms, there is some training however training contents and style are very traditional. Some organizations only take training as a form of process. Hu &Yang (2010) illustrated that Private businesses or SMEs use the traditional training approaches such as seminars, conferences and other forms which are really boring. According to a survey only 38% of front-line operational employees had received pre-job training and it was mainly through meetings and the form of one by one, and the main contents were business history, post basic skills, safety awareness and quality consciousness. In some organizations employees were just directed by old workers to become familiar with jobs within a week. The traditional training methods affected the enthusiasm of staff training on the other hand, the content of training mainly focus on something that is meaningless instead of employees' career development and mental health. The above traditional training approaches are common especially in small organizations in China; therefore, enterprises cannot get the effect that they are expecting from training.

➢ **Manager's leadership poor quality**

Leadership has a huge role in training and development in organizations. Manager has the power of taking decision but poor leadership can lead to poor outcome. Wang, Rothewell & Sun (2009) stated that more than 7000 managers in China have much lower managerial skills as compared to their Western counterparts in three main areas: (1) listening and information processing skills (2) thinking and analysing skills and (3) skills in performance evaluation. Besides the employees in private business or SMEs have lower level of education, and lower quality than the ones in state-owned enterprises and foreign enterprises. Many private enterprises do not have human resource management departments, which gain difficulty for training program (Hu &Yang 2010). Human resource is popular globally however it is quite common that there is no such a department in small or medium sized organizations which is a serious issue that is worth to analyse. SMEs have to find new roads to improve their performance in order to compete with big

organizations, Barney (1991) and Barney; Wright& David J. Ketchen (2001) figured out that human resource could lead to sustainable competitive advantage of organizations (Zakaria & Zainal & Nasurdin 2012). Therefore human resource has an important role in SMEs also it is significant for training and development in SMEs.

In short training does not exist in any small and medium enterprises in China in the current economic condition. From above analysis it is clear that there are some problems regarding training in SMEs. First of all employee participation on training design is a significant issue which directly affects training outcome. Secondly training content, lack of pertinent and diversity, in addition, the training style is traditional and raw are also considered as important issues. Lastly leadership always has an important part in management. However managers in SMEs with lacked skills affects training design and development. In addition a complete department system will be helpful to organizations development; nevertheless, even there is no human resource department in some organizations which could be a huge issue in the long run development. Traditional training style maybe still working well at the moment however from the long-term point of view as the economy and technology develops faster the organization will be left behind because of this kind of training style. Enterprises should adopt training approaches in accordance with current economy and update skills regularly to have competitive advantage over other companies.

2.5 To identify learning needs of SMEs in China

2.5.1 The importance of learning needs in SMEs

The significant thing to identify what drives organizations to learn is to analyse the learning needs which include three stages :identifying the range and extent of learning needs required to meet the business; identifying learning needs precisely; analysing how best learning needs will be met (Frances & Bee 2003). Similarly,

trainer must know exactly what is required from the training program in accordance to the identified tools framework techniques processes are identified in designing and implementing effective and productive training program for those who require it.Learning and training needs are significant for the development of SMEs. Without learning and training needs the organisation may be lack of ability or willingness (Magableh, Kharabsheh and Al-Zubi 2011).Cook (2005) illustrated that increasing attention should be put on the establishment of learning needs to make sure that training and development interventions are fit for purpose and also Cook (2005) put forward the following three learning requirement: Organizational needs: at organizational level data should be gathered to identify the future learning and development needs in addition, organizational learning tends to be linked to the strategy planning cycle. Department needs: department or operational leaning needs should be analysed either during the strategic planning phase or when the department leaning needs arises; Individual needs: at individual level, it is important to establish what skills, knowledge and behaviours the individual needs to change, develop or improve (Cook 2005).

As the boom of global economy, there are strong learning needs in SMES in China. Although there are many difficulties and problems in building learning organization, there are still some advantages to do this. Dan, Iulia, Alina and Oana (2010) illustrated that SMEs, unlike large organizations have small numbers of employees which facilitate communication therefore great interpersonal relationships and cohesion. In addition given a smaller proportion of assets and simple management, SMEs are adaptable and flexible to match the changing environment. Trulove (2006) analysed training needs from four aspects as follows:

Organization training needs, such as new products, new technology, new legislation, new managerial systems and acquisitions, mergers; Occupational training needs, individual training needs and maintenance and development needs. From the above analysis, different approaches have to be used based on different

training needs. To analyse what kind of training needs in organizations is a quite important issue.

Training programs are seen as the most appropriate approach of human capital investment for their employees and training programs should be designed to fit employees' job specific training needs (Au, Altman and Roussel 2007). Training needs are the priority to analyse to implement training and development. Al-Ajlouni and H Athamneh and Jaradat (2010) illustrated that after training program, it is significant to assess the result of any training program. Evaluation of training program is a difficult task and the first step toward evaluation of a training program is to define the goals and objectives of the training program. In addition the first requirement is to collect valid and reliable data. Interviews and questionnaires are effective approaches to collect data. Al-Ajlouni and H Athamneh and Jaradat (2010) point out the merits of interview and questionnaire: as far telephone interviews are concerned, the trainee does not feel the pressure of the interviewer to give answers that suit the trainer; in addition, it is extremely vital that the questionnaires are important to measures the variables.

2.5.2 Factors influence learning needs in SMEs

SMEs contribute hugely in the economy in China however lack of learning and training development awareness is a significant issue. There are many factors that affect learning and training in organizations, some important factors which are close related to this issue are explored.

