Small Business Management Capability Development in the Home Furnishings Industry

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Abstract: This research examines the role of a public sector industry training organisation in the development of generic management capability for small and medium enterprises in New Zealand. Small and medium enterprises' importance and value is first reviewed, followed by an analysis of key concepts that may be applied to collectively assess the effectiveness of generic business enterprise management. The review, conducted within the context of one particular industry training organisation (under a fictitious name to protect identity), revealed the presence of major data gaps, namely insufficient clarity in defining what is meant by a successful firm; and variation in the extent to which human resource management skills are rated as important to firm success. The main conclusion is that inadequate current answers exist to the important question of business management capability enhancement in the small and medium enterprise sector, and a new agenda for further research by the researchers is proposed.

INTRODUCTION

Small and medium sized business operations are the backbone of the New Zealand (NZ) economy and, up to the early part of the new millennium accounted for approximately 97% of all enterprises, 30% of all employees and 39% of the economy's total output (on a value added basis). More recent information reported by the Structure and Dynamics annual report of 2011 shows that the number of small and medium enterprises (SMEs) in NZ dropped for the first time in a decade, although still accounting for 40% of the economy's total value-added output (Ministry of Economic Development, and Statistics New Zealand, 2011).

As befits a nation with a similar land area to Italy and Japan, but with a population of just over 4 million people, the NZ national definition of exactly what is meant by "small" and "medium" is similarly structured – in this instance, a small business is defined as one that employs fewer than 10 people, and a medium business as having between 10 and 50 employees (Statistics New Zealand, 2006). Due to the Christchurch earthquakes, Statistics New Zealand has delayed the National Statistics Census to 5 March 2013, and consequently the most comprehensive current overall statistics overview in NZ in existence is that of 2006. However, this definition has since been augmented by a view of small and medium sized enterprises as those with less than 20 employees (Ministry of Economic Development and Statistics New Zealand, 2011).

Based on an existing NZ commercial and economic structure which is heavily dependent on SMEs, government has established a network of 28 Industry Training Organisations, charged with the strategic development and continuous enhancement of professional standards for various industries. For example, there is a Motor Industry Training Organisation, a Hairdressing Training Organisation, and so on. The primary function of these ITOs, as set out in their empowering legislation, is to set and monitor national skills standards for their industries. Many ITOs are now expanding their sphere of interest beyond an initial focus on industry-specific technical skills into the area of generic management capability enhancement.

Although many SMEs are largely competent in terms of their ability to meet the technical demands of their industry, many have also been found to lack ability in terms of basic business processes, such as strategic planning, budgeting, costs control, staff performance management, and customer relations (Industry Training Federation, 2008). In short, they are much better at business process than they are at business management.

SMEs are also challenged by the findings of a study conducted by Massey University in 2008 (Succession Perspectives from New Zealand Small Enterprises), which revealed that 24% of owners intended to exit their firm within 5 years; and 64% within 10 years according to the Small Business Advisory Group (SBAG) report (2012). This was also acknowledged in the government response to the SBAG report by the Ministry of Business, Innovation and Employment (2012). As a consequence significant expertise is being lost, which will make any improvement in business processes much more difficult if intensive management training is not set in motion as a matter of urgency. It is therefore clear that a barrier to the development of business process skills may well be the commonly held perception that management capability development is a cost to the business rather than an investment in its future.

Here, many small business owners may see only a substantial figure in the debit column of their profit and loss accounts, since it has traditionally been difficult to show the benefits of those developmental activities in the income side of the chart of accounts. Any inability to directly identify the measurable benefits that result from a management development programme can be seen, therefore it is a significant barrier to progress for ITOs to overcome (Rudman, 2010).

In this article the researchers set out to review the literature relating to the measurement of the return on investment (ROI) in training. As a result, the researchers set out to address a current situation in which it is difficult to identify the extent to which quantifiable costs and benefits can be isolated and presented to SME business owners in a manner that will assist in overcoming their apparent reservations about the practice. This is important for, if SME business cannot accurately identify and measure a dollar return on an investment that is significant in its scope, there is a strong possibility that this investment will not be made.

