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Recession: a chance for hospitality SMEs?

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Abstract
Purpose – The research takes a comprehensive evaluation of hospitality students' perceptions towards small and medium sized enterprises (SMEs) employment and explores whether the current recession and labour market changes influence hospitality students career-related decisions. Such exploration would provide vital information as to how the new economic environment hasmodified the nature and context of hospitality students perceptions towards SMEs. The paper aims to discuss these issues.
Design/methodology/approach – The research focuses on a constructionist philosophy in order to interpret how hospitality students construct of career choice. The qualitative methodology adopts semi-structured interviews in order to explore the socially constructed views of hospitality students' perception of SMEs employment.
Findings – In spite of recessional challenges which particularly affect the graduate labour market, the research confirms the original academic arguments that socially constructed barriers and influencing factors do not highlight SMEs as an attractive first employment destination.
Practical implications – This research recognises the need to reconsider the curriculum for hospitality students to embed the notion of SMEs as a possible career choice.
Social implications – Socially SMEs have not either historically or in the present day been seen as providing adequate resources for graduates entering the world of work. Such an implication has a considerably impact upon the supply and demand side of SMEs graduate labour market.
Originality/value – The economic downturn now poses a real challenge for new graduates as it is difficult to predict and discuss future labour market issues and trends. The research allows key stakeholders in graduate employment to understand the effects of the economic environment to graduate SMEs perceptions and take measures in improving SMEs-graduate employment in hospitality.

Keywords Hospitality, SMEs, Recession, Graduate employment, Career perception
Paper type Research paper

Introduction

Small and Medium sized Enterprises (SMEs) have been identified in both policy and academic literature as having an important role in providing graduate employment (Hart and Barratt, 2009; Connor and Shaw, 2008). The 'massification' of higher education (HE) combined with the changes in skills requirement within graduate occupations has necessitated constant readjustment between HE and graduate employment (Elias and Purcell, 2003; Harvey, 2001). In recent years a number of government funded, private initiatives and projects have been introduced to strengthen graduate representation in SMEs and boost economic growth (Holden *et al.,* 2008; Westhead and Matlay, 2005; Bowen *et al.,* 2004). This is clearly evidenced by the increasing supply of highly qualified graduates in the labour force, which has led some to assume graduate recruitment by SMEs is inevitable (Walmsley *et al.,* 2006; King, 2003). Nevertheless, significant proportions of hospitality graduates have trouble in accessing SMEs employment and making full use of their potentials upon graduation (Green *et al.,* 2009). Literature suggests that the hard knocks syndrome of working life in the industry and the indecisiveness which surrounds career paths in SMEs impacts hospitality students' aspirations and perceptions towards SMEs

employment (Heaton *et al.,* 2008; Barron *et al.,* 2007; Connolly and McGing, 2006). This study aims to examine hospitality students' perceptions towards SMEs employment and the extent to which recent changes in the labour market influence initial career-related decisions. It is argued here that the economic downturn now creates a new challenge for graduates as it is difficult to predict and discuss future labour market issues and trends. Therefore, it is important to explore whether the new economic environment has modified the nature and context of hospitality students perceptions towards SMEs. This would allow key stakeholders in graduate employment to understand the effect of the economic environment to graduate SMEs perceptions and take measures in improving SMEs-graduate employment within the hospitality industry.

SMEs Labour Market and the Hospitality Industry

The hospitality industry is dominated by small independent operators and comparatively few large firms with traditional patterns of graduate recruitment (Prospects, 2010). There is no single definition of SMEs due to the wide diversity of businesses. The main factors determining whether a company is an SME are either the number of employees or the turnover (DTI, 2013). For the hospitality industry, almost 86 per cent of enterprises in the UK hospitality industry are classed as SMEs and 76 per cent of establishments employ fewer than ten people and 50 per cent fewer than five. Such data shows the major role of hospitality SMEs in employment and graduate recruitment. However, recent academic evidence suggests that hospitality students are more likely to start their professional career in large organisations (Brien, 2004; Jenkins, 2001). It would appear that graduates prefer to start their professional careers by searching for jobs in large, alleged 'better-quality' organisations (Hanage *et al.,* 2000). Only a small proportion of graduates consider SMEs to be potential (and assumed preferable) employers (Martin and Chapman, 2006). Yet, whilst there is some anecdotal evidence, which supports the case that graduates can add value to SMEs, there is also a body of evidence that identifies stubborn barriers and graduate labour market constraints, including the 'ignorance barrier' and the 'market barrier' to employment within SMEs (Belfield, 1999; Westhead, 1998).