- **There is a relationship between external environment and training needs in SMEs**

Competition not only existed in the same industry but in the whole world will be a critical factor to encourage both organizations and individuals to learn. Feiertag (1998) point out that get back to basics to be better than your competitors，keep the competitive analysis up-to-date to increase your competition.

External changes also drive SMEs to learn as Philip (2011) illustrated that changes in the environment cause more uncertainty in SMEs than in large companies because that resources for acquiring information about the market and changing the course of the enterprise in SMEs are more limited. In terms of change, Burke (2002) outlined that globalization and the pace of economic change drive organizations to change (Banham2010).The role of environment is significant in learning of SMEs, in addition, as we step into knowledge age, knowledge management is also playing an important role in the learning of SMEs. Ren (2008) outlined that in general, SMES have a scarcity of resources and have limited knowledge on technology, lacking technical expertise as well. Knowledge management is playing a critical part in organizations and it covers any intentional and systematic process of acquiring, capturing, sharing and using productive knowledge to enhance learning and performance. In order to survive and grow, SMEs need to be able to adapt to change and challenges, therefore, there is an analysis regarded to forces for changes in SMEs from five aspects, as follow: the availability of new technology, customer exceptions for price, quality and service, the regulatory changes and increasing competition(Banham 2010).

- **There is a relationship between resources & finance and training needs in SMEs**

Magableh, Kharabsheh and Al-Zubi (2011) argued that higher investment on employees by training expenditures has an effect on the SMEs performance including increases revenues, profits and number of employees. As the limited resources, time is viewed as a basic issue for SMEs, primarily because these organizations are focused on short-term day to day crises which are given priority instead of development. In addition it is not just in terms of the cost of the training or development, but also the time lost to the SME and the opportunity costs (Peel 2008).

- **There is a relationship between Leaders characteristics training needs in SMEs.**

Leadership and management are two powerful factors which affect training styles. Magableh, Kharabsheh and Al-Zubi(2011) illustrated that manager's years of experience which reflect his/her level of managerial skills and productivity have significant effect on the profits and revenues of the organization also has insignificant impact employees number. Management play a key role in training. Jennerx stated that management involvement and management motivation in training has a positive effect on desired training outcomes; executive commitment to training will produce higher quality outcomes for organizations including effective planning, funding and monitoring (Shiryan, Shee and Stewart 2012). Peel (2008 p4) stated:" related to leadership characteristics, there are in fact concrete differences between female and male leadership styles which affect the ways in which the different genders manage within their organizations."

There are many factors that affect training needs analysis; however, the above factors have significant effect on training and development in SMEs. First of all, to analyze training needs in SMEs, then fit training and development strategy into an organisation. In addition to explore the problems related to training and development in SMEs is important. Traditional training and development style has been in SMEs in China for many years and only few of them have changed with the developing economy. Therefore, new training and development style need to be developed based on training needs in SMEs.

Nowadays, there are some new approaches that are popular for training in many large companies. SMEs do not usually try new ways along with the changed economy so that they develop slowly. Coaching and mentoring are good approaches for training, especially for SMEs that they should update their training system. Baek-Kyoo &Sushko &Mclean (2012) illustrated that coaching has rapidly become a significant part of learning and development strategy in many organizations.

In recent years, there is a growth in coaching and mentoring. Clutterbuck (2009) illustrated that mentoring has been considered as an effective workforce development tool. However, Bax &Negrutiu &Calota (2011) illustrated that coaching still take time to catch on and skill related coaching still exist in many organizations so far. Traditional learning like business books and conferences tend to focus on one or two discrete ideas, the different is that coaching focus on a more holistic approach that emphasize how advisors can maximize their entire businesses (Bowen 2013). The role of coach is to encourage learning and allow the coaches to unlock and achieve their true potential; In short, Coaching can be simply described as helping someone to learn in order to improve their performance (Bax &Negrutiu &Calota 2011). interpersonal relationship practices including coaching, mentoring, and counseling have been increasing over the last decade; Hamline ,Ellinger, & Beattie(2008) point out that many large organizations also provide coaching strategy by HRD professionals, supervisors and managers, (Baek-Kyoo &Sushko &Mclean 2012). "The sole purpose of mentoring was once career advancement and promotion, which explains why mentoring was often seen as merely an activity to groom the next generation of leaders. The goal of mentoring today has shifted to focus on helping anyone gain new insights and abilities" (Emelo 2011 p47).

Although coaching and mentoring are good approaches for employee training, it is difficult to implement in SMEs. Westhead and Story (1997), Wong et al (1997) and Winterton and Winterton (1996) reported that most of owner/managers had doubt about investing in coaching and mentoring because it was difficult to prove that it is a good investment (Peel 2008).Therefore SMEs are insisting on traditional training style instead of coaching and mentoring because they can't see the long term benefit. There are some barriers to develop coaching and mentoring in SMEs which are difficult to deal within a short period. One of the greatest barriers is that it is difficult to persuade SMEs to believe the benefits of any form