RESEARCH OBJECTIVES

This article is the result of collaboration between the researchers and one particular ITO which, for confidentiality reasons, may not be identified. It will be referred to here as the Home Furnishings Industry Training Organisation (HFITO) in order to respect a confidentiality clause in the agreement with the ITO in question. As part of the early stages of a three year project to significantly enhance the capability of small and medium sized business enterprises that dominate the home furnishings industry in NZ (again fictitious), this article addresses three primary research objectives:

- To identify and define core concepts and terminologies for future assessment of business enterprise capability.
- To review and evaluate past practice efforts and literature that have been undertaken to assess the effectiveness of generic business enterprise management, both in NZ and internationally.
- To review and evaluate past efforts that have been undertaken to measure the return on investment to businesses that choose to implement formal staff development programmes.

In order to facilitate the communication of a complex body of knowledge, the following sections of the article have been structured to reflect these goals.

CORE CONCEPTS AND TERMINOLOGIES

The primary elements of interest addressed by this article can be summarised in the form of four interdependent components.

- The specific characteristics of structure and operation that combine to delineate the concept of "small business".
- The generic and specific elements of structure, systems, value chain, and key success factors that together define the "home furnishings industry" in NZ.
- The combination of values, attitudes, skills, and abilities that combine to determine the parameters of what are commonly termed "business enterprise capability".
- The policies, structures, and systems that exist in New Zealand to design and deliver business enterprise capability training.

In this context, it is important to note that the role of ITOs in delivering training is not the focus of this research article, this role being more usefully seen as a separate though related issue which may be more effectively addressed through the conduct of a separate research investigation.

The differentiating character of small business enterprises

Over the past few decades, repeated attempts have been made to identify and define what is understood by the concept "small business", and the outcomes of those attempts have been regularly presented in both qualitative and quantitative formats.

Cosh & Hughes (2000) offer a useful approach by suggesting that a business operation may be categorised as "small" if it conforms to three key requirements: it is independent and not part of a larger business entity; it is managed in a personalised manner, using a simple management structure; and it commands a relatively small market share which implies that it is a price "taker" rather than a price "maker". Furthermore, smaller businesses tend to be faced with higher fixed management costs than larger businesses, which in turn imply that they may possibly lack the necessary level of management skills in important areas such as finance, marketing, and human resources management (HRM).

For those researchers who have taken a quantitative approach to the definition of "small", the distinction between "small" and "large" is often based on employee numbers and is typically seen as a function of economic scale. For example, though most manufacturing organisations in Hong Kong would believe themselves to have moved from small to medium sized once they have reached a benchmark of 100 employees, their British counterparts may still see themselves as small at 200 staff, while "small" American and Canadian firms may employ up to 500 staff. Finally, in a political climate that places high importance on an agreed definition, the European Union (EU) has identified three levels of firm size: micro business with less than 10 staff; small business with less than 50, and medium-sized business with less than 250.

From the preceding discussion, it is clear that no simple or optimal definition of small business exists, and that no one set of definitions can be easily generalised across industries, regions or countries. It could however be noted that, according to the report of the SBAG (2012), some common characteristics of SMEs in NZ are that they:

- Are typically owner-operated.
- Are independent and are able to make the principal decisions.
- Have fewer than 20 FTE staff members.
- Are likely to have a relatively small market share.

The authors of this article have taken into account the business size definitions used elsewhere in this article and propose their own definition to reflect the pragmatic realities of the NZ industrial environment:

> *A small to medium sized enterprise (SME) is a commercial or industrial concern that employs fewer than 50 full-time staff. It may or may not form part of a franchise group, marketing co-operative, or other similar alliance, but it is privately owned and does not list on the New Zealand Stock Exchange*

Readers should, however, note that the research was undertaken prior to the subsequent proposed change by the Ministry of Business, Innovation and Employment (2012).