The ignorance barrier is premised on the idea that graduates are unaware of employment opportunities in SMEs, which results in SMEs rarely being the employer of first choice (Walmsley *et al.,* 2012). In a critical review of the literature on graduate employment in SMEs, Holden, Jameson and Walmsley (2008) found that most graduates were either ignorant of opportunities within SMEs or their decisions not to work in small firms were based upon their perception that SMEs did not offer as many developmental and progression opportunities as large firms. A key factor behind this ambiguity may be that hospitality students have been socialised into favouring employment in large organisations where apparently there are attractive salaries. As Brown and Hesketh (2004:59) state, "young people are being sold HE on the basis that they will get high-paying jobs, but this is based on a faulty understanding of the labour market". This is a critical point as HE institutions play a key role in preparing graduates for the 'world of work' and in forming and bridging expectations between graduates and employers (O'Leary and Deegan, 2005). This prompts a partial reliance upon the recruitment agencies, which are becoming important gatekeepers in structuring the experiences of graduates (O'Leary and Deegan, 2005). Otter (2005) highlights that activities of University career services have been principally attuned to large organisations. Small recruiters rarely build mutually beneficial links with HE institutions as part of their recruitment strategies (Branine, 2008). SMEs are more likely to implement more informal recruitment practices or so-called 'just-in-time' recruitment where employers recruit a graduate as and when vacancies occur (Woods and Dennis, 2009; Holden and Jameson, 2002). As Feiertag (1998) reported, since the late 1990s large hospitality corporations have been implementing extensive and competitive on-campus recruiting programmes to counter a growing skill shortage and to attract qualified candidates. For this

reason, Holden, Jameson and Walmsley (2008:3) suggest that SME recruiters should be "models in miniature" of larger and more regular recruiters.

Ignorance leading to unfavourable attitudes towards SMEs explains only the supply side issues in the lack of uptake of graduates by SMEs. Several bottom-line 'market forces' can be perceived to be important reasons for low rates of graduate employment in SMEs (Connor and Shaw, 2008; Westhead and Matlay, 2005; Belfied, 1999). One of these barriers is the perceived preferential attributes that are likely to influence the SME employment experience. Research shows that hospitality graduates perceive that SMEs offer lower financial remuneration with less prestigious work opportunities in comparison to large organisations (Hart and Barratt, 2009; Morton, 2002; Jenkins, 2001). Of particular interest is Morton's (2002) finding that hospitality students seek careers that provide more attractive training, fair compensation and a positive company culture. Large employers are more likely to provide formal training and induction practices, with Westhead and Matlay (2005) suggesting that as many graduates expect and need this at such an early stage of their personal development.

It also appears that graduate perception towards SMEs is defined in terms of large organisations. Martin and Chapman (2006), for example, found that marketing graduates have been socialised into favouring employment in large organisations as their courses have barely prepared them for SME employment. The term 'socialisation' is used when describing HE's role in developing graduates' preference for seeking employment in large organisations. This is premised on the claim by Raybould and Wilkins (2005) who argued that most business courses are structured around the large business paradigm and thus raises questions with regard to graduate oversupply in hospitality. It has also been identified that many hospitality organisations were being neglected by hospitality educators and graduates in favour of the upmarket hotel sector (Doherty *et al.,* 2001); therefore a development of curricula in line with the growing recognition of SMEs is required (Johnson and Tilley, 1999).

Interestingly, the general preference towards large organisations is in contrast with the arguments that there are not enough graduate-level jobs to satisfy or absorb the high level of graduates produced by HE (Connor and Shaw, 2008; Arthur *et al.,* 2005; Rowley *et al.,* 2001). This ambiguity lends further support from the Higher Education Statistics Agency (HESA) (2012) first destination data which highlights that only 30 per cent of graduates went into hospitality management roles upon graduation. Almost 34.9 per cent were employed in retail, clerical, secretarial, catering and bar occupations as their first taste of the job market, whilst only 7.2 per cent of hospitality graduates had gone on to further full-time study or working and studying, compared with 23 per cent for graduates of other business related degrees. Approximately 8.2 per cent were assumed to be unemployed (HESA, 2012).

