

Training entrepreneurs and small business enterprises in South Africa: a situational analysis

Gideon Nieman

Abstract

Gives an overview of the contents of entrepreneurship and small enterprise training in general as well as the specific objectives of these interventions in the South African situation. Briefly covers the problems found and highlighted by researchers in the 1990s and assesses whether the problems or deficiencies of the past are being addressed. Concludes that the training emphasis of small, medium and micro-enterprise service providers in South Africa still seem to be more on conventional training than entrepreneurial training. Also concludes that entrepreneurship and business training are confused as being similar. It is recommended that training interventions should be monitored to determine those that are the most successful and appropriate for the South African situation.

Keywords

Training; Entrepreneurialism; Small firms; South Africa.

Introduction

Small, medium and micro-enterprise (SMME) development was identified by the new Government as a priority in creating jobs to solve the high unemployment rate in South Africa. Presently South Africa's unemployment figure stands at 32 percent. In other words 4.6 million people out of a possible economic active population of 14.32 million are unemployed (Republic of South Africa, 1996a, p. 48). The growth of the labour force in South Africa is about 2.8 percent per annum. An average annual real economic growth rate of approximately 6 percent per annum will be required to keep pace with labour force growth. A growth rate of 3.2 percent is expected for the year 2000 (Sake Beeld, 1999, p. 3) which is well below the required rate.

The Government recognises the importance of developing a strong SMME sector. Today it is internationally accepted and acknowledged that the SMME sector is an essential factor in promoting and achieving economic growth and development and the widespread creation of wealth and employment. To further this a Small Business Act was promulgated in 1996 (Republic of South Africa, 1996b).

It is rather a feather in the cap of the new Government to do this in such a short space of time. In more than 300 years successive governments failed to give this particular impetus and status to SMMEs. The emphasis of the Government's strategy is however primarily on the development of SMMEs in the previously disadvantaged communities. Previously disadvantaged communities refer to those sections of the population who have been disadvantaged by the apartheid and separate development policies of the past.

The objectives of this paper is to give an overview of the objectives and content of entrepreneurship and SMME training and to assess the current role players and situation in South Africa as well as the problems found and highlighted by researchers in the 1990s. The study comprises desk research of recent publications in training of entrepreneurs and SMMEs particularly in South Africa.

Entrepreneurship and SMME training: objectives and content

Kroon (1997, p. 172) states that entrepreneurship education should be directed at the preparation of individuals who can be change agents for the next decade, simultaneously providing the much needed entrepreneurs required in South Africa. Entrepreneurship and small enterprise training can be approached from different angles. The main areas of concentration are business skills training, technical skills training and entrepreneurial skills training.

Business skills training covers all the conventional management training areas in a business. Technical skills training is to address the ability to use knowledge or techniques of a particular discipline to attain certain ends.

Entrepreneurial training involves the birth and growth of a business enterprise and includes among other entrepreneurial traits creativity and innovation, risk propensity and

need for achievement. Business training is formal training that covers all aspects of management.

Entrepreneurial skills training is defined by Wickham (1998, p. 41) as the skills which enhance entrepreneurial performance. A skill is simply knowledge which is demonstrated by action (Wickham, 1998, p. 41). Wickham identifies general management skills (strategy, planning, marketing, financial, project management and time management) and skills in dealing with people (leadership, motivation, delegation, communication and negotiation) as the skills required. He adds industry knowledge and personal motivation as other factors in the entrepreneurial performance formula. Successful entrepreneurs must not only use these skills but learn to use them and from using them.

To achieve economic growth in South Africa the country needs entrepreneurs who perform and achieve growth. It is only then that employment opportunities will be created. The difference between entrepreneurial ventures and small business is well documented in entrepreneurship literature. The model for entrepreneurship education and training developed by Van Vuuren and discussed later in this paper, is aimed at this entrepreneurial performance as such and is a proposed model for syllabi/curriculum design.

South Africa is referred to as the “rainbow nation” mostly due to its diversity in people, cultures, languages and religion. It is therefore necessary that this diversity be considered in the development and presentation of entrepreneurship education and training interventions. The discussion of research of entrepreneurship and SMME education and training in South Africa (see later in this paper) highlights many aspects which should also be considered in the development of training interventions for the South African situation.

Current situation and role players

Entrepreneurship and small enterprise training in South Africa is fragmented with a proliferation of role players involved namely government agencies, NGOs, community based organisations (CBOs), individual entrepreneurs, foreign donor agencies to tertiary institutions. Kalashe (1996, p. 9) estimated at least 9395 individual SMME support

agencies in South Africa. The Gauteng Directory of SMME Service Providers (c1998) lists 113 service providers involved in business, technical and administrative training. Gauteng is one of the nine provinces in South Africa and is regarded as the economic hub of South Africa.