Structure and systems in the New Zealand Home Furnishings Industry

In this section, the researchers have attempted to define what is meant by the "home furnishings industry" by applying the Industry Training Federation's (2008) "Industry Profiles" computer software to a data set provided by Statistics New Zealand (2006). The researchers subsequently identified four key sectors of the industry that are generally recognised as relevant by the Home Furnishing Industry Training Organisation: Home furnishings manufacture, home furnishings wholesale, home furnishings retail, and home furnishings installation services.

The information generated by this data analysis tool should provide important insights into core training and development needs for managers and staff, which should be beneficial in helping the home furnishings industry to compete both locally and globally. At this stage in the review, therefore, the following key statistics are introduced to provide an outline description of the key activities undertaken in the home furnishings industry, the scope and scale of its operation, and its impact on the NZ economy and labour market.

Table 1: Home Furnishing Industry Statistics

STATISTIC	SUPPLY	WHOLESALE	RETAIL	INSTALL	INDUSTRY TOTAL
Number of firms	15	190	318	713	1236
Change in firm numbers 2003-2008	- 42.6%	+ 22.9%	+ 39.2%	+ 44.1%	+ 43.9%
Proportion of small businesses	53.3%	82.6%	80.8%	96.3%	89.8%
Proportion of medium businesses	20.0%	16.3%	17.6%	3.7%	9.3%
Proportion of large businesses	6.7%	1.1%	1.3%	0	0.6%
Proportion of very large businesses	20.0%	0	0.3%	0	0.3%
Number of employees	540	1340	2310	1960	6150
Mean employee numbers per firm	***36.00***	***7.05***	***7.26***	***2.75***	***4.98***
Change in staff numbers 2003-2008	- 11.8%	+ 46.2%	+ 35.9%	+ 49.2%	+ 21.8%
Working in small businesses	4.0%	40.8%	44.0%	83.5%	50.8%
Working in medium businesses	7.6%	52.5%	37.0%	16.5%	29.9%
Working in large businesses	10.5%	6.7%	13.4%	0	7.5%
Working in very large businesses	77.7%	0	5.6%	0	11.8%

From Table 1 it is clear that the home furnishings industry can be classified into three quite clearly defined sub-sections namely: A supply sector, a (wholesale and retail) sales sector and an installation sector. It is important to note that this industry has not produced a prominent and undisputed market leader, or "flagship" firm, in any of the industry sectors above. Instead SME business is clearly dominant with 99.1% of all participants being classified as either small firms (1-9 employees) or medium sized firms (10-49 employees), with those firms employing just over 80% of all people working in the industry. These then are the twin criteria that underpin the researchers'own proposed definition below for the purpose of this article of what is meant by the "home furnishings industry" in NZ:

> *The New Zealand home furnishings industry is a collection of individuals and small to medium sized business enterprises that are responsible for the majority of manufacture and supply, wholesale distribution, retail sales, and end user installation of home furnishing products throughout New Zealand*

Individual and collective characteristics of business enterprise capability

As with any other industry, there are likely to be firms operating in all sectors of the home furnishings industry that are highly successful, and those that are clearly less so. In attempting to understand and explain those differences, it is a fundamental assumption of business management theory that the difference between success and failure can often be attributed to some combination of administrative management and leadership quality, interlinked with a greater or lesser quality of technical skill and ability. Thus, although the home furnishings industry imposes a range of industry-specific demands on its participants, requiring a considerable degree of specialist industrial knowledge and skills, it also requires mastery of the conventional core functions of a managerial nature: financial, marketing, human resources, production, technology and logistics management.