of workforce development including coaching and mentoring. Another barrier is the attitude of the owner or manager in SME, Carter and Evans-Jones (2000) and Storey (1994) argued that the psychological characteristics of the owner/managers believe themselves in a distinctive managerial style and have more control over what employees are doing; Lastly limited resources could be a potential barrier for SMEs to develop coaching and mentoring (Peel 2008).Coaching and mentoring will be effective training and development strategy for SMEs in long time mainly there are three types of mentoring; one to one mentoring, group mentoring and situation mentoring. Now people are employing mentoring online which are often via email and the internet. Also face-to-face is great for those who can manage it but with dispersed organizations and employee (Emelo 2011). Enterprises should choose suitable mentoring types based on their reality. There are many organizations that they may only use coaching or mentoring nevertheless Clutterbuck (2009) points out an appropriate approach: in –company coaching and in company mentoring; there are some different : in-company coaching is a development process that focuses on the management of performance; however, in-company mentoring prefer to a one-to-one developmental process that pays more attention on the development of capability and effective career management; In addition, mentoring tends to be longer term and focus on much lower level talent and professional staff; the concentration of in-company coaching is heavily on middle managers and executives (Clutterbuck 2009).In –company coaching and in- company mentoring are good approaches for SMEs to develop training program and it will reduce cost on money and time. Coaching and mentoring are popular in many large organizations and they will be benefit for SMEs in China in the future. It may take some time to advocate coaching and mentoring in SMEs because there are many difficulties to develop them, however, there should be a mindset regarding coaching and mentoring approaches.

Chapter 3 Methodology

3.1Research questions and objectives

The aim of the research is to study SMEs in China that have changed their approaches on training and development in response to the economy change.   In addition to this it also explores what skills do employees want to learn in the future. The research objectives are:

- Explore the development of SMEs in China.
- What types of training and development exist in SMEs in China?
- Identify what training skills that SMEs may need in the future.
- Do they have evaluation training system?

Since the economy reform in China Chinese SMEs haven't been active on training and development of employees and the situation is still the same. This research is based on primary researches to explore if training and development in SMEs is changing in SMEs in China. In this research hypothesis is to justify SMEs in China still neglect training and development and insist the old strategy on training and development of employees.

3.2 Research philosophy

Saunders, Lewis and Thornhill (2007) identified that research philosophy is related to the development and the nature of knowledge; the research philosophy you adopted represent the way you view the world.

In addition, Saunders et al (2007) point out three main aspects of research philosophy: epistemology, ontology and axiology.

- Epistemology: resource researcher considers data is likely to the position of the natural scientist; in addition, researcher is in a positive position to the development of knowledge. This philosophy includes positivism, realism and interpretivism.

- Ontology: it is concerned with the nature of reality, including objectivism, subjectivism and pragmatism.

Tashakkori and Teddlie (1998) point out that adopting pragmatism, you should study what interests you and is of value to you, study in different ways and use the results in ways that can bring about positive consequences (Saunders, Lewis and Thornhill 2007) . Pragmatism is from the perspective that how you want to develop your interests on your studies, and researchers will pay more attention on their studies that attract them, therefore, pragmatism will be a good research approach. Saunders et al. (2007) point out that from pragmatism's view, the most important thing for research philosophy is the research question; it is possible to use both philosophies: positive and interpretivist philosophy which means both qualitative and quantitative are possible. To use either qualitative or quantitative may not get accurate data, the mixed approaches will get detailed information, on the other world, see things in a comprehensive view. In this dissertation, pragmatism is adopted. Chinese traditional and old training system is an interesting topic; the value of this dissertation is to explore that have SMEs in China changed their approaches, by the way, to attract attentions in SMEs focusing on their training and development programme.

- Axiology: it is related to value. Heron (1996) point out that value is the guiding for human action; your own value will be very important in all stages in your research. Therefore, the value of researchers is significant which is closely related to your topic.

To choose a proper philosophy is related to your interests and your topic. In this research, pragmatism and axiology are main philosophies. The researcher's

interest and value are brought into the research that is very appropriate to these philosophies. In this research, the interest and value of the topic is important fact to study this issue. Mixed approached will be adapted to study the issue in order to get more detailed and comprehensive information therefore pragmatism is an effective approach that fit this research.

3.3Research approaches

Easterby-Smith illustrated that the choice of different research approaches is important; first, it will help you to decide your research decision, second, it is good for you to figure out what research strategy and choice you are going to use, third, the knowledge of the different research traditions will help you to adapt your research design. (Saunders &Lewis&Thornhill 2009)

Deductive approach: at the beginning of your research, you have clear idea about your theory and raise a question related to your project; there are some characteristics related to this approach. First, explain causal relationship between variables, second, concept need to be operationalized in a quantitative way, the last one should be generalisation. (Saunders &Lewis&Thornhill 2009)

Inductive approach: you would collect data and develop theory based on your data analysis and research using this approach is likely concerned with the context which was taking place. (Saunders &Lewis&Thornhill 2009)

Saunders et al（2007）also point out that to decide your approach is deductive or inductive is depend on your research and the nature of your research, therefore, a combination between deduction and induction maybe advantageous. In this research, deductive approach will be used inductive approach as well. This research is going to use both research approaches with the collection of quantitative and qualitative data. There are advantages for deductive approach and inductive approach: deductive approach can be quicker to complete, therefore, it is easy to setting up to collect and analysis data; inductive approach may be much

more protracted; however, also, there are disadvantages for both approaches: for deductive research, if it is a new topic, there may be limited existing literature and inductive research may indulge in risk (Saunders &Lewis&Thornhill 2007).

3.4 Research strategy

Research strategy is significant in the process of research design. As Yin (2003) point out that research strategy can be used for exploratory, descriptive and explanatory; Robson (2002) point out a definition related to the exploratory and descriptive research strategy; exploratory research is to find out what is happening to seek new questions and to assess phenomena in a new sight; the aim of descriptive is to draw an accurate profile of persons, events or situations; explanatory studies can be termed to establish causal relationship between variables (Saunders & Lewis & Thornhill 2009). This research tends to be exploratory research according to the definition. Sekaran and Bougie (2010) point out that exploratory study is significant for obtaining a good grasp of phenomenon and advancing knowledge to build and hypothesis testing.