It is essential to discuss the activities of the main role players in education and training of entrepreneurs and SMMEs in South Africa as well as what they offer to get a picture of the current training situation in South Africa.

Government, individuals, NGOs and CBOs

The National Small Business Act of 1996 opened the way for the Department of Trade and Industry to address SMME development in South Africa. This act came about after the publication of the “White Paper on National Strategy for the Development and Promotion of Small Business in South Africa” and the first “President’s Conference on Small Business” in March 1995 (Republic of South Africa, 1995). Some of the recommendations of the White Paper and the President’s Conference in respect of training were:

- Training courses should be modular and relevant to the needs of sectors and target groups.
- More attention needs to be given to the training of trainers, the better co-ordination of training services to avoid duplication, and research and training methods.
- Local business service centres (LBSCs) should be used as training network agencies.

One particular input from Cooley (c1995, p.30) stressed the adoption of a demand-driven approach to business training. He stated that it:

...is most easily served when training is provided by competing institutions each possessing the incentive to identify and meet the education and training needs of small business.

The department through the Centre for Small Business Promotion is responsible for all policies relating to SMMEs – support programmes directly and indirectly assisted by government. Ntsika Enterprise Promotion Agency is tasked with the delivery of non-financial support services to SMMEs. Ntsika does this mainly with the help of a number (presently 97) of LBSCs which are accredited country-wide to give support to SMMEs.

The LBSCs could be private, NGOs or CBOs. The task of LBSCs is to facilitate the delivery of efficient and high quality non-financial support services to SMMEs throughout South Africa. Among the services provided by LBSCs are training, counseling and business planning. Recently many of these LBSCs also became retail financial intermediaries for Khula Enterprise Finance Limited (a government non-profit company) to offer micro loans to entrepreneurs. Although these LBSCs seem to be delivering on grassroots level the success of these institutions and/or their training interventions has not yet been determined through research.

Tertiary institutions (Universities and Technikons)

Tertiary institutions only started presenting entrepreneurship during the early 1970s in the USA. Today more than 1,000 universities and colleges are presenting courses in entrepreneurship compared to 50 in 1975, 117 in 1979, 263 in 1983, and 417 in 1986 (Timmons, 1994, p. vii). Kao (1989, p. 35) ascribes this to the realisation that new job opportunities are mainly created by small business. In South Africa this paradigm shift took place at the end of the 1980s. The result was that the presentation of entrepreneurship as part of business management started at the beginning of the 1990s (Kroon, 1997, p. 172).

According to Sexton and Kasarda (1992) entrepreneurship education lacks an accepted paradigm or theories which can assist the trainer and educator to include material which will as Timmons (1994) reports:

- convince the student to become actively involved in entrepreneurship;
- understand the dynamic world of entrepreneurship; and
- slow down the reality shock of the real world by means of formal tuition.

Institutional training still focuses primarily on the training of management skills. Most universities and technikons (similar to the old UK polytechnics) in South Africa have centres for entrepreneurship and/or small business management where certificate courses in various aspects are offered. These courses run from one day to a year depending on the contents. The Potchefstroom University (arguably) through its Small Business Advisory Bureau most probably offers the widest selection of 45 courses ranging from general management to specialised courses in restaurant management and butchery management. Technikon South Africa was the first tertiary institution to introduce a three year National Diploma in Small Business in 1996 in South Africa. This course is also presented by eight other technikons but Technikon SA remains the “parent” institution responsible for the curriculum development.

The Department of Business Management at the University of Pretoria, used the model developed by Van Vuuren namely $E/P = f(M(E/s \times B/S))$ in the development of their curriculum for a new bachelors degree in entrepreneurship (the first such degree in South Africa) (Van Vuuren and Nieman, 1999). In this equation E/P = entrepreneurial performance, M = personal motivation, E/S = entrepreneurial skills and M/S = managerial skills. It is believed that this model will address the problem highlighted by Sexton and Kasarda (1992). However the results of this program will only be seen after a number of years.

It is expected that during and at least after completion of the three year degree course, the students will move into two main streams into the economy as set out in **Table I** below. From the table it can be seen that the primary objective of the course is to encourage entrepreneurship and intrapreneurship in the economy but as a secondary objective it will provide a source of knowledgeable people who can work in the entrepreneurial enabling environment in South Africa.