It can be argued that business success in the home furnishings industry entails recognition of the idea that high quality HRM can often function as the key distinguishing factor between successful and less successful businesses (Nel, Werner, Du Plessis, Fazey, Erwee, Pillay, Hearn Mackinnon, Millett & Wordsworth, 2012; Rudman, 2010). In other words, success tends to follow firms who regard their staffing as an investment in the sustainable long-term future, rather than as a substantial and quantifiable cost item on the short-term profit and loss statement. This is believed to be particularly appropriate for the home furnishings industry in NZ. An individualistic tendency towards entrepreneurial thinking and the ability to successfully manage small business seem to us to be key current and future competitive advantages for the management cadre of this industry. The researchers therefore propose as their own interpretation for the purpose of this article, the following definition of business enterprise capability in NZ's SME sector:

> *Business enterprise capability is defined as the sum total of those individual and firm attitudes, skills and behaviours that are required to secure the short, medium, and long term future of the small to medium sized business operation in times of increasing environmental volatility. It is a holistic and broadly specified term that incorporates both generic management elements and industry-specific technical elements, and is ultimately the principal criterion by which the success or failure of individual firms is determined.*

MEASURING GENERIC BUSINESS MANAGEMENT CAPABILITY

In this section, the researchers turn their attention to the way in which their previously defined concept of business enterprise capability is to be measured across various industries. The well-known mantra of "what gets measured gets managed" therefore conceptualises enterprise capability as a function of the human resources expertise referred to earlier. The researchers begin by identifying a range of approaches and processes used to measure the effectiveness of industries in general, and balance this review with an acknowledgement of the ways in which small businesses may be managed, and subsequently evaluated, in a different manner to that of larger businesses.

Measures of business effectiveness

Early writings in business management tended to support the notion that business effectiveness could be directly measured by the rate of return on (financial) investment, and this is a concept that has proven to be remarkably persuasive and resilient over the years, resulting in commonly used measures such as ROI and return on equity (ROE) (Frederick, Kuratko & Hodgetts, 2009). This "accountant's measure" of business success remains paramount in any evaluation of what is meant by success in the Western business world, and it remains a feature of virtually all of the evaluation models that have since been suggested.

The key to long-term business success is, however, the adoption of a strategy that seeks to position the firm in a market environment that matches its existing and potential portfolio of resources and skills. The outcome of such a strategy may then be the maximised "fit" between the business and its external environment, to the extent that a sustainable competitive advantage can be established – an advantage that is valued by customers and is difficult or impossible for competitors to emulate. A comparatively recent model of capability evaluation offer significant potential for participants in the home furnishings industry, such as Kaplan & Norton's (1996) "Balanced Scorecard". In Table 2, we provide brief details of the "Balanced Scorecard" approach to measurement.

Table 2: The Balanced Scorecard

PERFORMANCE FACTOR	GENERAL OBJECTIVES	PERFORMANCE MEASURE	TIME FRAME
Financial: How should we strive to appear to our shareholders?	Operate profitably	Sales, profits, ROI, wealth accumulation, capital value creation	Past
Internal: What are the essential business processes that we must excel at?	Ensure maximum efficiencies in the processes used to add value	Inventory management, capital asset utilisation, process quality, process cycle, infrastructure maintenance and renewal	Present
Customer: What do we have to do to keep our customers satisfied?	Develop sustainable network relationships with clients	Brand image, product and service quality, customer loyalty, repeat business, complaints and dissatisfaction profile	Short-term future
Learning and Growth: What will we do to ensure our continued ability to manage in a changing world?	Instil a future orientated culture to maximise ability to cope with change	Degree of future orientation, research and development activity, willingness to experiment, human resource skills base, staff development budget	Long-term future

This model and other similar models, such as the "The Performance Prism" (Neely, Adams & Kennerley, 2002), are very important because of their broader conceptualisation of what terms like "capability" and "success" mean - terms that have increasingly commanded the attention of managers in larger organisations. This focus has increased to the extent that the conventional preoccupation with short term and quarter-upon-quarter profit has been relegated to fringe, rather than prime target, status. Thus, Grant's (2007) comment that "profits are to business as breathing is to life: breathing is essential to life, but it is not the purpose of living" (p. 54) has become much more accepted as relevant and accurate.