"The research strategy will be guided by your research questions and meet your objectives ,the extent of existing knowledge, the amount of time and other resources you have available ,as well as your own philosophical underpinnings."(Saunders &Lewis &Thornhill 2009)

Saunders et al (2009) also point out some research strategies as followings：

- Experiment
- Survey
- Case study
- Action research
- Grounded theory
- Ethnography
- Archival   research

Action research focused on the nature of the process of diagnosing, planning, taking action and evaluating (Saunders & Lewis & Thornhill 2009). Action research strategy will be used to follow the structure of the dissertation. First of all, diagnosing what approaches that SMES are using in China, then to investigate that have they changed approaches in response to economic change, after that , to explore what skills are employees really need?

3.5 Data collection methods

There are two types of data: primary data and secondary data. The source of data in this research is primary. According to Sekaran and Bougie (2010) main data collection method include interviewing, questionnaire, observation and unobtrusive methods.

There are so many a method to collect data, however, which method is better is up to your research. In this research, interview and questionnaire will be mainly used to collect data related to this issue. Gray (2004) point out that interviews and questionnaires are popular approaches to gather data related to organizations and people; also find out what organizations and people think, believe and do(Maylor and Blackmon 2005). For qualitative method, it is important because research in business and management deals not only with organizations but also with people who can ascribe meanings, thoughts and feelings to the situation; also people construct social system, research on them is different on natural science (Maylor and Blackmon 2005). For quantitative method, postal questionnaires have the advantage that the cost is low compared with any method that require face- to-face contact with individual, especially when respondents are widely dispread(Smith &Thorpe & Jackson 2008).   Four companies will be chosen to explore and pick one person from each company to do questionnaires. One of them is large company, two companies are medium size and the last one is small size company. Fifteen questionnaires will be sent by email to the four companies; in addition, phone interviews will be done. The interview questions are close to

questions in the questionnaire but they are exploring in depth. One large enterprise is chosen to see if training program implements well comparing with training in SME. For interviews, Ghauri and Gronhaug (2005) point out that there are structured interview, unstructured interview and semi-structured interview. In this research, semi-structured interview is going to be used. To use Semi-structured interview because people to be interviewed and questions to be asked have been determined beforehand (Ghauri and Gronhaug 2005).

Saunders et al (2009) illustrated that quantitative and qualitative techniques are two main data collection analysis procedures; quantitative is usually used that generates or uses data, such as questionnaire or graphs and statistics; In contrast, qualitative is used that generates or use non-numerical data, such as an interview or categorising data. In this research, mixed techniques will be used. Maylor and Blackmon (2005) figured out that whether you take a quantitative or qualitative approach, have an overreliance on bivariate and relationships and may ignore the true complexity of reality. Therefore, mixed approach is a better way to do the research. According to Saunders et al (2009), mixed model research combines quantitative and qualitative data collection analysis process, in addition, quantitative and qualitative approaches at other phases of the research such as research question generation; in short, mixed approaches can take quantities' data and qualities it ,also can quantities qualitative data. Therefore, mixed approach is adopted to collect data in the research, including questionnaire and interview.

3.6 The credibility of research findings

The credibility of research is a difficult issue. A research is not possible 100 per cent accurate. As Robson (2002) point out that there may be subject or participate error or bias, or observer error or bias, such as a questionnaire may be generate different results at different times(Saunders & Lewis & Thornhill 2009). Therefore, only using one approach to collect data may generate more error or bias, mixed approach will be more guaranteed for the accurate.

Four companies are studied to explore the issue in this research are as followed:

Min-hwa Company was founded in 1992, with employee around 8000, the group headquarters is located in Shatin, Hong Kong, in the United States, Singapore, Shenzhen and other global economic core region and city has many subsidiaries, branches and affiliates. Min-hwa is a large enterprise which is chosen to compare with small and medium size companies on training.

Xiamen 35 Internet technology co., LTD., including employees over 500, is the first listed company on gem in Fujian province. As cloud office solutions for professional service providers, 35 interconnection based on cloud computing model, focused on the general business users, business people, innovation, introduced a complete set of 35 cloud office overall solution, weibo integration work (Ewave), video conference system (Emeeting), office automation system (OA), enterprise email, instant messaging management (EQ). The survey is made from its branch office which is located in Beijing.

Shanghai great wisdom co., LTD which established in 2000, with 1000 employees, is committed to software terminal as the carrier, take the Internet as a platform, to investors to provide timely, professional and financial data and data analysis.

Shanghai long dress co., LTD, founded in the second half of 2012, with less than 100 employees, mainly engaged in clothing online sales,. Group headquarters in Zhejiang, with many clothing factories and related subsidiaries.

The four companies are studied to explore the issue of the research. Min-hwa enterprise is mainly studied through questionnaire; the other three companies are explored through questionnaire and interview. To choose one large company is to

compare with the other three companies in order to see the difference on training and development.