Hospitality students have to make the transition from HE to a career in an industry which is dominated by small businesses and owner-enterprises (Pittaway and Thedham, 2005). Nevertheless, doubts among managers and owners of SMEs about the benefits of employing graduates have been identified as a key factor inhibiting the recruitment of graduates (Hart and Barratt, 2009). It can be argued that, with the increasing number of graduates, the smaller business sector will benefit more from an influx of talent, high skill levels, enthusiasm and fresh ideas. "SMEs [...] can suddenly find a new direction, and flourish with new input of expertise [...] from new graduates" (DfEE, 1998 cited in Westhead and Matlay, 2005:367). Most employers have the general perception that the work they have to offer is unsuitable for graduates (Connor and Shaw, 2008) as they have insufficient or wrong information about the benefits of employing graduates (Holden and Jameson, 2002). This distorted view appears in a number of forms. Managers feel unable to meet graduates' aspirations in terms of quality of work (Read, 1997) and are unsure whether graduates can potentially have a visible impact on the performance of an SME (Westhead and Matlay,

2005). However, evidence suggests that SMEs management skills and capacities are a significantly under-developed and this has an impact on the businesses performance and growth (Bloom and Van Reenen, 2010).

Martin and Chapman (2006:159) found that most managers and owners do not want to recruit graduates, as "they are an expensive luxury" with many remaining sceptical about whether graduates really meet their needs. Often employers fear that they will be unable to meet graduates' aspirations in terms of quality of work and material rewards (Arnold *et al.,* 2002). This stems from the fact that most graduates have high expectations and that these are frequently not fully met (Connor and Shaw, 2008; Arnold *et al.,* 2002). The paradox is that many SME managers and owners have complained about the lack of appropriate skills in the graduate labour market (Martin and Chapman, 2006), whilst there has been an unprecedented increase in the level of skills and qualifications held by the workforce. Woods and Dennis (2009) found that whilst nearly 60 per cent of respondents reported that their organisation needed graduates, only 22 per cent felt that the graduates they had seen were well prepared for the 'world of work'. On one hand, SMEs have "difficulty 'keeping pace' and potentially lose out to the talent pull of the multi-national organisation, who can demonstrate more exciting and developed career path opportunities" (Scott and Revis, 2008:787). On the other hand, SMEs are perceived to be superior to large organisations in terms of managerial relationships and responsibility, flatter organisational hierarchies which means closer and tighter relationships with managers and supervisors are possible (Hart and Barrett, 2009).

In recent years, calls have been made to overcome this barrier by the creation of links between HE institutions and SMEs to encourage graduates to enter the small business sector (Walmsley *et al.,* 2012). A wide range of initiatives has been introduced to encourage graduate employment in smaller businesses. For example, the Network75 and the STEP were introduced with the aim to subsidise graduate employment in small businesses (Westhead and Matlay, 2005; Bowen *et al.,* 2004). However, statistical data shows that such initiatives failed to increase the likelihood of students ultimately obtaining employment in SMEs (Holden, Jameson and Walmsley, 2008). As Arnold *et al.* (2002) argue, despite attempts to increase the likelihood of graduates in smaller organisations, this effort has actually decreased as recruitment and structural disadvantages have limited their ability to compete on an equal footing with large businesses. This leads the researchers to conclude that market forces, including labour market changes, shape the low probability of graduates obtaining employment positions in SMEs a position supported by Belfield (1999).

Nevertheless, an increasing body of evidence highlights that contribution comes in the form of the 'human capital' that graduates bring to the SMEs (i.e. Gilleard and Reichwald, 2008; Harris and Reid, 2005). Gilleard and Reichwald (2008) found that graduates can increase the intellectual capacity of the workforce, fill skills gaps, provide fresh and innovative perspectives as well as contribute technical expertise and knowledge. This confirms Hogarth *et al.* (2007) and Atfield *et al.* (2009) findings that the value of graduates can be derived from immediate (acquisition of skills needed in the workplace) intermediate (increased organisational capability) and long-term benefits (improved business performance, higher levels of productivity, increased profitability, growth). For example, a survey of the 100 businesses that had provided a graduate with a work placement, as part of the Graduates for Business Scheme in the South West, 89 per cent claimed that there was an impact on performance (Atfield *et al.,* 2009). However, graduate recruitment to SMEs is proportionally low given the scale and net contribution of the SME sector to the economy (Hart and Barratt, 2009). As a result of this literature review, this research will examine hospitality students' perceptions towards SMEs employment and the extent to which recent changes in the labour market influence initial career-related decisions.