Influences of small business management considerations

Considerable research and endeavours have been undertaken during the past two decades into the special characteristics of entrepreneurs (for example Frederick et al., 2009). It indicates that entrepreneurs have distinctive views of business in terms of their risk taking and management style. In this respect, the management of small business, and therefore the mechanisms used to assess its quality, is quite different from the management of those larger businesses on which much academic writing is based. Small businesses do in fact have their own challenges and opportunities and should not be perceived as merely scaled-down versions of their larger counterparts.

In the home furnishings industry in NZ these observations are compounded by the fact that, especially in the installation sectors, many participants are essentially self-employed technicians rather than small business managers. For the 39% of installation businesses that are literally "one man bands", the researchers' earlier expressed reservations about generic management ability are even more pertinent. When individual self-employed people carry out a contributing activity (installation as a component of the home improvements industry) undertaken within the confines of a contributing industry (home improvements as a sub-set of the building and construction industry) the difficulties inherent in the application of corporate models of evaluation are largely self-evident. Because of this situation, the introduction and advocacy of some form of multi-faceted business effectiveness measurement tool may well represent a significant step forward for the small and medium sized firms that populate the industry.

Industry Training and the ITO Sector

In line with a stated policy of investing the ITO network with the primary responsibility for capability development in industry, the Industry Training Act 1992 specifically requires each ITO (Industry Training Federation, 2008) to:

- Provide leadership to industry on matters related to skills and training
- Set national skill standards and develop qualifications for its industry
- Provide information and advice to trainees and their employers
- Develop appropriate education and training arrangements for its industry

In addition to these industry specific concerns, the government has recognised the need to build cross-industry capability in terms of generic "soft" skills, such as business communication and information technology. Indeed, the Ministry of Economic Development (MED) has specifically noted a high level of concern about the current quality of generic management skills in NZ, which have been consistently rated lower than those of Australia, the UK, and a number of OECD countries

This disadvantage is highlighted by the assignment of business performance improvement as one of six strategic priorities as pointed out in the Industry Training Federation (ITF) (2008) report. This priority advocates that the way to improved competitiveness is to increase commitment to research and development so that NZ businesses may benefit from an internationally derived knowledge base in their on-going efforts to compete globally. In addition, the primary avenue to such competitiveness is believed to be (a) innovation and (b) product/service differentiation, and that these qualities lie well within the grasp of competently managed small businesses.

It would therefore make sense to focus research on business performance in a way that would enhance achievement of various governmental objectives aimed at improving SME performance in particular. In reality however the ITO network research focus in NZ has taken a somewhat narrow view of its investigations into what industry does. This approach is captured by examining **two** sample projects that will serve as examples of what has been done in the past.

Project One: NZ Skills and Training Survey, 2007

This survey was conducted by Green, Huntington & Summers (2008) on behalf of Business NZ and the Industry Training Federation; it attempted to identify, evaluate, and understand a number of key characteristics of contemporary business training practices in NZ. Important findings were that, whilst larger firms were significantly more positive towards training than those in the SME sector, fully 75% of all training was directly aimed at the technical requirements of the industry concerned; and that any form of assessment of subsequent performance improvement was largely absent. In these cases, the researchers believe there is a clear possibility that the positive impacts of training intervention may well be short-lived on the basis that "what gets measured gets managed", any failure to carry our post training evaluations would appear to greatly reduce the potential for positive outcomes.

Project Two: The Skills-Productivity Nexus Survey, 2008

This survey (Department of Labour, 2008) uses a brief literary scan to explore the linkages between skills development and business productivity, and continues with a reported case study analysis of the recent experiences of three ITOs. It argues that, although single instances of training can undoubtedly be of assistance to SME business, such training does need to be delivered within a holistic and broadly based framework if it is to be truly effective. In addition, regular reinforcement and repetition of the training message is a clear contributor to significant performance improvement.

The research projects summarised above reflect an understandable bias towards mainstream and conventional industry training that simultaneously represents a key strength and an important weakness of the ITO system. It is a strength in that a training focus is mandated by legislation, understood by industry, and largely welcomed (or at least tolerated) by individual firms; but it is suggested that this same strength can easily become an important weakness if the validity of a standardised training response is assumed even before there is any real investigation into the core issues facing the industry and its participants.