Chapter 4 Findings and discussion

4.1 Introduction

The aim of the research is to explore if SMEs in China has changed their attitude and strategy on training and development of employee. First of all, explore the traditional style and the attitude to SMEs in China through previous research. From previous theory mentioned in above literature review, SMEs has been neglected and there has been much weakness of training and development. Then practical survey will be used to collect data to study this issue. Four companies are studied through questionnaire and interview: Min-hwa Company, Xiamen 35 Internet technology co., LTD, Shanghai great wisdom co., LTD, Shanghai long dress co., LTD. Between four companies, Min-hwa is a large enterprise which is picked to explore how is training and development implementing? In addition, Min-hwa as a large company is used to compare with the other three companies. Xiamen 35 Internet and Shanghai great wisdom are medium organizations, only Shanghai long dress is small organization. Fifteen questionnaires were sent to four companies through email, in addition, specially interviewed employees in three SMEs. All respondents are employees in these four companies in order to get detailed information related to employees. Besides, fifteen questionnaires were sent to these four companies, ten questionnaires were back from Xiamen 35 Internet, five questionnaires got back from the other three companies. This research is going to combine theory and practical study to achieve the objective.

4.2 Qualititive analysis

One person from each company was interviewed. Three people from small and medium companies were interviewed.

The first interviewee, who has worked for over two years, is from sales department in the branch office of Xiamen 35 Internet. This interview lasted

fifteen minutes through telephone. There is training and development program in the company; also, there is human resource department, however, the training and development is in charged by department managers. In this company, training is semi-voluntary that means some people are voluntary but some people are not. Training occurs almost every day, however, most of them are informal and training is related to basic products information. These interviewee is not satisfied with the training in the company, because the training is too informal to get expect that employees want to, besides, training occurs almost every day and most of them are similar, the interviewee is fed up with the training. This interviewee wants to get some practical skills from training instead of some informal basic products theory. Managers did not investigate the training needs of employees and what kind of training style they want. After training, managers or human resource department will evaluate the training, such as face to face meeting; in addition, for new employees, there will be an exam related to products information. According to the interviewee, the company does not pay much attention on employees' development. For this interviewee, communication skill is expected to achieve through training program. However, there is no training related to this skill in the company.

The second interviewee is from sales department of Shanghai Wisdom Company. This interview lasted twenty minutes. In this company, training and development exist and occur during three months. And training mainly is related to basic products information. For new employees, there will be training lasting for fifteen days related to products information; for old employees, unscheduled training often occurs that depends on company's need. The main aim of training is to be more familiar with products. Department managers or senior product analyst is responsible for training program, although there is human resource department. According to the interviewee, training is voluntary for employees and employees have awareness to improve themselves. Before training, there is no investigation regarding employees 'needs. Training in this company is mainly based on

company's need. Related to evaluation system, there is evaluation for new employees, but for old employees, there is no such system for training. After training of new employee, there will be an exam paper to test the effect. As interviewee said, this kind of training is good and analysts are more familiar with products, therefore, they are good trainer. In stock industry, the most important thing is to know well products; therefore, the training in this company is good from interviewee's view. For interviewee, some skills that are related to their products are important to learn for employees. In this company, lots of investment on products, very little investment on employees' development, because there is a big mobility on employees, therefore, there is no need to pay much attention on employees' development in interviewee's view.

The last interviewee is from Shanghai long dress company which is a small company. The interviewee is from design department. In this small enterprise, there is no training program. In addition, there is no human resource department. Human resource management is playing an important part in organizations. As Zakaria & Zainal & Nasurdin (2012) illustrated that human resource is an important factor to keep competitive advantage and to compete with big organization. The owner is in charge of recruitment and payroll. If it is necessary, department manager will be responsible for training, however, training only include basic information related to products and the company. For new employees, old employees will show them work responsibility. Besides, there is no evaluation system to measure training. Managers have never investing employees' training needs in the company. As the interviewee stated that it is necessary to have training in this company and many employees are eager for learning. For training, the interviewee wants to learn management skills because she wants to improve herself to a high level. The interviewee thought employees will be benefit from training; nevertheless, she never talked to her manager regarding this idea because there is no training since the company's establishment, therefore, there is no need to talk to manager and nothing is going to change.

4.3 Quantities analysis

In this section, the result of questionnaires will be presented. A number of graphics will be showed. Besides, there will be a compare between the large company and the SMEs through charts descriptive analysis.

From the study, it is easy to see that training and development program exist in many companies which means many companies begin to focusing on employees training.
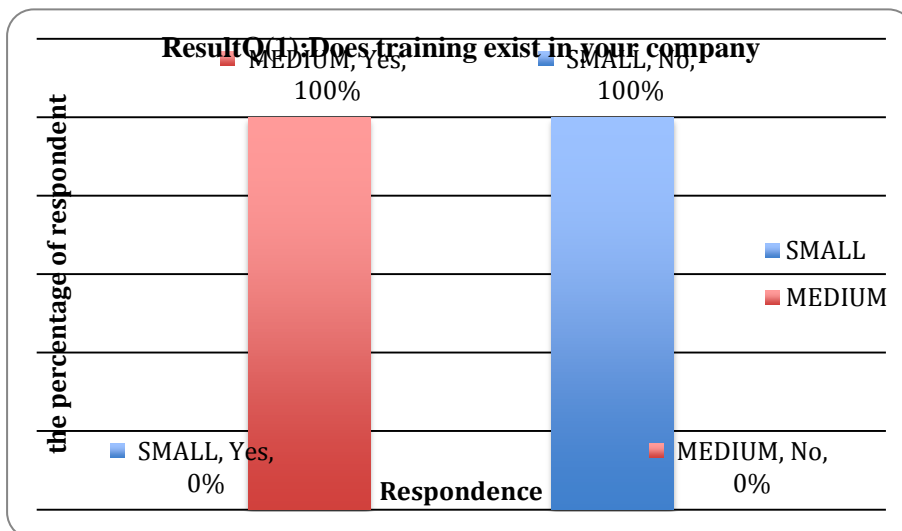

Figure 4.3.1: data from Xiamen 35 Internet and Shanghai great wisdom and Shanghai long dress

According to the survey from the three SMEs, the data from the above chart (Figure 1) stated that people in the two medium companies point out that training exist, and person from the small organizations said that there is no training. Based on the data, many medium-sized organizations have training and development program; even there may be no training in some small organizations. In short, training and development is going to be a main trend for organzaitons.