Table I Possible "outcomes" of students

Objectives of course	Employment possibilities
<i>Primary</i>	
Create entrepreneurs	<ol style="list-style-type: none"> 1. Become entrepreneurs for own account 2. Become intrapreneurs in major corporations
<i>Secondary</i>	
Entrepreneurship/small business councillors	<ol style="list-style-type: none"> 1. Own consultation (entrepreneurial) 2. Department of Trade and Industry 3. Small business counseling (banks and development corporations) 4. NGOs and CBOs – management 5. Training and development 6. Education

Source: Van Vuuren and Nieman (1999)

Foreign donor agencies

A number of foreign donor agencies such as USAID are also involved in mainly the upliftment of the previously disadvantaged communities. Some run their own programmes but the most are offering interventions through existing NGOs and CBOs. Most of these interventions were developed in the USA or Europe and adapted for the South African situation.

Private sector and individuals

The need for entrepreneurship education and training has in itself created entrepreneurial opportunities in the market place resulting in many individuals and enterprises offering courses. The downsizing of major firms and the resultant retrenchments and/or outsourcing has also created opportunities for training of these people to be self employed. A number of programmes are offered specifically for retrenched people.

Most large firms have set aside funds for their social responsibility which are then channeled to any of the training institutions or role players for community projects in particular. Quite a number of these community projects would be entrepreneurship and small business training. Most South African universities expect their lecturing staff to do some form of community work as part of their duties. Quite often a specific community in

the catchment area of the particular university and the particular sponsoring firm are targeted for training in entrepreneurship.

Research on entrepreneurship and SMME training in South Africa

Specific research on entrepreneurship and SMME training in South Africa is rather limited. The aspect of training is often only discussed as part of other studies on the SMME sector.

Some of the findings, conclusions and recommendations of research papers in training of SMMEs in the 1990s are listed below. Many of these recommendations must be read keeping in mind the diverse nature of the South African population in respect of skin colour, tribes, languages and religion:

- The training emphasis in most service providers seems to be more on conventional management training than entrepreneurial training (Ladzani, 1999, p. 70).
- Any training programme that addresses the daily running of a business should be adapted for the different cultural groups (Mazibuko *et al.*, 1996, p. 12).
- The training needs of those people in the informal business sector (mostly micro enterprises) are very different to those in the more sophisticated ones (Hirschowitz *et al.*, 1991, p. 31).
- The training that is available tends to be concentrated on commerce and services with little on training for market related production (De Waal, 1997, p. 12)
- Small business training must be closely related to the small business environment and not based on the management of large enterprises (Govender, 1991, p. 326).
- Small business educators/trainers need to be sufficiently aware of African cultural issues, particularly in the rural areas where traditional knowledge shared values, attitudes and beliefs exist (Smets, 1996, p. 182).
- For the training of small business enterprises to be effective, it must be kept simple. Small segments of on-going, hands-on type training, that allows trainees to participate and discuss business matters of mutual concern, would seem to provide the best results (De Waal, 1997, p. 16).

- The trainers must ideally have had business experience, be supportive towards the trainees and preferably speak their home language (De Waal 1997, p. 16).
- The proliferation of training institutions and courses which could be relevant to SMME entrepreneurs are often the result of a supply driven approach than based on the needs of the entrepreneurs themselves (Bezuidenhout, 1996, p. 11)

Conclusion

This situational analysis reveals that training of entrepreneurs in South Africa is still rather fragmented and most probably in the hands of too many role players whose aims and objectives are quite often far removed from what the literature expects or demands.

The training emphasis in most SMME service providers still seems to be more on conventional management training than entrepreneurial training. Ladzani (1999, p.70) found that there are a number of institutions that claim to provide entrepreneurship training whereas it is mainly business training and that entrepreneurship and business training are confused as similar. Training interventions aimed at personal motivation and entrepreneurial skills are still rather the exception than the rule.

Except for a small number of standardised interventions such as the International Labour Organisation's "Start your Business" and "Improve Your Business" programs which requires specific accreditation, there is little standardisation or quality control. It is virtually a "free for all" situation. This problem will be overcome to a great extent with the introduction of the South African Qualification Authority which requires all courses to be registered and to fit into the National Qualification Framework. This embraces the concept of lifelong learning.

Although the White Paper envisaged much more coordinated training of entrepreneurs and SMMEs it is clear from some of the recent research findings after the introduction of the new Government initiatives, that it is still not happening. This should be addressed by government to ensure entrepreneurial activity and growth. It is also imperative that the results of training interventions be measured and researched to determine the best interventions that should and can be used.

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