Methodological Considerations

This study adopted an interpretivism, qualitative approach as the researchers attempted to collect and analyse knowledge from parts of a phenomenon by getting inside situations and involving the actors in the everyday flow of life (Gill and Johnson, 2003). Hollinshead (2004) argues that it is now inadequate for researchers to adopt research approaches based on method-level decisions alone. Instead, he suggests that it is important, particularly within qualitative research, to base such decisions, (i.e. the techniques to be employed in data collection) on a strategic understanding of the research as a process of knowledge production. Thus, it is important to provide a 'deeper' understanding of social phenomena (Denzin and Lincoln, 2000) in relation to SME employment through detailed exploration of the social experiences of hospitality students. An interpretation of an individual's meaning is vital in exploring how the current recession poses a challenge for graduates. As Grant and Perren (2002) argued, the real gain in understanding graduate employment will only come from detailed, situational and qualitative work. The interpretive approach is based around the notion of people being studied to provide their own explanation of their situation or behaviour (Veal, 1997), and the researcher's role in revealing this. The researchers seek to understand the context and then make an interpretation of what is found. For example, Phillimore and Goodson (2004) note that the debate surrounding qualitative research has grown with increased recognition of qualitative methods within the social sciences (Decrop, 1999). To a large extent this is because qualitative research is less codified than quantitative research, which leads to difficulties in establishing the reliability and validity of data collected (Silverman, 2009). Nonetheless, a quantitative approach leaves little space for the researchers to understand effectively how people interpret and behave in a social context (Bryman, 2008). Presenting the hospitality students with pre-set questions will restrict them to saying only what they are asked for, thus limiting their views and expressions. In other words, a qualitative approach provides a deeper understanding of social phenomena than would be obtained from purely quantitative methodologies (Silverman, 2009).

The purposive sampling strategy was used to select this study's sample and to generate data that could lead to richer and more accurate explanations of hospitality students' career intentions. Qualitative research often uses non-probability samples for selecting the population, rather than a more statistically representative approach (Ritchie and Lewis, 2003). As Denzin and Lincoln (2000:370) argued, "many qualitative researchers employ purposive and not random sampling methods as they seek out group settings and individuals where […] the processes being studied are most likely to occur". The purposeful selection of research participants allowed the researchers to interview people who were relevant to the research question, and could not easily be selected through any other techniques. An appropriate sample size for a qualitative study, therefore, is one that adequately answers the research questions.
Seeking richness of data about hospitality students' perception towards SMEs employment, this study has purposefully selected a group of eighteen (Third level) undergraduate students (both male and female students) studying hospitality management in the UK. The crucial and defining characteristic of purposeful sampling is to verify that participants meet the criteria for being in the sample (Miles and Huberman, 1994). The primary goal of this study was to obtain the participation of final-year undergraduate hospitality students, as they have to make reasonable decisions concerning their future careers in real-life situations. This study has purposefully chosen four British universities (two in North England, one in South East and one in London) offering accredited hospitality management programmes. Such an approach offers a good source of students' experiences within the industry and enables the researchers to attract a substantial inflow of hospitality students.

Semi structured interviews provided an effective method of collecting a rich and valid data set, allowing for an exploration of an individual's personal and private understanding (Jennings, 2010; Arksey and Knight, 1999). Indeed, such a method is useful in exploring

deeper meanings about social situations and the meanings attached to them by the actors involved (Rubin and Rubin, 2005). Although semi structured interviews can be time consuming, they do provide a more relaxed interview setting and allow the development of rapport and empathy between the interviewer and interviewee (Jennings, 2010). Prior the interviews key themes were formulated to stimulate the flow of details and impressions. The themes were derived from the literature allowing the researcher to explore critical factors in determining their SMEs employment perception (see table 1). Participants were also given the opportunity to develop and express their own themes and ideas in the interview. This provided the interviewees with the opportunity to ask for further clarification; ensuring they had fully understood the questions. The interviewee can probe for further clarification or detail, queries can be clarified and follow up questions can be used to further expand responses (Jordan and Gibson, 2004). It allowed the interviewer to ask for more detail and pursue any occurring themes or ideas, without negatively affecting the quality of the data collected (Jennings, 2010), thus allowing for a data set which is valid and credible.