Dan, Iulia, Alina and Oana (2010) illustrated that the development of people is part of human resource strategy. Therefore, training and development of

employees should be part of human resource strategy. However, the reality in SMEs in China is not exactly the same.
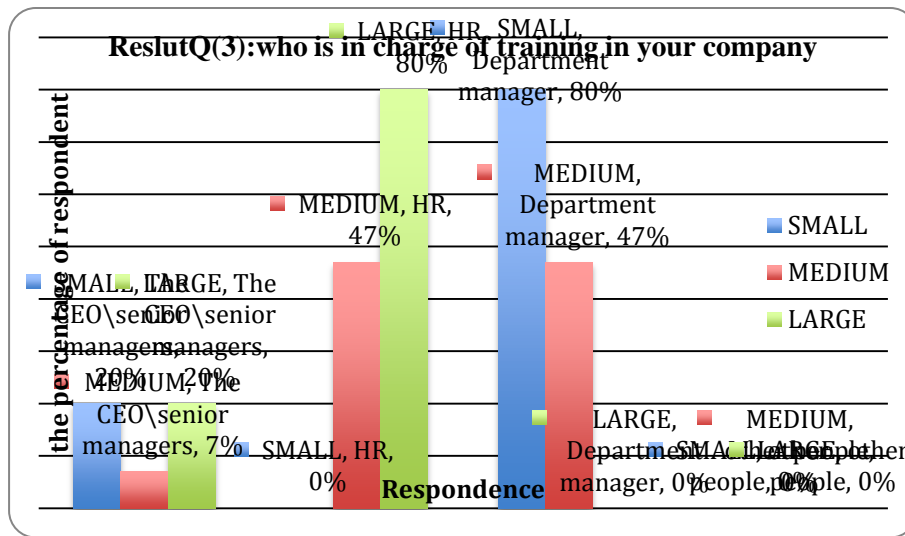

Figure 4.3.2: data from Xiamen 35 Internet and Shanghai great wisdom and Shanghai long dress, Min-hwa Company.

From the data, department managers are still on the main position of training and development program in most of companies; however, human resource management is becoming more and more important in the process of developing training program and the trend of the senior manager or the owner controlling everything in company is changing. For big company, from the survey in Min-hwa organization, 80% people stated that human resource department is responsible for training and development program. In medium-sized company, nearly 50% people point out HR is in charge of training. From the survey, 80% people in small firms and nearly 50% people in medium company stated that department manager is responsible for training and development. Based on the data, it is clear to see that human resource in big company has an important position and perform very well, however, in SMEs, there is still a long road to go.

Employment participation is good for the development of organizations. As warner (1993) point out that employee participation in decision-making has been deep-rooted in China, however, it didn't perform very well in small firms. In the training and development program design, training needs is an important voice of

employees, in other words, it is a way that employee participate in training and development design. According to the data (Figure 3), 80%people stated that there is no investigation before training in small-sized company; however, more than half people agreed that there is investigation before training. In short, some medium-sized companies care about employees' training needs; also, there are some small companies which don't focus on employees' needs.
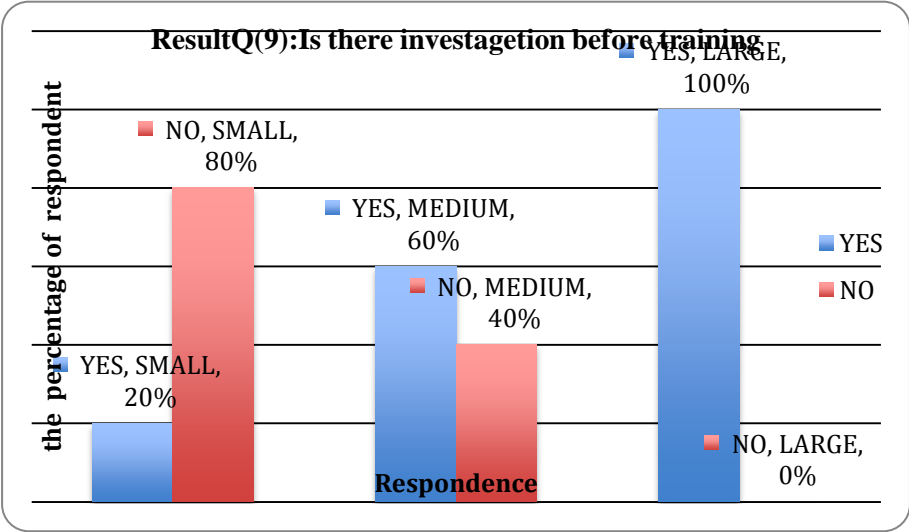

Figure 4.4.3: data from Xiamen 35 Internet and Shanghai great wisdom and Shanghai long dress, Min-hwa Company.