MEASURING THE ROI FROM TRAINING

Fraser (2005) has noted that "small businesses are a significant and growing part of the NZ economy, but they have not participated in industry training to the same extent as larger businesses" (p.4). Given that SME businesses comprise such a dominant segment of the home furnishings industry, this is a matter of considerable concern. The literature has suggested that businesses who invest in training and development invariably display superior performance to those that do not (Van Der Werff, 2009).

Various writers (Bryson & Ryan, 2012; Noe, 2010) point out that, if training is supposed to make a difference, then evaluation of training should endeavour to identify the extent to which this difference has actually occurred. In practice, there are multiple indicators that can be used in a given context to determine whether training has made a difference. Sloman (2009), for example, suggests the extent of absenteeism, staff morale and customer satisfaction, and rework statistics. It is obvious that some of these indicators can be much more easily measured than others, and the unfortunate reality is that the methods that are used tend to be those that are easy rather than those that are effective (Erasmus, Loedolff, Mda & Nel, 2013).

Return on investment models

Perhaps due to increasing competition firms in many industries face, greater attention now appears to be devoted to the measurement of organisational value received from the training and development function. However, most of the existing literature on the ROI from training and development focuses on in-house training since, as Noe (2010) points out, it is again easier to assess ROI in circumstances where internally generated objectives and internally managed processes are present. Furthermore, a reasonably accurate ROI related to internal skills and competence enhancements can be calculated by an iterative and staged process that begins and ends with measures of pre- and post-training competency. As such, recent literature from the ITO sector has begun to reveal a number of creative ways to measure the costs and benefits of structured training, particularly as they relate to specific issues such as absenteeism and grievances.

For industry practitioners, the underlying question related to training and development will always be the basic "was the cost of training and development worth it" and this is the question that has generated the three specific and well-established models of ROI calculation for training that are briefly discussed below. However, the three time tested models outlined below are believed to offer the greatest potential for future application in the home furnishings industry.

Kirkpatrick (1994)

This model was originally developed in 1959 and substantially refined in the author's book decades later (Kirkpatrick, 1994). It requires evaluators to adopt a balanced scorecard type of approach to the evaluation of results, and to assess the outcomes of training and development in four key areas:

1. *Individual learner reactions:* Did the participants find the course beneficial; to what extent did they feel it would help them improve their job performance?
2. *Learner knowledge levels:* What knowledge was learnt, what skills were developed, what attitudes were changed, how much knowledge or skill change resulted, how well did participants achieve course learning outcomes?
3. *On-job behaviour change:* What changes in job behaviours resulted from training, to what extent did workers apply what they learned in a way that is measurable and observable?
4. *Firm performance change:* What changes in job results are attributable to training, how much more productive are training participants, what differences in productivity levels stem from training?

According to Reid, Barrington & Brown (2004), however, there should be a fifth and ultimate level which extends Kirkpatrick's essentially short term horizon to encompass a more strategic view:

5. *Future prospects change:* To what extent has the training affected the ultimate wellbeing of the enterprise in terms of its profitability and/or survival?

Warr, Bird & Rackham (1970)

The work of Warr, Bird & Rackham (as cited in Meyer, 2007) is presented in terms of what they term the CIRO framework and over time became widely used worldwide by researchers. It is a suggested need to conduct evaluation on the basis of four stages, namely Context, Inputs, Reaction, and Outcomes. The development of this approach is credited to Warr, Bird & Rackham (1970) who executed extensive research into the evaluation of training and development during the early 1970s.