As noted by Bryman (2008), the analysis of data is a crucial component of the research process and is arguably the most difficult, as within qualitative data analysis, there are no clear guidelines on how qualitative data analysis should be conducted. Given the nature of this study and the methods employed in data collection, a thematic approach was adopted in the analysis of the data. Thematic analysis seeks to identify and describe patterns and themes within a qualitative data set (Braun and Clarke, 2006). Braun and Clarke (2006) argue that there is an absence of any clear guidelines around thematic analysis and therefore they outline a framework in which thematic analysis can be undertaken which provides rigour and validity in such analysis. This approach for thematic analysis, therefore, has been adopted in the research.

Hospitality students' perception towards SMEs employment

Despite the current economic uncertainty, it transpires that the study participants expressed a general preference for work in large organisations for career development and progression reasons. A number of organisational and personal factors influence hospitality students' SME employment perception. The finding reflects our understanding of how participants make sense of, interpret and justify career opportunities in hospitality SMEs.

Organisational image and reputation barriers

It is perceived that the attractive image and reputation of the graduate training programmes will boost further their career prospects and will be a driving force for achieving their career goals. One of the participants stated that "large organisations have the reputation for developing more a sophisticated approach to the management of human resources and use the Marriot hotel for example its reputation is really good, I like their management style and their approach to human resources […] it would definitely be an advantage for my career if let's say I would start my career in larger hotel groups as they have a better reputation and human resources which can attract the most qualified people". This confirms Walmsley *et al.* (2012) findings that students prefer employment in large organisations due to great opportunities for professional development and progression. Interestingly, SMEs do not appear in this picture. From their perspective, working in a large organisation and especially in a graduate training programme leads to career success, recognition and professional recognition.

The research identifies the power of brand image in the recruitment process. One participant commented that large organisations, and especially well-known hotel brands will help build her CV as "it will show to potential employers that [she has] worked for a branded hotel, which also implies developing some certain standards". In other words, starting off with a large organisation will make them more employable in the future. They will endeavour to use previous work experience in a large organisation as it will give them a better chance of

getting a job and getting that position over everyone else. “It will be easier for her to find a managerial job, as a graduate management programme will further boost my image and employability skills”. It is like a possession of a ‘valuable asset’ which can be used to secure a managerial position in the future. The central issue raised throughout the interviews was that graduates’ skills, abilities and academic competencies are only utilised by large organisations. This finding confirms current studies in that having a strong academic background in non-traditional occupations is in itself not enough to secure a graduate career (Mason *et al.,* 2009). Interestingly, employer’s frequent criticise “the graduate labour supply for the lack of ‘work-readiness’, business awareness and employability skills required for graduate-entry level employees to ‘hit the ground running’” (Wilton, 2008:5).

Further analysis revealed that participants’ perceptions around SME employment were based largely on assumptions as most participants did not have any direct contact with small businesses. Most participants (16 participants) expressed their determination to build up a career in the future and emphasised the importance of progression, social recognition and structured advancement. This is not surprising as current studies (subject and non-subject studies) suggest that most graduates generally prefer employment within large organisations (Hart and Barratt, 2009; Harris and Reid, 2005; Pittaway and Thedham, 2005). The data of the research suggested that participants did not generally refer to any other career opportunities or career destinations outside the traditional graduate labour market. Large organisations are acting as ‘role models’ towards graduate employment. This is in contrast with the important role SMEs have in providing graduate employment from both policy and academic perspective (Hart and Barratt, 2009; King, 2003). The finding from this study creates a dissonance with current trends in the labour market which indicates a decline in the significance of the major traditional graduate recruitment destinations (Hart and Barratt, 2009). Indeed as stressed by Connor and Shaw (2008), the non-traditional graduate labour market, for example, professional and managerial work outside traditional recruitment channels, would be a potential graduate recruitment destination.