However, comparing to SMEs, from the data (Figure 3), investigation before training exist in the big company. Big organizations pay more attention on employees' needs than small and medium enterprise. Nevertheless, SMEs realized this issue and they are improving themselves and medium-sized firm is doing better than small-sized organization.

Training and development style is always traditional in SMEs in China. Hu &Yang (2010) stated that Private businesses or SMEs use the traditional training approaches which are really boring. According to the data (Figure 4) from the survey, training and development in small-sized firm is mainly related to basic products information and technology training, also there are few companies using new approaches for training in SMEs. However, in the medium-sized firm, new training approach is adopted, such as coaching and mentoring and Min-hwa

company use new approaches very well instead of traditional training and development style in SMEs. Result from the questionnaires stated that coaching and mentoring approaches perform very well in big organizations. In short, small companies are still insisting on traditional training style, medium organizations are developing their strategy.
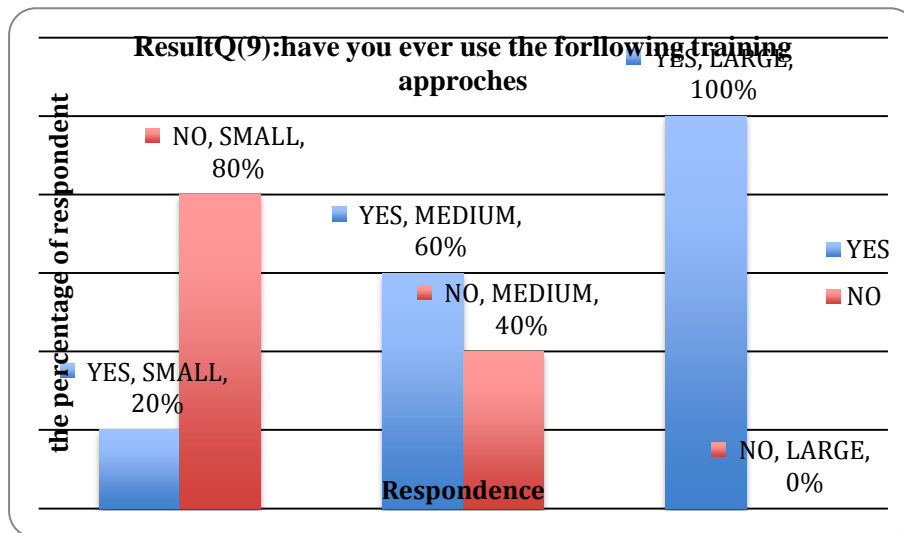

Figure4.3.4: data from Xiamen 35 Internet and Shanghai great wisdom and Shanghai long dress, Min-hwa Company.

4.4 Discussion

Four companies were picked separately as representative for large company, medium company and small company in China. Qualitative analysis and quantitative analysis are using to analyse the training and development in SMEs.

In medium enterprises, human resource department existing in both two companies is a big improvement in the history of SMEs' development. Human resource department is playing a key role in training and development of employees. As Wang, Rothewell & Sun (2009) in the literature review stated that there is no human resource department in many private enterprises which gain difficulty for training program. However, in these two companies, although there is human resource department, department managers are in charge of training and development program instead of human resource department. The main function

of human resource management is ignored in these two companies. There is training and development program in these two companies, although training is mainly related to basic products information and is informal, besides, the effect is not as satisfied as employees expected. There is no so much investment on human resource development in these two companies. According to interviews, training can't achieve employees' expect because lack of pertinence on training content. Although there is investigation before training in some companies, the training is still not closed to employees' need. The above is from qualitative analysis.

From quantities analysis, human resource management exist in some medium organizations which means there is great improvement, however, for small firms, the function of human resource is still neglected, therefore, there is still a long road to human resource management. Employee participation in training and development design is important; there is an awareness to recognize the importance of employees in SMEs, however, the awareness to develop employees is still weak.

In term of training and development, the traditional training and development style lack of diversity. In many big firms, new approaches, such as coach and mentoring are very popular; also they change their strategy on training and development in response with the economy. From this survey, medium-sized companies began to adopt new approaches, but technology skill training is still on the top list of training and development, there is a trend to develop new approaches on training and development for SMEs, although it is slowly.

In short, traditional training and development in small organization is still a main trend. For medium firms, they are on the way to change in response to the economy change but the change goes slowly. New approaches on training and development are growing up in the medium size enterprise and also begin to show up in small companies based on the qualitative analysis and quantities analysis.

There is a great trend of developing in medium-sized company; however, there is still a long road to go for small organizations.

Chapter 5 Conclusion

Training and development of employees was not a familiar topic in SMEs in China before economy reform in 1978. With the boom of the economy, SMEs has been facing pressures from external and internal environment. Especially training and development of employees is something which is easy to get neglected in SMEs. The research is mainly to study whether SMEs are still using the old training and development approaches or not.

SMEs play an important role and hugely contribution in the economic development of China. As the owner of SMEs in China lack management skills or knowledge, further development in SMEs is limited; also in the early stage SMEs were seen as burdens and given less attention. However since economy reform 1978 SMEs have developed steadily. Before economy reform lifetime employment system was popular in organizations. Also because the economy reform SMEs are beginning to gain economic momentum and playing a significant role in China's economic development. Nevertheless SMEs are not doing as better as big organizations because of their limited resource and financial. According to the previous research there are three main factors that affect the development of SMEs. These factors are traditional culture and national institution, and economy change. These three factors are the reason that people paid less attention on SMEs. In this knowledge era SMEs in China are facing challenges as well as opportunities therefore more attention should be paid. Employee is the key factor that affects development of SMEs therefore training and development is significant for organizations. Human resource management is popular in big companies however it is still a mystery in SMEs. Developing employees is part of human resource management therefore it is important to develop human resource management in SMEs. There are still so many issues to deal with in the future , therefore, it is a long road to go.