Phillips (1997)

In similar fashion, Phillips (1997) identifies a model of evaluation, with five stages as outlined below:

1. The *Reaction and Planned Action* stage measures participant reaction to the programme and outlines specific plans for implementation.
2. The *Learning* stage measures skills, knowledge or attitude changes. A learning check is helpful here to ensure that learners have absorbed the material and know how to use it. It does not, however, guarantee that material will be used on the job as it was during instruction.
3. The *Job Applications* stage measures change in behaviour on the job and specific applications of the training material. Here, frequency and use of skills are important measures, although success at this level again does not guarantee a positive impact on the business.
4. The *Business Results* stage measures the business impact of the programme on actual results. Here, measures include outputs, quality, costs, time spent, and customer satisfaction. Although there is a measurable business impact, there is still a concern that the programme may have cost too much.
5. The *Return on Investment* stage measures the monetary value of both costs and benefits of the programme, formally expressed as a percentage or proportion. Although this final stage is an essential device in the completion of the evaluation cycle, it is designed to build on levels 1-4 rather than to replace them.

From this brief review it appears to us that the effectiveness of any ROI model can only be as good as the capability of the individuals entrusted with the carrying out of ROI calculations. There is also an implication here that significant professional development activity may be necessary to equip training and development staff with the skills necessary to perform economic and financial processes. With the possible exception of the Phillips (1997) model, the philosophy and approach adopted by most of these evaluation tools remains essentially subjective, with little that can be said to be quantitative or statistically robust. As such, this may in fact represent a significant avenue for further investigation for future researchers. It could perhaps be noted that, by improving the skills of evaluators, the value and accuracy of the results could also be improved, thereby reducing the subjectivity inherent in the evaluation process in the home furnishings industry.

CONCLUSIONS AND RECOMMENDATIONS

The researchers' conclusions and suggestions for further research are presented as a series of hypothesised "gaps", between a theoretically desirable "best practice" status for business management capability development and a pragmatically assessed status as interpreted from our review of the literature. Thus, although many of the gaps that follow can clearly be seen as data gaps, they provide an opportunity to close the article with a number of suggestions for future industry action and research that attempt to reconcile practical difficulties with theoretical solutions.

If there are indeed any significant gaps between best and actual practice in the NZ SME sector, our ability to move forwards with a confidently specified and theory-based capability improvement model, is limited by the absence of the foundation data necessary to support an authoritative prescription. Despite the absence of such data, it is however important to note that preliminary interviews conducted in the formative stages of preparing this article has led the researchers to suggest that a number of business practices that are prominently advocated in the literature are not well established in the home furnishings industry. In contrast, many home furnishings businesses appear to be running on an essentially ad hoc basis that owes little to established systems or processes, and verification or otherwise of this characteristic is a vitally important next stage of the research agenda.

However, the researchers do believe that the identification of a reasonably definitive research agenda would be enhanced if it were possible to find accurate answers to the following key questions, both for industry in general and for the home furnishings industry in particular:

- Can firms be identified that are generally recognised as "successful"?
- What aspects of firm operations are evaluated in order to determine level of success?
- How important are strategic management skills to firm success, and what is the current industry standard in this respect?
- How important are financial management skills to firm success?
- How important are human resource management skills to firm success?
- How important are product and service marketing skills to firm success?
- How important are operational and process management skills to firm success?
- What methods do firms use to evaluate overall success and/or failure?

This apparently simple portfolio of key questions masks an intricate and complex situation that requires a carefully designed and co-ordinated programme of research investigation to resolve it. The provisions of reasonably definitive answers to the questions above will assist in generating a much stronger understanding of the current industry standard in respect of these key capability development issues, and that will in turn aid in assessing the current and future effectiveness of the ITOs' role in building that capability. In one sense, the questions above suggest a need to better understand three key aspects of SME business capability, which would form the basis of future suggested research regarding this topic:

1. What are the primary training needs of small and medium business in NZ?
2. How can we best measure the effectiveness of the training currently supplied?
3. What changes are required to the present training design and delivery models?

A reasonably conclusive answer to this set of questions will be instrumental in paving the way for future steps in the research investigation process regarding the role of ITOs in NZ. This will not only be useful for industries who wish to improve ROI and therefore performance via appropriate training interventions, but will consequently assist in achieving a more clearly defined role in the process for the ITO sector as well.

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