Labour market and developmental constrains

The research also reveals a lack of appreciation and understanding of graduate employment in SMEs. It is apparent that limited information about SME careers was seen as a crucial factor that negatively influence their decision to pursue a career in an SME. Many participants (14 participants) emphasised the lack of resources and information with respect to small businesses careers. “It is hard to find information about small businesses […] it is the hardest thing to find a job and don't forget that people are looking for the easiest way to find a job […] large organisations have formal and very attractive recruitment methods where you can easily find information about job opportunities”. Such findings correspond with Otter (2005) and Branine (2008) who highlighted that activities of University career services have been principally attuned to large organisations. Small recruiters rarely build mutually beneficial links with HE institutions as part of their recruitment strategies. Large organisations offer more resources and information in terms of “the kind of work you can expect to perform, their pay, their promotion prospects and the degree of freedom and discretion they may have within an organisation” (O'Leary and Deegan, 2005:422).

This is mirrored by several other participants (10 participants) who said that large organisations have the reputation of being well organised businesses in terms of recruitment and selection; therefore it is a more attractive option for graduate career development. One participant is clearly seeking justification for his choice to seek employment in large organisation and is representative of the sentiments of many in the sample:“...large organisations have the reputation for developing a more sophisticated approach to recruitment... I don’t forget that some large companies are well recognised for their recruitment approach…. I think…I’d be restricted within a small company... they don’t have proper recruitment and most importantly… I’d prefer to go for a large company altogether or

another hotel... as the can attract the most qualified people". This evidence may demolish any attempt to enhance graduate presence in SMEs and any effort to build strong links with HE leavers (Bowen *et al.,* 2004).

Some other participants (8 participants) also claimed that SMEs lacked prestige compared to large firms, specifically in relation to finding first destination employment. For example, one participants mentioned a general preference for working in a large organisation because "smaller businesses follow their own approach to training […] I believe that smaller companies cannot offer training opportunities like large organisations because they don't have the resources or they don't want to further develop their businesses by hiring a graduate". Graduate training programmes can give access to management level positions and offer the greatest potential for personal development. Despite the fact that the labour market has been transformed, no comments were made concerning the inability of large organisations to provide employment for the increasing number of graduates (HECSU, 2010). The state of the economy has also reduced the number of vacancies on graduate training programmes. Although the research findings suggest that this has not affected the participants' view of their own final destination, with an SME employment still not being considered.

Findings also highlighted the participants' view that employment in SMEs was less secure. The lack of training and job security was not outweighed by the positive aspects of greater autonomy and more responsibility. Very few participants (2 participants) said that there is a greater autonomy and more responsibilities in SMEs; however these positive features of SME employment do not counter-balance the lack of job security. "I believe…. in small companies individuals have the opportunity to get involved more easily in decision-making… a more friendly environment to work in, but there is little support, proper training and job security due to a lack of formal structure". Such argument diminishes the potential contribution graduates can make to the performance of smaller businesses (Bloom and Van Reenen, 2010), students' socially constructed views on SMEs employment have not been modified. This study reconfirms that SMEs and graduates are typically "reticent beneficiaries' of the potential opportunities available to them" (Bowen *et al.,* 2004:385). This suggests that there may be failures on both sides of the market.

Conclusion, implications and future research

The main purpose of this study was to examine hospitality students' perceptions towards SMEs employment. The study reveals that such a relationship is affected by a wide range of barriers and constrains including information failures (awareness of, and perceived value amongst SMEs and graduates), SME capacity constraints (resources available to recruit graduates) and developmental problems (lack of developmental opportunities, employment reputation). Such findings confirm the assertions of Belfield (1999) and Westhead (1998) that 'ignorance barriers' and 'market forces' do not encourage overall students to consider SME employment. Participants expressed their determination to build up a career in the future and emphasised the importance of progression, social recognition and structured advancement within large organisations. Therefore, the interpretation of participants' perception highlights a number of implications and recommendations for higher education, policy makers and SMEs.

Firstly, the notion of intervention is essential in allowing the development of greater linkages between the demand and supply sides of the graduate labour market. The need for a common language for addressing such issues is of long standing in the literature (Sear *et al.,* 2012). A number of studies replicate such a recommendation for explicit connections between each level of the SME-graduate canvas, and supporting the professional development of professionals and networks influencing perceptions of the SME-graduate relationship (OECD, 2011). SMEs need to be more proactive in developing positive links

between students, Universities and society. There is no doubt that graduates enhance the skills level and performance of SMEs (Sear *et al.,* 2012; Reichwald, 2008). However, as Lowden *et al.* (2011) argued the value and potential contribution to SMEs is either unrecognised or undervalued. The researchers believe that the University ranking system and government agenda is heavily influenced by the traditional labour market philosophy which does not reflect the current employment reality in hospitality.

Secondly, higher education and employers should take action in improving SMEs-graduate employment within the hospitality industry. The study reveals a mismatch between hospitality industry requirements and the outputs of the educational system. Participants claimed that SMEs employment could be inappropriate to their level of credentials, however make substantial use of their competencies acquired in the course of their studies (Brennan *et al.,* 2009). The more robust studies (Holden *et al.,* 2002; Harvey, 2001) suggest that graduates are not equipped with interpersonal skills and are lacking in business sense. This raises questions about whether hospitality HE is producing graduates well prepared for the 'world of work' and meets the demand from employers. It is believed that SME employers are unconvinced of the 'completeness' of graduate knowledge and its relevance to the small business setting. This evidence reconfirms the arguments raised that graduate skills and competencies are insufficient to meet the needs and wants of the industry (Brown and Hesketh, 2004). However, there is evidence that supports graduate contributions to SME success. For example, Johnson and Tilley (1999) highlighted the importance of graduate skills, increase in the intellectual capacity of the workforce and knowledge on the basis of improved SME performance. This raises a question about the way hospitality curriculum is designed and delivered. Given the fact that HE is itself in a state of transition, the findings can be applicable outside the hospitality industry boundaries. Different sectors and type of degrees could face similar dilemmas about SMEs employment.

Thirdly, there are some implications for policy-makers. It is evident that SMEs have increasingly been targeted in policy rhetoric; however they have failed to provide meaningful insights into the uniqueness and complexity of the SME graduate labour market (Holden *et al.,* 2008). This study suggests that there is a need for general consensus amongst key stakeholders to address such failures in the graduate labour market. The development of policy interventions could play a critical role in addressing key issues identified in the demand and supply-sides. Indeed, it is unclear whether SMEs perceive that graduates lack certain skills required by the labour market or need different skills to perform effectively in their businesses. However, there is a long-standing debate suggesting that an increase in management and leadership capability within SMEs would allow such businesses to grow, improve graduate employment rates, and enhance the British economy (Sear, 2012; Atfield *et al.,* 2009).

The perceived mismatch between the demand and supply sides of SME employment could be a strong indication for such a mixed picture (Martin and Chapman, 2006). It could easily be assumed that many of the issues concerning graduate employment in SMEs are the same as those in the traditional recruiter of graduates: the large employer. However, SMEs should be treated as distinct from large firms (Holden *et al.,* 2002). There are fundamental differences between small and large firms, including the ownership structure, working conditions and day-to-day decisions. Large organisations are more bureaucratic than small businesses (Burns, 2007). SMEs have less structure and fewer formalities (Ahmadi and Helmes, 1997). What is important, however, is to recognise that the recruitment of new graduates into SMEs is characterised by a degree of complexity rather than uniformity (Yorke, 1999). More than a decade after this statement, the economic uncertainty has not modified hospitality students and SME actual perception. What is clear is that SME employment is characterised by considerable uncertainty about its role in providing graduate career opportunities within hospitality industry. Nevertheless, the findings could be replicated

outside the hospitality boundaries and contribute more generally to the literature on graduate SMEs employment.

This study has addressed an area of graduate employability which is currently under researched. The findings reconfirm longstanding questions about the relationship between universities, graduates and SMEs. As highlighted by CBI (2010) the importance of the SME sector is vital to economic recovery. Therefore, further research actions should be taken to investigate the appropriateness of hospitality curriculum in promoting SME employment, as well as to identify those extrinsic and intrinsic factors which inhabit graduate career decision making. As a consequence, this study highlights the importance of collaborative research between key stakeholders in SME graduate employment in order to address the current situation from a new and innovative perspective.

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