From theory perspective according to the previous research the traditional training and development strategy is not adapted to the changing economy. First of all lack of employees' participation in training and development design, employees' training needs are significant. Secondly the training style and content are too traditional lacking of diversity which is boring for employees therefore it is difficult to achieve the goal that the organizations want. Last but not the least; leadership is important in the training and development program. The quality of leaders has a significant influence on the development of organizations because leaders have the power and control. In brief the weakness of traditional training and development is as follows:

Lack of employees' participation on training and development design and lack of pertinence on training content are significant issues. Traditional training style lacks diversity the quality of manager's leadership is not so high.

From the practical perspective qualitative analysis and quantitative analysis are used to study the objective of the research. According to the qualitative analysis in the medium-sized organizations, training and development program is developing; however there are still some issues. Based on the interviews training and development in many companies are following the need of the company and they are informal besides training is mainly related to products the development of employees is ignored. For small-sized company training and development is still not an important consideration. According to the interview there is no training and development program in small firms but self employees' development. Human resource management is an important aspect in organizations. In medium-sized companies it is becoming popular but still in the developing phase. Human resources in medium-sized companies don't have its function but the senior manager or department manager do; however in small-sized companies it is still a mystery. The medium-sized organizations have realized the importance of evaluating training and exam. In small firms, there is no evaluation system. In short from the interviews medium-sized companies are developing steadily

however small-sized companies are still keeping the old way. From interviews employees want to improve and develop themselves through training. Management skills and communication skills are main skills that employees want to learn in the future from the survey.

From the quantitative analysis a large company was picked to compare with the other three small and medium organizations. From the data analysis it is clear to see that human resource management is performing its function better than small and medium organizations and big company pay more attention on training and development of employees. Besides training and development program training needs analysis is very important to achieve the goal. While in many medium-sized company and big company training needs analysis is adopted during the process of training and development design in small medium-sized organizations there is few training needs analysis. In traditional training and development employees' participation is always ignored and training needs analysis is not an important part for employees. In short small-sized organizations are still keeping the traditional strategy on the development and pay litter attention on employees' development. With the economy development training and development strategy is changing in big companies. New approaches such as coaching and mentoring are popular in many organizations. These new approaches are booming in small and medium organizations as well from the data analysis; however these new approaches are well used in the big organization. According to the quantitative analysis SMEs are developing steadily but small companies are developing slowly.

The research is going to test the hypothesis that whether the traditional training and development strategy is still common in SMEs in China, besides, to test the attitude to training and development of employees in SMEs. Through the study, it is easy to see that SMEs in China are developing and changing. Medium- sized organizations are developing from the traditional way but there are still some issues to deal with. Small-sized companies are developing slowly: some of them are still using the traditional approaches and keep the same attitude of training and

development of employees which people paid little attention on. In short, there is a momentum that SMEs are going to change in the future but there is still a long way to go. Therefore, SMEs has been changing since economy reform to some extent.

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Appendix

Questionnaire

1. Does Training and development exist in your company?

A. YES   B. NO

If there is training in your company, please describe briefly in the following blank what kind of training exists in the company.

2. How often does training take place for you in your company?

A. 1-3 month

B. 3-6 months

C.6-12 months

D. others

3. Which of the following are responsible for training?

A. The CEO/Senior Management

B. HR

C. Department manager

D. other people

4 .Are you satisfied with training in your company?

A. Very satisficed

B. Just so so

C. Not satisficed

If no, please, specify below briefly, why?

| |
| |
| |

5. Is training voluntary?

A. Yes   B. No

6. Have you ever use the following training approach?

A. Coaching/ Mentoring B. Technology training C. Others

7. What skills do you want to get from training?

| |
| |
| |

8. Do evaluate system about training exist in your company?

A. Yes B. No

9. Have the manager made an investigation that if individuals want to training and what they want to learn before the training?

A. Yes B. No

10. Does the company do something to help employees to build career goal?

A. Yes B. No

Interview form

Company:

Interviewee: Date of Interview:

Place: Time of Interview:

Interviewer: Hello, thanks for your time to this interview.

Interviewee:

Interviewer: How long have you worked in this company? And which department are you working?

Interviewee:

Interviewer: What do you think about your current job? Do you want to change your job at the moment?

Interviewee:

Interviewer: Is there human resource department in your company?

Interviewee:

Interviewer: Does training exist in your company?

Interviewee:

Interviewer: How often is training provided in your company in general?

Interviewee:

Interviewer: Which department or who is in charge of training in your company?

Interviewee:

Interviewer: What skills tend to be training in your company?

Interviewee:

Interviewer: Is the training voluntary or compulsory?

Interviewee:

Interviewer: Is there any consultation before training regarding if you want training or what kind of training you need?

Interviewee:

Interviewer: Is there an evaluation system to evaluate the training?

Interviewee:

Interviewer: what do you think about the training program in your company?

Interviewee:

Interviewer: Which aspect do you think should be improved on training?

Interviewee:

Interviewer: Does your company more focus on human resource or products?

Interviewee:

Interviewer: Is there anything you want to learn for yourself in the future?

Interviewee: